FERC Docket No. RM21-17 – Transmission Planning and Cost Allocation

Consensus Cost Management Proposal

The signatories express general support for long-term multi-benefit transmission planning and the proposals in the RM21-17 NOPR. We also believe that prudent transmission cost management is essential for successful transmission development and for FERC to carry out its statutory responsibility. The signatories further recognize that there is a risk of meaningful cost escalation from the date a project is approved for cost allocation purposes until the date on which construction begins, given the time it may take to secure needed state, federal and local approvals. With that in mind, the parties call for FERC to require in the final rule that Transmission Providers in their compliance filings propose protocols providing for cost management and critical decision-making throughout the period leading to a project's construction. These protocols must provide for reconsideration of a project where cost and benefit projections deviate substantially from those upon which projects were approved for cost allocation.

Features of an acceptable program may include the following:

- Sponsors of all projects approved by a region for cost allocation will be required to file and post public reports at periodic intervals tracking anticipated project costs against projections upon which projects were approved, and updated information on the benefits of the projects (where projects have been approved on the basis of a benefit-cost ratio). Regional planning entities will be required to track and post those reports.

- Where periodic reports indicate that costs have exceeded an identified threshold percentage, or (where projects have been approved on a benefit-cost ratio basis) the benefit-cost ratio upon which a project has been approved declines by an identified threshold percentage, a public process will be initiated to reconsider designation of the project for cost allocation. That process will consider the following parameters:
    - An acceptable threshold for such reconsideration may be 25% or more (consistent with a Variance Analysis in MISO's Tariff (Attachment FF, Section IX.C).

    - Where projects have been initially approved on the basis of a benefit-cost ratio, reconsideration will not be undertaken where projects continue to show a benefit-cost ratio above the initially acceptable threshold for approving a project. Benefits shall be assessed using the same methodology as was used for initial approval, but with updated inputs such as fuel costs and market prices.

    - Reconsideration will not be undertaken for the purpose of reexamining support for the determination of benefits that underlie the basis on which projects were initially approved.

- Sponsors of identified projects which are subject to reconsideration will be permitted to present mitigation plans or further argument in support of the project.

- Review will be available under these procedures until construction of the relevant project begins (i.e., the physical site for the proposed project has been altered).

- Where a project has been cancelled pursuant to these procedures, the project sponsors will be eligible for abandoned cost recovery consistent with FERC policy, absent a showing of imprudence.

- The foregoing processes will be administered by regional planning entities (RTOs/ISOs, where they exist) that have assumed responsibility for administering project selection and cost management. Where such organizations have not assumed such responsibility, reconsideration of approved projects will be undertaken in regional stakeholder processes convened to comply with the planning and cost allocation rule. In either case, review of decisions made at the regional planning level will be undertaken by the Commission upon petition.

Where RTOs/ISOs have existing cost management protocols in place, they may demonstrate in compliance filings responding to the Commission's rule that they are consistent with or superior to the *pro forma* requirement.