



# FERC's Regional Planning and Cost Allocation Rule

## WHAT DID FERC DO?

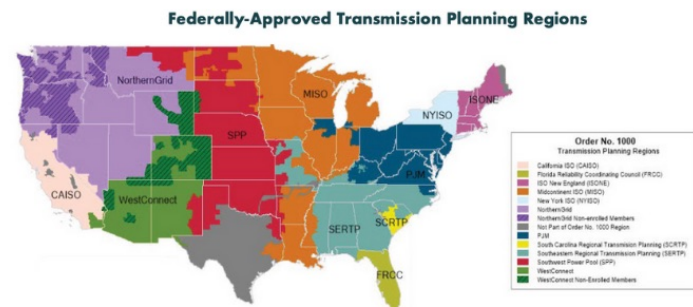
After more than two years of consideration, the Federal Energy Regulatory Commission (FERC) finalized its long-term regional transmission planning and cost allocation rule on May 13, 2024.

## WHY IS IT NEEDED?

Nearly all aspects of modern life depend on a robust and reliable power grid. However, FERC's last major update to transmission planning policies — Order No. 1000 — came more than a decade ago, and the energy grid is in a much different place today.

America must expand, integrate, and modernize our grid for many reasons, including to:

- Increase energy reliability
- Lower electricity costs for customers
- Improve physical and national security
- Unlock economic development and create jobs
- Connect new clean generating sources to the grid
- Improve the standard of living for traditionally marginalized communities
- Increase U.S. competitiveness

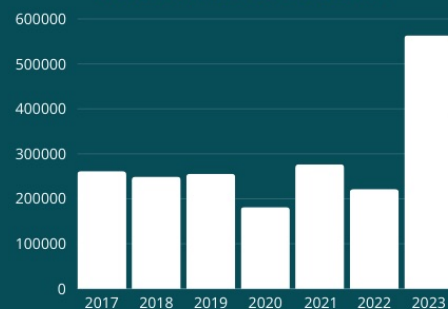


## DID YOU KNOW?

*Power demand is surging, and expected to nearly double in the next five years.<sup>1</sup> The rise of artificial intelligence and data centers, the onshoring of manufacturing, and increased electrification are major factors influencing this rising demand.*

*However, our grid — much of which was built in the 1950s and 1960s with a 50-year lifespan<sup>2</sup> — is not well-equipped to handle new demand. We need a 21st century grid that can keep up, without raising prices for customers or compromising reliability.*

### Projected New Energy Demand in North America Doubles



Source: North American Electric Reliability Corporation

The U.S. is divided into nearly a dozen transmission planning regions, which are responsible for transmission strategy, project development, and grid management. Planning is most effective when done regionally, which is bigger than one electric utility's footprint and spreads the costs of new infrastructure throughout the region.

This new rule, which bolsters long-term planning requirements and lays out what constitutes benefits of a reliable grid, helps grid planners and operators more efficiently and reliably meet the transmission needs of the coming years.



## WHAT DOES THE RULE DO?

Transmission planning and development can take many years to complete. To meet the electricity needs of the future, we need to start planning transmission now.

However, since Order No. 1000 went into effect, time has shown that FERC's existing regional transmission planning and cost allocation requirements are not supportive of developing a modern grid. Reforms included in FERC's latest rule look to fill some existing gaps by requiring public utility transmission providers to:

- Identify transmission needs based on changing power sources and potential extreme weather events through long-term scenario planning;
- Evaluate the benefits of regional transmission infrastructure to meet these needs over at least a 20 year period;
- Establish transparent and fair criteria to allocate the costs of selected transmission projects in regional transmission plans in a way that reflects the benefits that ratepayers receive; and
- Ensure fair and reasonable electricity rates for those who benefit from new transmission projects, as well as require transmission providers to periodically file cost allocation reports tracking anticipated costs against initial projections.

**SCAN THE  
BARCODE TO  
READ THE  
FINAL RULE**

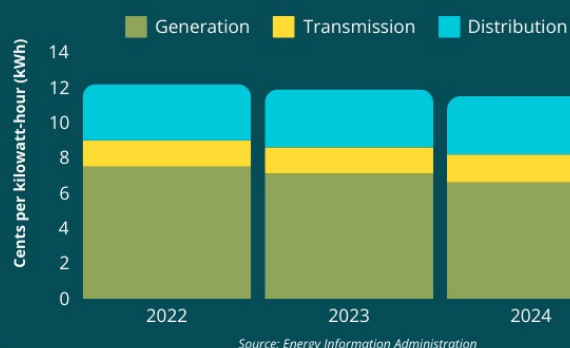


## WHAT DOES THIS MEAN FOR MY ENERGY BILL?

*More than a quarter of Americans face high electricity cost burdens. Well-planned transmission is key to creating access to more cost-effective energy resources, which can lower electricity bills.*

*A typical energy bill is divided into three parts: generation, transmission, and distribution. However, transmission only makes up a small percentage of the total. In fact, even with the costs of building new transmission lines, investing in well-planned transmission could reduce the average household's electricity bill by \$300 each year.<sup>3</sup>*

### Electricity Bill Breakdown: 2022-2024



## WHAT COMES NEXT?

Due to the potential for rehearing and future legal challenges, the timeline for when grid operators will need meet the new requirements is not entirely certain. However, barring any delays, grid operators will likely need to submit compliance tariffs in the spring of 2025, with the first planning cycle to begin no later than the spring of 2026.

1. Wilson, John and Zach Zimmerman. "The Era of Flat Power Demand is Over." (December, 2023).  
 2. American Society of Civil Engineers. "Policy statement 484 - Electricity generation and transmission infrastructure." (July, 2023).  
 3. Clack, Christopher T.M., et al, "Consumer Employment, and Environmental Benefits of Electricity Transmission Expansion in the Eastern U.S." (October, 2020).