



Order No. 1920

Regional Planning and Cost Allocation Rule

What is Order No. 1920?

In May 2024, the Federal Energy Regulatory Commission (FERC) finalized its long-term regional transmission planning and cost allocation rule to strengthen the grid to meet future demand.

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 requirements — Order No. 1000 — came more than a decade ago. The energy grid is in a much different place today: new customer demands are rising fast and are expected to double by 2028; the generation resource mix is changing due to utility goals, corporate commitments, and state laws; and extreme weather creates challenges in keeping the lights on.

The U.S. is divided into a dozen transmission planning regions. Effective planning spans beyond individual utilities, distributes costs regionally, and can save customers up to \$300 per year, compared to energy development without adequate planning.

Order No. 1920 bolsters long-term planning requirements, specifies the economic and reliability benefits of a resilient grid, and provides flexibility to regions to ensure the grid is able to meet future energy needs efficiently.

What is in the rule?

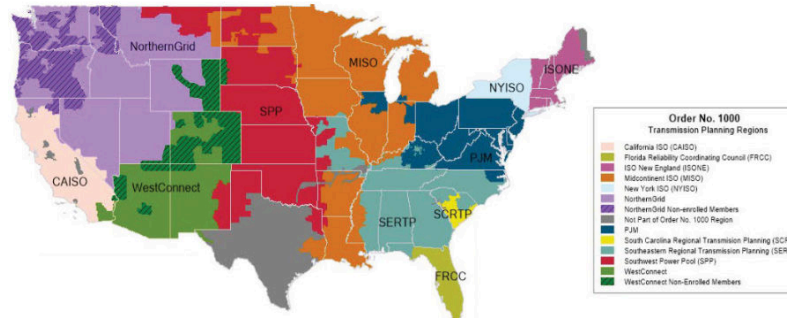
Transmission planning and development can take many years to complete, so forecasts of energy supply and demand should be robust and planning must begin now.

FERC's latest rule requires transmission operators to:

- Produce a 20-year regional transmission plan to identify long-term needs and facilities.
- Conduct planning every five years using at least three diverse scenarios with the best available data.
- Apply seven specific benefits to assess the efficiency and cost-effectiveness of regional proposals.
- Allow states and interconnection customers to fund transmission facilities that don't meet selection criteria.
- Reevaluate selected transmission facilities if there are delays or cost overruns.
- Consider the use of Grid Enhancing Technologies.

Due to potential legal challenges, the timeline for compliance is uncertain. However, barring delays, grid operators must submit compliance tariffs by spring 2025 and begin the first planning cycle in spring 2026.

Federally-Approved Transmission Planning Regions



SCAN THE
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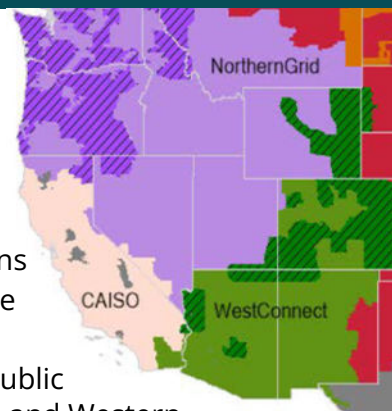
Transmission in the Western United States



Transmission planning in the western U.S. involves several regional entities:

- The California Independent System Operator (CAISO),
- NorthernGrid, which covers the Pacific Northwest and Intermountain West, and
- WestConnect, which serves the Southwest.

CAISO also administers an organized electric wholesale market, or Regional Transmission Organization (RTO), providing significant transparency into pricing and other grid conditions within California. On the other hand, WestConnect and NorthernGrid each include multiple Balancing Authority Areas with separate utilities, which are rate-regulated by state commissions, including transmission costs attributable to customers in that state. Large public marketing administrations throughout the West, such as Bonneville Power Administration and Western Area Power Administration, are not required to plan transmission under FERC rules. Transmission development in the West is further stymied by long permitting times on federal lands, taking more than a decade to receive a record of decision.



Source: FERC

Recently, new efforts in the West have developed to support transmission planning: the Western Transmission Expansion Coalition (WesTEC) is comprised of utilities, public power, and other interested parties seeking to plan new transmission, and the Western State Regulator Transmission Initiative (WSTI) is made up of commissioners evaluating issues related to transmission planning and cost allocation. To comply with FERC's standards, any processes developed by these efforts must be consistent or superior to the requirements in Order No. 1920.

ORDER NO. 1920 COMPLIANCE

CAISO

- CAISO's transmission planning process has many of the elements needed to comply with Order No. 1920
- The required factors for planning and benefits for project evaluation and selection should be reviewed for consistency with CAISO's tariff
- Keep an eye on congestion and curtailment in the region
- Aligning cost allocation methods, definitions, and data sets with NorthernGrid and WestConnect could help facilitate interregional planning

NorthernGrid & WestConnect

- Must increase 10-year planning to 20 years, and the regions must proactively plan for FERC's seven factors
- Robust scenario-based planning must take place at the regional level
- Scenarios should include independently-developed transmission facilities that have met certain milestones
- Aligning cost allocation methods, definitions, and data sets would help facilitate interregional planning in the Western Interconnect
- Benefit calculations as proposed in Order No. 1920 must be adapted to Western markets, and definitions coordinated throughout the region to establish uniform benefit-cost metrics
- As a multi-state planning region, a State Agreement Process would be useful for ensuring that projects selected in a long-term plan are not tied up with cost allocation disputes

Next Steps: 1) Transmission planning region staff propose revisions to the Open Access Transmission Tariff (OATT) with stakeholder input. 2) Relevant committees review the proposal. 3) Once approved, the transmission planning regions submit their tariffs to FERC for review and public comment. 4) FERC issues an order approving, modifying, or rejecting the changes. 5) If approved, the transmission planning regions implement the revised tariff, update documentation, and inform stakeholders. Barring delays, such as rehearing or legal challenges, grid operators will submit these tariffs by spring 2025, with the first planning cycle starting by spring 2026.