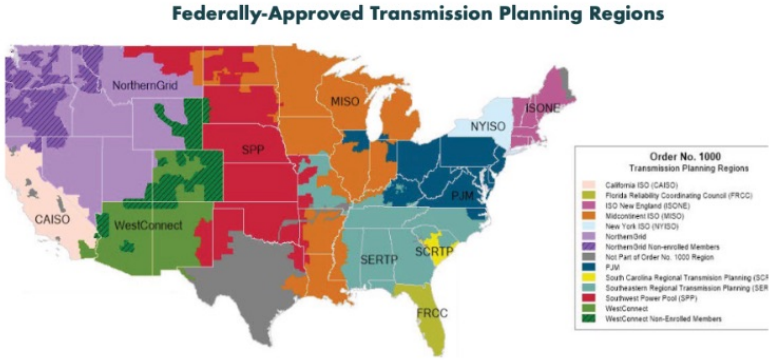
Americans for a Clean Energy Grid

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.

The U.S. is divided into a dozen transmission planning regions, each handling strategy, development, and grid management. Effective planning spans beyond individual utilities and distributes costs regionally.

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 IS IN THE RULE?

Transmission planning and development can take many years to complete. To meet future electricity needs, planning must begin now.

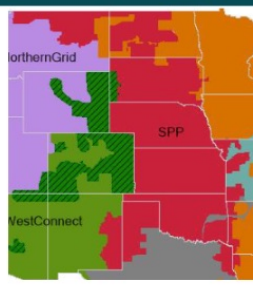
FERC's latest rule aims to address these gaps by requiring transmission operators to:

- 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.
- Include an evaluation process to select long-term regional transmission facilities.
- 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 rehearing and legal challenges, the timeline for compliance is uncertain. However, barring delays, grid operators will submit compliance tariffs by spring 2025, with the first planning cycle starting by spring 2026.

SCAN THE BARCODE TO READ THE FINAL RULE

Transmission Planning in SPP



Source: FERC

The Southwest Power Pool's (SPP) annual Integrated Transmission Planning (ITP), which is conducted on a 2, 5, and 10-year horizons, provides a structured framework for addressing transmission needs within the region. SPP also conducts a 20-year assessment once every five years for informational purposes.

Longer-Term Planning: SPP's planning process emphasizes reliability and economic considerations but may overlook some public policy aspects. The Regional Cost Allocation Review adds depth by evaluating the economic value of approved projects with expanded benefit metrics. SPP uses a portfolio planning approach to assess the efficiency of transmission lines by grouping projects for synergy and optimization. SPP's governance structure as an RTO ensures balanced decision-making, transparency, and extensive stakeholder engagement through various committees and working groups. The ongoing Consolidated Planning Process aims to improve transmission planning and generator interconnection.

ORDER NO. 1920 COMPLIANCE

What is SPP doing well?

- Conducts multi-value benefit analysis where it considers specific benefit metrics to measure the value and economic impact of the final portfolio of projects in its ITP assessment.
- In Order No. 1920, FERC states SPP's Highway/Byway cost allocation methodology gives historic flexibility to transmission providers. It can be adopted as SPP's backstop (ex ante) cost allocation method as long as it is used for all long-range project types.
- The Joint Targeted Interconnection Queue (JTIQ) process with SPP could result in a first-of-its-kind interregionally-planned portfolio.
- Consolidated Planning Process Task Force working on the consolidation of generation and interconnection.

What could SPP do better?

- Planning assumptions, futures, and overall outcomes are insufficient.
- Considers some but not all of the seven categories for scenario development required by Order No. 1920.
- Problem with some approved projects not being constructed. No remedy for projects that are awarded to incumbents but aren't constructed in a timely manner.
- Few merchant lines under development, and there is no consistent method for incorporating merchants in planning.
- Load forecasts underestimate growth. SPP is considering — and should adopt — a method that rigorously investigates and addresses potential load growth.

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.