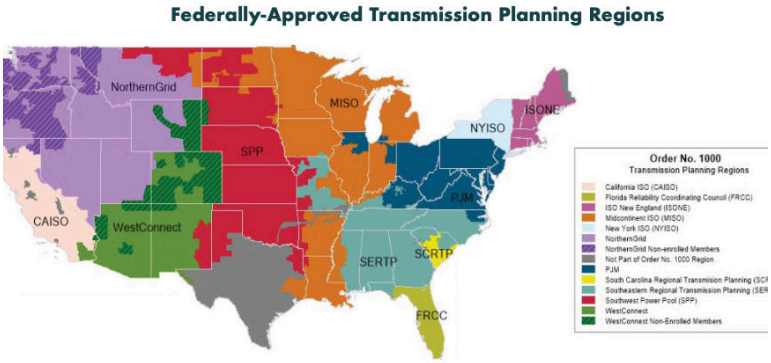
Americans for a Clean Energy Grid

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.

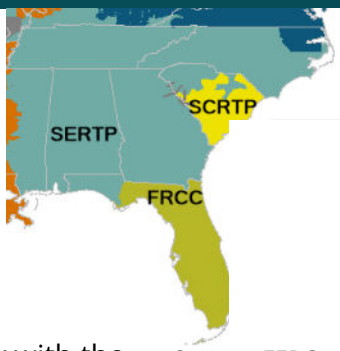
Due to potential rehearing and legal challenges, the timeline for compliance is uncertain. However, barring delays, grid operators will submit compliance tariffs by spring 2025, with the first planning cycle starting by spring 2026.

SCAN THE BARCODE TO READ THE FINAL RULE

Transmission Planning in the Southeast

The Southeast has three FERC Order No. 1000 regional transmission planning entities: Southeast Regional Transmission Planning (SERTP); South Carolina Regional Transmission Planning (SCRTP); and Florida Reliability Coordinating Council (FRCC).

While these entities are regionally organized to ensure the reliability and security of the electricity grid in their respective areas, they are not organized markets under FERC Order No. 1000 and are not responsible for operating competitive wholesale electricity markets.



Source: FERC

Bonus Idea:

Merging SCRTP into SERTP would enable more efficient tranmission planning.

Longer-Term Planning: Regions in the Southeast will need to comply with the fundamental requirements in Order No. 1920 – plan on a 20-year horizon, for a minimum of 3 scenarios based on the 7 factors provided and select projects for building on the basis that the 7 economic and reliability benefits outlined in the order exceed project costs.

Under FERC Order No. 1920, there is a robust new role for state commissioner participation that should be addressed, as well as *ex-ante* cost allocation that will need to be filed with FERC.

ORDER NO. 1920 COMPLIANCE

What is the Southeast Doing Well?

- Under existing rules, transmission providers outside Regional Transmission Organizations (RTOs), like in the Southeast, must provide for generator interconnection upgrades through transmission planning and development. Order No. 1920 generally applies that requirement to transmission providers in RTOs, too. The Southeast is well-prepared to comply.

What Does the Southeast Need to Change?

- Ensure data is transparent and accessible to interested parties with a non-disclosure agreement (NDA).
- Provide space for state commissioners – or staff whose commissioners are precluded based on *ex parte* concerns – to participate in regional planning. States should consider how to ensure that regional planning complements and coincides with their generation planning.
- Ensure independence of the regional transmission planner, whether through funding of central staff for the regional planning entity or through an independent third party. Department of Energy funding may be available to assist.

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.