

*FERC NOPR on  
Transmission Planning &  
Cost Allocation  
Summary of Comments*

by  
**John P. Buechler**

**IPTF Meeting  
Conference Call**  
*October 22, 2010*

---

## *Overview*

- ◆ **FERC NOPR on Transmission Planning & Cost Allocation**
  - ***Issued on 6/17/10 (Docket RM10-23-000)***
  - ***Comments Due: September 29, 2010***
  - ***Over 200 separate comments were filed***
  - ***Reply Comments Due: November 12<sup>th</sup>***
  
- ◆ **Following is a summary of the comments filed by NYISO, ISO-NE and PJM and other stakeholders within these three regions**

# *Regional Planning*

- ♦ FERC proposes to require that all transmission providers have a transmission planning process in place that meets Order 890's nine Planning Principles and includes development of a comprehensive system plan (P 50)

## **Comments:**

- NYISO, PJM and ISO-NE are already compliant with Order 890's Planning Principles for reliability & economic projects and should not have to re-justify their compliance
- ISOs support IRC comments that existing ISO/RTOs are considered "regions" for the purpose of this NOPR
- NYSPSC:
  - *Supports the NYISO's existing planning process*
- NEPOOL, NESCOE & NECPUC:
  - *Generally support the existing ISO-NE planning process*
- NGrid:
  - *ISO-NE's regional planning process is, in many ways, a "model process" that reflects the objectives of the NOPR*

# *Public Policy Driven Projects*

- ◆ FERC proposes to require a tariff amendment to explicitly provide for consideration of public policy requirements established by state or federal laws or regulations in local and regional transmission planning (P 64)
- ◆ Allows for regional flexibility in meeting this requirement (P65)
- ◆ Not intended to infringe on state authority (P69)

## **Comments:**

- NYISO & ISO-NE: Support regional flexibility
- NYISO: Already has mechanisms to “consider” public policy
- NYSPSC: NYISO existing process is adequate and should not be changed
- NYTOs: Support NYISO’s process and regional flexibility
- Con Ed: Existing NYISO process is fully compliant w/ NOPR
- LIPA: FERC should recognize LIPA BOT’s public policy decisions
- NGrid: Neither NYISO nor ISO-NE expressly provides for consideration of public policy needs
- PSEG: Public Policy planning should not be adopted
  - *Challenges FERC’s legal authority to mandate public policy planning*
  - *Proposal to favor renewable resources is discriminatory under FPA*
  - *FERC is getting ahead of the states with this proposal*

---

# *Public Policy Driven Projects*

- ◆ *“Identification” of public policy requirements*

## **Comments**

- **NYISO:** This is the province of state and federal authorities
- **ISO-NE:** Regional State Committee specifies
- **NEPOOL:** Supports regional flexibility and “considerable deference to the states”
- **NESCOE & NECPUC:** State energy efficiency programs should be “more fully” reflected in ISO-NE load forecast
- **NETOs:** Additional work needed to address renewable integration
- **PJM:** The Public Policy planning requirement should be triggered by a federal or state policymaker’s “clear articulation” of criteria and metrics that can be implemented

# *Non-Incumbent Transmission Providers*

- ◆ **FERC proposes the elimination of right-of-first refusal (“ROFR”) tariff provisions for incumbent transmission providers with respect to building proposed facilities that are included in a regional transmission plan (P 93)**

## ***Comments:***

- **NYISO is already compliant: There is no “ROFR” in NYISO’s Tariffs**
  - *Supported by NYTOs*
- **ISO-NE: Primary reliance on TO’s for backstop reliability projects**
  - *NGrid: removal of ROFR in New England could disrupt its existing planning process*
- **PJM: Preserve TOs obligation and rights for reliability projects**
- **PJM TOs/PSEG:**
  - *Opposed to the elimination of the ROFR*
  - *Challenge FERC’s legal authority to do so*

# *Non-Incumbent Transmission Providers*

- ◆ **Other proposed requirements include:**
  - *Qualification criteria for participation (P90)*
  - *Transparent evaluation process (P92)*
  - *Right to resubmit; right to develop (P 95)*
  - *Comparable rights to cost recovery (P 96)*
  
- ◆ **Comments:**
  - **NYISO, ISO-NE and PJM:**
    - *Support need for qualification criteria*
    - *Support IRC comments that a new “ROFR” right should not be created for non-incumbents*
  
  - **NYTOs & N Grid:**
    - *NYISO current planning process is non-discriminatory: all developers have the same opportunity to propose projects*
    - *Non-incumbents should satisfy same requirements as TOs*

# *Interregional Planning*

- ◆ FERC proposes to require each transmission provider to enter into bilateral planning arrangements with each of its neighboring regions within its Interconnection (P114)
- ◆ Must file interregional planning agreements with FERC (P120)
  - *Proposed specific requirements for such agreements including a formal procedure to identify and jointly evaluate facilities to be located in both regions*

## **Comments:**

- **NYISO:**
  - “Northeast ISO/RTO Coordination of Planning Protocol” *previously found to be compliant with Order 890’s (Inter-) Regional Planning principle*
  - Will build on the existing Protocol as needed
- **NYTOs:**
  - Acknowledge the Northeast Protocol but state that further development is “reasonable”;
  - FERC should establish a reasonable timeframe and provide for status reports



# *Interregional Planning*

- ***NGrid:***
  - NY and NE could “benefit from greater collaboration”
  
- ***ISO-NE:***
  - Already largely in compliance
  - Seeks flexibility on how to “jointly evaluate” facilities
  
- ***NEPOOL:***
  - Supports a “bottom up” approach to interregional planning
  
- ***NESCOE & NECPUC:***
  - Supports a bottom up approach
  - Projects in one region should not be involuntarily imposed on another region
  
- ***NETOs:***
  - Northeast Protocol is a good starting point
  - Is an additional agreement needed?

---

# *Interregional Planning*

- ***PJM:***
  - Seeks clarification whether “preserving regional differences is more important than promoting interregional planning.”
- ***PSEG:***
  - PJM and NYISO have made limited, albeit slow, progress towards coordinated planning
  - More is needed to address “seams” barrier between NYC and Northern NJ
  - Significantly different planning rules between PJM and NYISO frustrates any efforts to resolve cross-border planning and seams issues

## *Cost Allocation: Proposed Reforms*

- ◆ **More closely align the transmission planning & cost allocation processes (P156)**
- ◆ **Every transmission provider must have a cost allocation mechanism and methodology in its tariff for facilities included in its transmission plan (P159)**
- ◆ **Cost allocation methods may differ for different types of facilities (e.g. – reliability, economic, public policy) (P160)**
- ◆ **Each transmission provider to develop a method to allocate the costs of interregional facilities (P161):**
  - *Between two regions; or*
  - *Among beneficiaries within the two neighboring regions*
- ◆ **FERC provides principles that all cost allocation procedures must meet (P 162)**

# *Cost Allocation: Intra-regional*

- ◆ Cost allocation to be “roughly commensurate” with estimated benefits
- ◆ No costs allocated to those who receive no benefits
- ◆ B/C threshold, if used, may not exceed 1.25
- ◆ Costs totally allocated within the region
  - *Unless an external entity agrees to share voluntarily*
- ◆ Process must identify consequences in other regions
  - *May include cost allocation for any upgrades*
- ◆ Transparent and documented process
- ◆ Different allocation methodologies allowed for different types of facilities

## **Comments:**

- **NYISO:**
  - *NYISO already compliant for reliability & economics*
    - *Con Ed & LIPA: Supportive*
  - *Support “beneficiaries pay”*
  - *Support regional flexibility*
  - *Seek clarification that NOPR does not require cost allocation process for public policy projects*
- **NYSPSC:**
  - *Preserve state jurisdiction for transmission ordered by state*
  - *B/C cap of 1.25 is too low*
- **LIPA:** *Opposes a single methodology for public policy projects*

# *Cost Allocation: Intra-regional*

- **NGrid:**
  - *Supports beneficiaries pay*
  - *NY and NE tariffs have cost allocation rules that address many, but not all, of the NOPR proposed requirements (e.g. Not public policy)*
  - *Supports up front cost allocation for all categories of transmission projects—including public policy*
  - *FERC should not require “one size fits all” for public policy*
  - *Critical of NYISO’s “super majority” voting requirement*
  - *Supports 1.25 B/C threshold cap for economic projects*
  - *The super-majority voting requirement should not apply to projects that exceed the 1.25 B/C threshold*
  
- **ISO-NE:**
  - **Support beneficiaries pay**
  - **Support existing cost allocation methodology**
  
- **NEPOOL:**
  - **Supports existing ISO-NE cost allocation methodology;**
  - **Supports regional flexibility;**
  - **Comparison with non-transmission alternatives**
  
- **NETOs:**
  - **NE needs to focus attention on cost responsibility for public policy projects**

# *Cost Allocation: Intra-regional*

- ***PJM:***
  - Supports beneficiaries pay; but opposes physical location requirements
  - Express concern that NOPR may intend a departure from “but for” pricing for public policy projects & if so, asks FERC to provide guidance on how to change existing interconnection cost allocation procedures
- ***PSEG:***
  - Supports beneficiaries pay
  - Supports a voting mechanism for non-reliability projects
  - Supports 1.25 B/C threshold cap

# *Cost Allocation: Interregional*

- ◆ Transmission providers in each pair of neighboring regions to develop a mutually agreeable cost allocation methodology for a transmission facility located in both regions for inclusion in each region's tariff (P172)
- ◆ Principles are similar to intra-regional cost allocation, except:
  - *Costs may be assigned only to regions where the facility is located*
  - *Costs cannot be assigned involuntarily to a region in which the facility is not located*
- ◆ FERC will not propose a uniform methodology (P165)
- ◆ If region(-s) cannot agree, FERC will decide (P166)
- ◆ Principles do not prohibit voluntary participant funding (P 168)

## **Comments:**

- **NYISO:**
  - *Support Beneficiaries Pay*
    - *Costs only allocated to regions in which the facility is located*
    - *No costs can be involuntarily allocated to other regions*
  - *Support for requiring participation in a regional planning process as a pre-requisite for cost recovery*
  - *Support regional flexibility*
  - *Support voluntary processes*
  - *Caution FERC against imposing a mandatory inter-regional cost allocation methodology*

# *Cost Allocation: Interregional*

- ◆ **NYTOs:**
  - Should require consistency with inter-regional cost allocation principles in NOPR
  - Oppose requirement to negotiate an up-front generic cost allocation methodology
- ◆ **Con Ed:**
  - Supports beneficiaries pay
  - Supports locational requirement
  - Project must be approved by each region
- ◆ **LIPA:**
  - *Do not mandate a single form of cost allocation*
  - *Require regions to negotiate cost allocation for each project*
- ◆ **NGrid:**
  - *Should include general cost allocation principles in inter-regional agreements*
  - *Should not mandate specific cost allocation methodologies*
- ◆ **ISO-NE:**
  - *Supports a voluntary approach*
  - *Inter-regional projects vary widely*
  - *Concern about a FERC mandate; propose dispute resolution instead when two regions cannot agree*
- ◆ **NEPOOL:**
  - *Supports regional flexibility*
  - *Supports locational requirement*
  - *Supports comparison with non-transmission alternatives*



# *Cost Allocation: Interregional*

- ◆ **NE TOs:**
  - *Supports cost allocation on a project-by-project basis—based on the principles in the Northeast Protocol--then filed with FERC for approval*
  - *FERC should not dictate a generic cost allocation methodology*
  
- ◆ **NESCOE & NECPUC:**
  - *Supports locational requirement—unless there is a voluntary agreement to share costs*
  
- ◆ **PJM:**
  - *Supports beneficiaries pay*
  - *Opposed to locational requirement: costs should be allocated to all who benefit from the facility*
  
- ◆ **PSEG:**
  - *An inter-regional cost allocation process should be required--based on a beneficiaries pay principle*
  - *An inter-regional agreement is a pre-requisite to inter-regional cost allocation*
  - *FERC's "loop flow" order failed to require the NYISO to enter into an inter-regional cost allocation agreement—as requested by PSEG*

# *Proposed Schedule*

- ◆ **Comments on NOPR**
  - *Reply Comments Due: November 12, 2010*
- ◆ **Compliance filing will be required on everything except interregional planning and cost allocation**
  - *Due 6 months from effective date of Final Rule*
- ◆ **Compliance filing on interregional planning & cost allocation**
  - *Due 1 year from effective date of Final Rule*

## ***Comments:***

- **NYISO: Proposed one year deadline for filing on Inter-regional planning and cost allocation may be too short**
- **IRC: If inter-regional planning and cost allocation is required by Final Rule, a one year compliance filing is unworkable**



The New York Independent System Operator (NYISO) is a not-for-profit corporation that began operations in 1999. The NYISO operates New York's bulk electricity grid, administers the state's wholesale electricity markets, and provides comprehensive reliability planning for the state's bulk electricity system.

---

***[www.nyiso.com](http://www.nyiso.com)***