

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

by  
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**ESPWG Meeting**  
**TELECONFERENCE**  
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# Overview

- ◆ **FERC NOPR on Transmission Planning & Cost Allocation**
  - *Issued on 6/17/10 (Docket RM10-23-000)*
  - *Comments Due 60 Days following publication in the Federal Register*
  
- ◆ **Follow-up to the Order 890 Technical Conferences held in Fall 2009 and the Staff Request for Comments issued in October 2009**
  
- ◆ **FERC notes that, although significant progress has been made in regional planning since the issuance of Order 890 that “..significant changes have taken place in the industry... which requires the Commission to consider additional reforms” (NOPR Para 33)**

## *FERC's Areas of Concern*

- ◆ **Lack of a requirement for a regional plan (P35)**
- ◆ **Lack of consideration of transmission needs driven by state and federal public policy (P 36)**
- ◆ **Obstacles to non-incumbent transmission providers (P 38)**
- ◆ **Relative lack of coordination between regions (P 39)**
- ◆ **Existing cost allocation methodologies may inhibit the development of cost-effective transmission (P 40)**

## *Regional Planning*

- ◆ **FERC proposes to require that all transmission providers have a transmission planning process in place which meets Order 890's nine Planning Principles and includes development of a comprehensive system plan (P 50)**
- ◆ **This requirement appears to be directed at non-ISO/RTO regions—although that's not explicitly stated (See FN 56)**

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## *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 (P 65)**
- ◆ **In addition to existing reliability and economic planning requirements (P 64)**
- ◆ **Not intended to infringe on state authority (P69)**

## *Non-Incumbent Transmission Providers*

- ◆ **FERC proposes the elimination of right-of-first refusal tariff provisions for incumbent transmission providers with respect to facilities included in a regional transmission plan (P 93)**
  
- ◆ **Other requirements include:**
  - *Qualification criteria for participation (P90)*
  - *Form to provide information on proposed project (P91)*
  - *Transparent evaluation process (P92)*
  - *Right to resubmit; right to develop (P 95)*
  - *Comparable rights to cost recovery under regional cost allocation process (P 96)*

# *Interregional Planning*

- ◆ **FERC proposes to require each transmission provider to coordinate with each of its neighboring regions within its Interconnection (P114)**
  - *Multi-regional agreements are encouraged—but not required (P 112)*
- ◆ **ISO/RTOs may develop such interregional planning agreements with adjacent regions on behalf of their TOs (P115)**
- ◆ **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*

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# *Cost Allocation*

- ◆ **FERC states the “Need for Reform” is based on the following:**
  - ***Comments in response to the October 2009 Staff Request (P 138)***
  - ***Since few existing rate structures provide for cost allocation outside ISO/RTOs or for interregional projects, this poses significant risks for developers’ cost recovery (P 152)***
  - ***FERC asserts that cost allocation within ISO/RTOs is “often contentious and prone to litigation” (P 152)***
  - ***FERC concerns over the “free rider” problem—especially for interregional projects (P 153)***

## *Cost Allocation: Proposed Reforms*

- ◆ **More closely align the transmission planning & cost allocation processes (P156)**
- ◆ **Every transmission provider to have a cost allocation 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**

## *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)**
  - *Three or more TPs may propose a cost allocation methodology—but that's not required (P 173)*
- ◆ **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*

## *Cost Allocation: Other*

- ◆ **Principles do not prohibit voluntary participant funding (P 168)**
  - *However, a process which relies exclusively on participant funding will not satisfy the principles*
- ◆ **Methods may differ among pairs of regions (P176)**
- ◆ **Interregional methodology between two regions may differ from each regions intra-regional methods (P 176)**
- ◆ **FERC will not propose a uniform methodology (P165)**
  - *Will allow regional flexibility*
- ◆ **If region(-s) cannot agree, FERC will decide (P166)**

## *Proposed Schedule*

- ◆ **Comments on NOPR**
  - *Due 60 days from publication in Federal Register*
- ◆ **Compliance filing on everything except interregional planning & 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*



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