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American Wind Energy Association applauds FERC's new transmission planning and cost allocation policy

AWEA CEO Denise Bode released the following statement in response to today's announcement from the Federal Energy Regulatory Commission (FERC) that it has clarified how needed transmission lines will be planned and paid for.

“AWEA applauds FERC for its leadership in finalizing reforms that could serve to cut the Gordian knot that is blocking investment in our aging power grid. This is an important step toward removing the main hurdle: how to make sure all users pay their fair share of new lines. Preventing free-riding will help improve grid reliability, and reduce electricity bills by facilitating access to lower cost resources, including wind energy."

The current system for determining how new power lines are paid for is flawed. The plans too narrowly define who should pay for new projects and stifle investment, resulting in inadequate expansion of the grid. The agency's new policy requires transmission providers to file regional plans for transmission lines that ensure that consumers who do not benefit do not pay, and conversely, those who do benefit do pay. FERC has clear authority and responsibility to decide fair cost allocation. Plans must also account for public policy goals set by state or federal laws or regulations, placing renewable energy laws on par with the goals of increasing reliability and curbing power congestion.

AWEA Senior Vice President for Public Policy Rob Gramlich said, "Allocating costs is a core responsibility of FERC and this initiative is well founded on a large body of law. There is really no alternative to this policy other than letting the grid continue to weaken and deteriorate—an outcome that many companies profit from but which is not in the public interest. In addition to a more reliable electric grid, consumers will also benefit from access to long-term lower energy prices when transmission barriers to competition are removed."

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July 21, 2011
Order No. 1000
Docket No. RM10-23-000

Order No. 1000
Final Rule on Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities

Order No. 1000 is a Final Rule that reforms the Commission's electric transmission planning and cost allocation requirements for public utility transmission providers. The rule builds on the reforms of Order No. 890 and corrects remaining deficiencies with respect to transmission planning processes and cost allocation methods.

Background

- On June 17, 2010, FERC issued a Notice of Proposed Rulemaking seeking comment on potential changes to its transmission planning and cost allocation requirements. Industry participants and other stakeholders provided extensive comment in response to the Notice of Proposed Rulemaking. The Commission received more than 180 initial comments and more than 65 reply comments.

Planning Reforms

The rule establishes three requirements for transmission planning:
- Each public utility transmission provider must participate in a regional transmission planning process that satisfies the transmission planning principles of Order No. 890 and produces a regional transmission plan.
- Local and regional transmission planning processes must consider transmission needs driven by public policy requirements established by state or federal laws or regulations. Each public utility transmission provider must establish procedures to identify transmission needs driven by public policy requirements and evaluate proposed solutions to those transmission needs.
- Public utility transmission providers in each pair of neighboring transmission planning regions must coordinate to determine if there are more efficient or cost-effective solutions to their mutual transmission needs.

Cost Allocation Reforms

The rule establishes three requirements for transmission cost allocation:
- Each public utility transmission provider must participate in a regional transmission planning process that has a regional cost allocation method for new transmission facilities selected in the regional transmission plan for purposes of cost allocation. The method must satisfy six regional cost allocation principles.
- Public utility transmission providers in neighboring transmission planning regions must have a common interregional cost allocation method for new interregional transmission facilities that the regions determine to be efficient or cost-effective. The method must satisfy six similar interregional cost allocation principles.
- Participant-funding of new transmission facilities is permitted, but is not allowed as the regional or interregional cost allocation method.

Nonincumbent Developer Reforms

- Public utility transmission providers must remove from Commission-approved tariffs and agreements a federal right of first refusal for a transmission facility selected in a regional transmission plan for purposes of cost allocation, subject to four limitations:
    - This does not apply to a transmission facility that is not selected in a regional transmission plan for purposes of cost allocation.
    - This does not apply to upgrades to transmission facilities, such as tower change outs or reconductoring.
    - This allows, but does not require, public utility transmission providers in a transmission planning region to use competitive bidding to solicit transmission projects or project developers.
    - Nothing in this requirement affects state or local laws or regulations regarding the construction of transmission facilities, including but not limited to authority over siting or permitting of transmission facilities.

- The rule recognizes that incumbent transmission providers may rely on regional transmission facilities to satisfy their reliability needs or service obligations. The rule requires each public utility transmission provider to amend its tariff to require reevaluation of the regional transmission plan to determine if delays in the development of a transmission facility require evaluation of alternative solutions, including those proposed by the incumbent, to ensure incumbent transmission providers can meet reliability needs or service obligations.

Compliance

- Order No. 1000 takes effect 60 days from publication in the *Federal Register*.
- Each public utility transmission provider is required to make a compliance filing with the Commission within 12 months of the effective date of the Final Rule.
- Compliance filings for interregional transmission coordination and interregional cost allocation are required within 18 months of the effective date.