

# FERC ISSUES ADVANCE NOTICE OF PROPOSED RULEMAKING TO REFORM TRANSMISSION PLANNING, COST ALLOCATION, AND GENERATOR INTERCONNECTION PROCEDURES

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## Power Alert

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On 15 July 2021, the Federal Energy Regulatory Commission (FERC) issued an Advanced Notice of Proposed Rulemaking (ANOPR) to investigate whether reforms are needed to improve regional transmission planning, cost allocation, and generator interconnection procedures, and whether coordination between these procedures would be beneficial. This preliminary notice acknowledges that Order No. 1000, issued exactly 10 years prior, did not promote transmission development as well as FERC had hoped, and seeks to make further reforms to spur such development. The ANOPR will revisit threshold questions of FERC's legal authority, the level of oversight FERC may exercise over transmission investment, and whether additional coordination is appropriate for local and interregional transmission planning. FERC confirms that it has not predetermined any of the issues raised within the ANOPR. If FERC does indeed adopt the type of reforms suggested it could have significant impacts to a wide range of stakeholders across the electric power industry.

In Order No. 1000, FERC explicitly declined to address issues related to generation interconnection. As a result, potential gaps remain between the generation interconnection and transmission planning processes, which FERC now considers remedying. FERC seeks input on whether or to what extent the processes of regional transmission planning and cost allocation, and generator interconnection procedures, can be combined or share information without affecting the two processes' separate determinations of need and cost. FERC has proposed in the ANOPR that both processes could use similar timeframes and assumptions, and seeks comments as to whether and how this integration would be feasible.

## REGIONAL PLANNING AND COST ALLOCATION:

Asks if regional planning and cost allocation procedures adequately consider the transmission needs of anticipated future generation resources. FERC proposes a form of factor-based scenario modeling to forecast generation mix and minimum requirements for using future scenarios in regional transmission planning. FERC further seeks comments on how such modeling should be designed, performed, and utilized. Additionally, FERC asks if transmission providers should identify and factor into transmission planning certain geographic zones that are particularly fertile areas for renewable development. FERC also will consider whether regional facilities shown to be more efficient or cost effective than local facilities should receive enhanced incentives.

## **BENEFITS ANALYSIS:**

FERC requests comment on the types of benefits evaluated under the cost allocation process, as well as other benefits to be considered. FERC also seeks insight into whether the three current categories of transmission needs (i.e., reliability needs, economic needs, and public policy needs) should be considered together for purposes of cost allocation, rather than in isolation. One possible reform includes treating future interconnection customers as beneficiaries of transmission facilities built to accommodate future anticipated generation, even if those generators have not yet entered the queue.

## **NETWORK UPGRADE COSTS:**

FERC asks whether the “participant-funded” approach to interconnection network upgrades should be eliminated in favor of a modified “credit-funded” approach. A modified credit-funded approach could establish different circumstances and mechanisms under which the interconnection customer funds the upgrades and receives credits, and several examples of these variations are provided in the ANOPR. Alternatively, FERC notes several other proposals if the participant-funded approach remains, including: (1) cost-sharing requirements for interconnection customers, (2) adjustments to the option to build to add flexibility, (3) interconnection request limits, (4) fast-track procedures for generation facilities committed to regional transmission facilities and “ready” generating facilities, and (5) requiring interconnection studies to include consideration of grid-enhancing technologies.

## **INTERREGIONAL COORDINATION:**

FERC also seeks input on whether greater interregional coordination is needed, including whether FERC should require joint planning processes, what criteria should be considered, and whether renewable geographic zones should be included. Moreover, FERC seeks input on the viability and legal authority to require interregional cost allocation across multiple regions.

FERC offers two additional proposals that are directed at transmission planning and costs: (1) creating a regional independent transmission monitor to monitor planning and costs of transmission facilities within each region, and (2) involving state commissions in the transmission planning process. Other potential oversight measures include reductions in the recoverable costs for abandoned regional facilities and a form of performance-based regulation.

Comments will be accepted 75 days after the ANOPR is published in the Federal Register.

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