



FERC NOPR – Interregional Transmission Planning

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On June 17, FERC issued a Notice of Proposed Rulemaking (NOPR) regarding interregional transmission capacity planning and cost allocation methods with the goal of improving renewable energy transmission and reducing congestion. The proposed rules seek to improve inter-regional transmission planning, provide a mechanism for transmission companies to adhere to state and federal policy goals, and propose default cost-allocation rules. FERC Chairman Jon Wellinghoff said that the proposed rules would “expand . . . options for transmission development that will enhance competition and control costs to consumers.” The proposed rules come after FERC hosted several technical conferences in 2009 to receive feedback on the status of transmission planning in the United States three years after it published Order 890, which itself was part of an effort to open up transmission planning beyond utility companies.

The first component of the proposed rule relates to the transmission planning process. Under Orders 888 and 890, FERC has pursued a policy goal of opening transmission markets beyond utility companies, in order to ensure affordable transmission of energy to consumer markets. Recognizing that Order 890 compliance often led to inferior region-wide transmission planning, the proposed rule lays out a number of specific principles for public utility transmission providers to follow when developing a regional transmission plan. The regional transmission plan would also be required to take into account both state and federal policy requirements, such as Renewable Portfolio Standards.

The proposed rule further recognizes that the largest areas contemplated by Orders 888 and 890 were specific energy regions, and that inter-regional transmission planning has been hindered as a result. The proposed rule would require transmission providers to enter into planning agreements with providers in neighboring regions, thereby improving inter-regional energy transmission. One goal of promoting such inter-regional transmission coordination is to improve the accessibility of renewable energy to energy load centers.

A major theme of the proposed rule is encouraging entry into the transmission market to help spur development of an efficient inter-regional grid. For example, the proposed rule would eliminate the Right of First Refusal that incumbent transmission companies often enjoy with respect to new capacity development. It is hoped that the elimination of this advantage will encourage market entry and competition.

The proposed rule would further require public utility transmission providers to integrate a cost allocation method into the transmission planning process, thereby ensuring an equitable correlation between benefits received and the cost of energy to the consumer. The Commission recognizes that appropriate cost allocation methods may vary by region, and so it refrains from imposing a uniform standard nationwide. Instead, the proposed rule would require transmission providers to consider whether the planned transmission capacity would be created to maintain reliability, relieve congestion or to meet public policy requirements, and to develop appropriate cost allocation methods in accordance with that consideration.

The proposed rule would also require transmission providers within a region to develop cost allocation methods with neighboring transmission planning regions in order to ensure equitable energy pricing between them. The proposed rule lays out a number of principles to guide both intra-regional and inter-regional energy transmission. Importantly, the proposed rule would provide public utility transmission providers with the first opportunity to determine appropriate cost allocation measures based on the enumerated principles. In the event that the parties could not reach a consensus cost allocation methodology, the proposed rule would allow the Commission to determine an appropriate one.

It is important to note that the proposed rules are intended to be prospective and to offer guidance in the formulation of a comprehensive national energy transmission policy. The Commission intends for the requirements contained in the proposed rules to serve as a guide for potential energy legislation rather than an alternative to it. Comments on the proposed rule are due by August 14, 2010.

For additional information, please contact [Kelly de la Torre](#).