# Overview of FERC's Transmission Planning and Cost Allocation Notice of Proposed Rulemaking

Western AREA POWER ADMINISTRATION

# NOPR Presentation Subjects

- Overview
- Applicability
- Western's Issues
- Questions

# Background and Purpose

- Transmission Planning and Cost Allocation NOPR issued on June 17, 2010
- Comments to the NOPR are due August 30
- Stated purpose of the NOPR
  - Incorporate public policy requirements in transmission planning processes
  - Provide sponsors of transmission projects the right to construct and own facilities included in regional transmission plans
  - Improve coordination of neighboring planning regions
  - Provide closer connection between transmission planning and cost allocation

# Overview – Transmission Planning

- Generally, for transmission planning processes the NOPR proposes to:
  - Require each public utility transmission provider to participate in a intraregional transmission planning process that produces a regional transmission plan and revise its Open Access Transmission Tariff (OATT) to include that process
  - Require each public utility transmission provider through its intraregional transmission planning process to enter into a transmission planning agreement with the public utility transmission providers in each neighboring transmission planning region

# Overview - Cost Allocation

- Generally, for cost allocation the NOPR proposes to:
  - Establish principles for allocating the costs of new transmission facilities in a manner roughly equal to benefits
  - Require each public utility transmission provider to have a cost allocation method for new transmission facilities in the intraregional transmission plan that satisfies certain proposed cost allocation principles and revise its OATT to include that method
  - Require each public utility transmission provider to have a cost allocation method for new transmission facilities resulting from the planning agreements implemented by neighboring regions that satisfies certain proposed cost allocation principles

# Applicability

- NOPR would apply to all public utility transmission providers, and each would be required to make compliance filings with FERC demonstrating compliance with the proposed requirements
  - Submittal of OATT revisions for intraregional planning process, cost allocation methodology, and certain other requirements, within six months of the effective date of the Final Rule
  - Submittal of interregional planning agreements and OATT revisions for interregional cost allocation methodology, within one year of effective date of Final Rule
  - Non-public utilities would be required to adopt the requirements of the NOPR as a condition of maintaining the status of their safe harbor OATT

# Western's Items of Concern

- The following slides describe issues that Western may address in its NOPR comments
- Western must obtain Department approval of any comments prior to public release of its position
- Western is participating in discussions with other parties regarding the NOPR and may express support for or be noted as a joint party in those comments
- Western has sifted through the NOPR and focused on 5 areas of it feels warrant comment

# Western's Issues – Right of 1st Refusal

- Proposal to eliminate any right defined in an OATT or any agreements for an incumbent transmission provider to construct, own, and propose cost recovery for facilities approved in a regional transmission plan
  - Lack of specificity in proposal
  - Potential issue for Congressionally mandated facilities such as Path 15 in California
  - May need a mechanism for joint participation in projects built by third parties within transmission provider's service territory

# Western's Issues – Cost Allocation

- Proposals to require that transmission providers have in place a method for allocating the costs of new transmission facilities included in regional transmission plans
  - Lack of specificity in proposals
  - May have statutory issues depending on methodology

# Western's Issues - Planning

- Proposal that coordination between transmission planning regions must be reflected in an interregional transmission planning agreement to be filed with FERC
  - Lack of specificity in proposal
  - Agreements would need to provide for Western's statutory requirements

# Western's Issues - Jurisdiction

- Statement that if FERC finds that non-public utility transmission providers are not participating in the proposed regional transmission planning and cost allocation processes, FERC may exercise its authority under FPA section 211A on a case-by-case basis
  - Possible overreach of section 211A authority
  - Also possible overreach of reciprocity requirement

# Western's Issues – Merchant Planning

- Decision not to propose a requirement for merchant transmission developers to participate in the regional transmission planning process if they do not seek to use the regional cost allocation process
  - Possibility of regional planning issues due to lack of coordination
  - May impair the ability of a transmission provider to make necessary additions to its own system

# Transmission Planning and Cost Allocation Notice of Proposed Rulemaking

# Questions?