



Federal Energy Regulatory Commission
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Staff Presentation
Item E-6

“Good morning Chairman Wellinghoff and Commissioners.

The draft Final Rule on Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities reforms the Commission’s electric transmission planning and cost allocation requirements for public utility transmission providers. On June 17, 2010, the Commission 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 over 180 initial comments and over 65 reply comments. These comments were valuable in informing the determinations made in this draft Final Rule.

Building on the reforms of Order No. 890, this draft Final Rule would adopt a number of additional requirements with respect to transmission planning processes and cost allocation methods.

The draft Final Rule would establish three requirements for transmission planning:

- First, it would require each public utility transmission provider to participate in a regional transmission planning process that satisfies the transmission planning principles of Order No. 890 and produces a regional transmission plan.
- Second, it would require local and regional transmission planning processes to consider transmission needs driven by public policy requirements established by state or federal laws or regulations.
- And third, it would require public utility transmission providers in each pair of neighboring transmission planning regions to coordinate in order to determine if there are more efficient or cost-effective solutions to the transmission needs of the two regions.

The draft Final Rule also would establish three requirements for transmission cost allocation:

- First, it would require each public utility transmission provider to participate in a regional transmission planning process that has a regional cost allocation method for new transmission facilities selected in a regional transmission plan for purposes of cost allocation. The method must satisfy six regional cost allocation principles.
- Second, it would require public utility transmission providers in neighboring transmission planning regions to have a common interregional cost allocation method for new interregional transmission facilities that both regions determine to be more efficient or cost-effective. The method must satisfy six similar interregional cost allocation principles.
- And third, it would allow participant-funding of new transmission facilities, but not as the regional or interregional cost allocation method.

Further, the draft Final Rule concludes that leaving federal rights of first refusal in place for transmission facilities that are selected in a regional transmission plan for purposes of cost allocation can result in rates for Commission-jurisdictional services that are unjust and unreasonable or otherwise result in undue discrimination by public utility transmission

providers. Thus, the draft Final Rule would require public utility transmission providers to remove from Commission-approved tariffs and agreements any federal right of first refusal with respect to these facilities, subject to four limitations:

- First, this requirement would not apply to a transmission facility that is not selected in a regional transmission plan for purposes of cost allocation.
- Second, it would not apply to upgrades to transmission facilities, such as tower change outs or reconductoring.
- Third, it would allow, but not require, public utility transmission providers in a transmission planning region to use competitive bidding to solicit transmission projects or project developers.
- And fourth, 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.

In addition, the draft Final Rule recognizes that incumbent transmission providers may rely on regional transmission facilities to satisfy their reliability needs or service obligations. The draft Final Rule would require 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

All public utility transmission providers would be required to make compliance filings with the Commission within twelve months of the effective date of the Final Rule, except that compliance filings for interregional transmission coordination and interregional cost allocation would be required within eighteen months of the effective date.

This completes my presentation. I would like to conclude by noting that many staff from our two offices, as well as the Office of Energy Market Regulation and the Office of Electric Reliability, contributed to the development of this draft Final Rule. I would like to thank the following staff members for all of their hard work in completing this document.

From the Office of Energy Policy and Innovation: David Borden; Jessica Cockrell; Ryan Irwin; David Mead and Valerie Teeter.

From the Office of the General Counsel: Jennifer Amerkhail; Michael Haddad; Melissa Nimit; Noha Sidhom; Paul Silverman and Christina Switzer.

From the Office of Energy Market Regulation: Jesse Hensley; Christopher Thomas and Zeny Magos.

From the Office of Electric Reliability: Syed Ahmad; Sedina Eric and Jacob Lucas.

From the Office of Energy Projects: Tyrone Williams.

John and I would be happy to answer any questions.”