

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Preventing Undue Discrimination and
Preference in Transmission Service

Docket Nos. RM05-17-000
RM05-25-000

NOTICE OF WHITE PAPER

(August 2, 2007)

Take notice that Commission staff is publishing a White Paper to assist transmission providers in their development of planning processes consistent with the requirements of Order No. 890.¹ The White Paper is being placed in the record of this rulemaking docket. Commission staff will issue notices of further technical conferences, as required by the Commission in its July 27, 2007 order in this proceeding, in the near future.²

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Kimberly D. Bose
Secretary

¹ Preventing Undue Discrimination and Preference in Transmission Service, Order No. 890, 72 FR 12266 (March 15, 2007), FERC Stats. & Regs. ¶ 31,241 at PP 1483 and 1557-59 (2007), reh'g pending.

² Preventing Undue Discrimination and Preference in Transmission Service, 120 FERC ¶ 61,103 (2007).

Order No. 890
Transmission Planning Process
Staff White Paper
August 2, 2007

I. Introduction

One of the Commission's primary motivations for reforming the *pro forma* Open Access Transmission Tariff (OATT) through Order No. 890³ was to address the lack of specificity regarding how stakeholders should be treated in the transmission planning process. To remedy the potential for undue discrimination in planning activities, the Commission directed all transmission providers to develop a transmission planning process that satisfies nine principles and to clearly describe that process in a new attachment (Attachment K) to their OATT. Transmission providers were required to submit their Attachment K planning processes for Commission review in a compliance filing to be made on or before October 11, 2007.

To assist transmission providers in the development of their planning processes, the Commission directed transmission providers to post a "strawman" of their proposed planning processes on their OASIS or website, and directed Staff to convene technical conferences to seek comment from stakeholders and provide feedback on the "strawman" proposals. Staff held these technical conferences during the month of June 2007 in various regions of the country. In its July 27 order, the Commission explained that, although progress was made during the June planning conferences and through circulation of the strawmen, much work is left to be done in many regions to develop tariff language that satisfies Order No. 890.⁴ For example, many of the "strawman" proposals were summary in nature, stating aspirational goals without identifying the specific rights and obligations of transmission providers and their customers. Tariff rules, however, must be specific and clear to facilitate compliance by transmission providers and place customers on notice of their rights and obligations.⁵ The

³ *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, III FERC Stats. & Regs., Regs. Preambles ¶ 31,131 (2007) (Order No. 890).

⁴ *Preventing Undue Discrimination and Preference in Transmission Service*, 120 FERC ¶ 61,103 (2007).

⁵ As the Commission explained in Order No. 890, not all rules and practices related to transmission service, or planning activities in particular, need be codified in the transmission provider's OATT. Rules, standards and practices that relate to, but do not significantly affect, transmission service may be placed on the transmission providers' website, provided there is link to those business practices on OASIS. *See* Order No. 890

Commission therefore extended the compliance date for submitting an Attachment K to December 7, 2007 and directed Staff to convene additional technical conferences to allow stakeholders and Staff to provide feedback on Attachment K drafts, which transmission providers must prepare and post on their OASIS or website on or before September 14, 2007.

During the June planning conferences, transmission providers and stakeholders consistently asked Staff to provide as much guidance as possible regarding the compliance filings for transmission planning. The purpose of this white paper is to provide such guidance. The primary focus of the white paper is to assist transmission providers in providing as much detail as possible in preparing their Attachment K drafts. To assist in that effort, we identify the primary processes, criteria, and issues that should be addressed.

II. Order No. 890 Planning Principles

In Order No. 890, the Commission required that each transmission provider's planning process satisfy the following nine principles: coordination, openness, transparency, information exchange, comparability, dispute resolution, regional participation, economic planning studies, and cost allocation for new projects. The Commission explained that it adopted principles-based reform to allow for flexibility in implementation and to build on transmission planning efforts and processes already underway in many regions of the country.

Although Order No. 890 allows for flexibility, each transmission provider has a clear obligation to address each of these principles in the development of its transmission planning process. In the "strawmen" proposals and at the technical conferences, transmission providers articulated how they intend to address each of those principles in their Attachment K. Some of the "strawmen" were more detailed than others and, in some regions, certain principles received more attention than others. All of these principles, however, must be fully addressed in the tariff language that will comprise the Attachment K compliance filings. To assist transmission providers, as well as customers and other stakeholders participating in the Attachment K development process, Staff provides recommendations regarding issues we believe should be addressed when drafting tariff language that implement the planning principles.

at P 1649-55. Transmission providers could therefore use a combination of tariff language in the Attachment K, and a reference to planning manuals on their website, to satisfy their planning obligations under Order No. 890.

1. Coordination (P 451-454)

The coordination principle requires transmission providers to meet with all of their transmission customers and interconnected neighbors to develop local and/or regional transmission plans on a nondiscriminatory basis. The purpose of the coordination requirement, as stated in Order No. 890, is to eliminate the potential for undue discrimination in planning by opening appropriate lines of communication between transmission providers, their transmission-providing neighbors, affected state authorities, customers, and other stakeholders.

The Commission did not prescribe the requirements for coordination, such as the number of meetings, scope, notice, format, or other features. Transmission providers instead were allowed to craft, with the input of their customers and other stakeholders, coordination requirements that work for their respective needs. The formal Attachment K filing obligation, however, does contemplate that each transmission provider will clearly identify the details of how its planning process will be coordinated with interested parties.

In drafting their Attachment K, Staff recommends that transmission providers address the following issues:

- Describe whether any committees or meeting structures (formal or informal) will be used to conduct planning activities.
 - Many transmission providers already have formal and informal structures in place for addressing transmission planning. While the use of meetings can facilitate open dialogue on planning issues, Staff encourages transmission providers to consider all processes to simplify stakeholder involvement, such as solicitation of written comments on issues that arise during development of a transmission plan.
 - Any meetings held should be on a comparable basis. Staff does not recommend adopting separate processes that segregate customers, such as holding meetings that only LSEs can attend but not merchant plant owners or holding meetings that only network customers can attend but not point-to-point customers .

- If groups or committees are used, describe how they will be formed, the responsibilities of each, and how decisions will be made within the group and/or committee.
 - Identify the rules governing committee and group activity and whether those rules are established by the transmission provider or the committee/group itself.
 - Transmission providers should clearly identify the matters for which a particular group or committee is responsible so that customers and other

stakeholders can easily access the particular planning activities in which they are interested. Staff recommends that the number of groups within which planning activities occur are not so large as to become unwieldy for parties interested in participating.

- Describe what role the transmission provider will play in coordinating the activities of the planning committees or meetings, as relevant.
 - In some instances, it may be appropriate for the transmission provider to act as facilitator for a particular group or committee, while other groups or committees may be better suited to self-governance or need a neutral moderator. The role of the transmission provider and other parties in these groups and meetings should be clearly described in Attachment K.
- Describe any existing processes, and the changes thereto, that will be used to satisfy the requirements of Order No. 890.
 - Transmission providers should supplement existing processes that do not provide sufficient opportunity for customers and other stakeholders to participate in the planning process. For example, the opportunity for parties to comment on a transmission plan during review by a state commission only provides after-the-fact input, not participation in the underlying development of the plan. To the extent a transmission provider relies on existing processes, the transmission provider should identify how that those processes may have been modified to satisfy coordination requirements.
- Describe the frequency of meetings to be held and other planning-related communications.
 - Many transmission providers already have stakeholder meetings incorporated into their annual transmission planning cycle. Staff recommends that the schedule for such meetings, or other planning-related communication, provide an opportunity for input regarding:
 - data gathering and customer input into study development;
 - review of study results;
 - review of draft transmission plans; and
 - coordination of draft plans with those of neighboring transmission providers.
- Describe the procedures used to notice meetings and other planning-related communications.
 - Staff suggests use of a transmission planning page on OASIS containing information such as:
 - notice procedures and e-mail addresses for points of contact and questions;

- a calendar of meetings and other significant events, such as release of draft reports, final reports, data, *etc.*;
 - a subscription page that allows stakeholders to sign up to an e-mail distribution list to receive meeting notice and other announcements; and
 - the form in which meetings will take place (*i.e.*, in person, teleconference, webinar, *etc.*).
- Staff also encourages transmission providers to have mechanism in place to notify affected parties of the development of a potential project, or other significant events, and invite them to participate in related planning meetings.

2. Openness (P 460)

The openness principle requires that transmission planning meetings be open to all affected parties, including but not limited to all transmission and interconnection customers, state authorities, and other stakeholders. Although the Commission recognized in Order No. 890 that it may be appropriate in certain circumstances to limit participation in a meeting to a subset of parties, such as a particular meeting of a subregional group, the Commission emphasized that the overall development of the transmission plan and the planning process must remain open. Transmission providers, in consultation with affected parties, must also develop mechanisms to manage confidentiality and CEII concerns, such as confidentiality agreements and password-protected access to information.

In drafting their Attachment K, Staff suggests that transmission providers address the following issues:

- Describe who the participants will be in the planning process, including expected participants for any groups or committees used.
 - Transmission providers should describe the composition of any committees or groups used in the planning process. All parties interested in the planning process should be allowed to participate, as relevant.
 - In order for an open planning process to be successful, transmission providers and stakeholders alike should be committed to sharing and reviewing planning-related data and analyses. The sharing and review of information should commence early in the process and be ongoing, rather than commencing only after the transmission provider has prepared a final draft plan without stakeholder input.
- Describe what data is confidential/CEII, the criteria to be used to identify such data, and the eligibility criteria and process for obtaining access.

- Staff recommends that transmission providers identify clear rules governing (i) party access, (ii) disclosure to FERC, state commissions, and other authorized parties, including the timeline for disclosure, (iii) use and applicability of non-disclosure agreements or other arrangements, and (iv) procedures regarding breach and liability.
- Rules governing confidentiality should be developed with input from interested stakeholders and state commissions to ensure an appropriate level of information sharing. Confidentiality rules should be made publicly available, such as by posting on OASIS, including any form nondisclosure agreements or similar documents.
- Confidentiality rules should apply equally to information provided by the transmission provider and information provided to the transmission provider. Transmission providers cannot be expected to plan for transmission customers that either cannot or do not provide data regarding their needs.

3. Transparency (P 471-479)

The transparency principle requires transmission providers to reduce to writing and make available the basic methodology, criteria, and processes used to develop transmission plans, including how they treat retail native loads, in order to ensure that standards are consistently applied. To that end, each transmission provider must describe in Attachment K the method(s) it will use to disclose the criteria, assumptions and data that underlie its transmission system plans. The Commission specifically found that simple reliance on Form Nos. 714 and 715 failed to provide sufficient information to provide transparency in planning because those forms were designed for different purposes. Transmission providers were also directed to provide information regarding the status of upgrades identified in the transmission plan.

The Commission explained that sufficient information should be made available to enable customers, other stakeholders, and independent third parties to replicate the results of planning studies and thereby reduce the incidence of after-the-fact disputes regarding whether planning has been conducted in an unduly discriminatory fashion. The Commission explained in Order No. 890 that simultaneous disclosure of transmission planning information should alleviate Standards of Conduct concerns regarding disclosure of information. The Commission also specifically addressed consideration of demand response resources in transmission planning. Where demand resources are capable of providing the functions assessed in a transmission planning process, and can be relied upon on a long-term basis, they should be permitted to participate in that process on a comparable basis.

In drafting their Attachment K, Staff recommends that transmission providers address the following issues:

- Describe the transmission planning cycle and important milestones in the cycle – *e.g.*, timelines/dates for data exchange, studies, presentation of studies to transmission customers, *etc.*
 - Staff recommends identifying in Attachment K the frequency of transmission plans and the planning study horizons used. Study periods should be consistent with those used to plan the system for native load customers.
 - Provide a flow chart diagramming the steps of the planning process, from initiation of the process to execution of the plan. The flow chart should include where in the planning process various resources (*e.g.*, generation, demand response, transmission) are considered.

- Describe the transmission planning methodology and protocols used to develop transmission plans.
 - Transmission providers should clearly describe in their Attachment K the methodology (load flow, stability, short circuit, voltage collapse, and production cost), criteria used,⁶ and process for establishing assumptions, as well as the methodology for determining import and export capability in regional studies. The transmission provider also should provide a description of the criteria for the design of new facilities or the qualification of demand resources, which should be implemented on a comparable basis.
 - Any software or analytical tools used in the planning process should be identified and described.

- Describe the procedure for communicating with customers and other stakeholders regarding the basic criteria, assumptions, and data that underlie the transmission provider's system plan.
 - The transmission provider should describe how assumptions regarding transmission, generation, and demand response resources are developed. Details regarding the type of resource (*i.e.*, transmission, generation, or demand response), rating or size, responsiveness and other operating information should be readily available to stakeholders at all stages of the planning process.

⁶ Staff recommends that planning criteria reference the NERC Reliability Standards (such as TPL-001 through TPL-004) and any other reliability criteria used, including regional or local applicable criteria if any. Such standards address the types of simulations and assessments that must be performed to ensure that reliable systems are developed to meet present and future system needs, assumptions for which should be consistent with planning activities.

or alternatives are reflected in future plan development (*i.e.*, in-service, under construction, planned, proposed, or concept).

- Staff also encourages transmission providers to establish a process by which stakeholders can discuss, question, or propose alternatives for any upgrades identified by the transmission provider.

4. Information Exchange (P 486-488)

The information exchange principle requires network customers to submit information on their projected loads and resources on a comparable basis (*e.g.*, planning horizon and format) as used by transmission providers in planning for their native load. Point-to-point customers are required to submit any projections they have of a need for service over the planning horizon and at what receipt and delivery points. Transmission providers, in consultation with their customers and other stakeholders, are to develop guidelines and a schedule for the submittal of such customer information. The Commission also provided that, to the extent applicable, transmission customers should provide information on existing and planned demand resources and their impacts on demand and peak demand and stakeholders, in turn, should provide proposed demand response resources if they wish to have them considered in the development of the transmission plan.

The Commission emphasized that transmission planning is not intended to be limited to the mere exchange of information and after the fact review of transmission provider plans. The planning process is instead intended to provide a meaningful opportunity for customers and stakeholders to engage in planning along with their transmission providers. To that end, the Commission clarified that information exchange relates to planning, not other studies performed in response to interconnection or transmission service requests.

In drafting their Attachment K, Staff recommends that transmission providers address the following issues:

- Describe the obligations and methods for customers to submit data to the transmission provider.
 - Staff recommends that transmission providers, in consultation with customers, identify procedures for submission of data by transmission customers. Transmission providers should consider data provided by both network and point-to-point customers.
 - Staff encourages transmission customers to consider providing the transmission provider the following types of data, to the maximum extent practical and consistent with protection of proprietary information:⁷

⁷ Staff notes that the Modeling, Data, and Analysis (MOD) Reliability Standards

- *Generators* – planned additions or upgrades (including status and expected in-service date), planned retirements, and environmental restrictions.
 - *Demand response resources* – existing and planned demand resources and their impacts on demand and peak demand.
 - *Network customers* – forecast information for load and resource requirements over the planning horizon and identification of demand response reductions.
 - *Point-to-point transmission customers* – projections of need for service over the planning horizon, including transmission capacity, duration, and receipt and delivery points.
 - Transmission providers should identify how information provided by each class of customer is used in the planning process.
- Describe the schedule and procedures for submission of information by transmission customers.
- Transmission providers should establish a schedule by which customers provide necessary information early in the planning process, so that it may be effectively used in the development of data inputs. Staff recommends that the exchange of information be a continual, two-way process as the transmission provider moves through the study process.
 - Data exchange could be accomplished through automated means, such as through an “e-room,” subject to appropriate confidentiality restrictions.
 - Regardless of the process used, transmission customers should provide the transmission provider with timely written notice of material changes in any information previously provided relating to its load, its resources, or other aspects of its facilities or operations affecting the transmission provider’s ability to provide service.

5. Comparability (P 494-495)

The comparability principle requires transmission providers, after considering the data and comments supplied by customers and other stakeholders, to develop a transmission system plan that meets the specific service requests of their transmission customers and otherwise treats similarly-situated customers (*e.g.*, network and retail native load) comparably in transmission system planning. In Order No. 890, the Commission expressed concern that transmission providers historically have planned

have specific requirements for generator owners, transmission owners and load-serving entities to provide data to planning authorities, resource planners and regional reliability organizations. Transmission providers and customers must at a minimum follow the latest Commission-approved version of these standards.

their transmission systems to address their own interests without regard to, or ahead of, the interests of their customers. Through the comparability principle, the Commission required that the interests of transmission providers and their similarly-situated customers be treated on a comparable basis during the planning process. The Commission also explained that demand resources should be considered on a comparable basis to the service provided by comparable generation resources where appropriate.

Comparability is a core legal obligation under Order No. 890 that implicates each of the eight other principles identified by the Commission. Staff therefore does not separately address here the requirements of comparability and, instead, recommends that transmission providers address comparability throughout the planning process as they develop their Attachment K. When submitting their Attachment K for Commission review, transmission providers should discuss how their processes satisfy the comparability principle during the discussion of the other eight principles or in a stand-alone section discussion of comparability.

6. Dispute Resolution (P 501-503)

The dispute resolution principle requires transmission providers to identify a process to manage disputes that arise from the planning process. The Commission explained that an existing dispute resolution process may be utilized, but that transmission providers seeking to rely on an existing dispute resolution process must specifically address how its procedures will address matters related to transmission planning. The Commission encouraged transmission providers, customers, and other stakeholders to utilize the Commission's Dispute Resolution Service (DRS) to help develop a three step dispute resolution process, consisting of negotiation, mediation, and arbitration.

In order to facilitate resolution of all disputes related to planning activities, a transmission provider's dispute resolution process must be available to address both procedural and substantive planning issues. The Commission made clear, however, that all affected parties retain any rights they may have under FPA section 206 to file complaints with the Commission.

In drafting their Attachment K, Staff recommends that transmission providers address the following issues:

- Describe the process(es) that will be used to resolve planning-related disputes.
 - Staff recommends that transmission providers consider a three-step dispute resolution process of negotiation, mediation, and arbitration, in that order, providing for the opportunity to file a complaint with the Commission only during the negotiation or mediation step. Due to the

- time and resource commitment with arbitration, Staff encourages parties to select either arbitration or filing a complaint with the Commission.
- In the event an existing dispute resolution process is relied upon, transmission providers should identify any modifications to that process that may be needed to accommodate planning-related disputes.
 - Staff also recommends that transmission providers address whether, and if so how, information regarding past and present disputes is shared with other stakeholders.
- Describe the issues, procedural and substantive, that will be addressed through a particular dispute resolution process.
 - Transmission providers may wish to tailor dispute resolution processes for particular types of disputes. For example, expedited processes may be appropriate for narrower disputes, such as those regarding data inputs, while a more elaborate process might be appropriate for broader issues, such as disputes regarding the methodologies or criteria used in the planning process.
 - To the extent existing regional processes are used to resolve disputes, transmission providers should identify any limitation on the scope of issues that can be addressed in the regional forum and alternate processes for resolution of local issues.

7. Regional Participation (P 523-528)

The regional participation principle provides that, in addition to preparing a system plan for its own control area on an open and nondiscriminatory basis, each transmission provider is required to coordinate with interconnected systems to (i) share system plans to ensure that they are simultaneously feasible and otherwise use consistent assumptions and data and (ii) identify system enhancements that could relieve congestion or integrate new resources. The Commission stated that the specific features of the regional planning effort should take account of and accommodate, where appropriate, existing institutions, as well as physical characteristics of the region and historical practices.

The Commission identified a number of voluntary coordinated and regional planning efforts that have been developed throughout the country, including those administered by RTOs and ISOs and in certain subregions of the West and Southeast, and expressed encouragement for these and several other promising efforts to establish voluntary coordinated and regional planning processes. The Commission declined to mandate the geographic scope of particular planning regions, instead stating that the geographic scope of a planning process should be governed by the integrated nature of the regional power grid and the particular reliability and resource issues affecting individual regions and subregions.

The Commission also made clear that reliance on existing NERC planning processes may not be sufficient to meet the requirements of Order No. 890 unless they are open and inclusive and address both reliability and economic considerations. To the extent a transmission provider's implementation of the NERC processes are not appropriate for such economic issues, individual regions or subregions must develop alternative processes.

In drafting their Attachment K, Staff recommends that transmission providers address the following issues:

- Identify the entities with which the transmission provider engages in regional planning and the responsibilities of each entity in the planning process.
 - Transmission providers should identify the interconnected systems with which they will coordinate regional plans. If planning obligations are shared between multiple transmission providers, the duties of each should be identified clearly so that customers know who is responsible for what activity and how each transmission provider is satisfying its obligations under Order No. 890.
 - If planning activities are performed by a regional entity, the participants in those activities and their obligations to each other and the regional entity should be identified. Any agreements governing the relationship with, or the responsibilities of, the regional entity and its participants should be explained and placed in context, so that customers understand the relationship between them. It would not be sufficient to merely refer to agreements without explaining how the obligations arising under those agreements satisfy the principles set forth in Order No. 890.⁸
 - Staff encourages entities participating in regional planning activities to consider use of subregional groups to facilitate the planning process. If used, the responsibilities of subregional groups should be identified, as well as the mechanisms those groups will use to coordinate among themselves and with regional entities.
 - Ultimately, it is each transmission provider's obligation to comply with the requirements of Order No. 890. To the extent a transmission provider relies on or coordinates with other entities to conduct planning activities, the roles and obligations of all participants should be clearly stated so that the Commission can understand how the transmission provider's legal obligations are being fulfilled.

⁸ Transmission providers should abide by Commission precedent to determine whether such agreements should be filed for Commission review.

- Describe the interaction between local planning and regional planning activities.
 - Transmission providers should explain whether the processes used in local planning are the same as those used for regional planning. If different, the transmission provider should provide enough detail for customers to understand where to address particular issues. For example, if separate processes are used for local planning and regional planning Attachment K should clearly identify those processes and the method the transmission provider will use to delineate the activities undertaken in each process. The transmittal letter accompanying the transmission provider's Attachment K should describe how both the local and the regional planning process satisfy the other eight principles.
 - Transmission providers also should address whether the data assumptions used in local planning will be the same as those used for regional planning. For example, planning horizons for local and regional planning should, to the extent possible, be consistent so that load and resource assumptions will, in turn, be consistent. Staff encourages transmission providers to develop common data bases for local and regional planning activities so that data inputs are consistent. Similarly, regional entities engaged in planning activities should describe efforts to achieve consistency in the data assumptions used by neighboring regional entities.

- Describe any inter-regional planning activities in which the transmission provider or regional entity participates.
 - Staff encourages parties to identify planning activities that can be performed on an inter-regional basis. Among other things, inter-regional coordination should strive for consistency in planning data and assumptions and address system enhancements that could relieve transmission congestion across multiple regions could be identified. For example, long-range studies can be used to identify multi-state backbone projects to enhance reliability and address shifting load and generation patterns.

- Describe the process for reviewing and coordinating the results of subregional, regional and inter-regional planning activities.
 - Any processes for certifying or approving the results of a subregional or regional study should be clearly described. If processes for reviewing a subregional or regional study are different than those used for local planning, those differences should also be identified so that customers understand how to be involved in each.

- Staff also recommends a process for determining whether transmission plans developed on a local, subregional, regional, and inter-regional basis are simultaneously feasible.
- Staff recognizes that the various regions are at different stages of development of subregional and regional planning process and that these processes can and should evolve over time. Staff therefore recommends that each transmission provider describe, as part of the transmittal letter to its compliance filing:
 - The forms of subregional or regional planning that occur today in the transmission provider's region;
 - The modifications or improvements to such processes that are being proposed as part of compliance with Order No. 890;
 - The reasons why a particular subregion or region was chosen to address compliance with Principle No. 7;
 - The process by which the proposed subregional or regional planning processes can evolve over time as stakeholders gain experience with them (e.g., in undertaking additional studies as experience is gained with the initial studies; in formalizing stakeholder and state agency participation; in exchanging data, etc.).

8. Economic Planning Studies (P 542-551)

The economic planning studies principle requires transmission providers to account for economic, as well as reliability, considerations in the transmission planning process. The Commission explained in Order No. 890 that good utility practice requires vertically integrated transmission providers to plan not only to maintain reliability, but also to consider whether transmission upgrades can reduce the overall cost of serving native load. The economic planning principle is designed to ensure that economic considerations are adequately addressed when planning for OATT customers as well. The Commission emphasized that the scope of economic studies should not be limited just to individual requests for transmission service. Customers must be given the opportunity to obtain studies that evaluate potential upgrades or other investments that could reduce congestion or integrate new resources and loads on an aggregated or regional basis.

The Commission also stressed that existing regional processes conducted by RTOs and ISOs are not exempt from economic planning study requirements. All transmission providers, including RTOs and ISOs, were directed to develop procedures to allow stakeholders to identify a certain number of high priority studies annually and a means to cluster or batch requests to streamline processing. The Commission determined that the cost of the high priority studies would be recovered as part of the transmission provider's overall OATT cost of service, while the cost of additional studies would be borne by the stakeholder(s) requesting the study.

In drafting their Attachment K, Staff recommends that transmission providers address the following issues:

- Describe the scope of economic planning undertaken by the transmission provider on behalf of its native load and OATT customers.
 - Transmission providers should state the type of economic planning studies that are performed and the classes of transmission users on whose behalf they are performed. If the same economic planning studies are performed on behalf of some users (*e.g.*, native load) but not others users of the grid, the transmission provider should explain how the requirements of comparability are satisfied.
 - The transmission provider should explain whether reliability and economic projects are considered separately and, if so, how the economic benefits of reliability projects are considered and vice versa. Staff encourages transmission providers to consider whether reliability projects could be modified or changed to increase economic benefits and/or resolve economic constraints.

- Describe the process by which economic planning studies can be requested and the procedures for publishing study-related information.
 - Transmission providers should identify the number of high priority economic studies they will perform on behalf of stakeholders within a particular timeframe (*e.g.*, year) and a schedule for the submission and processing of requests. Any procedures for considering requests for economic studies received in excess of the specified amount, or received outside the normal schedule, also should be identified.
 - Staff recommends providing an open forum for all stakeholders to identify and prioritize which studies will be requested. For example, a transmission provider could adopt procedures for stakeholders to form a self-governing group to identify and prioritize economic study requests. The stakeholder group, or the transmission provider itself, should consider adopting procedures to govern the clustering or batching of similar requests.
 - Any requirements for the exchange of data with requesting parties unique to economic planning studies should be clearly identified, as well as any policies regarding use of generic industry data in place of customer-specific data. Staff encourages development of “adaptive” processes with feedback loops that enable planners to build on prior economic planning studies and stakeholders to tailor requests in subsequent planning cycles.
 - Transmission providers should state the procedures for posting requests for studies, and responses to the requests, such as through OASIS

postings or an “e-room” linked to the transmission provider’s website (subject to confidentiality requirements).

- Describe the mechanism for recovering costs incurred to perform economic planning studies.
 - Transmission providers should indicate how the cost of performing the high priority studies requested by stakeholders are reflected in their OATT rates.
 - Transmission providers should also identify the mechanism for recovering the cost of additional economic studies from those stakeholder(s) that requested the study.

9. Cost Allocation (P 557-561)

The cost allocation principle requires that transmission providers address in their Attachment K the allocation of costs of new facilities that do not fit under existing rate structures. The Commission suggested that such new facilities might include regional projects involving several transmission owners or economic projects that are identified through the study process, rather than individual requests for service. The Commission did not impose a particular allocation method for such projects and, instead, permitted transmission providers and stakeholders to determine the criteria that best fits their own experience and regional needs. Transmission providers therefore were directed to identify the types of new projects that are not covered under existing cost allocation rules and, as a result, would be affected by the cost allocation proposal.

The Commission did not prescribe any specific cost allocation methodology in Order No. 890. The Commission instead suggested that several factors be weighed in determining whether a cost allocation methodology is appropriate. First, a cost allocation proposal should fairly assign costs among participants, including those who cause them to be incurred and those who otherwise benefit from them. Second, the cost allocation proposal should provide adequate incentives to construct new transmission. Third, the cost allocation proposal should be generally supported by state authorities and participants across the region. The Commission stressed that each region should address cost allocation issues up front, at least in principle, rather than have them relitigated each time a project is proposed.

In drafting their Attachment K, Staff recommends that transmission providers address the following issues:

- Describe the methodology for allocating costs associated with reliability and economic upgrades.
 - Transmission providers and stakeholders should consider the guidance provided by the Commission in recent orders regarding cost allocation

issues.⁹ In those orders, the Commission stressed the need for *ex ante* certainty through definite cost allocation rules and clear rules for identifying who benefits from specific projects. Of course, Order No. 890 recognizes the importance of flexibility and regional differences as well and, thus, a one-size-fits-all approach is neither necessary nor appropriate. Staff nonetheless encourages transmission providers to consider this precedent when developing cost allocation rules for their own system or region.

- For transmission owners or regions that propose to roll-in the cost of certain facilities across more than one transmission owner, parties should consider the factors addressed in recent precedent to determine which projects should qualify for rolled in treatment (*e.g.*, reliability or economic), what criteria is used for project approval (*e.g.*, net benefits using production cost simulations), and at which voltage level rules will apply (*e.g.*, 500 kv and above).
- For transmission owners or regions that seek to rely on a "beneficiaries pay" approach, as much detail as possible should be provided regarding how the approach will be applied. A one-sentence statement that "project costs will be allocated to project beneficiaries" does not provide *ex ante* certainty regarding how the method will be applied in any particular instance. Participants using this method are therefore encouraged to address, among other things:
 - how beneficiaries will be identified and whether classes of customers will be identified for purposes of allocating project costs; and
 - how project costs will be allocated to an entity whose needs may not have given rise to the upgrade, but that nevertheless has a need during the planning horizon that is met in whole or in part by that upgrade; and,
 - how identified beneficiaries may address alternatives or deferrals of transmission line costs, such as through the installation of distributed resources.
- Similarly, transmission owners and regions seeking to rely on a "requester pays" approach should include as much detail as possible on how that approach will be applied. A one-sentence statement that "project costs will be allocated to those who request them" does not provide *ex ante* certainty regarding how the method will be applied in a

⁹ See *Midwest Independent Transmission System Operator, Inc.*, 114 FERC ¶ 61,106 (2006), *on reh'g*, 117 FERC ¶ 61,241 (2006), *on reh'g*, 118 FERC ¶ 61,208 (2007); *PJM Interconnection, L.L.C.*, 119 FERC ¶ 61,067 (2007); *PJM Interconnection, L.L.C.*, 119 FERC ¶ 61,063 (2007); *California Independent System Operator Corporation*, 119 FERC ¶ 61,061 (2007).

particular instance. Participants using this method are therefore encouraged to address, among other things:

- how project costs will be allocated when more than one entity requests them;
 - how project costs will be allocated when the requested project accelerates or expands an upgrade that was already planned for native load customers; and,
 - how project costs will be allocated for "lumpy additions" in which the upgrade is far larger than needed by the requester.
- Regardless of what cost allocation methodology is chosen by a transmission provider, Staff encourages transmission providers to be clear about how the methodology will work. Transmission providers should also explain how the particular methodology is comparable to how they would allocate costs to themselves, and their native load customers, for similar types of upgrades.
- Describe the roles and responsibilities of the transmission provider and stakeholders during the cost allocation process.
 - Staff recommends transmission providers clearly identify the obligations they and their stakeholders have with regard to cost allocation at each stage of the project development cycle. Processes for stakeholder involvement in the cost allocation process should also be described. For example, multi-state stakeholders committees including relevant governmental representatives could be charged with developing cost allocation methodologies and applying them in the context of a particular upgrade.

10. Recovery of Planning Costs (P 586)

In Order No. 890, the Commission recognized the importance of cost recovery for planning activities, specifically addressing that issue after discussing the nine principles that govern the planning process. The Commission directed transmission providers to work with other participants in the planning process to develop cost recovery proposals in order to determine whether all relevant parties, including state agencies, have the ability to recover the costs of participating in the planning process. The Commission also suggested that transmission providers consider whether mechanisms for regional cost recovery may be appropriate, such as through agreements (formal or informal) to incur and allocate costs jointly.

Staff recommends that transmission providers address the following issues in their Attachment K compliance filings:

- Describe the methodology used to recover costs associated with planning for reliability needs.
 - Transmission providers should describe any existing mechanisms under the transmission provider's OATT or other funding sources for the recovery of planning-related costs. If additional cost recovery mechanisms are contemplated, they should be clearly described along with the specific types of costs to which they will apply and how they interact with mechanisms to recover the costs of economic planning.
 - Staff encourages transmission providers to work with stakeholders and state agencies to determine if any other entities are in need of cost recovery for planning related activities and, if so, how those costs will be recovered.
 - Transmission providers should also describe whether costs associated with planning activities will be allocated to any particular customers, including whether any regional cost allocation agreements are contemplated.

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Staff appreciates the significant amount of resources transmission providers and stakeholders have dedicated to the development of transmission planning processes. We encourage transmission providers to continue to maintain an open dialogue with stakeholders as they move forward with drafting the provisions of their Attachment K. Transmission providers should hold additional meetings, if feasible, to review Attachment K drafts and build on the lessons learned during the technical. Staff emphasizes that full compliance with the planning principles will be required in order for the Commission to accept a transmission provider's Attachment K compliance filing and, thus, Staff encourages transmission providers to work collaboratively to produce an Attachment K that satisfies all of the requirements of Order No. 890.

Transmission providers and stakeholders should contact Staff if they seek further guidance on these or other issues in advance of the December 7, 2007 Attachment K filing deadline.