



SUMMARY OF TWO FERC ORDERS ON THE APPLICABILITY OF ORDER NO. 890 TO ASSET MANAGEMENT PROJECTS AND ACTIVITIES

Markets & Reliability Committee
Special Session: Transmission
Replacement Process
September 13, 2017

- Two recent orders address the applicability of Order No. 890 to certain TO-driven transmission projects
 - *California Public Utilities Commission, et al., v. Pacific Electric & Gas Company* (Docket No. EL17-45) – The Commission denied a Complaint filed by the CPUC and others alleging that PG&E was violating its obligations under Order No. 890 to conduct an open, coordinated and transparent transmission planning process because more than 80% of PG&E’s transmission planning costs were “self-approved projects” with no opportunity for stakeholder input or review.
 - *Southern California Edison Co.*, (Docket Nos. ER18-370 and AD18-12) – SoCal Edison filed an amendment to its OATT to create an annual transmission maintenance and compliance review (TMCR) process which SoCal Edison proposed to utilize to share and review information with stakeholders about certain transmission-related maintenance and compliance activities not subject to consideration through CAISO’s transmission planning process. FERC accepted SoCal’s TMCR process, subject to proffered revisions in a compliance filing.

Includes:

- Maintenance, repair, and replacement activities, including but not limited to capital additions;
- Work on infrastructure at the end-of-useful life;
- Work to satisfy compliance requirements;
- Infrastructure security;
- System reliability and automation; information technology;
- Work requested by others (including generator interconnection); and
- Increases in transmission capacity that are *incidental* to, and not reasonably severable from, the asset management project or activity.

But not:

- *Incremental* work that addresses an RTO-identified transmission need.

● Order No. 890 required:

- transmission providers, including RTOs, to amend their OATT to provide coordinated, open and transparent planning process on both a local and regional level (P 435);
- transmission-owning members of an RTO must participate in an Order 890 planning process and comply with Order No. 890, as well (P 440); and
- each transmission provider’s planning process must meet FERC’s **nine planning principles** (P 444).

- | | | |
|-------------------------|-----------------------------|----------------------|
| • coordination | • openness | • transparency |
| • information exchange | • comparability | • dispute resolution |
| • regional coordination | • economic planning studies | • cost allocation |

- Order No. 890 planning requirements do not apply to “asset management projects and activities” because Order No. 890 was adopted to remedy opportunities for undue discrimination in *expansion* of the transmission grid.
- The Commission clarified that to the extent a transmission owners’ “asset management projects and activities” *do not expand the transmission grid or address reliability*, they do not fall within the scope of Order No. 890 regardless of whether they are capitalized in a transmission owner’s rate base.
- The Commission recognized that there may be instances in which a transmission owner’s asset management project or activity may result in an *incidental increase* in transmission capacity that is not reasonably severable from the asset management project or activity, e.g., advancements in technology of replaced equipment. Such incidental increase would not render the asset management project or activity a transmission expansion subject to Order No. 890.



The California Orders and PJM TO February 15, 2018 Order

California 8/31/2018 TO Orders

Examined whether asset management projects and activities that do not increase capacity of the grid must go through an Order 890-compliant transmission planning process (TPP).

FERC accepted TMCR process finding it will provide stakeholders with a new process that offers transparency and the opportunity for stakeholders to have input into the development of SoCal Edison's transmission rates.

FERC noted that TMCR process is a useful example for PG&E and its stakeholders to consider.

PJM TO 2/15/2018 Show Cause Order

Examined the PJM TOs' implementation of the process for planning Supplemental Projects set forth in PJM Operating Agreement and Tariff.

Did not examine issue whether asset management projects and activities that do not increase capacity of the grid are subject to Order 890-complaint transmission planning process.

- Supplemental Projects are defined to mean a transmission *expansion or enhancement* that is not required for compliance with the following PJM criteria: system reliability, operational performance or economic criteria, pursuant to a determination by the Office of the Interconnection and is not a state public policy project pursuant to Operating Agreement, Schedule 6, section 1.5.9(a)(ii). Any system upgrades required to maintain the reliability of the system that are driven by a Supplemental Project are considered part of that Supplemental Project and are the responsibility of the entity sponsoring that Supplemental Project.
- Based upon the above definition, it is not clear whether “asset management projects” that do not “expand or enhance” are included under PJM’s definition of Supplemental Projects. Conversely, Supplemental Projects cover a broader category than “asset management projects.”

APPENDIX

- SoCal TMCR process established a process for providing transparency for asset management projects and activities.
 - The activities SoCal proposed to include in its TMCR process are not within the scope of Order 890 because the activities relate to maintenance, infrastructure at the end of its useful life, physical and cybersecurity concerns, and regulatory compliance issues.
 - Such projects and activities do not expand the transmission grid or address reliability.
 - Such projects and activities are not explicitly reviewed within the CAISO TPP nor are they subject to the Order 890 transmission planning requirements.
 - Commission accepted TMCR process finding it will provide stakeholders with a new process that offers transparency and the opportunity for stakeholders to have input into the development of SoCal Edison's transmission rates.
 - The TMCR process is a useful example for PG&E and its stakeholders to consider.

- FERC denied the Complaint. Asset management projects and activities are not required to go through an Order 890-compliant transmission planning process.
- Order 890 reforms were intended to address concerns regarding undue discrimination in grid expansion.
- Nothing in FERC's orders accepting CAISO's Order 890 and Order 1000 compliance filings indicated that CAISO would evaluate non-expansion transmission-related work.
- FERC's 2/15/2018 PJM Order is not dispositive in this case:
 - In that Order, FERC examined the PJM TOs' implementation of the process for planning Supplemental Projects as set forth in the PJM Operating Agreement and Tariff; and
 - Whether other transmission planning regions are considering asset management projects and activities through their regional planning process “does not in and of itself, determine whether Order 890 requires them to do so.”
- FERC strongly encouraged PG&E to continue to work with complainants and other stakeholders to develop a process to share and review information with stakeholders regarding asset management projects and activities that are not considered through Order 890 planning process.