

FERC Order 1000: Transmission Planning & Cost Allocation Interregional Issues Update

IPSAC WebEx

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Overview

- FERC Order 1000: Final Rule on Transmission Planning & Cost Allocation
 - Issued on 7/21/11 (Docket RM10-23-000)
 - Largely adopts the proposals from the June 2010 NOPR
- FERC Rehearing Order 1000-A
 - Reaffirms requirements of the Final Rule
 - Dismisses jurisdictional challenges
 - Numerous appeals have been filed in federal court
 - Provides clarifications—including interregional issues
- This presentation provides a status update on ISO-NE, NYISO & PJM's compliance activities

Northeast Compliance Activities

- NYISO, PJM and ISO-NE have agreed to address interregional issues in the context of the Protocol
- ISO/RTOs have held discussions at IPSAC as well as with their regional stakeholders
- March 30th IPSAC
 - ISO/RTOs posted a “Matrix” of interregional issues for discussion
 - Draft modifications to the Northeast Protocol were discussed and comments were provided
- June 22nd IPSAC
 - Order 1000-A clarifications were discussed
 - Responses were provided to comments on the Protocol
 - “Strawman” proposal for interregional cost allocation was discussed

Status Update

- Draft Revisions to Northeast Protocol
 - ISOs/RTOs are performing a comprehensive review of the protocol
 - To address stakeholder comments
 - To address Order 1000-A clarifications
 - Further proposed revisions will be posted prior to the next IPSAC meeting
- Interregional Cost Allocation
 - Strawman proposed on June 22nd
 - Seeking additional stakeholder comments today

INTERREGIONAL COST ALLOCATION

“Strawman Proposal”

(As Posted for 6/22/12 IPSAC WebEx)

Interregional Cost Allocation

- Proposed Approach
 - Strive for “simplicity” to the extent feasible
 - Address compatibility with regional cost allocation methods
 - Proportional savings in transmission project costs allocated to each region
 - Applicable to various needs
 - e.g. – reliability, economic, public policy
 - Discuss the feasibility of a “multi-lateral” methodology
 - Include methodology(-ies) in the Northeast Protocol

“Strawman Proposal” for Interregional Cost Allocation

- Proposed Process
 - Region A has identified Transmission Project X to meet a Reliability Need identified in its regional planning process at Cost (X)
 - Region B has identified Transmission Project Y to meet a Reliability Need identified in its regional planning process at Cost (Y)
 - Regions A & B through their interregional planning process have determined that Interregional Transmission Project Z at Cost (Z) will address the Reliability Needs in both regions “more efficiently and cost effectively” than the separate regional Transmission Projects X & Y
 - The Cost of Project Z is less than the combined cost of Projects X & Y
 - Regions A & B have each determined that Interregional Project Z is the preferred solution to their individual Reliability Needs and have each adopted that project in their respective Regional Plans replacing Projects X & Y respectively

Cost Allocation “Strawman”

- Interregional Cost Allocation Methodology
 - Cost Allocation to Region A = $\text{Cost (Z)} \times \text{Cost(X)} / [\text{Cost(X)} + \text{Cost(Y)}]$
 - Cost Allocation to Region B = $\text{Cost (Z)} \times \text{Cost(Y)} / [\text{Cost(X)} + \text{Cost(Y)}]$
- Example
 - Region A, Project X Cost = Cost (X) = \$60 Million
 - Region B, Project Y Cost = Cost (Y) = \$40 Million
 - Interregional Project Z Cost = Cost (Z) = \$80 Million

 - Cost Allocation to Region A = $\$80 \times 60 / (60 + 40) = \48 Million
 - Cost Allocation to Region B = $\$80 \times 40 / (60 + 40) = \32 Million

Interregional Issues

- Determine modifications to Northeast Protocol
 - Interregional planning process specificity/clarifications
 - Coordination with Regional Planning cycles
 - Conforming language to Order 1000 terminology
 - How to address public policy considerations
- Interregional Cost Allocation
 - Discuss feasibility of a “multi-lateral” methodology
 - Strive for “simplicity” to the extent feasible
 - Compatibility with regional cost-allocation methods
- Logistical Issues
 - Establish linkages to regional planning processes
 - Appropriate mechanism for compliance filing

Compliance Schedule

- Effective Date of Final Rule
 - 60 days from publication in Federal Register – Oct 11, 2011
- Compliance filing is required on everything except interregional planning and interregional cost allocation
 - Due 12 months from Effective Date of Final Rule – Oct 11, 2012
- **Compliance filing on interregional planning & cost allocation**
 - **Due 18 months from Effective Date of Final Rule – April 11, 2013**
- Final Rule’s requirements will apply only to “new transmission facilities”
 - After the Effective Date of the compliance filings (e.g. – after FERC Approval)