NW Energy Coalition

for a clean and affordable energy future

September 17, 2012

To: Planning Committee, Northern Tier Transmission Group

From: Fred Heutte, Senior Policy Associate, NW Energy Coalition

Re: Minimum Compliance Recommendations for Order 1000 Recommended by the Sustainable FERC Project

The NW Energy Coalition ("NWEC") would like to provide an informational submission to the NTTG Planning Committee as the compliance filing for Order 1000 in October 2012 proceeds toward completion.

We attach a document entitled "White Paper on Public Interest Organization Recommendations for Order No. 1000 Minimum Compliance," issued this summer by the Sustainable FERC Project and supported by numerous stakeholder groups around the country, including NWEC.

The white paper recommends that FERC, transmission providers and Order 1000 planning regions consider Order 1000 compliance through the lens of a prudence standard. It then reviews the broad requirements of Order 1000, summarized as follows:

"To ensure open and transparent RTPPs that can lead to plans that provide transmission solutions that are more efficient or cost-effective than alternatives, Order 1000 requires TPs to provide processes that include i) timely and meaningful opportunity for stakeholder input on plan development (¶ 150); ii) procedures for considering transmission needs driven by public policy requirements (¶ 203); iii) procedures for evaluating solution alternatives, including NTAs, on a comparable basis (¶¶148, 155); and iv) in most cases, reports on and explanations of decision-making related to the requirements in (i) through (iii)."

We are pleased to state our view that the NTTG drafts meets the "Minimum Compliance" white paper's recommendations and in many cases exceed them.

White Paper on Public Interest Organization Recommendations for Order No. 1000 Minimum Compliance

July 13, 2012

Introduction & Summary

Order 1000 contains a set of minimum process requirements that FERC found necessary to help ensure that the results of regional transmission planning and related cost allocation do not run afoul of Federal Power Act (**FPA**) requirements for just and reasonable rates and avoidance of undue discrimination or preference in the provision of jurisdictional services. The rule, which allows for significant regional flexibility and discretion in compliance approaches, does not explicitly address how FERC will apply the just-and-reasonable and no-undue-preference standards in evaluating compliance filings and subsequent rate filings seeking recovery of transmission costs. As a result, transmission providers (**TPs**) and stakeholders lack clarity as to the boundaries of regional flexibility and the minimum criteria TPs must satisfy to comply with Order 1000.

To help address this concern, public interest organization (**PIOs**) provide recommendations in this white paper[1] on specific minimum provisions that TP compliance filings must include to satisfy Order 1000. We base our recommendations on the Commission's duty to carry out the FPA's consumer protection purpose; specifically, to ensure that transmission rates (and wholesale power prices) recover only prudent costs, as established either through cost-based ratemaking or through competitive market forces. Achieving the FPA's purpose requires that the procedures proposed by TPs under Order 1000 represent good faith, reasonable processes that will create a record capable of demonstrating that transmission projects selected for regional plans meet FPA requirements for cost recovery and, more specifically, whether selected projects are more efficient or cost-effective than alternatives, thereby avoiding rates for jurisdictional service that are unjust and unreasonable and preventing undue discrimination.

Section I of the paper describes the rationale for Commission use of prudence as the performance standard in evaluating TP compliance filings under Order 1000.

Section II describes PIO recommendations on minimum compliance provisions necessary to meet the prudence standard for Order 1000 obligations related to *regional planning processes* (TP/stakeholder consultations in plan development, treatment of public policy-driven grid needs, and comparable consideration of transmission and non-transmission solution alternatives for addressing needs), *interregional planning coordination*, and *cost allocation methodologies* for facilities selected in plans for regional or interregional cost allocation.

Section III then provides a succinct "check list" of the minimum compliance provisions, and the final section, **Section IV, lists the PIOs** supporting the white paper recommendations.

[1] This paper represents the recommendations of regional and national environmental, energy policy, and consumer PIOs with members in every state that participate in the Sustainable FERC Project, an educational and advocacy initiative focused on implementation of sustainable electric power policies by the Federal Energy Regulatory Commission. The PIOs joining in support of these recommendations are listed in Section IV of the paper.

I. Rationale for Applying the Prudence Standard to Evaluate Order 1000 Filings

A. Order 1000's Compliance Obligations

Order 1000 mandates, for FERC regulated TPs, regional transmission planning processes (**RTPPs**) that result in a regional transmission system plan.[2] It does not require specific planning results or specific process details. Nor does it require that projects included in plans actually be constructed. Rather, it directs regulated utilities to implement minimum process requirements determined to be essential to ensuring the selection of solutions to meet regional transmission system needs that are congruent with FPA obligations—solutions that are more efficient and cost-effective than alternatives and that can help to ensure just and reasonable rates and non-preferential grid services. As the Commission notes in Order 1000, "[w]e determine that such [regional] transmission planning will expand opportunities for more efficient and cost-effective transmission solutions for public utility transmission providers and stakeholders. This will, in turn, help ensure that the rates, terms and conditions of Commission-jurisdictional services are just and reasonable and not unduly discriminatory or preferential."[3]

Order 1000's new regional planning requirements are an important next step in the Commission's enforcement of FPA obligations, having consistently determined that transmission planning is essential to eliminating opportunities for undue preference and ensuring that the rates, terms and conditions for jurisdictional service are just and reasonable.[4] The new regional planning reforms adopted in Order 1000 reflect the Commission's finding that the requirements of Order 890 are no longer sufficient to ensure that FPA mandates will be met in the face of changing industry conditions, including the growth of competitive wholesale markets, innovative technologies, and the adoption of public policies that influence transmission infrastructure requirements.

Although the Commission finds that Order 1000 requirements provide the necessary foundation for planning decisions that can help to ensure just and reasonable rates and avoid undue discrimination in FERC-jurisdictional services, Order 1000 does not provide specific guidance on the details of reforms TPs must undertake to satisfy FPA obligations. Instead, the rule gives a region's TPs – entities with monopoly control over essential assets, services, or both – the discretion to design and establish, "in consultation with stakeholders," processes that are reasonable in light of the region's specific and potentially unique circumstances. However, as

[2] Order No. 1000, FERC Stats. & Regs. ¶ 31,323 (Order 1000), requires each "transmission provider" to "participate in a regional transmission planning process that produces a regional transmission plan and complies with existing Order No. 890 transmission planning principles." ¶ 68.

[3] Order 1000, ¶ 146. *See also* Order 1000-A, ¶ 190 ("By requiring public utility transmission providers to participate in an open and transparent regional transmission planning process that leads to the development of a regional transmission plan, the Commission has facilitated the identification and evaluation of transmission solutions that may be more efficient or cost-effective than those identified and evaluated in the local transmission plans of individual public utility transmission providers.).

[4] Order 1000 builds on the planning requirements of Orders 890 and 890-A, -B, -C and –D, in which the Commission directed TPs to amend their OATTs to provide for open and transparent planning processes, having determined that such processes were critical to ensuring that the rates, terms and conditions for services provided by TPs are just and reasonable and not unduly discriminatory.

Order 1000-A makes clear, the rule's allowance for TP flexibility does not mean there are no minimum requirements for the processes TPs must establish to satisfy their compliance obligations.

B. Prudence: the Performance Standard for Compliance with Order 1000's Requirements

Failing to make decisions informed by consultation with stakeholders, consider PPR-driven grid needs, and comparably consider alternatives (that may be more efficient or cost-effective) to address grid reliability, efficiency and PPR-driven needs would be imprudent. Failing to complete any of these actions in a reasonable manner would make it impossible for a TP to demonstrate that rates to cover the costs of selected transmission projects are in fact just and reasonable or that it has avoided undue discrimination or preference in project selection. Thus, the questions to be addressed are how far must compliance proposals go, and how detailed must proposed processes be, in order to satisfy Order 1000 requirements?

In light of the regional flexibility and discretion provided in the rule's process requirements, what standard (or criteria) will the Commission use in its review of compliance filings to determine whether specific proposals provide the basis for ensuring just and reasonable rates and the avoidance of undue discrimination? A clear statement of the standard of performance to be used to evaluate compliance filings would assist TPs and other stakeholders in the design of compliance proposals and, in particular, help ensure that TPs do not use their FERC-granted discretion to undercut Order 1000's goals. It would also help to avoid situations in which FERC, TPs and other stakeholders are left, after plan decisions are made, without a record sufficient to demonstrate whether transmission rates stemming from regional planning process decisions should be approved for cost recovery or disallowed as unjust and unreasonable or based on unduly preferential or discriminatory TP actions – potentially leading to time-consuming, adversarial rate proceedings.

The appropriate standard for Order 1000 compliance review is the prudence standard. In the case of regulated monopolies, the prudence standard is the foundation for regulatory oversight. FERC uses the standard in the ratemaking context,[5] and although not always named as such, the prudence standard is also applied in the rulemaking compliance context to determine the reasonableness of actions or provisions proposed to meet the FPA consumer protection-driven requirements of just and reasonable rates and the avoidance of undue discrimination. The performance standard link between the facts of compliance proposals and the satisfaction of these FPA requirements is especially important in the review of attempts to satisfy Order 1000's flexible process requirements.

C. Application of the Prudence Standard to Order 1000's Compliance Obligations

Although the prudence performance standard is not addressed specifically in Orders 1000 or 1000-A, Commission review of whether compliance proposals are prudent (reasonable)—i.e., whether they propose processes that can create a planning record that can support determinations

[5] *See Indiana Mun. Power Agency v. FERC*, 56 F.3d 247, 252 (D.C. Cir. 1995) ("The Commission has long used its prudence and market rate tests to enforce the just and reasonable rate provision of section 205.").

in the future that rates to cover the costs of facilities selected in regional plans satisfy FPA just and reasonable rates and avoidance of undue discrimination requirements—is fundamental to its regulatory responsibility. Thus, the prudence standard is almost certain to be used in FERC review of compliance proposals; otherwise, TP discretion would not face any statutory boundaries, and it would be difficult for the Commission to provide consistent review. (The "we will know it when we see it" analysis would be insufficient and probably counterproductive for TPs and other stakeholders.) Specifying the performance expectations as minimum requirements will reduce the risk that TPs' competitive strategies and cost recovery goals will lead to unreasonable costs and discriminatory behavior.

The Commission's prudence review must assess the reasonableness of TP compliance filings in light of the FPA's consumer protection requirements applied on a regional basis, not from the perspective of an individual TP with interests that may run counter to the broader regional interest in just and reasonable rates and avoidance of undue discrimination obligations. For example, Order 1000 asks TPs to evaluate objectively solutions that could displace their own preferred solutions in order to ensure greater regional efficiency or cost-effectiveness. This requirement will, in some cases, conflict with TPs' for-profit interests, which would favor their own transmission solutions over other transmission and non-transmission alternatives. In other cases TPs may want to add transmission in certain locations to help lower their own costs or support their affiliated generation, thereby creating strong bias against alternatives that would make preferred rate-based transmission facilities unnecessary. To find proposed planning procedures prudent in this type of situation, the Commission must determine that they minimize opportunities for evaluation bias that could discount more efficient or cost-effective solution alternatives. Further, although RTOs are nonprofit TPs that do not own transmission or generation assets, they often have a transmission-first culture and focus, so they too need to demonstrate prudence by proposing procedures that will provide comparable consideration of all solution options (including NTAs) in order to ensure just and reasonable rates to cover the costs of facilities selected for their regional plans.

A second example relates to the rule's recognition that the opportunity for meaningful and timely stakeholder input throughout the transmission planning process, including the development of regional cost allocation methods, is an important component of ensuring just and reasonable rates and the avoidance of undue discrimination. It may be faster and "easier," from a TP's perspective, to engage in effective regional planning with other TPs based on the results of its own modeling, derived from its own assumptions and inputs, as well as its own judgments of regional system needs. However, because the FPA's focus is protecting consumers, regional planning processes under the FPA would not be prudent if TPs did not provide for reasonable (timely and meaningful) input from transmission customers, affected states, consumer advocates, and other stakeholders, such as PIOs, whose interests should also be considered.

A third example relates to Order 1000's requirement that regional planning processes include consideration of public policy-driven transmission needs. An individual TP or a group of TPs in a region may have no inclination to consider the public policy-driven transmission needs of neighboring TPs in the regional planning process, since the policy/policies may not affect their customers in one instance or apply within their state in another. Such an approach ignores the fact that consideration of the public policy-driven needs of a neighboring TP may indeed benefit

both TPs' customers in the near or longer term, as well as the fact that deriving the most cost-effective and efficient solutions to regional needs requires consideration and incorporation of factors that will drive transmission infrastructure and affect consumer costs in all affected TP service territories.[6]

A fourth example demonstrates the need for a prudence review of regional cost allocation proposals. TPs that face cost pressures from many sources – shareholders, wholesale and sometimes retail customers, FERC, state regulators, consumer advocates and others – may find commitment to regional cost allocation methods for reliability, economic, and public policy-driven transmission projects an uneasy part of their Order 1000 compliance filings. As a result, TPs in some regions may propose that their "method" is to agree to a set of cost allocation principles that will allow for flexibility in choosing a cost allocation method at the time a project is chosen for inclusion in a regional plan. However, Order 1000 explicitly requires (and prudence dictates) that TPs within a region must agree on cost allocation methods in advance,[7] so that more cost-effective and efficient regional solutions can actually get built and unnecessary and expensive litigation over costs (more likely in the case of regional solutions chosen without upfront certainty) can be avoided.[8]

These examples make it clear that implementation of prudent planning processes is essential to ensuring just and reasonable rates and avoiding undue preference in the case of regional plan development and related cost allocation determinations under Order 1000. In sum:

- Planning under Order 1000 must produce results consistent with FPA requirements;
- Order 1000 gives TPs substantial discretion to create procedures to produce those results;
- TPs have business and institutional goals that can conflict with Order 1000's goals; and
- To make Order 1000 effective, the Commission must apply the performance standard of prudence to limit TP discretion.

Therefore, based on our assumption that the Commission will apply the prudence standard in TP Order 1000 compliance dockets, PIOs recommend minimum compliance provisions for determining whether the regional planning procedures proposed comport with what a prudent TP would undertake to ensure cost-effective and efficient regional planning decisions.

The balance of this white paper describes recommended minimum procedures that compliance proposals must include in order to provide prudent processes sufficient to satisfy the FPA's just and reasonable rates and non-discrimination requirements. Although additional procedures may

[6] A TP compliance proposal that does not provide for explicit consideration of regional public policy-driven transmission system needs but instead is designed only to be reactive to proposals by states or other stakeholders, therefore, cannot be deemed prudent under Order 1000. Similarly, a TP's proposal to consider only specific local PPR-driven needs identified by its own states or other stakeholders would also fail the prudence test. These proposals would fail to ensure consideration of solutions that might be more efficient or cost-effective for the region as a whole, including the TP's own customers, and thus would not produce a record that could demonstrate avoidance of unjust and unreasonable rates to cover the costs of transmission projects selected.

[7] Order 1000, ¶ 558 ("We require that a public utility transmission provider have in place a method, or set of methods, for allocating the costs of new transmission facilities selected in the regional transmission plan for purposes of cost allocation. If the public utility transmission provider is an RTO or ISO, then the cost allocation method or methods must be set forth in the RTO or ISO OATT.").

[8] *See id.*, ¶¶ 485, 498-499.

be necessary in some RTPPs to meet FPA obligations, PIOs believe the following recommendations set forth reasonable planning process minimums for compliance.

II. **Recommended Minimum Compliance Provisions**

A. Regional Planning Procedures

To ensure open and transparent RTPPs that can lead to plans that provide transmission solutions that are more efficient or cost-effective than alternatives, Order 1000 requires TPs to provide processes that include i) timely and meaningful opportunity for stakeholder input on plan development (¶ 150); ii) procedures for considering transmission needs driven by public policy requirements (¶ 203); iii) procedures for evaluating solution alternatives, including NTAs, on a comparable basis (¶¶148, 155); and iv) in most cases, reports on and explanations of decision-making related to the requirements in (i) through (iii).

1. Tariff provisions that ensure timely and meaningful stakeholder opportunities to participate and consult with TPs in RTPP procedures are required by Order 1000.

a. ***Order 1000 requirements:*** **Stakeholders must have the opportunity in RTPPs to express their needs, provide information, access the models and data used in planning, and participate in the identification and evaluation of regional solutions.** (¶¶ 150-152). While similar requirements are not imposed for interregional coordination processes, to facilitate stakeholder involvement in interregional coordination efforts **TPs must make transparent the analyses undertaken and determinations made by their neighboring planning regions in identifying and evaluating interregional facilities.** (¶ 465).

Order 1000 makes clear that "the term 'stakeholder' is intended to include any party interested in the regional transmission planning process," including non-transmission customer stakeholders such as PIOs that propose to insert public interest considerations into the planning process. (¶ 151 fn 143). The broad range of potential stakeholders includes transmission service customers, consumer advocates, PIOs, state environmental agencies, regional states committees, and others with an interest in the regional planning process. *The detailed Order 1000 requirements for consultations with stakeholders are noted in Appendix A.*

b. ***Recommended minimum compliance provisions***: Although the Commission's Final Rule does not specify what "consultation" or "timely and meaningful opportunity to participate" may require in RTPPs, **TP consultation with stakeholders in the development of regional plans is mandated by Order 1000**. The Commission emphasized throughout the order that consultation with stakeholders is critical to the identification of grid solutions that may be more efficient or cost-effective. Stakeholder input reduces planning risks – for example, stakeholders can provide information needed to guide planning away from environmentally infeasible locations, help harmonize data between and among planning regions, and help ensure consideration of the most cost-effective solutions to planning needs. Because reduced planning risks can lower the costs of transmission infrastructure development, the input of stakeholders helps to ensure that

regional planning solutions will be more efficient or cost-effective, giving rise to just and reasonable rates. Provision of timely and meaningful opportunities for stakeholder involvement in planning, therefore, is required to demonstrate prudence.

Because "consultation" could be given a wide range of meanings, TPs should treat stakeholder consultations as interactions in which those being consulted have full opportunity to influence planning objectives, identify grid needs and solution options, provide accurate model data, evaluate project proposals, request sensitivity studies, and review modeling analyses. This approach to consultation would be consistent with the Ninth Circuit's interpretation of consultation in *California Wilderness Coalition v. U.S. Dept. of Energy*,[9] in which the Ninth Circuit addressed DOE's duty to consult with states under Section 216 of the FPA.

1) In order to realize the benefits of stakeholder participation in regional planning contemplated by the Commission, stakeholders must know how the TP will provide opportunities for consultations to take place. Thus, ***a TP's compliance proposal must contain tariff language that delineates the actions it will take to consult with stakeholders in each of the Order 1000 mandated processes***.[10] At a minimum these actions should include:

i) <u>hosting meetings</u> at which TP grid needs assessments and analyses are provided to stakeholders; stakeholders have the opportunity to provide information, state public interest considerations, and request transmission studies; and access to the data and models used by the TP in plan development is provided;[11]

ii) <u>inviting written comments</u> following planning meetings for stakeholders to provide further feedback and information; and

iii) <u>creating a regional plan development website</u> for stakeholder comments, questions and recommendations on needs and solutions alternatives that will be actively monitored by the TP.[12]

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[9] 631 F.3d 1072 (9th Cir. 2011).

[10] Mandated processes include i) procedures for identifying PPR-driven grid needs, including a just and reasonable process for selecting PPR-driven needs *for which potential solutions will be evaluated*, allowing all stakeholders to provide input and offer proposals on PPR needs and solutions (Order 1000 ¶¶ 203, 206, 207, 209 & 212); and ii) procedures for the evaluation of solution alternatives for PPR-driven needs, as well as for reliability and efficiency needs, on a comparable basis. (Order 1000 ¶¶ 148, 149 & 155). See II, B and C below.

[11] Order 1000-A, ¶ 281 ("Thus, as we stated in Order No. 890 and subsequent orders on compliance, public utility transmission providers should provide the basic methodology, criteria, and processes used to develop transmission plans sufficient for stakeholders to be able to replicate its transmission plans, and describe the methods it will use to disclose the criteria, data, and assumptions that underlie its transmission system plans.").

[12] In order to represent a reasonable effort, the website should contain information that is readily accessible to interested stakeholders. Providing a significant amount of highly technical information that will not be understood by the majority of stakeholders does not represent a prudent effort to satisfy the stakeholder consultation requirement. A good model is WECC's website for communications with stakeholders related to the Department of Energy-funded Western Interconnection-wide Regional Transmission Expansion Planning initiative.

Examples of current tariff provisions that PIOs support as delineating reasonable actions by TPs to consult with stakeholders include:

-Several provisions of Schedule 6 (the Regional Transmission Expansion Planning or "RTEP" Protocol) to PJM's Operating Agreement provide good examples of the kinds of stakeholder consultation prudence requires under Order 1000. For example, Section 1.3 of Schedule 6 describes the committees that will be involved in the annual transmission planning process (the Planning Committee, the Transmission Expansion Advisory Committee and the Subregional RTEP Committees), and each includes in its membership "any other interested entities or persons." Subsections 1.5.4(c) and (d) describe the opportunity for input at the beginning of the regional planning process, including suggestions regarding proposed assumptions, scenario analyses, public policies, and alternative sensitivity studies in advance of meetings convened to make determinations on the information and data that will be included in the RTEP. Further, Section 1.5.4(h) provides a reasonable example of how criteria, assumptions and models used in plan development (in this case, each transmission owner's local plan) will be provided to stakeholders via a website, and how stakeholders can access protected or confidential information.

-Another good example is found in SPP's OATT, Attachment O, which describes its transmission planning process and states in Section II.2.(e) that *all* stakeholder working groups that work with SPP on transmission planning "shall meet at least quarterly and additional meetings, web conferences and teleconferences shall be scheduled as needed." Further, "[n]otice of meetings of the stakeholder working groups shall be posted on the SPP website and distributed via email distribution lists" and "[m]eeting agendas and minutes shall be posted on the SPP website."

-The MISO planning process also provides timely and meaningful opportunities for stakeholder input. The Advisory Committee is the highest-level MISO stakeholder committee, and it includes nine voting sectors (including the Environmental Sector). The main functions of the Advisory Committee are to provide recommendations to the Board of Directors and serve as a forum for important MISO issues.[13] Another committee, the Planning Advisory Committee (PAC), collaborates with MISO staff and transmission owners in developing the annual transmission plan.[14] (The PAC reports to the Advisory Committee.) The PAC and its Planning Subcommittee provide input to MISO on assumptions for planning model development, alternatives evaluation, and overall project selection.[15] All nine MISO stakeholder sectors have voting rights in the PAC and Planning Subcommittee.

2) To facilitate timely and meaningful consultation with stakeholders, ***the TP's proposal should specify the timelines for conducting stakeholder consultations to seek input on regional plan development***. At a minimum the timelines should:

> i) inform stakeholders of the amounts of time prior to each RTPP decision that opportunity for stakeholder input will be provided, as well as the time

[13] *See* MISO Transmission Owners Agreement, § VI.A (Advisory Committee).
[14] *See* MISO Tariff, Attachment FF, § I.A.2.a.
[15] *Id.*, §§ I.A. and B.

stakeholders will have to review and comment on proposed planning decisions; and

ii) provide for stakeholder consultation at the beginning of the planning process in order to receive timely input on, for example, modeling assumptions, public policy considerations, and scenarios that should be evaluated. A prudent TP will also solicit comments on completed planning studies, solution options, and proposed regional plans.

Examples of tariff provisions that PIOs support as providing reasonable timelines for meaningful stakeholder consultations include:[16]

- ISO-NE's OATT Attachment K, in which timelines are provided for the various aspects of the Regional System Planning Process (see, for example, Section 4.1(b) on the timing for economic study requests), provides an excellent example of prudent tariff provisions.

-In Tables 2-1 through 2-3 of its transmission planning Business Practice Manual, the California ISO provides date-specific timelines for the immediate and next planning cycle, providing certainty to stakeholders about the opportunities for input and consultation, as well as when decisions will be made.

3) ***The TP's proposal should specifically identify the matters on which it will consult*** with its stakeholders.[17] In light of explicit requirements in Order 1000, proposed TP/stakeholder consultations should, at a minimum, address:

i) study requests and access to planning data, models, etc. (¶¶ 150-152);
ii) identification and evaluation of needs driven by PPRs (¶¶ 203-212, etc.);
iii) evaluation of solution alternatives, including non-transmission alternatives, for inclusion in regional plans (¶ 148); and
iv) evaluation of facilities to meet regional and interregional needs (¶¶ 465, 499).

An excellent example of tariff provisions that reflect the issues to be addressed by the TP in stakeholder consultations is found in PJM's Operating Agreement, Schedule 6. Section 1.5.6 sets the context for the development of each RTEP, stating that it "shall be developed through an open and collaborative process with opportunity for meaningful participation [for stakeholders.]" More specifically, Section 1.5.4(d) describes the specific types of assumptions about which PJM will confer with stakeholders in developing the RTEP, including public policy requirements and objectives to be considered, and provides the opportunity for written comments on the

[16] Although the points in the planning process where timelines are needed to ensure that stakeholders have timely and meaningful opportunities to consult with TPs will vary by region, the clarity provided by the timelines set forth in ISO-NE's Attachment K and the California ISO's Business Practice Manual provide good guidance.

[17] It is important to note that some of the consultation required by Order 1000 may take place at technical subcommittee levels that may be open to all stakeholders but practically inaccessible to stakeholders without the resources or technical expertise to analyze the modeling and other outputs provided. Because these limitations can inhibit meaningful stakeholder participation, a prudent TP will provide for assistance to such stakeholders or issue simplified summaries of grid needs assessments, modeling inputs and assumptions, scenario analyses, and options for addressing grid needs for broad stakeholder consideration and comment.

assumptions.[18] Section 1.5.4(f) goes on to describe particular topics with which PJM will consult with stakeholders after the initial assumptions meetings,[19] including around potential solutions to address identified needs. Although PIOs believe Schedule 6 will have to be modified to comply fully with Order 1000's requirements, the level of specificity in these sections can serve as a good model for prudent compliance provisions.

2. ***TP tariff provisions must include procedures that ensure reasonable consideration of transmission needs driven by PPRs in RTPPs.***

a. ***Order 1000 requirements***: **A TP tariff must describe the procedures it will use to identify local and regional transmission needs driven by PPRs[20] and the process it will follow to select PPR-driven needs for which potential solutions will be evaluated.**[21] Development of more efficient or cost-effective transmission facilities to help ensure that the rates, terms and conditions of jurisdictional service are just and reasonable is the Commission's primary rationale for requiring TPs to amend their OATTs to provide procedures for considering PPR-driven needs.[22] However, the Commission also cites the need to limit opportunities for undue discrimination by requiring procedures that give all stakeholders a meaningful chance to provide input on PPR-driven needs (in addition to those identified by the TP to serve its own needs).[23] As noted above, the procedures and processes proposed must include timely and meaningful consultations with stakeholders.[24]

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[18] The topics for consultation during the initial assumptions phase include "(i) the assumptions to be used in performing the evaluation and analysis of the potential enhancements and expansions to the Transmission Facilities; (ii) Public Policy Objectives for consideration in the Office of the Interconnection's transmission planning analyses; (iii) the impacts of regulatory actions, projected changes in load growth, demand response resources, energy efficiency programs, price responsive demand, generating additions and retirements, market efficiency and other trends in the industry; and (iv) alternative sensitivity studies, modeling assumptions and scenario analyses proposed by the Committee participants."

[19] The topics for consultation include: "(i) any identified violations of reliability criteria and analyses of the market efficiency and operational performance of the transmission system; (ii) potential transmission solutions, including any acceleration, deceleration or modifications of a potential expansion or enhancement based on the results of sensitivities studies and scenario analyses; and (iii) the proposed RTEP."

[20] *See* Order 1000, ¶ 203 (These processes must "provide all stakeholders the opportunity to provide input into what they believe are transmission needs driven by Public Policy Requirements, rather than the public utility transmission provider planning only for its own needs or the needs of its native load customers.").

[21] *See* Order 1000-A, ¶ 335 ("… Compliance filers must explain how their process gives all stakeholders a meaningful opportunity to submit what they believe are transmission needs driven by Public Policy Requirements, and allow an open and transparent transmission planning process to determine whether to move forward regarding those needs."). Also, as covered in subsection 3 below, Order 1000 requires explication of the process the TP will use to compare and choose between potential solutions to address the PPR-driven transmission needs, just as it will need to do for potential solutions to reliability and economically-driven transmission needs.

[22] Order 1000, ¶¶ 82-83 ("When conducting transmission planning to serve native load customers, a ***prudent*** transmission provider will not only plan to maintain reliability and consider whether transmission upgrades or other investments can reduce the overall costs of serving native load, but also consider how to plan for transmission needs driven by Public Policy Requirements. [citation omitted]") (emphasis added).

[23] *Id.*, ¶ 83 ("Therefore, we conclude that, to avoid acting in an unduly discriminatory manner against transmission customers that serve other loads, a public utility transmission provider must consider these same [PPR-driven] transmission needs for all of its transmission customers."). *See also id.*, ¶¶ 206, 207 & 212.

[24] *Id.*, ¶ 207 (TP procedures "must allow stakeholders an opportunity to provide input, and offer proposals regarding the transmission needs they believe are driven by Public Policy Requirements."). *See also id.*, ¶ 208 ("At a minimum…we require that all such procedures allow for input from stakeholders….").

Specific Order 1000 requirements on procedures for consideration of PPR-driven grid needs and comparable consideration of solution options are detailed in Appendix A.

b. ***Recommended minimum compliance provisions***: Because many PPRs can have significant impacts on transmission needs over time, a prudent TP must establish procedures that ensure that all PPR-driven needs are identified and reasonably considered in the development of its regional transmission plans.

1) ***Prudence requires that TP tariffs include explicit procedures for identifying PPR-driven needs***. Because Order 1000 now requires that PPR-driven needs be considered in consultation with stakeholders in local and regional grid planning assessments, along with the reliability and efficiency needs currently considered, a process component that will address system needs driven by PPRs must be integrated into TPs' processes for addressing grid needs driven by reliability and efficiency at the beginning of each planning cycle.[25] A tariff that simply refers to a need or plan to incorporate PPRs into the planning process, without detailing how the incorporation will be implemented, does not provide sufficient assurance that opportunity for meaningful stakeholder input on PPRs that may drive grid needs will be provided. Thus, such an approach should be found to be imprudent for failing to ensure reasonable consideration of the array of needs that may have to be addressed with transmission facilities that are more efficient or cost-effective, thereby producing just and reasonable rates. At a minimum the TP's tariff should specify:

i) when and how in the regional plan development cycle stakeholder input on PPRs that may drive transmission needs will be solicited and considered, as well as when and how it will conduct its own assessment of PPR-driven needs; and

ii) a process to identify PPR-driven needs that is not different in substance than the process used by the TP to identify reliability or economic needs—a process that is open and transparent and that provides stakeholders with access to any studies, models and data to be used to make planning decisions.[26]

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[25] *See* Order 1000-A, ¶ 205 ("…the Commission is acknowledging that the requirements in question are facts that may affect the need for transmission services and these facts must be considered for that reason…. Such requirements may modify the need for and configuration of prospective transmission facilities. Accordingly, the transmission planning process and the resulting transmission plans would be deficient if they do not provide an opportunity to consider transmission needs driven by Public Policy Requirements."). *See also id.*, ¶ 206 ("…we are requiring only that there be a process in place for public utility transmission providers, in consultation with stakeholders, to consider transmission needs driven by Public Policy Requirements…."), and *id.*, ¶ 210 ("…These reforms are intended to help create a path to allow public utility transmission providers, in consultation with stakeholders, in each transmission planning region to assess what transmission needs are being driven by Public Policy Requirements, just as they currently look to whether transmission needs are driven by reliability or economic considerations.").

[26] PIOs believe that TP solicitation of stakeholder input should be at the beginning of each planning cycle and integrated with the TP's assessment of regional reliability and efficiency needs; that input should be sought in one or more in-person meetings hosted by the TP and via a designated website; and that TP responses to stakeholder recommendations should be made available expeditiously. *See* O-1000-A, ¶ 205 ("…Our intent is that public utility transmission providers consider such transmission needs just as they consider transmission needs driven by reliability or economic concerns. . ."). *See also id.*, ¶ 208 ("The planning necessary to consider transmission needs

SPP's OATT, Attachment O contains provisions that may serve as a model for these minimum compliance requirements. Although not analyzed for full Order 1000 compliance, SPP's planning rules provide an example of when in the planning cycle and in what types of meetings input on public policy requirements and other grid needs will be solicited and considered by the TP, and they explicitly provide that inputs on load forecasts, including the impact on load of existing and planned demand management programs, renewable energy standards, energy efficiency requirements, and other relevant environmental or government mandates (among other things) should be incorporated into SPP planning studies.[27]

2) ***Prudence requires that the TP tariff delineate <u>when</u>, <u>how</u> and based on <u>what criteria the TP will select the PPR-driven needs to be evaluated for solutions</u>*** *as part of its grid needs assessment process, and it must explain its decisions publicly.* Specifically, to ensure opportunity for timely and meaningful stakeholder input, provide for reasonable treatment of stakeholder recommended PPR-driven needs, and minimize opportunity for undue discrimination (all of which are determined in Order 1000 to be critical to meeting FPA standards), the tariff at a minimum must establish:

> i) a process, including the timing and forums for stakeholder input and selection criteria to be used, for determining which proposed transmission needs driven by PPRs will be selected for evaluation—an open process that creates a record sufficient to demonstrate that the identification and evaluation decisions made by the TP are fair, reasonable and not unduly discriminatory or preferential;[28] and
>
> ii) the timing for posting TP's explanations of its decisions regarding the PPR-driven needs to be evaluated for solutions—specifically, explanations of the PPR-driven needs selected for evaluation and why PPR-driven needs proposed by TP stakeholders but not selected were excluded from solution evaluation—as well as the level of detail such postings require so that stakeholders have a sufficient basis to understand the rationale involved in the TP's explanation.

An example of a planning process that prudently incorporates many of the Order 1000 minimums is the Western Electricity Coordinating Council's Transmission Expansion Planning Policy Committee (TEPPC) approach to incorporating public

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driven by Public Policy Requirements is not different in substance from the planning required to address reliability or economic needs. Such planning requires an open and transparent process that provides interested stakeholders with access to studies, models and data used to make decisions.").

[27] SPP OATT, Attachment O, Section III., subparagraphs 1, 2 & 6 (pp. 1491-1498).

[28] *See* Order 1000-A, ¶ 321 ("…we are not requiring anything more than what we directed in Order No. 1000, namely, the two-part identification and evaluation process. As with other Order No. 1000 transmission planning reforms, our concern is that the process allows for stakeholders to submit their views and proposals for transmission needs driven by Public Policy Requirements in a process that is open and transparent and satisfies all of the transmission planning principles set out in Order Nos. 890 and 1000, and that there is a record for the Commission and stakeholders to review to help ensure that the identification and evaluation decisions are open and fair, and not unduly discriminatory or preferential…. The OATT revisions that public utility transmission providers submit as part of their Order No. 1000 compliance filings will set forth the process for permitting stakeholders to provide input and for determining which proposed transmission needs will be identified for evaluation.").

policies into its interconnection-wide transmission planning efforts.[29] A recent white paper by the Western Interstate Energy Board of the Western Governors' Association reviewed the process and recommended it as a model for Order 1000 regional planning processes.[30] The process explicitly identifies three categories of public policies: (1) policies that guide or constrain utility decisions on loads and supply-side resources, (2) policies on carbon emissions and air quality regulations and (3) public policies that originated outside the electric sector (e.g., conservation, land preservation) but that now have an important nexus that can impact the electric sector. The TEPPC incorporates these policies, together with each utility's load and resource projections, into its base modeling and modeling of "what if" cases.

3. TP tariff provisions must include procedures that ensure comparable consideration of transmission and non-transmission solution alternatives for addressing grid needs, including the process and metrics by which alternative solutions will be evaluated and selected.

a. ***Order 1000 requirements: TPs must include procedures for the evaluation of solution alternatives to meet transmission system needs***, including reliability, efficiency and PPR-driven needs, ***on a comparable basis***.[31] These ***procedures must include identification of transmission and NTA solutions available*** to address identified grid needs ***and procedures and metrics for evaluating and selecting solutions on a comparable basis***.[32] The basic goal of Order 1000—that transmission planning processes identify solutions to grid needs that are more efficient or cost-effective to help ensure just and reasonable rates for services—also drives these requirements. Thus, TPs must propose procedures that facilitate stakeholder input on solution options, weigh all options comparably, and make solution decisions based on clearly identified metrics. *Specific Order 1000 requirements on comparable consideration of solution options are detailed in Appendix A.*

b. ***Recommended minimum compliance provisions***: In order to demonstrate that the solutions included in a TP's regional transmission plan meet the FPA's just and reasonable standard, Order 1000 requires procedures that create a record showing that the TP consulted with stakeholders openly and transparently, responded reasonably to

[29] WECC is not a region for purposes of Order 1000 but the process remains a strong example for TPs to model for Order 1000 compliance.

[30] *Draft Order 1000 Task Force Whitepaper Public Policy Requirements*, WIEB Staff, March 29, 2012.

[31] *See* Order 1000, ¶ 80 ("[Transmission providers]…have an affirmative obligation...to evaluate alternatives [to local proposed transmission facilities] that may meet the needs of the region more efficiently or cost-effectively."); *see also id.*, ¶¶ 148, 205-206, and *id.*, ¶¶ 154-155 (TPs must give those alternatives "comparable consideration").

[32] Order 1000, ¶ 155 ("While we require the comparable consideration of transmission and non-transmission alternatives in the regional transmission planning process, we will not establish minimum requirements governing which non-transmission alternatives should be considered or the appropriate metrics to measure non-transmission alternatives against transmission alternatives. Those considerations are best managed among the stakeholders and the public utility transmission providers participating in the regional transmission planning process [citation omitted]" and "[h]owever…public utility transmission providers are required to identify how they will evaluate and select from competing solutions and resources such that all types of resources are considered on a comparable basis. [citation omitted]").

stakeholder inputs and requests, and evaluated transmission and non-transmission solution alternatives on a comparable basis. At a minimum the tariff should specify:

> i) when and how proposals and input from stakeholders on transmission facilities and NTAs to address identified grid needs, including PPR-driven needs, will be evaluated[33] – the tariff should provide that the solution identification and evaluation procedures are fully integrated into the TP's regional transmission plan development process;
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> ii) the procedures, to the extent they do not now exist, the TP will follow for responding to stakeholder requests to perform studies that evaluate potential regional upgrades, including public-policy related upgrades;[34] and
>
> iii) the procedures, including the role of regional stakeholders,[35] and metrics the TP will use ***to evaluate*** on a comparable basis all solution options, including NTA options, for addressing identified transmission needs and ***to select*** from among the alternatives the solutions that are more efficient or cost-effective for inclusion in its regional plan.[36]

SPP's "*Process to Analyze Transmission Alternatives for each Assessment*"[37] provides an excellent example of a prudent process to consider alternatives to identified transmission system needs in the RTO's Near Term, 10-Year and 20-Year Assessments. Although not analyzed for full compliance with Order 1000, SPP's alternatives consideration process demonstrates prudence by providing examples of types of alternatives that may be considered ("alternative proposals, which could include, but would not be limited to, generation options, demand response programs, 'smart grid' technologies, and energy efficiency programs"). The Process also details a list of factors to be considered in the comparison of solution options, including the quantification of benefits resulting from "dispatch savings, loss reductions, avoided projects, applicable environmental impacts, reduction in required operating reserves, interconnection

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[33] TPs, in consultation with stakeholders, may determine how evaluations will be conducted, subject to review, but the objective is meeting identified needs more efficiently and cost-effectively. The process, however, must include "the evaluation of proposals by stakeholders for transmission facilities proposed to satisfy an identified need driven by Public Policy Requirements." Order 1000, ¶ 211.

[34] *See* Order 1000, ¶ 147 ("…regional planning processes also must respond to requests by stakeholders to perform studies that evaluate potential upgrades or other investments that could reduce congestion or integrate new resources or loads on an aggregated or regional basis.").

[35] *See* Order 1000-A, ¶ 232 ("…Order No. 1000 provided public utility transmission providers in each transmission planning region the flexibility to develop, in consultation with stakeholders, procedures by which the public utility transmission providers in the region identify and evaluate the set of potential solutions that may meet the region's needs more efficiently or cost-effectively.").

[36] *Id.* ("…When evaluating the merits of …alternative transmission solutions, the Commission also directed public utility transmission providers in the transmission planning region to consider proposed non-transmission alternatives on a comparable basis….") (citing Order 1000, ¶ 148). *Also*, *id.*, ¶ 328 ("the Commission encourages public utility transmission providers to build on existing regional transmission planning processes that, consistent with Order Nos. 890 and 890-A, already set forth the criteria by which the public utility transmission provider evaluates the relative economics and effectiveness of performance for alternative solutions offered during the transmission planning process."). *See also id.*, ¶¶ 329-331.

[37] SPP OATT, Attachment O, Section III.8.(a)-(h).

improvements, congestion reduction ,and other benefit metrics as appropriate," as well as the use of scenario analysis to contemplate "sensitivities to load forecasts, wind generation levels, fuel prices, environmental costs, and other relevant factors."

An example of TP provisions that incorporate some but not all of the minimum procedures recommended in (i) above is found in PJM's OATT Schedule 6. Subsections 1.3(b), 1.5.3(c) & (d), and 1.5.4(f) provide for stakeholder input on the projects proposed for inclusion in the RTEP and alternatives for TP consideration.

PIOs believe that a prudent TP's tariff would also specify procedures for explaining the TP's responses to stakeholder input and why specific solutions are chosen for identified system needs and why other proposed solutions are not chosen. Such procedures could help to demonstrate whether stakeholder participation in the planning process is meaningful, as Order 1000 requires, and lend support to the prudence of a TP's decisions.

B. Interregional Planning Coordination

1. ***Order No. 1000 requirements*****: TPs must develop and implement procedures to coordinate and share the results of regional transmission plans.** The purpose of these procedures is "to identify possible interregional transmission facilities that could address transmission needs more efficiently or cost-effectively than separate regional transmission facilities and to jointly evaluate such facilities, as well as to jointly evaluate those transmission facilities that are proposed to be located in more than one transmission planning region."[38] Acting through its regional planning process, a **TP also must coordinate with the TPs in each neighboring planning region** within its interconnection,[39] and the **coordination must include specified, mutually agreed minimum requirements for data exchange and transparency**.[40] Collectively, these interregional coordination requirements will help to ensure that the rates, terms and conditions of jurisdictional service are just and reasonable and not unduly discriminatory or preferential.[41] *Order 1000's interregional coordination requirements are set forth in more detail in Appendix A.*

2) ***Recommended minimum compliance provisions***:

a) ***Prudence requires that the methods and studies selected to be used in the interregional coordination process be explained and justified in TPs' compliance***

[38] Order 1000, ¶ 394.

[39] *Id.*, ¶ 415 ("We require each public utility transmission provider through its regional transmission planning process to coordinate with the public utility transmission providers in each of its neighboring transmission planning regions within its interconnection to implement the interregional transmission coordination requirements adopted in this Final Rule.").

[40] Order 1000, ¶ 394.

[41] *Id.*, ¶ 370 ("Because such interregional transmission coordination helps to ensure that rates, terms, and conditions of jurisdictional service are just and reasonable and not unduly discriminatory or preferential by facilitating more efficient or cost-effective transmission infrastructure development, we conclude that the interregional transmission coordination reforms adopted in this Final Rule are necessary and should not be delayed.").

filings—the filings should state why the chosen methods are appropriate and useful for identifying and evaluating interregional facilities. Order 1000 requires that each tariff or joint operating agreement (JOA) "describe the methods by which they will identify and evaluate interregional facilities" that may be more efficient or cost-effective than regional facilities in meeting neighboring regions' needs.[42]

To implement this requirement effectively, the methods selected for use in interregional coordination must identify proposed interregional facilities or other investment solution options that may be more cost-effective or efficient than separate regional solutions. Otherwise, interregional coordination would not achieve its purpose. Therefore, TPs should explain in their compliance filings how the selected methods and studies will accomplish the purpose of interregional coordination. Further, prudence requires that the descriptions of the methods and studies be sufficiently detailed to provide a clear framework and roadmap for the interregional coordination process. Tariff or JOA language should describe each step in the interregional coordination process, and it should identify studies with specificity.[43]

b) ***Prudence requires that each pair of TPs/planning regions describe with specificity in their tariffs or JOAs the mechanisms for harmonizing differences in models, assumptions and other considerations.*** Order 1000 stressed that interregional coordination "cannot be effective without some effort by neighboring transmission planning regions to harmonize differences in the data, models, assumptions, planning horizons and criteria used to study a proposed transmission project."[44] Order 1000 therefore requires each TP, acting through its transmission planning region, to "develop procedures by which such differences can be identified and resolved for purposes of jointly evaluating the proposed interregional transmission facility."[45]

While the Order "does not require that any particular planning horizons or criteria be used," it does require consistency.[46] Therefore, failing to identify where such differences occur or to describe how pairs of neighboring TPs/regions will harmonize such differences and achieve consistency would be imprudent and could lead to unjust, unreasonable, unduly discriminatory and preferential rates.[47] The process described by each TP should address procedures for dealing with differences and provide for documentation of where and why and differences are maintained. Harmonizing differences will help TPs to identify and evaluate accurately whether interregional facilities are more cost-effective or efficient than regional solutions, and it will help to

[42] *Id.*, ¶ 398.

[43] *Id.* ("…the Commission requires that the compliance filing by public utility transmission providers in neighboring planning regions include *a description of the type of transmission studies* that will be conducted to evaluate conditions on their neighboring systems for the purpose of determining whether interregional transmission facilities are more efficient or cost-effective than regional facilities.") (Emphasis added).

[44] *Id.*, ¶ 437.

[45] *Id.*

[46] *Id. See* Order 1000-A, ¶ 510 ("We disagree with Joint Petitioners' contention that Order No. 1000 did not require consistency in planning horizons or scenario analyses.").

[47] One of the lessons of Phase I of the Eastern Interconnection Planning Collaborative was that planning assumptions, models, planning horizons and other considerations differ, often considerably, among the regions.

ensure that the rates, terms and conditions of jurisdictional service are just and reasonable and not unduly discriminatory or preferential. Stakeholder involvement is essential in this work. For example, NGO stakeholders in WECC's Regional Transmission Expansion Planning process led efforts to harmonize data on environmental and cultural impacts necessary for accurate modeling of planned facilities.

Specificity also is required. Simply stating that the process of interregional coordination will resolve differences in the future is insufficient to meet Order 1000 requirements and, thus, would be imprudent. An example of a situation in which specificity is critical is where neighboring planning regions use different planning horizons. In such a case, the tariff should specify how the interregional coordination process will reasonably accommodate the differences. Another example would be where one TP uses long-term planning scenarios and the neighboring TP does not; in this case the tariff or JOA should note the differences and describe how the interregional coordination will address the differences and create sufficient consistency.[48]

c) ***Prudent interregional coordination requires that each pair of neighboring TPs delineate the procedures by which they will describe the reliability, efficiency and public policy requirements that drive their systems' transmission needs, and how they will reconcile any differences in those drivers***. Order 1000 states that interregional coordination will facilitate consideration of transmission system needs driven by PPRs, enabling the evaluation of interregional facilities that may address those needs more efficiently or cost-effectively than separate regional facilities.[49] Such an evaluation is unlikely to occur absent procedures to describe the PPR drivers (PPRs that give rise to grid needs on their systems), as well as other transmission drivers, to be considered in the interregional coordination process.

These procedures could reasonably provide that the TPs in each pair of regions will describe only those PPR drivers arising from state and federal legal mandates that they plan to address in their respective regional planning process, or they could include drivers related to public policy objectives beyond existing legal mandates that they propose to address. In either case, a prudently-designed interregional coordination process should include procedures that will be used to identify all relevant grid drivers in each region's system, whether related to reliability, economic efficiency, or public policy requirements.

d) ***Prudence dictates that each pair of neighboring regions describe in detail how interregional coordination will occur in the same general timeframe as each region's regional planning process***. Order 1000 requires that interregional coordination and project evaluation occur "in the same general timeline as each region's consideration

[48] The ARRA-funded EIPC and WECC processes have also brought to light regional modeling and input assumption differences that prudence may require be addressed in interregional coordination efforts.

[49] Order 1000, ¶ 369 ("We are persuaded by those commenters who argue that additional interregional transmission coordination requirements would facilitate consideration of transmission needs driven by Public Policy Requirements by enabling the evaluation of interregional transmission facilities that may address those needs more efficiently or cost-effectively.").

of the transmission project," rather than sequentially.[50] Concurrent evaluations avoid the risk that TPs' regional processes will violate Order No. 1000 by foreclosing opportunities for identifying and evaluating interregional facilities that could meet each region's system needs more efficiently or cost-effectively than regional facilities. TPs must plan their interregional coordination processes carefully to comply with this requirement, especially if their regional planning processes operate on different timelines. The compliance filings for each pair of TPs or regions must describe in detail how evaluations will occur in the same general timeframe, taking into account and reconciling timing differences in each region's regional planning process.

C. Cost Allocation

1) ***Order 1000 requirements***: **TPs must develop one or more cost allocation methods for new transmission facilities that are "selected for purposes of cost allocation" in their RTPPs to meet reliability, efficiency or PPR-driven grid needs, and the methods developed must satisfy FERC's six cost allocation principles.**[51] Because cost allocation is fundamentally linked to planning and its assessment of transmission project benefits, greater certainty regarding the cost allocation for potential projects will help stakeholders in the RTPPs evaluate the merits of projects. Adoption of cost allocation mechanisms will also help to ensure that transmission facilities required to satisfy regional needs actually get built.[52]

In addition, to address current uncertainty in the allocation of costs for interregional transmission projects – uncertainty that can result in unjust and unreasonable or unduly discriminatory or preferential rates[53] – **TPs in a planning region must have, together with the TPs in a neighboring region, "a common method or methods for allocating the costs of a new interregional transmission facility among the beneficiaries of that facility in the two neighboring transmission planning regions in which the facility is located**."[54] While different cost allocation methods are permissible for different types of projects, common methods must apply to facilities of the same type.[55] Cost allocation methods must be determined in advance for each type of facility. An interregional transmission facility must be selected in both of the relevant planning processes to be eligible for interregional cost allocation pursuant to the interregional cost allocation method(s).[56] The cost allocation method(s) must satisfy the six interregional cost allocation principles in Order 1000.[57]

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[50] Order 1000, ¶ 438 ("we disagree with those commenters that argue that there should be sequential evaluation of transmission projects, as opposed to evaluation on the regional and interregional levels in the same general time frame.").

[51] *Id.*, ¶¶ 558, 603.

[52] *See id.*, ¶ 559.

[53] *Id.*, ¶ 579 ("[T]he absence of clear cost allocation rules for interregional transmission facilities can impede the development of such transmission facilities due to the uncertainty regarding the allocation of responsibility for associated costs. This may, in turn, adversely affect rates for jurisdictional services, causing them to become unjust and unreasonable or unduly discriminatory or preferential.").

[54] Order 1000, ¶ 578.

[55] *Id.*, ¶ 560 (regional transmission facilities); ¶ 581 (interregional transmission facilities).

[56] *Id.*, ¶ 581 ("Also, we adopt the requirement that an interregional transmission facility must be in the relevant regional transmission plans to be eligible for interregional cost allocation pursuant to the interregional cost allocation method or methods.").

[57] *Id.*, ¶ 603 ("The Commission requires each public utility transmission provider to show on compliance

2) ***Recommended minimum compliance provisions***:

a) ***Actual cost allocation methods must be proposed***. In order to satisfy the rule's requirements that cost allocation methods ensure "that rates, terms and conditions of jurisdictional service are just and reasonable and not unduly discriminatory or preferential," prudence requires TPs to develop actual allocation methods to propose as part of their compliance filings. It would not be prudent for TPs simply to adopt Order 1000's six pairs of regional and interregional cost allocation principles or propose to decide allocation on a project-by-project basis. Order 1000-A confirms the Commission's intent. In describing the process by which it will consider proposed cost allocation methods, the Commission states that its review will include, among other things, whether the proposed method or methods complies with a specific cost allocation principle.[58] It follows that adoption of the principle alone cannot satisfy the requirement or ensure prudence—TPs must propose actual methods.

The rule requires "clear cost allocation rules" because, without clear rules in place, "there is a greater potential that public utility transmission providers and nonincumbent transmission developers may be unable to develop transmission facilities that are determined by the region to meet their needs."[59] Thus, proposals for regional and interregional cost allocation that include any of the following would *not* be in compliance with Order 1000: cost allocation on a project-by-project basis, general cost allocation principles, or (for interregional cost allocation) deferral of the cost allocation determination until after a project's approval in the relevant regional transmission planning process. None of these approaches includes clear and specific methods, established "in advance," for each type of project. In the case of interregional cost allocation, while the methods may be the same as the methods described in each TP's regional planning process or they may be different, they must be described in detail.

b) ***PPR-driven transmission facilities must be eligible for regional and interregional cost allocation, and TPs must have cost allocation methods in place for projects to address PPR-driven needs*.** Projects that are proposed to address identified public policy-driven transmission system needs must be accorded comparable consideration in the planning process as compared to projects proposed to address reliability or economic-driven needs (or some combination thereof). Order 1000 states that projects proposed solely to address identified public policy-driven needs "must be eligible for selection in a regional transmission plan for purposes of cost allocation and must not be designated as a type of transmission facility for which the cost allocation method must be determined only on a project-specific basis."[60] It follows, then, that TPs must have in place a cost allocation method for PPR-driven projects, since TPs are

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that its cost allocation method or methods for regional cost allocation and its cost allocation method or methods for interregional cost allocation are just and reasonable and not unduly discriminatory or preferential by demonstrating that each method satisfies the six cost allocation principles.").

[58] Order 1000-A, ¶ 675.

[59] Order 1000, ¶ 559.

[60] Order 1000, ¶ 690.

required to "have in place a method, or set of methods, for allocating the costs of new transmission facilities selected in the regional transmission plan for purposes of cost allocation."[61]

Likewise, since RTPPs must consider PPR-driven needs and since a purpose of interregional coordination is to examine system needs identified in RTPPs as a basis for identifying and evaluating potential interregional facilities that could meet needs more cost-effectively or efficiently than regional projects,[62] it follows that PPR-driven facilities, like facilities driven by reliability and economic needs, must be eligible for interregional cost allocation.[63] TPs in neighboring regions must have a cost allocation method in place for PPR-driven facilities, regardless of whether that method is the same as the method(s) for other types of projects. Proposed categories for interregional cost allocation that are non-specific (such as "multiple drivers" or "regionally-variable benefits projects") would not satisfy Order 1000's minimum requirements *if they did not address PPR-driven needs, either alone or in combination with other needs*.

c) ***Proposed cost allocation methods must include definitions of "benefits" and "beneficiaries***." Regional and interregional cost allocation principle 1 in Order 1000 requires that costs be allocated across beneficiaries in a manner that is "at least roughly commensurate" with estimated benefits. Order 1000 also requires that TP compliance filings for both regional and interregional cost allocation must "clearly and definitively specify the benefits and class of beneficiaries" contemplated in their proposed methods.[64] The rule does not define, and Order 1000-A confirms that FERC will not clarify, the definition of benefits or beneficiaries. However, the rehearing order does make clear that proposed cost allocation methods cannot be compliant without these clear and definitive specifications.

To help assure that jurisdictional services are provided at rates that are just and reasonable and not unduly discriminatory or preferential, prudent planning requires that cost allocation proposals define benefits and beneficiaries in detail. For all quantifiable benefits, the proposals must identify the metrics for measuring the benefits. These requirements are necessary to "provide entities who will receive regional or interregional benefits an understanding of the identified benefits on which the cost allocation is

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[61] *Id.*, ¶ 558.

[62] *Id.*, ¶ 396; see also ¶ 369 ("We are persuaded by those commenters who argue that additional interregional transmission coordination requirements would facilitate consideration of transmission needs driven by Public Policy Requirements by enabling the evaluation of interregional transmission facilities that may address those needs more efficiently or cost-effectively.").

[63] Interregional cost allocation principles 1 and 6 both refer to PPRs. Principle 1 states that "in determining the beneficiaries of interregional transmission facilities, transmission planning regions may consider benefits including, but not limited to, those associated with maintaining reliability and sharing reserves, production cost savings and congestion relief, and meeting Public Policy Requirements." (¶ 623). Principle 6 states that "the public utility transmission providers located in neighboring transmission planning regions may choose to use a different cost allocation method for different types of interregional transmission facilities, such as transmission facilities needed for reliability, congestion, relief, or to achieve Public Policy Requirements. Each cost allocation method must be set out clearly and explained in detail in the compliance filing for this rule." (¶ 685).

[64] Order 1000-A, ¶ 678.

based."[65] Thus, simply defining regional benefits as "avoided transmission costs" does not clearly and definitively capture the reasonable universe of benefits of proposed facilities, and it would not comply with the rule. Further, "beneficiaries" under the rule cannot be limited to the incumbent utilities that avoided the development and construction of their own transmission facility due to the facility for which cost allocation is being determined. Other classes of beneficiaries will exist in facilities chosen in regional and interregional processes, and they must be defined in advance in order to satisfy Order 1000's requirements. Non-compliant and, thus, imprudent approaches would also include general, non-specific references to benefits and incomplete lists of examples of the types of benefits applicable to each project type. Stakeholder input, of course, is critical in identifying benefits and beneficiaries of proposed projects.

d) ***Prudence requires that the definition of benefits include benefits related to meeting public policy requirements.*** In Order 1000-A, the Commission clarifies that it will not limit the benefits to be considered in regional planning to reliability benefits,[66] and Order 1000's cost allocation principle 1 explicitly states that RTPPs may consider a wide variety of benefits, including the satisfaction of public policies requirements. Prudence under the Federal Power Act requires that TPs identify and evaluate benefits related to achieving PPRs in order to determine whether reliability and efficiency projects selected for inclusion in the regional plan or evaluated through the interregional coordination process are more efficient or cost-effective options, all benefits considered. Absent such a complete accounting of benefits, an allocation of costs may not be roughly commensurate with benefits.[67] If in a given region it is determined that there are no public-policy driven transmission needs to be addressed in the regional plan, then no public policy-driven benefits will accrue. However, failure to engage in the inquiry as part of the cost allocation determination process would not be prudent.

e) ***In some cases, prudence requires that benefit definitions in cost allocation methodologies include benefits related to likely future scenarios.*** Orders 1000 and 1000-A support the use of scenario planning as part of the regional planning process and interregional coordination by contemplating benefits stemming from likely future scenarios in cost allocation. Order 1000 states, and Order 1000-A affirms, that "[w]e disagree that basing a determination of who constitutes a 'beneficiary' on 'likely future scenarios' necessarily would result in inexact and speculative proposed transmission plans and cost allocation methods. Scenario analysis is a common feature of electric power system planning, and we believe that public utility transmission providers are in the best position to apply it in a way that achieves appropriate results in their respective transmission planning regions."[68] The Commission did not require that the definition of benefits or cost allocation methodologies capture benefits related to "likely future

[65] *Id.*, ¶ 624.
[66] *Id.*, ¶ 674.
[67] *See* Order 1000-A, ¶ 679, noting that Order 1000 "does require the public utility transmission providers in each region to be definite about the benefits and beneficiaries for purposes of their cost allocation methods. Once beneficiaries are identified, public utility transmission providers would then be able to identify what is the more efficient or cost-effective transmission solution or assess whether costs are being allocated at least roughly commensurate with benefits."
[68] Order 1000, ¶ 626; Order 1000-A, ¶ 689.

scenarios," but the rule's supporting language and the prudence required to meet FPA obligations likely makes it difficult, in at least some regions, to justify Order 1000 compliance without addressing benefits stemming from likely future scenarios in the definition of benefits for cost allocation purposes. As Order 1000-A points out, transmission assets are long lived, and benefits change over time.[69] To account only for benefits in the short term means TPs cannot assure they are choosing more efficient or cost effective projects for regional and interregional cost allocation.

SPP's current tariff provides an example of planning procedures that include the consideration of benefits related to different future scenarios. In describing its 20-YearAssessment, which makes up part of its Integrated Planning Process (along with its 10-Year and Near Term Assessments), the tariff states that the assessment "identifies the transmission projects, generally above 300kV, and provides a grid flexible enough to provide benefits to the region across multiple scenarios."[70] The tariff also provides that assessments include analyses of different scenarios, developed in consultation with stakeholders, and the array of benefits related to transmission alternatives (explicitly including environmental impacts, congestion reduction, and "other benefit metrics" as appropriate).[71]

f) ***All benefits of a transmission facility, including PPR-driven benefits,[72] must be evaluated for purposes of cost allocation, leading in some cases to regional cost sharing***. Order 1000 requires that regions develop a common cost allocation method or set of methods for projects selected to meet grid needs – whether reliability, congestion or PPR-driven needs – and it allows, but does not require, the use of one cost allocation method to cover projects to address more than one (or all) of these drivers.[73] Related to the two previous minimum compliance recommendations, Order 1000 makes clear that "[i]f a regional transmission plan determines that a transmission facility serves several functions, as many commenters point out it may, the regional cost allocation method must take the benefits of these functions of the transmission facility into account in allocating costs roughly commensurate with benefits."[74] Further, in many cases, prudence will require regional allocation for projects demonstrated to have regional benefits. Order 1000-A confirms that postage stamp allocation may be appropriate "where all customers within a specified transmission planning region are found to benefit from the use or availability of a transmission facility or class or group of transmission facilities, especially if the distribution of benefits associated with a class or group of transmission facilities is likely to vary considerably over the long depreciation life of the transmission facilities amid changing power flows, fuel prices, population patterns, and local economic considerations."[75] In light of the PPR functions that the Commission

[69] Order 1000-A, ¶ 735.

[70] SPP Attachment O, Section III.

[71] *Id.*, Subsec. 8), c) & e).

[72] The phrase "PPR-driven benefits" is short-hand for benefits arising from (or related to) meeting grid needs driven by PPRs.

[73] Order 1000, ¶ 558.

[74] *Id.*, ¶ 690.

[75] *Id.*, ¶ 735. If a transmission project is chosen for regional cost allocation and there is a demonstration that the entire region will benefit from the project either in the short-term or under a likely future scenario, it is

recognizes as legitimate in Order 1000, consideration of *all of the functions of a transmission facility* necessarily includes addressing PPRs and related benefits. Further, the consideration of all functions of a transmission means that in some cases all system users in a region will prove to be beneficiaries, and in such instances, prudence requires costs to be shared across all users in the region. MISO's multi-value project (MVP) approach is a good example of combining the three categories of transmission drivers that may result in benefits (reliability, economic, and PPRs).[76]

III. Checklist of Recommended Minimum Compliance Provisions

A. Regional Planning Procedures

1) TP tariff provisions must include procedures that ensure timely and meaningful opportunities for TP/stakeholder consultations in RTPPs. The tariff must specify:

i) ***the actions TP will take to consult with stakeholders*** in each of the Order 1000 mandated processes, including hosting meetings at which grid needs assessments and analyses are provided to stakeholders; inviting written comments to provide feedback and information; and creating a regional plan development website for stakeholder comments, questions and recommendations on needs and solutions;

ii) ***the timelines for conducting stakeholder consultations*** for input on regional plan development, including the amounts of time prior to each RTPP decision opportunity for input will be provided, as well as the time for stakeholder review and comment on proposed planning decisions; and

iii) ***the matters on which TP will consult with its stakeholders***, including study requests and access to planning data, models, etc.; identification and evaluation of needs driven by PPRs; evaluation of solution alternatives, including NTAs, for inclusion in regional plans; and evaluation of facilities proposed to meet both regional and interregional needs.

2) TP tariff provisions must include procedures to ensure reasonable consideration of transmission needs driven by PPRs in RTPPs. The tariff must specify:

i) ***when and how stakeholder input on PPRs*** that may drive transmission needs will be solicited and considered;

ii) a ***process to identify PPR-driven needs*** that is open and transparent and that provides stakeholders with access to any studies, models and data to be used to make planning decisions; and

iii) ***when, how and based on what criteria the TP will select PPR-driven needs to be evaluated for solutions***, and procedures to be used to explain its decisions.

3) TP tariff provisions must include procedures to ensure comparable consideration of transmission and non-transmission solution alternatives for addressing grid needs, along with the process and metrics by which alternative solutions will be evaluated and selected. The tariff must specify:

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difficult to ensure just and reasonable treatment without recognizing all beneficiaries and assigning costs commensurate with those beneficiaries' identified benefits.

[76] MISO Tariff, Attachment FF, Sec. II.C.2.

i) ***when and how proposals and input from stakeholders will be evaluated***;
ii) ***the procedures for responding to stakeholder requests*** to perform studies; and
iii) ***the procedures and metrics*** the TP will use ***to evaluate*** on a comparable basis all solution options ***and to select the solutions*** that are more efficient or cost-effective for inclusion in its regional plan.

B. Interregional Planning Coordination

1) The methods and studies selected to be used in the interregional coordination process must be explained and justified in TPs' compliance filings – filings should state why the chosen methods are appropriate and useful for identifying and evaluating interregional facilities.

2) Each pair of TPs/planning regions must describe with specificity in their tariffs or JOAs the mechanisms for harmonizing differences in models, assumptions and other considerations because coordination cannot be effective without some effort by neighboring transmission planning regions to harmonize differences.

3) Each pair of neighboring TPs must delineate the procedures by which they will describe the reliability, efficiency and public policy requirements that drive their systems' grid needs and how they will reconcile any differences in those drivers – an essential for enabling evaluation of interregional facilities that may meet grid needs more efficiently or cost-effectively.

4) Each pair of neighboring regions must describe in detail how interregional coordination will occur in the same general timeframe as each region's regional planning process – concurrent regional evaluations can avoid the risk of foreclosing opportunities to identify and select more efficient or cost-effective solutions to meet the transmission needs of both regions.

C. Cost Allocation

1) TPs must propose actual cost allocation methods. Adoption of cost-allocation principles, a project by project approach, or deferral of decisions would not comply with Order 1000 requirements.

2) TPs must have cost allocation methods in place for projects to address PPR-driven needs to satisfy Order 1000's requirement that projects *solely* to address PPR-driven needs must be eligible for selection in a regional plan for purposes of cost allocation.

3) Proposed cost allocation methods must include definitions of "benefits" and "beneficiaries." To satisfy Order 1000, potential beneficiaries of proposed transmission infrastructure must be able to identify whether they may be a beneficiary and the types of benefits that will be considered in determining how to allocate costs.

4) Benefit definitions in cost allocation methodologies must include benefits related to meeting public policy requirements. Without a complete accounting for benefits, it will not be clear that a proposed project is a more efficient or cost-effective choice or that an allocation of costs is demonstrably "roughly commensurate" with benefits.

5) Benefit definitions in cost allocation methodologies must include benefits related to likely future scenarios. Prudence requires consideration of future scenarios to determine likely beneficiaries of proposed transmission plans, which change over time.

6) All benefits of a transmission facility, including PPR-driven benefits, must be evaluated for purposes of cost allocation. Order 1000 makes clear that if a new transmission facility is determined to serve several regional grid functions, cost allocation must take the benefits of each of these functions into account to properly allocate its costs. In some cases, this accounting may require regional cost sharing.

IV. Public Interest Organizations Supporting These Minimum Compliance Provisions

Center for Energy Efficiency & Renewable Technologies
V. John White, Executive Director

Climate & Energy Project
Dorothy Barnett, Executive Director

Center for Rural Affairs
Johnathan Hladik, Energy Policy Advocate

Conservation Law Foundation
Greg Cunningham, Senior Attorney

Earthjustice
Abigail Dillen, Senior Attorney

Energy Conservation Council of Pennsylvania
Laurie Nicholl, President

Energy Future Coalition
John Jimison, Managing Director

ENE/Environment Northeast
Michael G. Henry, Senior Counsel & Director, ENE Sustainable Transmission Project

Environmental Defense Fund
Mark Brownstein, Chief Counsel, Energy Program
Elizabeth Stein, Attorney, Energy Program

Environmental Law & Policy Center
Justin Vickers, Staff Attorney

Fresh Energy
Michael Noble, Executive Director

Great Plains Institute
Rolf Nordstrom, Executive Director

Natural Resources Defense Council
Carl Zichella, Director of Western Transmission

Northwest Energy Coalition
Fred Heutte, Senior Policy Associate

Pace Energy & Climate Center
Jackson Morris, Director of Strategic Engagement

Renewable Northwest Project
Cameron Yourkowski, Senior Policy Manager

Sierra Club
Craig Segall, Associate Attorney, Sierra Club Environmental Law Program

Southern Alliance for Clean Energy
John D. Wilson, Director of Research

Southern Environmental Law Center
Jill Tauber, Staff Attorney

Sustainable FERC Project
Allison Clements, Project Director
John Moore, Senior Attorney

Union of Concerned Scientists
Ellen Vanko, Senior Energy Advisor
Steven Frenkel, Director, Midwest Office

Western Grid Group
David Olsen, Managing Director

Western Resource Advocates
Gary Graham, Director, Lands Program

Wind on the Wires
Beth Soholt, Executive Director

Appendix A

Order No. 1000 Requirements

A. Regional Planning Procedures:

1. TP/Stakeholder Consultation Requirements – **Transmission Providers (TPs) must provide stakeholders the opportunity for timely and meaningful participation in the regional planning process – stakeholders must have opportunity to express their needs, provide information, secure access to the models and data used, and help to identify and evaluate regional solutions.** (¶¶ 150-152) **To facilitate stakeholder participation in their interregional coordination procedures, TPs must make transparent the analyses completed and determinations made by neighboring planning regions in identifying and evaluating interregional facilities.** (¶ 465)

Consultation opportunities are explicitly required in these areas:

a. *In developing the TP's O-1000 compliance approach*, consultation is required for

- preparing O-1000 compliance proposals (¶¶ 14, 62)
- developing procedures for TPs to identify and evaluate solutions (¶ 149)
- developing enhancements to the regional planning process (¶¶ 151, 157)
- developing metrics for comparing NTAs with other solutions (¶ 155)
- determining what constitutes a region for regional planning (¶ 160)
- determining what info merchant transmission developers should provide (¶ 164)
- developing the framework for participation of non-incumbent providers (¶ 227)
- developing procedures for determining projects eligible for cost allocation (¶ 336)
- developing interregional transmission coordination procedures (¶¶ 458, 466)

b. *In the TP's on-going regional planning processes,* opportunity for timely input and meaningful participation is required for

- creating regional transmission plans (¶ 11)
- requesting studies of potential upgrades or other grid investments (¶ 147)
- evaluating alternative transmission solutions to meet identified grid needs (¶ 148)
- identifying and evaluating PPRs that drive grid needs (¶¶ 167, 203, 206-9, 211-12, 215, 220)
- evaluating transmission facilities that will meet the combined needs of the region or neighboring regions. (¶ 499)

2. Consideration of grid needs driven by PPRs – **TP tariffs must describe procedures that provide for consideration of transmission needs driven by Public Policy Requirements in local and regional transmission planning processes**. (¶¶ 82 & 203) More specifically, **the TP tariff must describe i) procedures to identify local/regional PPR-driven needs, including a process for selecting PPR-driven needs for which potential solutions will be evaluated; & ii) procedures for conducting solution evaluations in the planning processes.**

a. TPs, in consultation with their stakeholders, *must establish procedures* for identifying PPR-driven needs, allowing all stakeholders to provide input and offer proposals on PPR-driven needs. (¶¶ 206, 207 & 212) The procedures must allow stakeholders to

suggest grid needs driven by any PPR, including EPA regulations or any other state or federal regulation or law that drives transmission needs. (¶ 215)

b. The procedures *must establish a process* that is just and reasonable and not unduly discriminatory by which the TPs will identify the PPR-driven needs for which solutions will be evaluated. (¶ 209)

c. TPs *must post* on their web sites explanations of which identified PPR-driven needs will be evaluated for potential solutions in the local or regional planning process and why other suggested PPR-driven needs will not be evaluated. (¶ 209)

d. TPs, in consultation with SHs, *may* determine how evaluations will be conducted, subject to review, but the objective is meeting identified needs more efficiently and cost-effectively. The process, however, *must* include evaluation of stakeholder proposals for transmission facilities to satisfy an identified PPR-driven need. (¶ 211)

3. Comparable consideration of solution alternatives – **Regional transmission planning regions have an *affirmative obligation* under O-1000 to evaluate alternatives that may meet the needs of the region more efficiently or cost-effectively, and they must provide for the comparable consideration of transmission and non-transmission alternatives (NTAs) in regional planning processes.** (¶¶ 79, 80, 148, 154-155, 779) Specifically, r**egional planning processes must i) provide the opportunity for stakeholders to recommend transmission and NTA solutions to meet grid needs and ii) evaluate the proposed alternative transmission and NTA solutions on a comparable basis.**

a. TPs *must respond* to stakeholder requests to study upgrades or other investments that could reduce congestion or integrate new resources or loads. (¶ 147)

b. TPs, in consultation with stakeholders, *must evaluate* alternative solutions that might meet grid needs (whether reliability, economic or PPR-driven) more efficiently or cost-effectively and *must consider* proposed NTAs on a comparable basis. (¶ 148)

c. TPs have *flexibility in developing procedures*, in consultation with stakeholders, to identify and evaluate potential solutions, subject to Commission review based on FPA requirements, Order 890 principles, and precedent (¶ 149); however, TPs *must identify how they will evaluate & select* among competing solutions and resources on a comparable basis. (¶ 155)

d. Regional planning processes *must give comparable consideration* to NTAs.

B. Interregional Coordination and Cost Allocation Reforms:

1. Procedures for interregional coordination – **TPs must develop and implement procedures for sharing information with neighbor regions in their interconnection about their transmission needs and proposed solutions, and for identifying and jointly evaluating**

potential interregional facilities that may address the neighboring systems' needs more efficiently or cost-effectively. (¶¶ 396, 415)

a. These procedures must provide for identification and joint evaluation of interregional facilities that may be more efficient or cost-effective solutions to the regions' needs, including i) the methods by which interregional grid solutions will be identified and evaluated and ii) a description of the types of transmission studies that will be conducted to evaluate conditions on neighboring systems to determine whether interregional facilities would be more efficient or cost-effective than regional facilities. (¶ 398)

b. TPs must include a description of procedures for interregional transmission coordination either in a joint interregional coordination agreement to be filed for Commission approval or in common language to be included in each TP's OATT. (¶ 475)

2. Procedures for joint evaluation of proposed multi-region transmission facilities – **TPs must implement formal procedures to evaluate jointly proposals for transmission facilities to be located in neighboring transmission regions, and they must initiate joint evaluation procedures upon the submission in each region's planning process of an interregional transmission project proposed to be located in those regions.** (¶ 436)

a. A project proposer, whether merchant developer or incumbent TP, must submit an interregional transmission project proposal in each region to trigger joint evaluation procedures, and interregional projects must be selected in each regional plan to qualify for interregional cost allocation. (¶ 436)

b. TPs must develop procedures by which regional differences in assumptions, data, models, planning horizons, and criteria used to study a project are identified and resolved for purposes of joint evaluation. (¶ 437)

c. Joint evaluations must be scheduled to occur "in the same general timeframe," and TPs must develop a timeline that provides i) in the interregional coordination procedures, meaningful opportunity to review and evaluate information developed in the TPs' regional planning processes; and ii) in the TPs' regional processes, meaningful opportunity to review and use in the information developed in the interregional coordination procedures. (¶ 439)

3. Annual exchange of planning data and information – **TPs must adopt interregional procedures that provide for the exchange of planning data & information at least annually.** (¶ 454) **These procedures must include the specific obligations for sharing planning data and information, not just an agreement to share. A clear description of procedures to be used to exchange planning data and information is required.** (¶ 455)

4. Mechanisms for transparency and stakeholder participation – **TPs must individually or through their planning region maintain a website or an email list for communication of**

information related to interregional transmission coordination procedures, and they must make transparent the analyses undertaken and the determinations reached by neighboring transmission planning regions in the identification and evaluation of interregional transmission facilities, subject to confidentiality and CEII limits. (¶¶ 458, 465) **The information must be posted in a way that enables stakeholders to distinguish between regional planning information and interregional planning coordination information.**

5. Interregional cost allocation – **TPs must have a common method for allocating the costs of new interregional transmission facilities among the beneficiaries of the facilities in each of the neighboring regions.** (¶ 578) **Although the interregional cost allocation method(s) adopted for each pair of neighboring regions may differ from the TPs' individual regional cost allocation methods or may differ between the neighbors, the interregional cost allocation method(s) must satisfy the six cost allocation principles applicable to regional facilities (see below Part IV).** (¶¶ 578, 580)

a. Cost allocation methods have to be determined in advance for each type of facility (e.g., reliability, economic, PPR-driven). (¶ 581)

b. Each interregional project must be selected in both regional TP planning processes for purposes of cost allocation to be eligible for interregional cost allocation. (¶ 582)

c. Costs may be assigned only voluntarily to regions in which an interregional project is not located. (¶ 582)

C. Regional Cost Allocation Reforms:

1. Development of Cost Allocation Methods – **TPs must develop one or more cost allocation methods for new transmission facilities that are "selected for purposes of cost allocation" in their RTPPs to meet reliability, efficiency or PPR-driven grid needs, and the methods developed must satisfy FERC's six cost allocation principles.** (¶¶ 558, 603)

a. Regions may develop one or more methods to address projects compelled by the different drivers, but all projects compelled by the same driver must be subject to the same cost allocation method. (¶¶ 558, 560)

b. If the TPs in a region cannot agree on shared regional cost allocation methods, FERC will establish a method or methods for the region based on the record of the region's attempts to establish O-1000 compliant methods. (¶ 607)

2. Cost Allocation Principles – **Satisfaction of the following 6 principles will show that the cost allocation methods chosen are just and reasonable and not unduly discriminatory or preferential:** (¶ 603) (*The principles below are paraphrased in some cases, see rule for full language.*)

a. #1 – Costs must be allocated in a manner that is at least roughly commensurate with estimated benefits to those within the region that benefit from the facilities, and benefits may include the extent to which transmission

facilities, individually or in the aggregate, provide for maintaining reliability and sharing reserves, production cost savings and congestion relief, and/or meeting Public Policy Requirements. (¶ 622)

b. #2 – Those that receive no benefit from transmission facilities, either at present or in a likely future scenario, must not be involuntarily allocated the costs of the facilities. (¶ 637)

c. #3 – If a benefit-to-cost threshold is used to determine which facilities have sufficient net benefits to qualify for application of a regional cost allocation method (to account for uncertainty in the calculation of benefits and costs), it must not be so high that facilities with significant positive net benefits are excluded from cost allocation. If adopted, a benefit-to-cost threshold may not exceed 1.25, unless the Commission approves a higher ratio as justified by the region or TP. (¶ 646)

d. #4 – Determined regional cost allocation methods must allocate costs only within that region unless another entity outside the region or another region voluntarily agrees to assume a portion of the costs. However, the original region must identify the consequences of an original region-project outside the region and if there is an agreement for the original region to bear related costs, then the original region's cost allocation method(s) must include provisions for allocating these extra-regional costs within the region. (¶ 657)

e. #5 – Cost allocation methods and data requirements for determining benefits and beneficiaries must be transparent with adequate documentation to allow stakeholders to determine how they were applied to a proposed transmission facility. (¶ 668)

f. #6 – TPs may choose different cost allocation methods for different types of transmission facilities in the regional plan (i.e., those needed for reliability or congestion relief or to achieve PPRs). Each method must be set out clearly and explained in detail in the Order 1000 compliance filing. (¶ 685)