




Advanced Notice of Proposed Rulemaking
Docket No. RM21-17

Interconnection Policy Workshops
- Session 3

July 22, 2021



Building for the Future
Potential Reforms to Improve
Regional Transmission Planning and Cost Allocation and
Generator Interconnection Processes

- It has been approximately 10 years since Order No. 1000
- In light of the evolving transmission needs, FERC believes it is appropriate to:
 - the revisit issues addressed in Order 1000; and
 - determine whether additional reforms to regional transmission planning and cost allocation and generator interconnection processes or revisions to existing regulations are needed to ensure just and reasonable rates for transmission service

What Are Those Evolving Conditions?

- The electricity sector is transforming as generation mix is shifting rapidly from large resources located close to population centers toward resources, including renewables, that tend to be located where the fuel source is best, which may often be from load centers
- There are new demands on the transmission system due to:
 - the growth of new resources seeking to interconnect to the transmission system; and
 - the differing characteristics of those resources

- Seek public comment on the following topics:
 - Reforms for longer-term regional transmission planning and cost allocation processes that account for a more *holistic* approach to planning, including planning for *anticipated future generation*;
 - Interconnection queue processes;
 - Rethinking cost responsibility for regional transmission facilities and interconnection-related network upgrades; and
 - Enhanced oversight of transmission infrastructure development.
- FERC has not predetermined that any specific proposal discussed shall or should be made ~ or in what final form

- Do existing processes adequately account for transmission needs of the changing resource mix?
 - Considering Anticipated Future Generation – without co-optimizing regional planning and cost allocation processes with interconnection of new generation, there is no system in place to jointly assess benefits and allocate costs of transmission facilities that yield benefits to both system loads and new generation
 - Are current processes stemming from Order 1000 reforms resulting in expansion of predominately local transmission facilities?
 - Are costs of transmission facilities and interconnection-related network upgrades (upgrades) being allocated to entities that ultimately benefit from the transmission facilities and network upgrades?

Planning for Anticipated Generation

- Should TPs in each planning region amend existing processes to plan for transmission needs of anticipated future generation to meet changing resource mix, including generation *not yet in the queue*?
- Do existing planning and cost allocation processes fail to adequately account for anticipated future generation?
- Would the failure to account for anticipated future generation result in inefficient investment in transmission infrastructure and cause customers to pay unjust and unreasonable rates for transmission service?
- Could FERC structure a framework to consider transmission needs of anticipated future generation in planning and cost allocation processes?

Future Scenarios and Modeling Anticipated Future Generation

- Are reforms needed to model future scenarios to ensure that those scenarios incorporate sufficiently long-term and comprehensive forecasts of future transmission needs?
- What factors shaping the generation mix are appropriate to use for transmission planning purposes and what is FERC's authority to incorporate that factor in the planning and cost allocation processes?
- How should the regional planning process be restructured to consider a longer-term outlook?
- Could deficiencies in existing planning and cost allocation processes be cured by conducting future scenario planning?

Identifying Geographic Zones with Potential for High Amounts of Renewables

- Should TPs in each planning region be required to establish, as part of its regional planning and cost allocation processes, a process that identifies geographic zones that have the potential for development of large amounts of renewable generation and transmission to facilitate the its integration, e.g., CREZ, MVP and CAISO models?
 - How would a such a process interrelate with existing regional transmission planning and cost allocation processes in each region and how would long-term scenario planning be used in this process?
 - How could states and local entities provide input into identification of such zones?

Incentivizing Regional Transmission Facilities

- Limitation to RTO Participation Adder.

Should FERC limit an RTO/ISO participation adder to regional, and not local, transmission facilities selected as the more efficient or cost effective solution to an identified need?

Enhanced Interregional or State-to-State Coordination

- Given the challenges to current *interregional coordination* processes, should FERC:
 - require *joint planning* processes rather than joint coordination; or
 - establish interregional reliability planning criteria or consider renewable resource geographic zones during interregional planning
- How should a *regional states committee* participate in the development and evaluation of assumptions or criteria used for regional planning and interregional coordination for transmission needs related to future scenarios, including anticipated future generation or geographic generation zones?

Coordinating between regional planning and cost allocation and generator interconnection processes

- Are reforms needed to improve the coordination between regional planning and cost allocation and generator interconnection processes?
 - Should FERC require TPs to operate these processes on concurrent, coordinated timeframes with the same/similar assumptions and methods?
 - How could TPs incorporate anticipated future generation in the planning and cost allocation processes?
 - How would TPs address speculative projects in planning anticipated future generation?

Cost Responsibility for Regional Facilities

- Does the existing approach to cost allocation in regional planning processes fail to consider the full suite of benefits – and associated beneficiaries – produced by transmission facilities to meet the changing resource mix?
- Does the current approach omit relevant benefits of new transmission infrastructure and, as a result, fails to consider the entities that receive those benefits?
- How should we account for hard-to-quantify benefits?
- Should LSEs be required to pay the costs of transmission facilities that provide them only unquantifiable or purported benefits or costs driven by other states' public policies?

Cost Responsibility for Network Upgrades

- Is the participant funding approach for network upgrades in RTOs/ISOs no longer just and reasonable?
 - Does participant funding result in costly network upgrades being allocated entirely to interconnection customers while failing to account for the significant benefits that these upgrades may provide to other anticipated future generators seeking to interconnect and/or existing or future transmission customers.
 - Does separating the two processes result in an only partial-accounting of the benefits of new transmission, leaving some transmission and interconnection customers bearing a disproportionate cost burden?

Potential Need for Reform of Cost Responsibility

- Is it preferable to consider new cost allocation methods that measure all the benefits of regional facilities being assessed for selection in the RTEP and that accrue to both transmission/interconnection customers.
- It is possible that benefits may be distributed unevenly across regions, *e.g.*, renewable rich zones may have generation in excess of the local load but such zones may not be the only beneficiaries of the facilities built to access these resources.
 - Does making interconnection customers the beneficiaries fail to capture all relevant types benefits for purposes of cost allocation of a regional facility built to accommodate future generation?

Potential Reforms for Cost Responsibility

- Should broader transmission benefits be taken into account when planning the transmission system for anticipated future generation?
 - How should such benefits be identified and quantified?
- Is a *portfolio approach* that considers a group of transmission facilities that collectively provide benefits able to better identify more efficient or cost effective transmission facilities when compared to a process that focuses only on individual transmission facilities or individual benefits?
 - Should FERC require TPs to establish a broader set of transmission benefits for purposes of cost allocation than currently in use?
 - Should FERC adopt a minimum set of transmission benefits that must be considered?

Quantifying Consideration of Anticipated Future Generation

- If the regional planning and cost allocation processes are to consider transmission needs driven by anticipated future generation, is there a tradeoff between facilitating the construction of transmission facilities that are needed to connect such anticipated future generation and ensuring against building more transmission than is necessary?
- If so, how should FERC approach that tradeoff?

Should FERC Eliminate Participant Funding?

- Does participant funding fit the new mix?
 - The significant upgrades necessary to accommodate geographically remote generation were not contemplated when FERC established the interconnection pricing policy.
- FERC identified several flaws with participant funding:
 - 100% of the costs of network upgrades are allocated to the interconnection customer without accounting for the significant benefits those upgrades may provide to transmission customers;
 - Capacity rights do not necessarily compensate the interconnection customer for the broad range of benefits the upgrades provide to the system.

Potential Reforms – Participant Funding

- Benefits of eliminating participant funding
 - potentially increases integration of generation by removing the possibly prohibitive participant funding cost assignment
 - Reduces the queue backlogs and relatedly the number of interconnection requests that have withdrawn from the queue due to significant network upgrade costs
- If participant funding is eliminated, should FERC require cost-sharing for shared upgrades?

Potential Reforms to the Crediting Policy

- Transmission Owner provides upfront funding for:
 - All network upgrades. Once in service TO would include the cost of the upgrade in its rate base and recover a return on the network upgrade capital costs through cost of service rate;
 - Only higher voltage upgrades at or above a certain voltage threshold or a portion of the costs of the higher voltage upgrades that exceed a pre-determined cost threshold
- Interconnection Customer contributes to upfront funding of its network upgrades through either a non-refundable fixed fee or variable fee applied to all interconnection requests.
- Should FERC allocate the upfront cost of upgrades on a percentage basis; if so, what is the appropriate percentage?

- How should FERC address speculative interconnection requests:
 - Should there be penalties for speculative requests;
 - Should there be a limit on the number of requests a developer can submit in a study year?
- Should a fast-track interconnection process be developed
- Should there be a fast-track for “ready” interconnection requests?

- Can grid-enhancing technology increase capacity, efficiency and reliability of transmission facilities and reduce the cost of network upgrades?
 - Should FERC require TPs to consider grid-enhancing technologies in interconnection studies to assess whether this use could more cost-effectively facilitate interconnections?
 - Are there any shortcomings with the use of grid-enhancing technologies?

- Potential reforms:
 - Establishment of an Independent Transmission Monitor (ITM) who could:
 - Review planning processes, criteria, spending on transmission facilities
 - Identify instances of potentially excessive transmission costs or instances where the more efficient or cost effective solution was not selected
 - Make referrals to FERC
 - The ITM would not replace rate jurisdiction or supplant FERC's authority with respect to prudence review
 - How can FERC involve state commissions in the overseeing transmission planning and cost allocation processes?

Chairman Glick and Commissioner Clements' Concurrence

- ANOPR is an important and essential “first step” to address FERC’s concerns that the current regional planning processes are:
 - not sufficiently integrated with generator interconnection processes;
 - overwhelmingly focused on near-term transmission needs; and
 - Attempting to meet the needs of the changing resource mix through a short-term lens that will lead to inefficient transmission investments.
- ANOPR plants the seed that a forward-looking, holistic approach to planning has the potential to identify more efficient or cost effective solutions to address the changing resource mix, including resources not yet under development.

Note: Commissioner Christie also concurred emphasizing that FERC has not predetermined that any proposal has been or will be approved.

Commissioner Danly's Cautionary Concurrence

- The ANOPR poses questions where the answer is “no” because many proposals:
 - Would exceed or cede FERC's authority;
 - Violate cost causation principles;
 - Create stifling layers of oversight and “coordination;”
 - Trample on TOs' rights;
 - Force neighboring states to pay for other states' public policy choices;
 - Treat renewables as a new favored class of generation with queue jumping privileges; and
 - “perhaps inadvertently” lead to less building of transmission at much greater all-in cost to ratepayers.

- Chairman Glick and Commissioner Clements noted that the ANOPR will be the FERC's principal focus in the upcoming months.
- Comments are due 75 days after the date of publication in the Federal Register
- Reply Comments are due 105 days after the same date.
- FERC intends to explore technical conferences and other avenues for augmenting the record – including through the joint federal-state task force. *See* 175 FERC ¶ 61,224 (2021).



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ANOPR Summary

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