Public Service Commission of Utah

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Overview of FERC Order No. 1920
Electric Regional Transmission Planning
and Cost Allocation

Presentation to the Public Utilities, Energy, & Technology Committee

May 15, 2024

Transmission (TXM) Planning in the West (Except California)

- PacifiCorp serves retail customers in UT, WY, OR, WA, and CA. PacifiCorp, like other utilities in most western states (except CA), does not rely on a regional transmission operator (RTO) or independent system operator (ISO).

- For PacifiCorp, regional TXM planning occurs through contractual membership in NorthernGrid, an association formed to facilitate regional TXM planning established in 2020 as a successor organization to Columbia Grid and Northern Tier Transmission Group.

- Currently PacifiCorp engages in robust regional TXM planning and cost allocation that accommodates each state's autonomy and authority. The multi-state process (MSP) facilitates a cost allocation methodology that affected stakeholders throughout the service territory negotiate and is subsequently evaluated by each state commission for approval.

- PacifiCorp's Energy Gateway Transmission Expansion Program (including 2,300 miles of TXM lines that have been built, are under construction or are scheduled to be built) is a prime example of TXM development in the NorthernGrid footprint that meets customer load growth, improves reliability, reduces TXM constraints, provides access to diverse generation resources, and improves the flow of electricity throughout PacifiCorp's six-state service territory.

Federal Energy Regulatory Commission (FERC) Authority under Section 206 of the Federal Power Act (FPA)

- Section 206 empowers FERC to ensure transmission (TXM) rates are just, reasonable, non-discriminatory, and non-preferential.
- Pursuant to Section 206 of the FPA, FERC issued Order Nos. 888, 890, and 1000 incrementally requiring TXM providers to participate in regional TXM planning and improve cost allocation processes.
- FERC Order No. 1920, issued May 13, 2024, a.k.a., the "Grid Expansion Rule", builds on FERC Order Nos. 888, 890, and 1000.
- The FPA expressly denies FERC jurisdiction over matters reserved for states, including electricity generation facilities. The FPA is clear that states, not FERC, are responsible for shaping the generation mix of a utility.
- FERC maintains that the growth of new resources seeking to interconnect to the TXM system and their differing characteristics are creating new demands, and the Grid Expansion Rule is necessary to ensure just and reasonable TXM rates as the resource mix changes, while maintaining grid reliability.

The Utah PSC Opposed FERC's Notice of Proposed Rulemaking ("NOPR") in 2022

- Utah is not experiencing the LT TXM planning problems that exist in RTO & ISO markets.
- Regional TXM planning in the Northwest and the Intermountain West is effective, collaborative, and preserves state autonomy over resource mix.
- The NOPR would push TXM expansion into remote areas to increase access to renewable energy.
- FERC has no authority to influence resource mix or create a preference for any type of generation.
- The NOPR would result in inefficiencies and unnecessary costs to be borne by retail customers.

According to the FERC majority, the Grid Enhancing Rule is Necessary

- The electricity grid is aging and not designed to handle extreme weather events. It is ill-equipped to handle evolving cybersecurity and national security threats.
- New generation is stuck in the queue because current TXM planning is outdated.
- FERC cannot fulfill its obligation to safeguard grid reliability without TXM planning and cost allocation reform.
- Grid Enhancing Rule will result in more affordable and reliable outcomes – planning with LT view is more efficient and avoids construction of costly piecemeal projects.
- FPA requires beneficiaries to pay for direct and indirect benefits.

According to the FERC minority, the Grid Enhancing Rule is Legally Flawed

- No requirement for state consent to planning criteria and cost allocation methods.
- The Grid Enhancing Rule is fundamentally different from the NOPR that was noticed for comment. Therefore, it should have been subject to another round of comments before finalizing.
- Treats as equals, projects necessary for reliability with projects necessary to meet state renewable energy mandates and powerful corporations' power preferences.

Grid Expansion Rule Major Elements:

- Conduct regional TXM planning on a 20-year horizon, forward looking, and comprehensive basis to identify long term (LT) TXM needs, using best available data.
- TXM providers must conduct this planning at least every five years and incorporate specific categories of factors that impact LT TXM needs.
- The planning factors are: state/local policies mandating decarbonization; integrated resource plans; trends in fuel costs; generation retirements; interconnection requests and withdrawals, and corporate customers' decarbonization policy goals and commitments.
- Retail customers will be allocated costs for projects from which a "benefit" is shown based on seven pre-determined benefit types.
- Identifies opportunities to modify in-kind replacement of existing TXM facilities to increase transfer capability, i.e. "right-sizing."

Seven economic and reliability benefits must be used to evaluate and select LT regional TXM facilities:

- Avoided/deferred reliability TXM facilities and aging infrastructure replacement;
- Reduced loss of load probability or reduced planning reserve margin;
- Production cost savings;
- Reduced TXM energy losses;
- Reduced congestion due to TXM outages;
- Mitigation of extreme weather events and unexpected system conditions; and
- Capacity cost benefits from reduced peak energy losses.

Grid Expansion Rule Cost Allocation Provisions

- TXM providers must file one or more *ex ante* methods to allocate the costs of LT regional TXM facilities that are selected.
- Before submitting compliance filings, TXM providers must hold a six-month engagement period with relevant state entities re cost allocation methods and/or a state agreement process before compliance.
- TXM providers are permitted to adopt a state agreement process, agreed to by relevant state entities, which could occur before, as well as up to six months after selection, for participants to decide, and TXM providers to file, a cost allocation method for specific LT regional TXM facilities.
- TXM providers must propose a default method of cost allocation to pay for selected LT regional TXM facilities.
- Requires TXM providers to (1) reevaluate previously selected LT regional TXM facilities in certain circumstances, and (2) evaluate TXM facilities that will address TXM needs identified through generator interconnection process and have not yet been built.
- TXM providers must also consider several alternative TXM technologies - dynamic line ratings, advanced power flow control devices, advanced conductors, and TXM switching – in regional TXM planning processes.

FERC Order No. 1920 Implementation

- The Grid Enhancing Rule becomes effective 60 days after publication in the *Federal Register*.
- TXM operators must submit compliance filings with respect to most of the Rule's requirements within ten (10) months of the effective date.
- TXM operators must submit compliance filings related to interregional TXM coordination requirements within 12 months of the effective date.

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