

HEADLINES

Fact Sheet | Building for the Future Through Electric Regional Transmission Planning and Cost Allocation

May 13, 2024

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FERC's new transmission and cost allocation rule, Order No. 1920, continues the essential work of the Commission – ensuring a reliable grid – by requiring the nation's transmission providers to plan for the transmission we know we will need in the future.

This rule adopts specific requirements addressing how transmission providers must conduct long-term planning for regional transmission facilities and determine how to pay for them, so needed transmission is built. The final rule reflects more than 15,000 pages of comments from nearly 200 stakeholders representing all sectors of the electric power industry; environmental, consumer and other advocacy groups; and state and other government entities.

The grid rule contains these major elements:

- Requirement to conduct and periodically update long-term transmission planning to anticipate future needs.
- Requirement to consider a broad set of benefits when planning new facilities.
- Requirement to identify opportunities to modify in-kind replacement of existing transmission facilities to increase their transfer capability, known as “right-sizing.”
- Customers pay only for projects from which they benefit.
- Expands states' pivotal role throughout the process of planning, selecting, and determining how to pay for transmission facilities.

Long-Term Regional Transmission Planning

More specifically, the rule requires each transmission operator to:

- Produce a regional transmission plan of at least 20 years to identify long-term needs and the facilities to meet them.
- Conduct this long-term planning at least once every five years using a plausible and diverse set of at least three scenarios that incorporate specific factors and use best available data.

- Apply seven specific benefits to determine whether any identified regional proposals will efficiently and cost-effectively address long-term transmission needs.
- Include an evaluation process to identify long-term regional transmission facilities for potential selection in the regional plan.
- Include a process giving states and interconnection customers the opportunity to fund all, or a portion, of the cost of a long-term regional transmission facilities that otherwise would not meet the transmission provider’s selection criteria.
- In the event of delays or cost overruns, reevaluate long-term regional transmission facilities that previously were selected in a regional transmission plan.
- Consider transmission facilities that address interconnection-related needs identified multiple times in existing generator interconnection processes, but that have not been built.
- Consider the use of Grid Enhancing Technologies such as dynamic line ratings, advanced power flow control devices, advanced conductors and transmission switching.

How to Pay for Transmission

The grid rule contains these cost-allocation provisions:

- Before applicants submit compliance filings, they must open a six-month engagement period with relevant state entities.
- Applicants must propose a default method of cost allocation to pay for selected long-term regional transmission facilities.
- Applicants may propose, a state agreement process that lasts for up to six months after a project is selected for participants to determine, and transmission providers to file, a cost allocation method for the selected facilities.

Enhanced Transparency, “Right-Sizing” and Interregional Transmission Coordination

The grid rule requires transmission providers to:

- Be transparent regarding local transmission planning information and conduct stakeholder meetings during the regional transmission planning cycle about the local process.
- Identify opportunities to modify in-kind replacement of existing transmission facilities to increase their transfer capability, known as “right-sizing,” when needed.
- Give incumbent transmission owners a right of first refusal to develop these “right-sized” replacement facilities.
- Revise existing interregional transmission coordination processes to reflect the new long-term regional transmission planning reforms.

Order No. 1920 takes effect 60 days after publication in the *Federal Register*. Compliance filings with respect to most of the rule's requirements are due within 10 months of the effective date, while filings to comply with the interregional transmission coordination requirements are due within 12 months of the effective date.

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This page was last updated on May 15, 2024