

## HEADLINES

# Presentation | Order No. 1920-A, Building for the Future Through Electric Regional Transmission Planning and Cost Allocation

November 21, 2024

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Good morning, Chairman Phillips and Commissioners,

**Item E-1** is Order No. 1920-A, a draft order on rehearing and clarification of Order No. 1920, *Building for the Future Through Electric Regional Transmission Planning and Cost Allocation*. Order No. 1920-A largely sustains the requirements of Order No. 1920, which, pursuant to section 206 of the Federal Power Act, reformed the Commission's regional transmission planning and cost allocation processes to require transmission providers to conduct Long-Term Regional Transmission Planning. Nevertheless, in some instances, the draft rehearing order agrees with certain arguments raised on rehearing and clarification, and in those instances it clarifies the meaning of Order No. 1920 or modifies the discussion and sets aside Order No. 1920, in part. Staff will turn to these modifications shortly.

On May 13, 2024, the Commission issued Order No. 1920. The reforms adopted in Order No. 1920 remedy deficiencies in the existing transmission planning requirements to ensure that Commission-jurisdictional rates remain just and reasonable and not unduly discriminatory or preferential. The Commission initially considered these reforms in its July 2021 Advanced Notice of Proposed Rulemaking, later issued an April 2022 Notice of Proposed Rulemaking that proposed specific reforms, and then issued Order No. 1920. In response to Order No. 1920, the Commission received 49 timely filed requests for rehearing and clarification that raise issues related to nearly all the reforms adopted in Order No. 1920.

Order No. 1920-A provides a number of clarifications on the required reforms and, in some instances, sets aside, in part, Order No. 1920 requirements in response to arguments made on rehearing. For example, Order No. 1920-A further enhances the role of Relevant State Entities in Long-Term Regional Transmission Planning, especially their role in shaping scenario development and cost allocation. Order No. 1920-A requires transmission providers to incorporate state input about how future scenarios used in Long-Term Regional Transmission Planning will be developed, given that the scenarios will necessarily reflect how the states plan to meet their laws, policies, and regulations. Order No. 1920-A also requires transmission

providers to include in the transmittal or as an attachment to their compliance filings any *ex ante* cost allocation method or State Agreement Process agreed to by the Relevant State Entities, even if the transmission provider chooses not to propose the method or process in compliance with Order No. 1920. Transmission providers must include in their compliance filings any information related to Relevant State Entities' agreed-upon cost allocation method or State Agreement Process that Relevant State Entities request that transmission providers include on compliance. Order No. 1920-A makes clear that the Commission will consider the entire record—including the Relevant State Entities' agreed-upon cost allocation method or process and a transmission provider's proposal, should they differ. The Commission may adopt any cost allocation method or process proposed by the Relevant State Entities and submitted on compliance, so long as it complies with Order No. 1920 and the cost causation principle.

Order No. 1920-A further clarifies that, if Relevant State Entities request additional time to complete cost allocation discussions, the Commission will extend the Engagement Period for up to an additional six months to ensure that Relevant State Entities have sufficient time to engage in fulsome discussions. Relatedly, in the event of such an extension to the Engagement Period, Order No. 1920-A also provides that the Commission will extend the relevant Order No. 1920 compliance deadlines.

Going beyond the compliance stage, Order No. 1920-A requires transmission providers to consult with Relevant State Entities before amending their Long-Term Regional Transmission Cost Allocation Method or State Agreement Process or Processes that is on file with the Commission, or later, if Relevant State Entities seek for the transmission provider to amend the method or process consistent with their chosen method to reach agreement. In an effort to increase transparency, Order No. 1920-A requires that transmission providers post on a public website the results of their consultations with Relevant State Entities before filing such an amendment, and explain why they have chosen not to propose any amendments preferred by Relevant State Entities. These requirements will further ensure that states have the opportunity for increased involvement in establishing cost allocation methods for Long-Term Regional Transmission Facilities beyond the Order No. 1920 compliance stage.

Next, Order No. 1920-A clarifies that, while transmission providers must develop three Long-Term Scenarios that meet all of the requirements adopted in Order No. 1920, transmission providers may develop additional scenarios to provide Relevant State Entities with information that they can use to inform the development of Long-Term Regional Cost Allocation Methods or State Agreement Processes. Transmission providers have the flexibility to depart from Order No. 1920's requirements related to the development of the required Long-Term Scenarios while developing these additional, optional scenarios. Order No. 1920-A requires that if Relevant State Entities request additional scenarios to inform their consideration of cost allocation methods, transmission providers must develop a reasonable number of those scenarios. As long as transmission providers engage in the robust planning process and meet

transparency requirements, transmission providers are free to develop and consider additional information beyond what is required under Order No. 1920.

Order No. 1920-A also sets aside, in part, the requirement to use seven categories of factors in Long-Term Regional Transmission Planning. Order No. 1920 had described Factor Category Seven as taking into account utility and corporate commitments and federal, federally-recognized Tribal, state, and local policy goals that affect Long-Term Transmission Needs. In response to requests for rehearing that suggest that Factor Category Seven could unnecessarily account for the needs of particular transmission users, Order No. 1920-A sets aside the requirement to incorporate corporate commitments from Factor Category Seven into each required Long-Term Scenario.

Order No. 1920-A further specifies that, while transmission providers are not required to use the set of seven required benefits to help inform their identification of Long-Term Transmission Needs, the identification of those needs should rely on economic and reliability drivers.

Finally, Order No. 1920-A requires transmission providers to propose a date, no later than two years from the date on which initial compliance filings to comply with Order No. 1920 are due, on which they will commence the first Long-Term Regional Transmission Planning cycle. This is a change from Order No. 1920's requirement that the first Long-Term Regional Transmission Planning cycle begin no later than one year after initial Order No. 1920 compliance filings are due. This modification balances the need to ensure that transmission providers timely implement Order No. 1920's requirements to avoid unnecessary delays in delivering these beneficial reforms for customers, with providing transmission providers sufficient time to implement Long-Term Regional Transmission Planning and align the Long-Term Regional Transmission Planning cycle with existing transmission planning cycles, which could be longer than one single year.

Thank you, this concludes our presentation. We are happy to address any questions.

## Contact Information

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