

FERC's Transmission Planning and Cost Allocation Reforms

Summary of FERC Order No. 1920 and 1920-A and the Role of States

History of FERC Order No. 1920 and 1920-A

Recognizing the need for better transmission planning to maintain reliability and ensure that transmission rates continue to be just and reasonable as the energy resource mix changes and creates new demands on the transmission system, the Federal Energy Regulatory Commission (“FERC” or “Commission”) issued an Advanced Notice of Proposed Rulemaking (“ANOPR”) in July 2021.¹ The ANOPR proposed to update regional transmission planning and cost allocation requirements, last revised by FERC in 2011 with the issuance of Order No. 1000. In April of 2022, after considering public comments, FERC issued a Notice of Proposed Rulemaking (“NOPR”),³ and on May 13, 2024, FERC issued Order No. 1920 (the “Order”).⁴ Chair Phillips and Commissioner Clements concurred with the Order while Commissioner Christie dissented. On November 21, 2024, the Commission released Order No. 1920-A⁵ to address issues raised on rehearing. Order 1920-A resulted in some modifications to the original order and was approved by Chair Phillips and Commissioners Chang, Christie, and Rosner.

Transmission providers are required to submit compliance filings to FERC by June 10, 2025, 10 months after the effective date of the Order. Order 1920-A allows states to request a 6-month extension to the state engagement process (discussed below), which would result in a 6-month compliance extension. Some transmission providers have also requested and been granted compliance extensions.

¹ *Bldg. for the Future Through Elec. Reg'l Transmission Planning & Cost Allocation*, Advanced Notice of Proposed Rulemaking (“ANOPR”), 176 FERC ¶ 61,024 at PP 1-2 (2021).

³ *Bldg. for the Future Through Elec. Reg'l Transmission Planning & Cost Allocation*, Notice of Proposed Rulemaking (“NOPR”), 179 FERC ¶ 61,028 (2022).

⁴ *Bldg. for the Future Through Elec. Reg'l Transmission Planning & Cost Allocation*, Order No. 1920, 187 FERC ¶ 61,068 (2024).

⁵ *Bldg. for the Future Through Elec. Reg'l Transmission Planning & Cost Allocation*, Order No. 1920-A, 189 FERC ¶ 61,126 (2024).

This explainer summarizes Order 1920 and 1920-A and describes the role given to states with respect to each requirement of the Order. Paragraph references are to Order No. 1920, unless specifically noted as a reference to Order No. 1920-A.

Long-Term Regional Transmission Planning

The Order requires transmission providers to engage in long term, forward looking regional planning (“Long Term Regional Transmission Planning” or “LTRTP”) to identify transmission needs and facilities that meet those needs (P 224). The entire LTRTP process/cycle must take place once every five years (P 378).

Role of States: The Commission specifically encouraged states to participate in the development of the long-term planning process (P 561). States may shape the planning process to ensure it affords stakeholders (including states) meaningful opportunities to provide input throughout the process (P 560).

Developing Long-Term Scenarios

As part of the new LTRTP process, transmission providers must develop and use at least three distinct Long-Term scenarios (P 559) that utilize planning horizons of not less than 20 years to predict Long-Term Transmission Needs (P 344). The set of at least three Long-Term scenarios must be (a) plausible and (b) diverse to ensure the scenarios are not too conservative, speculative, or similar, to account for uncertainty about future conditions (P 575). Each individual long-term scenario must also be plausible (P 576), and there must be at least one sensitivity applied to the scenarios to address the impact of an extreme weather event (P 593).

Order No. 1920 requires transmission providers to consider each of the following seven factors when identifying transmission needs: (1) federal, federally-recognized Tribal, state, and local laws and regulations affecting the resource mix and demand; (2) federal, federally-recognized Tribal, state, and local laws and regulations on decarbonization and electrification; (3) state-approved integrated resource plans and expected supply obligations for load-serving entities; (4) trends in fuel costs and in the cost, performance, and availability of generation, electric storage resources, and building and transportation electrification technologies; (5) resource retirements; (6) generator interconnection requests and withdrawals; and (7) utility commitments and federal, federally-recognized Tribal, state, and local policy goals that affect Long-Term Transmission Needs (P 409, 1920-A at P 303). The Order requires transmission providers to use “best available data inputs,” and requires transparency and opportunities for input (P 633).



Role of States: While the Commission requires that transmission providers outline an open and transparent process for all stakeholders to propose potential factors and provide input on how to account for specific factors (P 528), it recognizes the special role that states play in scenario development. Order No. 1920-A specifically requires that states be given a “meaningful opportunity to provide timely input” on scenario development, and requires that transmission providers “consult with and consider the positions of” state entities regarding how to capture the impact of any state laws, policies, and regulations (1920-A at P 344). This includes, for example, working with states to identify whether a specific policy should be accounted for, what methods and data should be used to account for it, and how to evaluate the impact of the policy over time (1920-A at P 344).

Order No. 1920-A also clarifies that transmission providers must conduct a reasonable number of additional analyses or scenarios if requested by state entities to provide relevant information to inform development or application of cost allocation method(s) (1920-A at PP 365-7). These additional analyses or scenarios need not incorporate the seven factors required under the three mandatory scenarios; for example, they could be used to identify the incremental cost and benefits of transmission needed to achieve state policies.

Evaluation of Benefits

Order No. 1920 requires that transmission providers measure seven specified economic and reliability benefits when evaluating potential transmission facilities to determine whether they more efficiently or cost-effectively address long-term transmission needs (P 719). The required benefits are: (1) avoided or deferred reliability transmission facilities and aging infrastructure replacement; (2) a benefit that can be characterized and measured as either reduced loss of load probability or reduced planning reserve margin; (3) production cost savings; (4) reduced transmission energy losses; (5) reduced congestion due to transmission outages; (6) mitigation of extreme weather events and unexpected system conditions; and (7) capacity cost benefits from reduced peak energy losses (P 720).



Role of States: States can provide input into the benefits that are evaluated and how they are measured. Specifically, the Order gives transmission providers flexibility as to how to measure reliability and economic benefits, allows them to consider additional benefits, and encourages transmission providers to consult with states as they comply with these requirements (P 903).

Selection of Long-Term Regional Transmission Facilities

The Order requires that transmission providers include in their tariffs an evaluation process and criteria for the selection of potential transmission facilities to meet long-term needs, i.e., “Long-Term Regional Transmission Facilities” (P 911). The Order requires transmission providers to consult with relevant state entities⁶ when designing a process to evaluate potential transmission facilities as part of long-term plans (P 924). The evaluation process and selection criteria must be transparent and not unduly discriminatory and aim to ensure that more efficient or cost-effective potential transmission facilities are selected (PP 954-955). While transmission providers have flexibility in proposing an evaluation process, including use of benefit-cost ratios as selection criteria, they may not use a minimum benefit-cost ratio higher than 1.25 to 1 (P 958). Approval from states for selection of a potential transmission facility is not required, and transmission providers, not states, retain the sole authority to select a given potential transmission facility (P 1002). Even when a potential transmission facility meets the selection criteria in its tariff, the transmission provider is not required to select it (P 1026).

Role of States: States can provide input into the process by which proposed transmission facilities are evaluated and selected. Specifically, the order requires transmission providers to consult with and seek support from relevant state entities regarding the evaluation process and selection criteria by demonstrating “good faith efforts” (P 994).

Consideration of Advanced Transmission Technologies (ATT)

The Commission also recognized the value of certain ATTs in reducing the need for new transmission infrastructure to meet growing demand for electricity. The order requires transmission providers to consider dynamic line ratings, advanced power flow control devices,

⁶ A Relevant State Entity is “any state entity responsible for electric utility regulation or siting electric transmission facilities within the state or portion of a state located in the transmission planning region, including any state entity as may be designated for that purpose by the law of such state” (P 1355).



advanced conductors, and transmission switches when evaluating new regional transmission facilities and upgrades to existing facilities in both the new LTRTP process and existing Order No. 1000 regional planning processes (P 1198). Transmission providers have latitude to determine how to evaluate ATTs, but they must give an explanation when a given ATT is not incorporated into a potential transmission facility (P 1214).

Role of States: States may weigh in on how ATTs will be evaluated, and respond to any explanation issued by a transmission provider when a given ATT is not incorporated into a proposed transmission facility (P 1214).

Regional Transmission Cost Allocation

Order No. 1920 requires that transmission providers have one or more Long-Term Regional Cost Allocation Method(s) on file with the Commission (P 1291), and gives states multiple opportunities to engage in cost allocation (discussed below). Transmission providers must include in their compliance filing any cost-allocation method agreed to by relevant state entities, but are not required to select a method agreed to by states (1920-A P 242). If states do not put forward a just and reasonable cost allocation method, the default long-term regional cost allocation method will be applied (P 1292). The Commission did not pre-judge what kinds of cost allocation method(s) may be reasonable.

Role of States: The options for states to align on cost allocation are (1) development of state-agreed *ex ante* long-term regional cost allocation method(s), and/or (2) development of a State Agreement Process by which states would work together to align on an alternative cost allocation method *after* selection of a long-term regional transmission facility (or portfolio). Under a State Agreement Process, the Commission grants states six months to align on a cost allocation method to replace the default method on file. If states agree to a State Agreement Process, it cannot be the only cost allocation method; there must be a backstop on file for use if states fail to agree, or if the Commission finds their agreement to be non-compliant. State-agreed Long-Term Regional Transmission Cost Allocation Method(s) or a State Agreement Process cost allocation method must allocate costs roughly commensurate with the benefits received but need



not comply with Order No. 1000 regional cost allocation principles,⁷ giving states additional flexibility to negotiate cost allocation approaches (P 1294).

To facilitate the role of states in cost allocation, the Commission required transmission providers to institute an “Engagement Period” during the compliance process through which states can participate in the negotiation of an *ex ante* cost allocation method or develop a State Agreement Process (P 1354). The transmission provider is not required to adopt the outcomes of the state engagement period, but must file with the Commission any cost allocation method(s) and/or State Agreement Process that state entities have agreed upon (1920-A at P 654; states can determine what constitutes “agreement” and whether unanimity is required). States can utilize existing stakeholder groups (e.g. the SPP Regional State Committee or Organization of MISO States) to negotiate cost allocation (P 1357).

The Order also allows states to provide input on the process to provide states and interconnection customers with the opportunity to voluntarily fund the cost of or a portion of the cost of a proposed transmission facility that would not otherwise meet the transmission provider’s selection criteria (P 1012). Transmission providers must propose a voluntary funding process that provides the relevant state entities timely notice and meaningful opportunity to provide voluntary funding (P 1013). Transmission providers must also seek the support of relevant state entities for their proposal (P 1012).

Local Transmission Planning Inputs in the Regional Transmission Planning Process

The Commission included reforms aimed at increasing transparency of local transmission planning inputs in the regional transmission planning process. The order requires transmission providers to revise the regional planning process in their tariffs to enhance transparency of (1) criteria, models, and assumptions used in their local transmission planning process, (2) local transmission needs that they identify through their local transmission planning processes, and (3) potential local or regional transmission facilities they will evaluate to meet those local transmission needs (P 1625). Each transmission provider that is a member of the LTRTP region must conduct at least three publicly-noticed stakeholder meetings per regional transmission

⁷ Specifically, principles one through five: (1) costs allocated in a way that is roughly commensurate with benefits, (2) no involuntary allocation of costs to non-beneficiaries, (3) benefit to cost threshold ratio (not required, but if used must not exceed 1.25), (4) allocation to be solely within transmission planning region(s) unless those outside voluntarily assume costs, and (5) transparent method for determining benefits and identifying beneficiaries.



planning cycle where stakeholders are given opportunities to comment before and after (PP 1625-6).

Role of States: States may provide feedback on the criteria, assumptions, and models related to each transmission provider’s local transmission planning during any or all of the three publicly noticed stakeholder meetings (per regional transmission planning cycle) (PP 1626-7). States will have the opportunity before and after each meeting to submit comments (PP 1626-7).

To more efficiently or cost-effectively address a Long-Term transmission need, the order requires transmission providers to evaluate whether certain transmission facilities can be “right sized,” specifically those facilities (1) operating above a specified kV threshold (to be proposed on compliance, not to exceed 200kV), and (2) that an individual transmission provider anticipates replacing in-kind in the next 10 years (P 1677). The Commission established a federal Right of First Refusal (ROFR) for a right-sized replacement transmission facility selected to meet Long-Term transmission needs (P 1702). The order gives transmission providers flexibility to propose a cost allocation method for selected right-sized replacement transmission facilities, provided that the method is just and reasonable, not unduly discriminatory or preferential, and, consistent with cost causation principles, allocates costs in a manner at least roughly commensurate with estimated benefits (P 1716).

Other Reforms

Coordination of Regional Transmission Planning and Generator Interconnection Processes

The Order requires transmission providers to evaluate regional transmission facilities to address certain network upgrade needs originally identified through the generator interconnection process (P 1106). The Order requires transmission providers to evaluate such facilities as part of their existing Order 1000 regional transmission planning processes, rather than through LTRTP (P 1107).

Construction work-in-progress incentive

The Commission declined to adopt its proposal to eliminate the construction work in progress (“CWIP”) incentive, which allows for the recovery of construction costs prior to the commercial operation of new transmission investment (P 1547). The Commission stated that the CWIP could be addressed in a future proceeding (P 1547).



Federal Right of First Refusal for Jointly Owned Facilities

The Commission declined to adopt its proposal to allow a ROFR for transmission facilities selected in a regional transmission plan that are jointly owned, although it said that it may consider doing so in a future proceeding (P 1563). As described above, the Commission did allow a ROFR for certain right-sized replacement transmission facilities.

Interregional Transmission Coordination

The order requires transmission providers to revise existing interregional transmission coordination to reflect LTRTP reforms, including (1) the sharing of information regarding Long-Term transmission needs and potential transmission facilities to meet those needs; and (2) identification and joint evaluation of interregional transmission facilities that may be more efficient or cost-effective to address Long-Term transmission needs (P 1751). The order allows an entity to propose an interregional transmission facility in the regional planning process as a potential solution to Long-Term transmission needs (P 1752). The order declines to implement further reforms but notes the interregional transfer capability proceeding (Docket No. AD23-3) and other proceedings as potential venues for consideration of other reforms (P 1758).

