



**FERC Order 1000
Overview and Options**

**WECC Staff
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Introduction

On July 21, 2011, the U.S. Federal Energy Regulatory Commission (FERC) issued Order 1000, “Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities.”¹ The Order builds on the reforms of Order 890 with respect to transmission planning processes and cost allocation methods. The Order has both regional² and interregional provisions. The regional provisions of the Order require FERC-jurisdictional Transmission Providers (TP) to participate in regional transmission planning activities that result in the creation of a regional transmission plan. The interregional provisions require that each region must have coordination procedures for the joint evaluation and cost allocation of transmission projects that span multiple regions.

Compliance with the interregional provisions of the Order will compel Subregional Planning Groups (SPG) to have bilateral agreements with their neighbors and/or agreements that encompass all SPGs. The impact to WECC will be determined by the extent to which SPGs and TPs choose to use existing, expanded or new WECC processes to meet the Order’s interregional provisions.

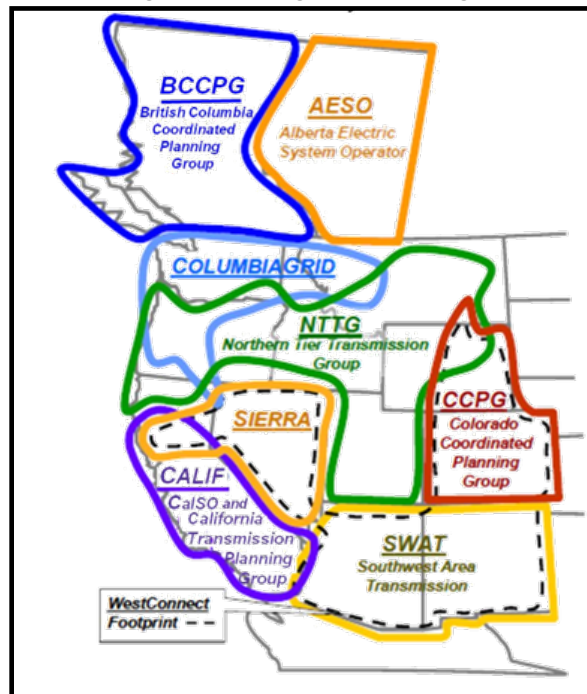
What caused FERC Order 1000 to be brought to WECC’s attention?

It was suggested through preliminary conversations with SPGs and other stakeholders that WECC should be involved in meeting the interregional requirements of the Order. The role that WECC may play in meeting the requirements of the Order has also been raised by many Western states. This interest is due, in part, to the fact that the Order’s requirements involve activities that fit under WECC’s mission and build upon existing planning activities.

The goal of this briefing paper is to provide the WECC Board of Directors with an understanding of the potential needs of WECC members relative to interregional transmission planning/coordination, and identify options for WECC to support its members in complying with the Order’s requirements (both before and after their compliance filings).

This briefing paper is organized into six sections: (1) Compliance Filing Schedule; (2) Description of Key Requirements; (3) Potential Impacts to Western Interconnection Activities and Structure; (4) Potential WECC Interregional Planning/Coordination Services; (5) What to Expect Next; and (6) Conclusions.

WECC-recognized Subregional Planning Groups



¹ Docket No. RMIO-23-000; Order No. 1000

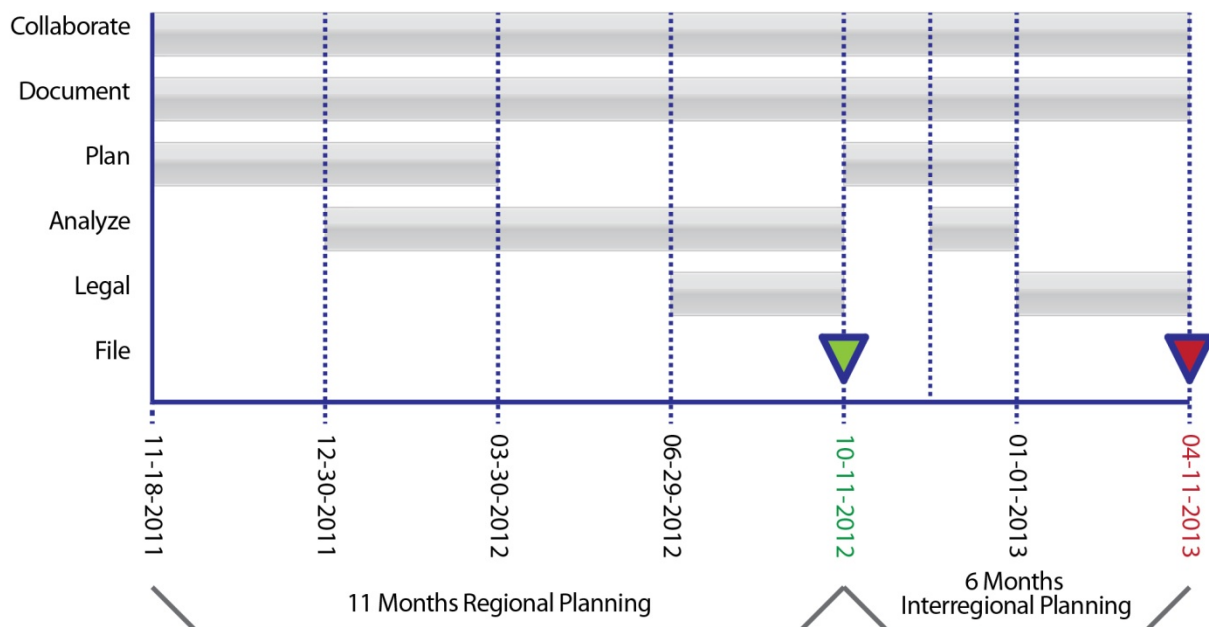
² This paper uses the terms “regional” and “interregional” consistently with the ways these terms are used in FERC Order 1000. In the Western Interconnection, “regional” refers to WECC’s Subregional Planning Groups and “interregional” refers to interactions between and/or among “regions.”

Compliance Filing Schedule

The Order has a two-part compliance filing requirement for all TPs (Figure 1).

- October 11, 2012** – Compliance Filing Deadline for Regional Provisions: TPs must modify their Open Access Transmission Tariffs (OATTs) to comply with the Order’s new regional planning requirements and cost allocation requirements, as discussed below. The regional provisions will likely not compel WECC to change its activities. However, during this period, WECC may need to plan for changes related to implementing interregional planning/coordination that are driven by how the regional provisions are met.
- April 11, 2013** – Compliance Filing Deadline for Interregional Provisions: TPs must modify their OATTs to be compliant with the Order’s interregional transmission planning/coordination, which are discussed further below. In this context, the term “interregional planning/coordination” refers to planning *between and among* the regions, which are likely to be those identified in the next section. Interregional planning/coordination could involve pairs of regions (bi-lateral), several regions (multi-lateral) or all regions (Interconnection-wide). Simultaneous Interconnection-wide planning is not required by the Order. The interregional parts of compliance with the Order are the focus of WECC and this document.

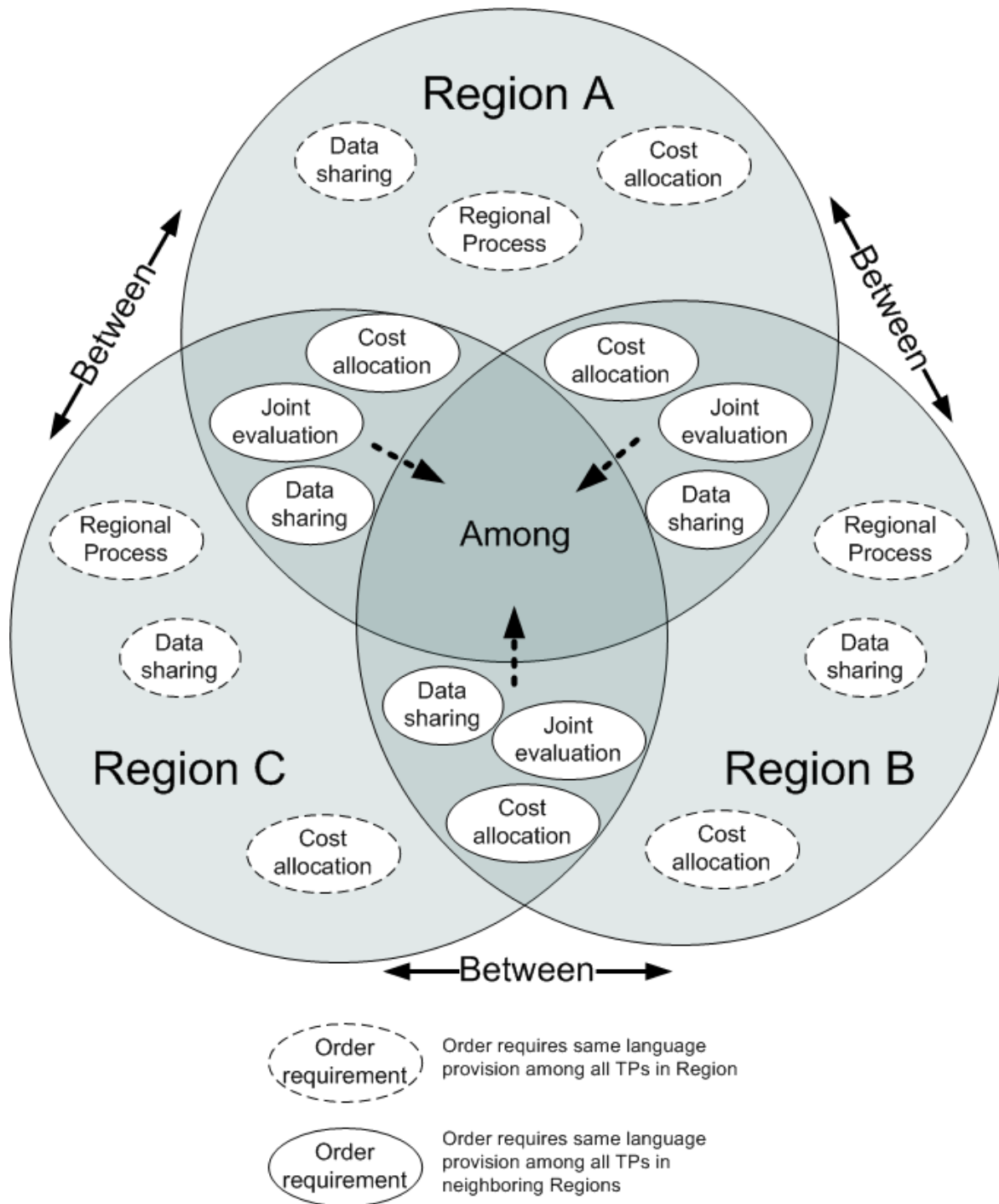
Figure 1: FERC Order 1000 Compliance Filing Schedule



Description of Key Requirements

The Order’s requirements are focused on establishing transparent processes that ensure reliable transmission service at just and reasonable rates. The requirements are organized by topic and geography (Figure 2).

Figure 2: Required TP Regional and Interregional Coordination



Regional Requirements

Regional planning, as defined in the Order, will likely be performed by the SPGs. The regional transmission planning items that are new or more strongly emphasized in the Order include the following.

- **Participation Leading to Plan** – The Order requires that TPs participate in a regional planning process that produces a transmission plan. In order to comply, the regional group needs to be established, processes and procedures established, and new OATTs with descriptions of the new processes filed.
- **Public Policy** – The regional planning processes must address established public policy goals and requirements in transmission planning, including federal and state statutes, laws and regulations. There is uncertainty regarding how to address public policy requirements in transmission planning.
- **Cost Allocation** – Regional planning processes must have consensus on regional cost allocation processes for projects in the regional plan that are selected for cost allocation, with FERC backstop cost allocation authority if the participants cannot fully agree. Different cost allocations can be developed for different projects and can vary across regions, subject to FERC's six principles on cost allocation contained in the Order. FERC's cost allocation principles place strong emphasis on assessments of costs and benefits, and allocation of costs to beneficiaries. If past impasses concerning cost allocation for projects involving multiple TPs prevented the implementation and completion of some aspects of transmission planning under FERC Order 890, this requirement will likely increase the level of scrutiny on planning decision making.
- **Right of First Refusal (ROFR)** – OATTs and associated federal activities must eliminate any ROFR that would limit competition for new transmission lines. Planning processes require qualification criteria for entities proposing new lines, evaluation criteria and protocols that implement increased competition in new line development.
- **Information Sharing** – TPs must share (at least annually) and use consistent planning information (e.g., data, assumptions, results).
- **Documentation** – Regional planning must have sufficient documentation of costs and benefits, and transparency to support cost allocation, including by FERC, under its new backstop authority.
- **Non-Transmission Alternatives** – As scrutiny of planning increases, the need to increase the amount of consideration given to alternatives to transmission will likely increase. In some regions, this has increased focus on demand resources, central station generation, distributed generation, and other alternatives to proposed reliability and other transmission system upgrades.
- **Stakeholder Input** – Regional transmission planning must have adequate stakeholder input and transparency.
- **OATT** – TPs must revise their OATTs and each craft identical language in their OATTs regarding regional planning.
- **Communications** – The need for transparency, documentation and stakeholder input will create communication needs at the regional level (e.g., website postings).

Interregional Planning/Coordination Requirements

Activities that support some of the interregional planning provisions are currently performed by WECC under the guidance of the Transmission Expansion Planning Policy Committee (TEPPC) and by some SPGs. The processes that will be used to meet the interregional requirements, and the organizations that will manage the processes, are undetermined at this time. This topic is the subject of ongoing discussions at organizations throughout the Western Interconnection.

The interregional transmission planning/coordination items that are new or more strongly emphasized in the Order parallel the regional requirements in many key respects, except that they apply between, or among, regions. They include:

- **Participation** – Regional planning entities must participate in interregional planning/coordination. Because interregional planning/coordination can be between two regions, or involve multiple regions, there is a need to establish the scope of interregional activity. As noted, Interconnection-wide (i.e., involving all of WECC simultaneously) planning/coordination is not required, though may be beneficial. In light of the need to adopt compatible procedures, information, protocols, etc., it may be necessary to establish formal membership of interregional planning groupings and begin planning for interregional transmission planning/coordination even before the first deadline of October 11, 2012.
- **Joint Evaluation of Interregional Projects** – TPs and regional entities must jointly evaluate interregional projects. This includes requirements for common data, models, assumptions, criteria, and timing. No region can include a project that requires cost allocation to another region without jointly agreeing to the need for the project and cost allocation.
- **Public Policy** – As discussed above concerning regional planning, public policy needs to be considered in interregional planning/coordination.
- **Cost Allocation** – Interregional planning/coordination must generally meet the same cost allocation requirements that apply to regional planning, including: (1) procedures that provide for interregional cost allocation for qualified projects; (2) procedures that allocate costs to beneficiaries; (3) recognition and accommodation of FERC's backstop cost allocation authority; and (4) planning processes that are sufficiently documented, open and transparent that FERC can decide on cost allocation.
- **ROFR** – Interregional planning/coordination must eliminate any federal ROFR, and the processes need qualification and evaluation criteria and protocols.
- **Information Sharing** – Order requires procedures for sharing information between planning regions, including sharing of needs and potential solutions to these needs.
- **Stakeholder Input** – The interregional planning/coordination process must be open to stakeholders' input.
- **OATT** – OATT tariffs for interregional planning/coordination participants must have identical language.
- **Communications** – The interregional planning/coordination process will lead to joint communication needs.

Potential Impacts to Western Interconnection Activities and Structure

Currently, SPGs and WECC perform a number of activities that fulfill some of the requirements of the Order (Table 1). To meet the Order's requirements, current activities will need to be augmented and further specified. In addition, new processes will need to be created.

Table 1: Current planning activities related to requirements of the Order

Function	NTTG	West Connect ³	CCPG	SWAT	Sierra	Columbia Grid	CAISO	WECC
Regional planning process	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA
Interregional plan coordination ⁴	No	No	No	No	No	No	No	Partially
Cost allocation (regional)	Yes	No	No	No	No	Yes	Yes	NA
Cost allocation (interregional)	No	No	No	No	No	No	No	No

Potential WECC Interregional Planning/Coordination Services

There is a wide range of services that WECC could provide to assist TPs with their compliance requirements relating to the Order's interregional provisions. Potential service levels WECC could offer include:

- **#1 – Limited Service Level** – In this role, WECC would develop procedures for information sharing and management. WECC already provides some of these services. To meet this requirement, marginal changes to WECC's planning processes and budget would be required.
- **#2 – Medium Service Level** – With this option, WECC would additionally undertake some or all of the interregional planning analysis tasks to fulfill the joint evaluation requirement. This option does not include a process for the selection of projects for interregional cost allocation. This option would involve a significant augmentation of WECC's planning processes, capabilities, and budget.
- **#3 – High Medium Service Level** – With this option, WECC would also be involved in project selection for purposes of cost allocation. This option, which must include option #2, will require new processes and capabilities. The budget impacts of this option will vary widely depending on the level of WECC's involvement.
- **#4 – High Service Level** – With this option, WECC would also be involved in the cost allocation process. This option, which must include option #3, will require new processes and capabilities. The budget impacts of this option will vary widely depending on the level of WECC's involvement.

³ For the purposes of Order 890 compliance, WestConnect serves as the subregional planning group for CCPG, SIERRA and SWAT.

⁴ WECC creates an interregional plan that currently does not meet the requirements in the Order because not all transmission projects included in each regions transmission plan are included in the WECC interregional plan.

What to Expect Next

WECC plans to continue to gather information related to risk levels and business impacts associated with the four potential service levels to inform the Board.

By March 2012, WECC plans to provide the Board with a detailed business and risk analysis for each of the four service levels outlined in the previous section and a recommended course of action. A potential timeline for WECC decisions is found in Appendix I. If WECC chooses to offer TPs and regions these options, there will be changes to WECC's processes, capabilities and budget. In the forthcoming analysis, each service level will be evaluated against a number of factors, including the following:

- **Stakeholder Input** – Stakeholder input will be used to determine the level of consensus regarding which level of service is desired.
- **Relationship to Current WECC Services/Activities** – WECC's proposed levels of service will be compared with existing activities to gauge the level of incremental effort required. WECC already provides a number of services that would likely help TPs meet the Order requirements.
- **Relationship to Core Competencies** – Potential new or additional WECC responsibilities will be compared with WECC's core competencies. This would also include an evaluation of potential activities to WECC's mission, strategies, and goals.
- **Economies of Scale** – Potential activities will be evaluated for economies of scale since some may be more efficient if one entity provided the service.
- **Compliance Risks** – WECC will not be the principal filing entity or responsible for ultimate compliance. However, activities will be the subject of FERC review. An evaluation of potential activities and their compliance risks for WECC will be conducted.
- **Resource Requirements** – Depending upon which services(s) WECC chooses to offer, there will be a need for additional WECC staff and other resources.

At recent TEPPC and Scenario Planning Steering Group (SPSG) meetings, stakeholders voiced their desire to be involved in the Order decision-making process at the regional and interregional levels. The SPSG formed a task force that will draft a white paper presenting concerns and suggestions for filing entities, as they relate to the Order. WECC is facilitating this process and will include the information in the decision support documents that will be provided to the Board in preparations for the March meeting.

Conclusions

From a WECC perspective, the Order provides several opportunities, at varying levels, for participation in assisting stakeholders to meet some of the Order's interregional provisions. The Order will have effects on WECC's business activities. What effects will occur will be determined by stakeholder input and decisions made at the next Board meeting in March.

Appendix I: FERC Order 1000 Process Flow

