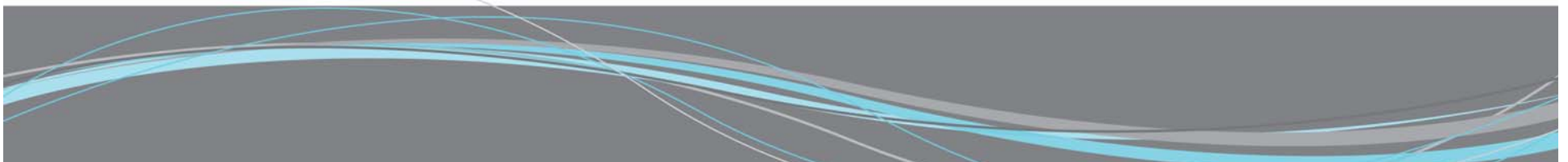




# Recent FERC NOPRs, NOIs, and ADs and Implications of FERC Order No. 1000

CCPG, SSPG, SWAT Joint Meeting

August 17, 2011



# FERC Organization

- **Chairman Jon Wellinghoff**
  - **All “FERC Staff” report to Chairman**
  - **Each Commissioner has small advisory staff**
  - **Focus of staff historically follows closely with the focus of the Chairman**
- **April 16, 2009 – Wellinghoff announces creation of Office of Energy Policy and Innovation (OEPI)**

# Office of Energy Policy & Innovation

- Created to “address environmental and energy policies”
- Wellinghoff outlined four priorities as chairman
  - Developing needed energy infrastructure
  - Fostering competitive energy markets (w/ just and reasonable rates)
  - Overseeing reliability standards
  - Effectively enforcing both market and reliability rules
- Focus on demand response, enhancing transmission planning rules, market rules, operations rules, integration of renewable resources...

# What has OEPI Done?

- Issue lots of NOPRs, NOIs, and ADs
- Informal count shows more than 50 new electric dockets since creation of OEPI
- Total of 56 new rulemakings and inquiries in 2010 and 2011
- Gas shows high level of activity, though not as significant as electric

# Important Transmission Dockets

- **RM10-23: Became Order No. 1000 on July 21, 2011**
  - **Began with technical conference in Sept. 2009**
  - **Issued NOPR in June 2010; Final Rule issued July 2011**
  - **More on this later**

# Important Transmission Dockets

- **RM10-11: Integration of Variable Energy Resources**
  - **Began with NOI in January 2010**
  - **Issued NOPR in November 2010; Final Rule expected summer 2011**
  - **Proposes providing transmission customer with option of using intra-hour scheduling**
    - **Would enable variable resources to adjust schedules to reflect real-time usage**
    - **Reduce penalties for not meeting projected output levels**
  - **Modifications to LGIAs to require interconnection customers to provide meteorological and operational data to transmission providers**
    - **Increase visibility into system and improve forecasting tools**
  - **New requirements related to ancillary services requiring transmission providers to pay all generators for regulation**

# Important Transmission Dockets

- **RM10-11 cont'd**
  - **Changes support integration of renewable resources**
  - **Many parties argued for regional deference**
    - **Certain regions already allow for intra-hour scheduling to an extent more granular than NOPR stated**
    - **Certain areas of the country may desire different meteorological/operational data**

# Important Transmission Dockets

- **RM11-26: Promoting Transmission Investment Through Pricing Reform**
  - **NOI issued May 19, 2011; Comments due September 12, 2011**
  - **Investigates effectiveness and appropriateness of Commission's Order 679 incentives**
  - **Seeks comments on a series of questions (70+) regarding existing transmission incentives**
  - **Raises questions about role of cost estimates**

# Some Other Dockets

- **RM10-17: Demand Response Compensation in Organized Wholesale Markets**
- **RM11-7: Frequency Regulation Compensation in Organized Wholesale Power Markets**
- **RM11-9: Locational Exchanges of Wholesale Electric Power (NOI investigating when locational exchanges might be permitted)**
- **RM11-14: Analysis of Horizontal Market Power under Federal Power Act (NOI investigating merger and acquisition rules)**
- **Various rulemakings interpreting reliability standards**
- **AD11-11: Priority Access to New Participant Funded Transmission (tough to see where this one is going)**



# **FERC Order No. 1000**

**“Final Rule on Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities”**

# FERC Order No. 1000

## Planning Provisions

- **Public utility must participate in regional planning process**
  - **Much work to do in non-RTO areas**
  - **“Region” cannot be a single transmission provider**
- **Consistent with Order 890, economic studies must be conducted**
- **Must include public policy needs in study assumptions**
- **Each region must coordinate planning with adjacent regions (CCPG must coordinate with SWAT, NTTG)**

# FERC Order No. 1000 Planning Provisions



# FERC Order No. 1000

## Cost Allocation Provisions

- Each regional plan must have a cost allocation method
  - For projects selected via the regional process “for purposes of cost allocation”
  - Exists in RTOs, not in non-RTO areas
- Participant funding is permitted; not allowed for sole regional or interregional method
- Costs allocated “roughly commensurate” with estimated benefits
- No costs allocated to anyone who does not benefit

# FERC Order No. 1000

## Cost Allocation Provisions

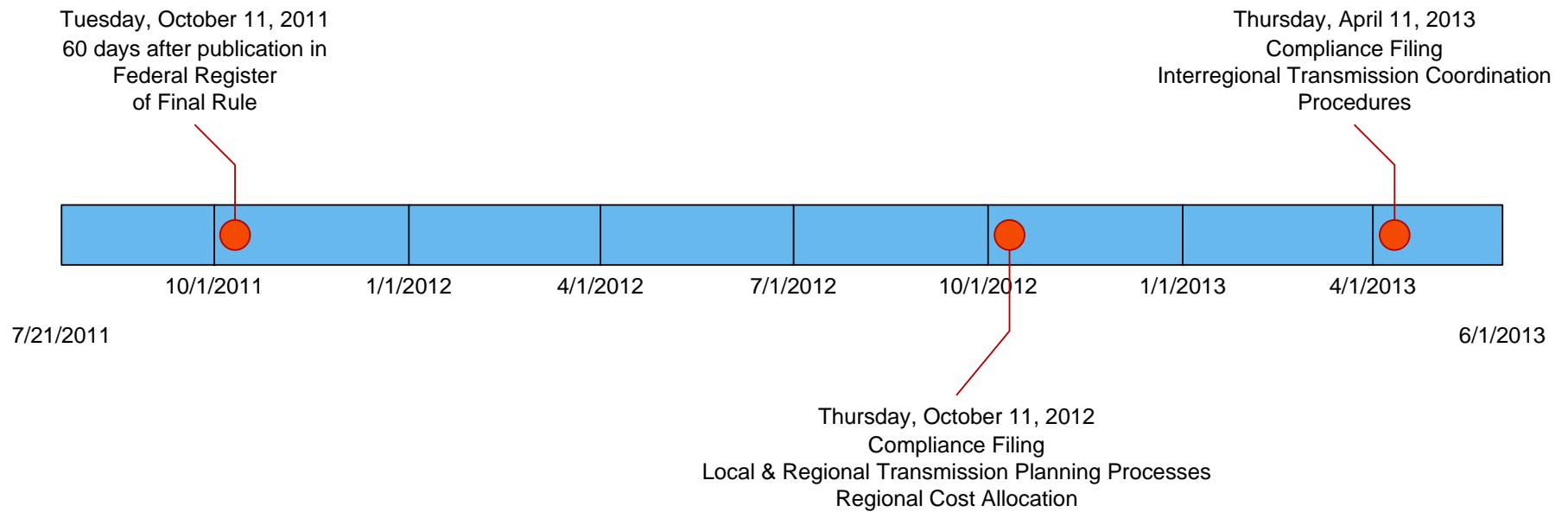
- **Interregional cost allocation method required**
- **Only facilities that are required to be studied are those that connect to both regions**
- **Up to the regions to decide whether “interregional” facilities are expanded further**
- **Before being eligible for interregional cost allocation, project must be selected in each region’s plan**
- **Costs allocated “roughly commensurate” with estimated benefits**

# FERC Order No. 1000

## Federal ROFR Provisions

- Order removes any Federal ROFR from approved tariffs and agreements for projects selected in a regional transmission plan for purposes of cost allocation
- Limitations
  - Does not apply to a facility not selected in a regional plan for purposes of cost allocation
  - Does not apply to upgrades of transmission facilities
  - Allows, but does not require, use of competitive bidding
  - Does not preempt state or local laws or regulations regarding construction of transmission facilities

# FERC Order No. 1000 Timeline





# **Compliance Efforts – The Road Ahead**

# Overview

- **Non-RTO areas will be starting compliance from scratch**
  - **RTO approaches may provide a starting point**
  - **Entity to provide needed coordination may not exist**
  - **Non-RTO regions have 12 to 18 months to develop processes and systems that have developed over the course of a decade in RTOs**

# Non-RTO Areas

## Preliminary Work—Get Organized

- Identify your region
- Identify key players in your region
  - Develop a work plan with other key players
- Identify coordinator (your regional org, WestConnect?)
- Compile information regarding existing planning processes and cost allocation mechanisms
- Develop processes (project selection, cost allocation, governance, filing, etc.)
- Determine how you want to work with your states

# Non-RTO Regions

- **Planning**
  - **Order 890 planning regions may be a starting point**
  - **Plan approval mechanism will be needed**
    - **Currently many non-RTO regional plans are “roll-up” plans**
    - **There may be a role for the states**
- **Cost allocation**
  - **State involvement will be crucial**
  - **Cost Allocation intersection with Cost Recovery**
  - **Identify mechanism for identifying benefits “roughly commensurate” with costs – always challenging**

# Elimination of ROFR

- Issue for both RTOs and non-RTOs
- Is CAISO mechanism a model?
  - Qualification requirements
  - Joint development encouraged
    - State permitting authority provides backstop
  - Does not use competitive bidding



# Other Considerations

# Non-Jurisdictional Coordination

- Order only directly impacts “public utility transmission providers”
  - Not Federal entities
  - Not Municipal utilities, G&T coops
  - FERC staff has stated they assume non-jurisdictional entities will comply
- Reciprocity
  - Final Rule modified *pro forma* OATT
  - Maintaining reciprocity requires OATT modifications that substantially conform to new *pro forma* requirements
  - Each organization will determine how important reciprocity is for its operations

# Other Potential Impacts

- **Transmission Development**
- **Capital Budgeting**
- **State Relationships**
- **Costs**
- **ROE Incentives**
- **Others?**

# Questions?

- **Contact Info:**

**Daniel Kline**

**Manager, Regulatory Administration  
(Transmission)**

**Xcel Energy**

**612-330-7547**