

Order 1920 – Part VII, VIII and IX Review

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Special TEAC – Order 1920
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Part VII – Construction Work in Process Incentive

- In the NOPR and aNOPR, the Commission proposed not permitting transmission providers to take advantage of the allowance for inclusion of 100% of Construction Work In Progress (CWIP) costs in rate base (CWIP Incentive) for Long-Term Regional Transmission Facilities
 - CWIP – Construction Work in Progress – ongoing construction projects that have not been completed.
- FERC agrees with commenters that any action on the CWIP Incentive is more appropriately considered in a separate proceeding to allow for a holistic approach to transmission incentives after the Commission has finalized its Long-Term Regional Transmission Planning reforms
- FERC Does not act on NOPR concept of limiting CWIP Incentive



Part VIII – Exercise of a Federal ROFR in Commission

- In the NOPR and aNOPR, the Commission proposed to amend Order No. 1000's findings and non-incumbent transmission developer reforms in part, to permit the exercise of federal ROFR for selected transmission facilities
 - ROFR – Right of First Refusal
 - “incumbent transmission providers, as a result of those reforms, may be presented with perverse investment incentives that do not adequately encourage those incumbent transmission providers to develop and advocate for transmission facilities that benefit more than just their own local retail distribution service territory or footprint”

- The Commission will continue to consider potential federal right of first refusal reforms along with other transmission reforms in the future.
 - “We do not adopt in this final rule any changes to Order No. 1000’s non incumbent transmission developer reforms.”
- No Action taken at this time, states will continue to determine ROFR laws
 - Federal vs. States rights issue



Part IX – Local Transmission Planning Inputs in the Regional Transmission Planning Process

- In the NOPR, the Commission explained that it was concerned that local transmission planning processes may lack adequate provisions for transparency and meaningful input from stakeholders, and that regional transmission planning processes may not adequately coordinate with local transmission planning processes.
- Order No. 1920 finds “that existing requirements governing transparency in local transmission planning processes and coordination between local and regional transmission planning processes are unjust, unreasonable, and unduly discriminatory or preferential”
 - Need improved coordination between local and regional transmission planning process including consideration of Right Sizing for “replacement transmission facilities”
 - Local planning lacks transparency/no minimum requirements
 - Local/Regional planning lacks coordination with respect to replacement of aging infrastructure

- Order 1920 Part IX Requirements
 1. Enhance the transparency of local transmission planning processes;
 2. Require transmission providers to evaluate whether transmission facilities that need replacing can be “right-sized” to more efficiently or cost-effectively address Long-Term Transmission Needs identified in Long-Term Regional Transmission Planning.

- Enhance the transparency of local transmission planning inputs in the regional transmission planning process.
 - Require transmission providers to revise the planning protocol to enhance the transparency of:
 - Criteria, models, and assumptions that they use in their local transmission planning process;
 - Local transmission needs that they identify through the local transmission planning process; and
 - Potential local/regional transmission facilities that they will evaluate to address those local transmission needs.
 - The Order requires at least 3 meetings per cycle with meaningful input from stakeholders
- Looks a lot like PJM M-3 process (Assumptions/Needs/Solutions)

- **Identifying potential opportunities to Right Size replacement transmission facilities**
 - Right Sizing – “process of modifying a transmission provider’s in-kind replacement of an existing transmission facility to increase that facility’s transfer capability”
 - Order No. 1920 requires that facilities over a set voltage threshold (200 kV or less), and expected for replacement in kind in next 10 years, are eligible for right sizing
 - Must submit replacement in kind estimates
 - Need to maintain list of facilities expected to be eligible for replacement in kind in next 10 years
 - Adopt Federal ROFR for right sized replacement facilities
 - Cost allocation for Right Sizing
 - FERC Declined to adopt the concept where only the incremental cost of the right sized facility is eligible for Order No. 1920 style cost allocation
 - Entities can propose a cost allocation method for right sized facilities

- Main takeaways from Part IX.
 - Transparency of local planning processes appears to be very similar to the existing PJM M-3 process.
 - Requires Transmission Owners to provide 10 year facility outlook for facilities expected to be eligible for replacement in kind
 - Adopt Federal ROFR for right sized replacement facilities

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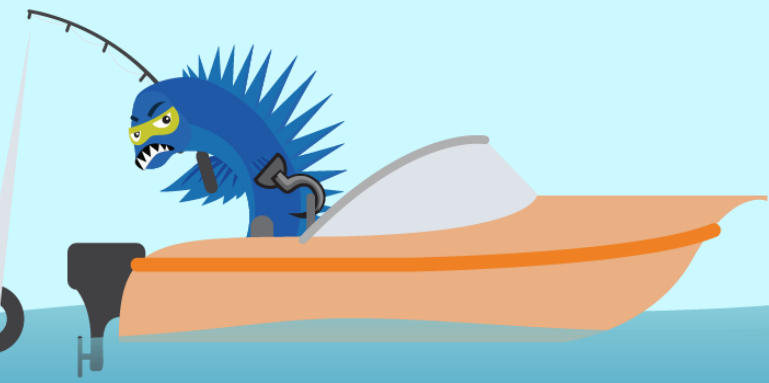
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