

LS POWER

**Education on FERC Order No. 1000
and Targeted Market Efficiency
Projects (TMEPs):**

Key Concepts and Principles



October 2018

Regional Competition 101

- Under Order No. 1000, Regions with a right of first refusal in their federal tariff were required to remove them for regionally cost allocated projects
- Under Order No. 1000, the vast majority of regional transmission projects have to go through a nondiscriminatory competitive process in order to use the regional cost allocation framework.
- Basically, No nondiscriminatory competitive process = No use of the Regional Cost Allocation Framework
- Transmission Owners Required to be the Designated Entity (at the end of Sponsorship Process) if:
 - Transmission Owner Upgrade
 - Local Project (located solely within TO Zone and cost of project allocated solely to a TO Zone)
 - State ROFR law

Order No. 1000 Requirements

Paragraph 293, Order No. 1000:

- “The Commission proposed to require each public utility transmission provider to revise its OATT to:

(1) establish appropriate qualification criteria...

(2) include a form by which a prospective project sponsor would provide information in sufficient detail to allow the proposed project to be evaluated in the regional transmission process and a single date by which proposals must be submitted

(3) describe a transparent and not unduly discriminatory or preferential process used by the region for evaluating whether to include a proposed transmission facility in a regional plan

(4) remove, ..., provisions that establish a federal right of first refusal for an incumbent transmission provider....

(5) provide the right to develop a project for a defined period of time if not initially included in the regional transmission plan

(6) provide a comparable opportunity for incumbent and nonincumbent transmission project developers to recover the cost of a transmission facility through a regional cost allocation method.”

Order No. 1000 is Fundamentally a Rule about A Project's Eligibility to Use Regional Cost Allocation

Paragraph 318, Order No. 1000:

- “The Commission’s **focus here is on the set of transmission facilities that are evaluated at the regional level and selected in the regional transmission plan for purposes of cost allocation**...The Commission does not, in this Final Rule, require removal from Commission-jurisdictional tariffs and agreements of a federal right of first refusal as applicable to a local transmission facility, as that term is defined herein.”

Order No. 1000 is Fundamentally a Rule about A Project's Eligibility to Use Regional Cost Allocation

Paragraph 316, Order No. 1000:

- “As we explain elsewhere, the reforms adopted in this Final Rule build upon the requirements of Order No. 890 with respect to transmission planning. Public utility transmission providers already have in place mechanisms to provide for comparative evaluation of transmission solutions. **We recognize that the mechanisms for evaluating proposals under this Final Rule will have greater implications because we are also requiring a just and reasonable and not unduly discriminatory process to grant a transmission developer the ability to use the regional cost allocation method associated with each transmission facility selected in the regional plan for purposes of cost allocation.”**

Ground Rules for Order No. 1000 Regional Windows

Regional Planning Means **comparable evaluation** **of all potential transmission solutions**

Paragraph 255, Order No. 1000:

- “In response to Order No. 890, regions across the country have implemented transmission planning processes that allow for consideration of alternative transmission projects proposed at the regional level to determine if they better meet the region’s needs...**By requiring the comparable evaluation of all potential transmission solutions, the Commission has sought to ensure that the more efficient or cost-effective solutions are in the regional plan.”**
- Order No. 1000 also opens the door in the regional planning process for competition between transmission and non-transmission alternatives

A Robust Regional Planning Process is a Key Goal of Order No. 1000

Paragraph 320, Order No. 1000:

- “Through the reforms to regional planning required in this Final Rule, the Commission is seeking to ensure that a **robust process is in place to identify and consider regional solutions to regional needs, whether initially identified through “top down” or “bottom up” transmission planning processes.**”

Proposal Windows Cannot Dictate A Substantive Planning Outcome

Paragraph 188, Order No. 1000-A:

- “At the outset, it is important to recognize that Order No. 1000’s transmission planning reforms are concerned with process; **these reforms are not intended to dictate substantive outcomes, such as what transmission facilities will be built and where.**” (see also, Order No. 1000, paragraph 113 – “This Final Rule is focused on ensuring that there is a fair regional planning process, not substantive outcomes of that process.”)

A Discriminatory Participation Process Limits the Identification and Evaluation of Potential Solutions to Regional Needs

Paragraph 358, Order No. 1000-A:

- “...The ability of an incumbent transmission provider to discourage or preclude participation of new transmission developers through discriminatory rules in a regional transmission planning process, and in particular, the inclusion of a federal right of first refusal, **can have the effect of limiting the identification and evaluation of potential solutions to regional transmission needs.**”

Comparable Opportunity to Propose Transmission Facilities Must Be Allowed

Paragraph 370, Order No. 1000-A:

- “...Rather, we require the elimination of such provisions so that incumbent transmission providers and nonincumbent transmission developers will have an opportunity on a comparable basis to propose new transmission facilities for selection in the regional transmission plan for purposes of cost allocation.”

Same Evaluation Process Must Be Used for Incumbent and Non-Incumbent Proposals

Paragraph 454, Order No. 1000-A:

- “The Commission clarifies that the public utility transmission providers in a transmission planning region **must use the same process to evaluate a new transmission facility proposed by a nonincumbent transmission developer as it does for a transmission facility proposed by an incumbent transmission developer. In Order No. 1000, the Commission required each public utility transmission provider to adopt a transparent and not unduly discriminatory evaluation process that complies with the Order No. 890 transmission planning principles.** However, this requirement does not preclude public utility transmission providers in regional transmission planning processes from taking into consideration of either an incumbent transmission provider or a nonincumbent transmission developer during its evaluation.”

Targeted Market Efficiency Projects

Targeted Market Efficiency Projects

FERC Docket ER17-718,

- Paragraph 45:
 - “The TMEP planning process, however, is separate from the RTO’s regional transmission planning processes. It was developed because certain types of transmission projects needed to address persistent congestion along the MISO-PJM seam were not being identified in the RTO’s regional transmission processes.”

Targeted Market Efficiency Projects

FERC Docket ER17-718

- Paragraph 4:

- “In contrast to the economic analysis that MISO and PJM perform in their respective regional transmission planning processes, which rely on forward-looking production cost models, the Quick Hit Study employed a simplified approach based on actual historical day-ahead and real-time congestion. **Filing Parties explain that studying actual historical congestion allowed the RTOs to identify transmission constraints that result from the “unique congestion coordination protocol” used to manage the MISO-PJM seam and that are not identified in the forward-looking production cost models. As a result, Filing Parties explain, the transmission solutions identified in the Quick Hit Study were not- and generally would not be- identified in MISO’s and PJM’s regional transmission planning processes.”**

Targeted Market Efficiency Projects

FERC Docket ER17-718

- Paragraph 59:

- “...As Filing Parties explained, studying actual historical congestion allowed the RTOs to identify transmission constraints that result from the “unique congestion coordination protocol” used to manage the MISO-PJM seam and that are not identified in the RTO’s Order No. 1000 process that use forward-looking production cost models. Thus the transmission solutions identified in the Quick Hit Study were not- and generally would not be- identified in MISO and PJM’s regional transmission planning processes and interregional transmission coordination processes. We emphasize that the TMEP planning process facilitates the development of transmission projects that would not otherwise be identified and selected in the regional transmission planning processes and the interregional transmission coordination process. Thus, we find that the TMEP planning process is not inconsistent with Order No. 1000 and is an appropriate complement to the RTO’s existing Order No. 1000 regional transmission planning processes and the interregional transmission coordination processes.”

Targeted Market Efficiency Projects

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- Do not use and can not use the Order No. 1000 cost allocation methodology for Market Efficiency Projects. A separate cost allocation framework was required.
- The TMEPs do not qualify as MEPs for cost allocation and other purposes
 - From Ameren Testimony: “To the extent that the stated concern arises from the similar names of project categories, one consideration should be to revise the TMEP category name. For example, an option which would reflect the nature of these projects while avoiding confusion would be Interregional Congestion Relief Projects.”

Supplemental Projects / Local Planning

More Procedures on Supplemental Projects and Their Interaction with Market Efficiency Regional Planning Process Can Be Justified in the Operating Agreement

Paragraph 321, Order No. 1000:

- “In other regions emphasizing the development of local transmission plans prior to analysis at the regional level of alternative solutions, **additional procedures may be required** to distinguish between those facilities that are proposed to be selected in the regional transmission plan for purposes of cost allocation and those that are merely “rolled” up for other purposes.”