

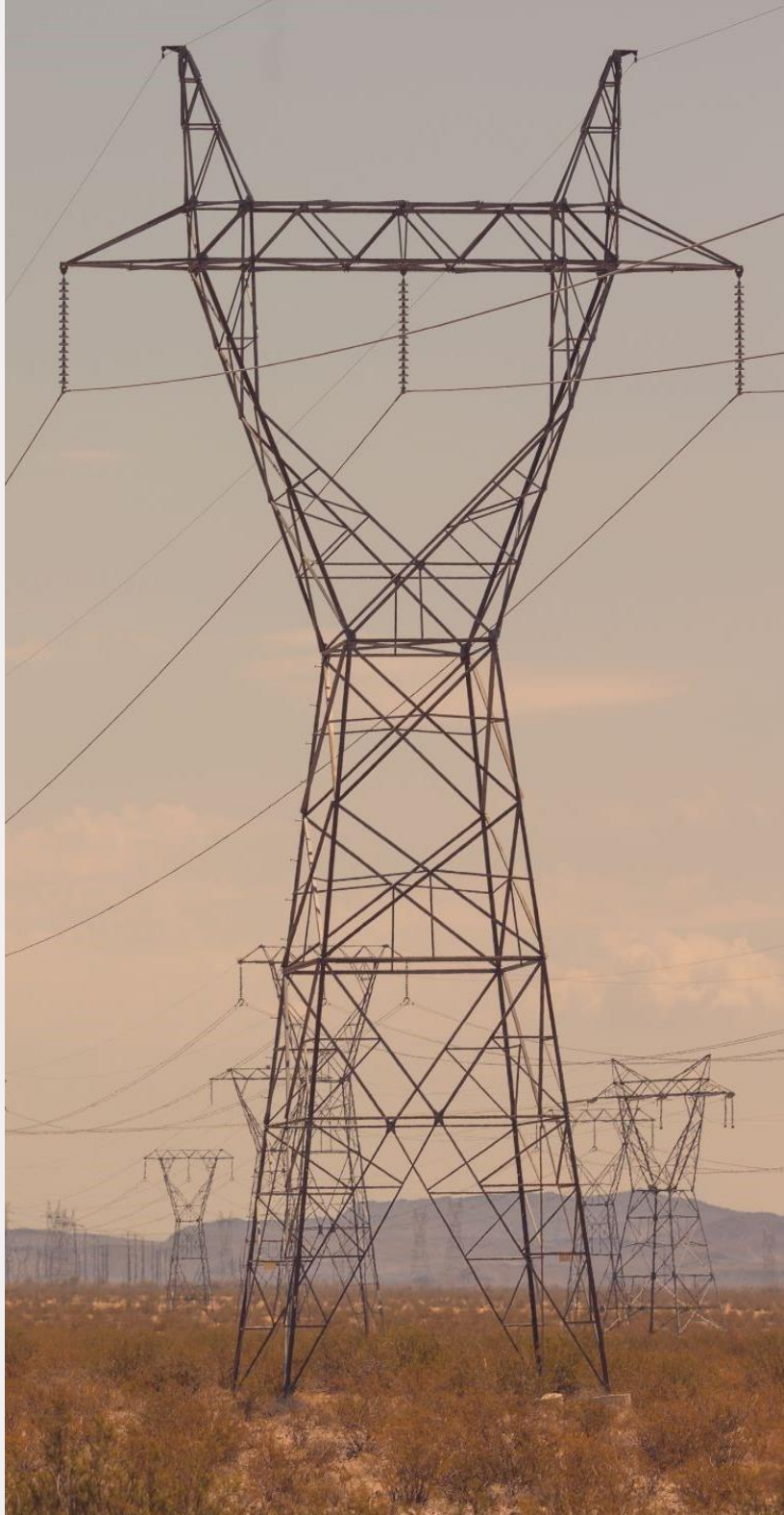
FERC Order No. 1920

FERC'S REGIONAL TRANSMISSION PLANNING AND COST ALLOCATION RULE

What's in FERC's New Rule?

Planning for and building electric transmission lines takes over a decade on average. This is partially due to FERC's existing transmission planning and cost allocation requirements being insufficient for the needs of the grid. FERC Order No. 1920 attempts to address these issues by requiring public utility transmission providers to:

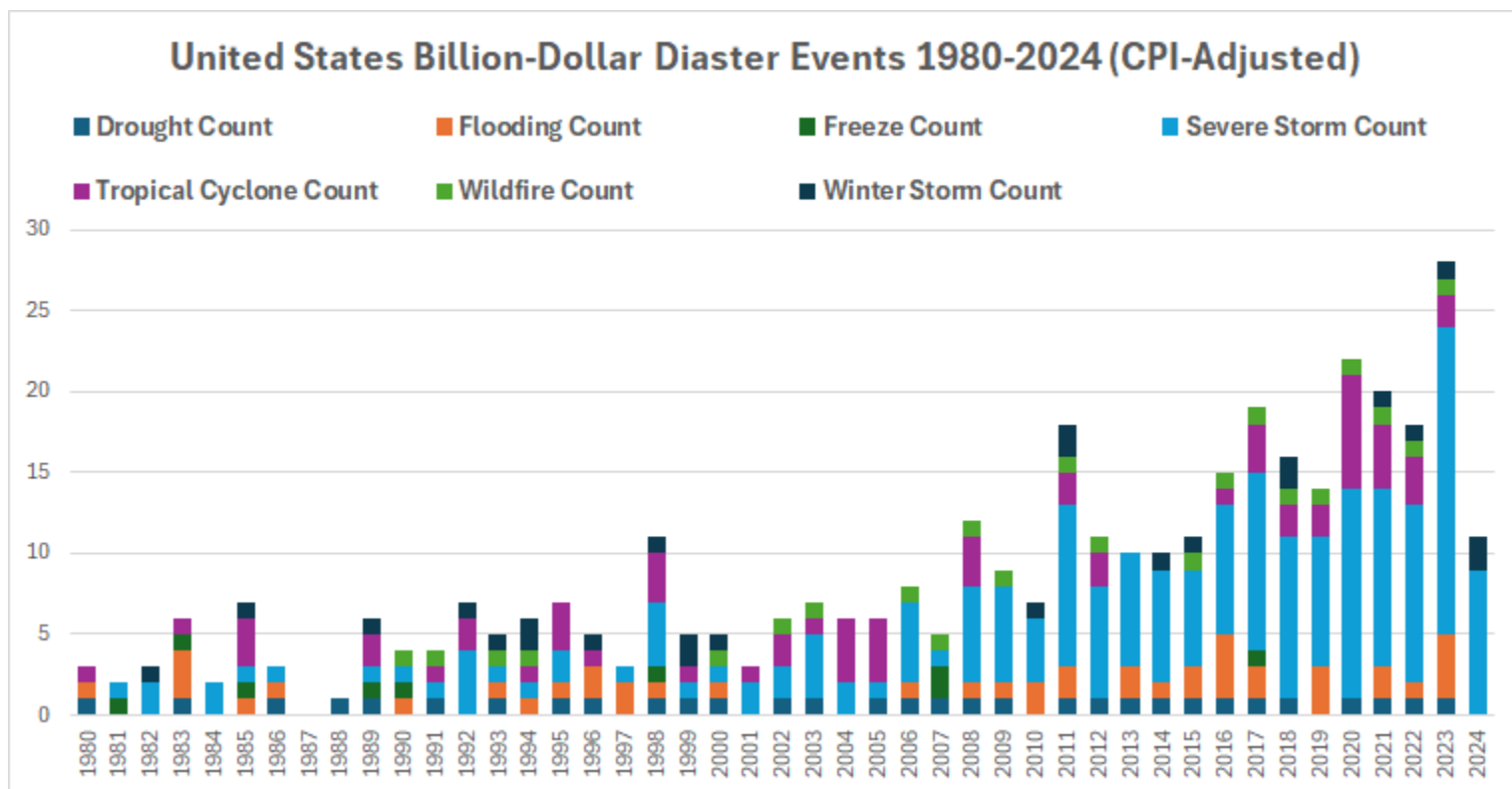
- Participate in long-term regional transmission planning once every five years where they look out 20 years into the future through different possible scenarios to identify long-term needs.
- Incorporate various factors into their scenarios such as laws surrounding future resource mixes and decarbonization, state-approved IRPs, trends in technology, resource retirements, interconnection requests, and utility and corporate commitments.
- Consider seven specific economic and reliability-related benefits when evaluating potential transmission build outs.
- Consider grid enhancing technologies including dynamic line ratings, advanced power flow control devices, advanced conductors, and transmission switching during the regional planning process.
- Work with states to develop transparent and fair cost allocation methods so that customers only pay in commensurate with the benefits they receive.



Why FERC Approved Order No. 1920

1. Energy Reliability

Both extreme weather and increased demand will strain the grid in the future. Expensive extreme weather events are happening at a higher frequency,¹ and regions with a more interconnected transmission system can better withstand these deadly events. For the past few decades, electricity demand in the U.S. has grown around 1% per year. However, with recent advancements in artificial intelligence, the push to electrify large sectors of our economy, and reshoring of critical supply chains, electricity demand is expected to increase drastically in the coming years.



2. Customer Costs

Utility customers are already paying the price of an inadequate transmission system – recent studies have estimated that congestion costs on the U.S. transmission system totaled \$20.8 billion in 2022.² According to Americans for a Clean Energy Grid, an average household could save more than \$300 per year if the transmission system, along with renewable energy generation, was expanded.³

3. Economic Development

The U.S. will need to expand its transmission system to remain competitive with the rest of the world. AI, crypto currency, manufacturing, and electrification will all drive growth in the coming years, and an inadequate transmission system will slow or even halt the economic benefits that come from economic investment. A recent study estimated that planned transmission investments will add \$42 billion to GDP and create over 400,000 jobs.⁴

¹"The Rising Costs of Extreme Weather Events," The White House, September 2022, <https://www.whitehouse.gov/cea/written-materials/2022/09/01/the-rising-costs-of-extreme-weather-events/>

²"Transmission Congestion Cost Rise Again In U.S. RTOs," Grid Strategies, July 2023, https://gridstrategiesllc.com/wp-content/uploads/2023/07/GS_Transmission-Congestion-Costs-in-the-U.S.-RTOs1.pdf.

³<https://cleanenergygrid.org/why-transmission-matters/#benefits>.

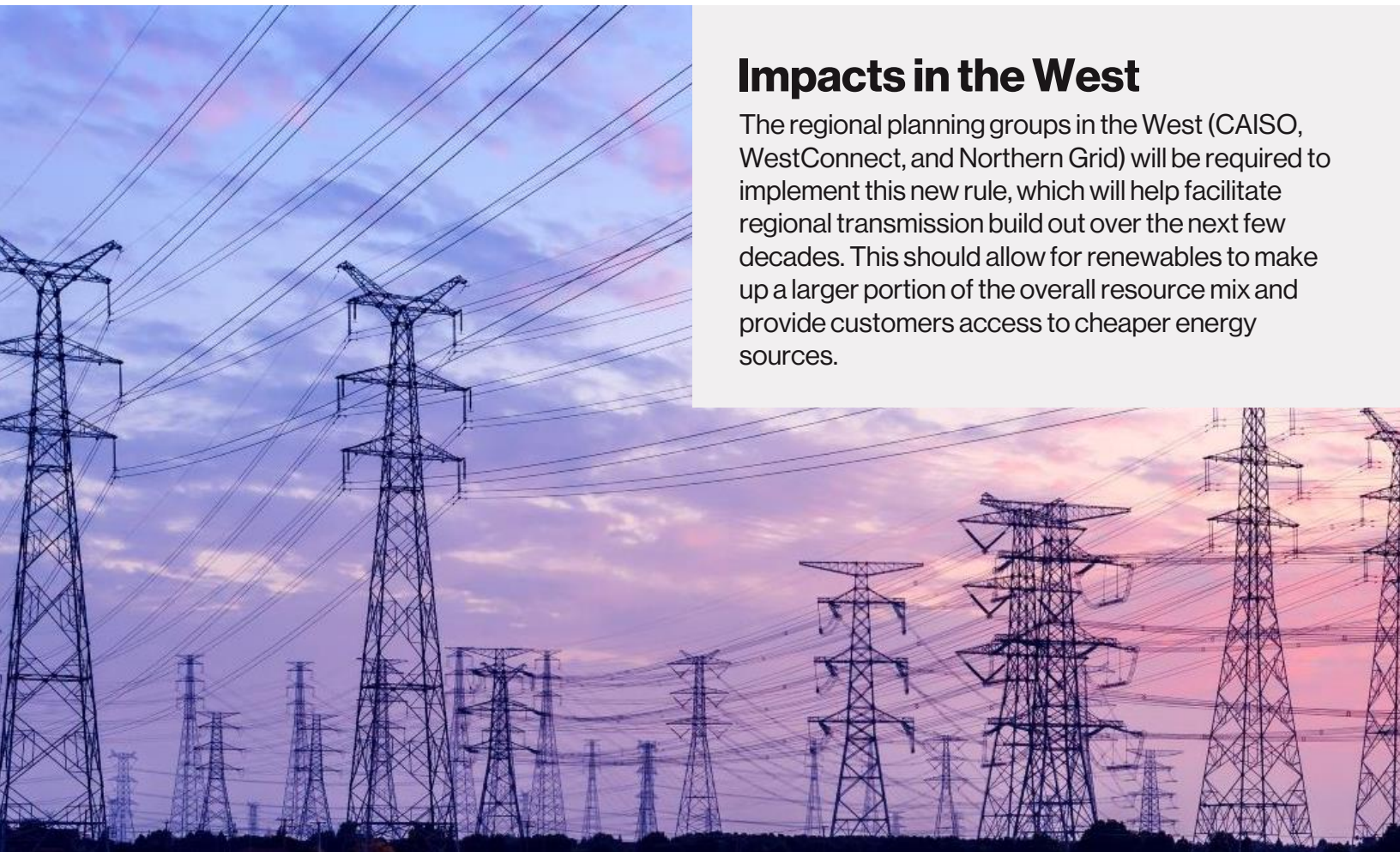
⁴"REPOWERING AMERICA: Transmission Investment for Economic Stimulus and Climate Change," Wires Group, May 2021, <https://wiresgroup.com/wp-content/uploads/2021/05/WIRES-Repowering-America-transmission-investment-May-5.pdf>.

4. Clean Energy

Most of America's renewable energy resources are located far from customers and require a robust transmission system to move that energy from where it is generated to where it is consumed. The existing transmission system is already operating at full capacity in many parts of the country, which is evident by the current interconnection backlogs reported by utilities around the country. Expanding transmission will allow more renewable energy sources to come online and shorten these backlogs.

5. Regional Planning

Generally speaking, transmission planning is most effective when conducted at a regional level, which is larger than a single utility's service area and spreads the costs of new transmission infrastructure throughout the region. In 2011, FERC issued Order No. 1000, which was FERC's last major update to promote greater regional transmission planning and interregional coordination. FERC Order No. 1000 has proven over the past decade to not be able to effectuate robust and multi-state transmission planning in the West. Since then, the energy grid has changed dramatically with renewable energy sources making up a larger percentage of the total resource mix. Unfortunately, regional planning groups in the Western Interconnection have not identified an transmission project to plan and develop. This has led many to believe that FERC needed to update its regulations.



Impacts in the West

The regional planning groups in the West (CAISO, WestConnect, and Northern Grid) will be required to implement this new rule, which will help facilitate regional transmission build out over the next few decades. This should allow for renewables to make up a larger portion of the overall resource mix and provide customers access to cheaper energy sources.

For more information, visit our [Regional Energy Markets](#) webpage, or contact:

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