



July 21, 2011

Order No. 1000

Docket No. RM10-23-000

FEDERAL ENERGY REGULATORY COMMISSION **FACTS**

Order No. 1000

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

Order No. 1000 is a Final Rule that reforms the Commission's electric transmission planning and cost allocation requirements for public utility transmission providers. The rule builds on the reforms of Order No. 890 and corrects remaining deficiencies with respect to transmission planning processes and cost allocation methods.

Background

- On June 17, 2010, FERC issued a Notice of Proposed Rulemaking seeking comment on potential changes to its transmission planning and cost allocation requirements. Industry participants and other stakeholders provided extensive comment in response to the Notice of Proposed Rulemaking. The Commission received more than 180 initial comments and more than 65 reply comments.

Planning Reforms

The rule establishes three requirements for transmission planning:

- Each public utility transmission provider must participate in a regional transmission planning process that satisfies the transmission planning principles of Order No. 890 and produces a regional transmission plan.
- Local and regional transmission planning processes must consider transmission needs driven by public policy requirements established by state or federal laws or regulations. Each public utility transmission provider must establish procedures to identify transmission needs driven by public policy requirements and evaluate proposed solutions to those transmission needs.
- Public utility transmission providers in each pair of neighboring transmission planning regions must coordinate to determine if there are more efficient or cost-effective solutions to their mutual transmission needs.

Cost Allocation Reforms

The rule establishes three requirements for transmission cost allocation:

- Each public utility transmission provider must participate in a regional transmission planning process that has a regional cost allocation method for new transmission facilities selected in the regional transmission plan for purposes of cost allocation. The method must satisfy six regional cost allocation principles.



- Public utility transmission providers in neighboring transmission planning regions must have a common interregional cost allocation method for new interregional transmission facilities that the regions determine to be efficient or cost-effective. The method must satisfy six similar interregional cost allocation principles.
- Participant-funding of new transmission facilities is permitted, but is not allowed as the regional or interregional cost allocation method.



Nonincumbent Developer Reforms

- Public utility transmission providers must remove from Commission-approved tariffs and agreements a federal right of first refusal for a transmission facility selected in a regional transmission plan for purposes of cost allocation, subject to four limitations:
 - o This does not apply to a transmission facility that is not selected in a regional transmission plan for purposes of cost allocation.
 - o This does not apply to upgrades to transmission facilities, such as tower change outs or reconductoring.
 - o This allows, but does not require, public utility transmission providers in a transmission planning region to use competitive bidding to solicit transmission projects or project developers.
 - o Nothing in this requirement affects state or local laws or regulations regarding the construction of transmission facilities, including but not limited to authority over siting or permitting of transmission facilities.
- The rule recognizes that incumbent transmission providers may rely on regional transmission facilities to satisfy their reliability needs or service obligations. The rule requires each public utility transmission provider to amend its tariff to require reevaluation of the regional transmission plan to determine if delays in the development of a transmission facility require evaluation of alternative solutions, including those proposed by the incumbent, to ensure incumbent transmission providers can meet reliability needs or service obligations.

Compliance

- Order No. 1000 takes effect 60 days from publication in the *Federal Register*.
- Each public utility transmission provider is required to make a compliance filing with the Commission within 12 months of the effective date of the Final Rule.
- Compliance filings for interregional transmission coordination and interregional cost allocation are required within 18 months of the effective date.