SEPTEMBER 25, 2024 | TRANSMISSION COMMITTEE | WEBEX TELECONFERENCE



#### FERC Order No. 1920

Introduction

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#### **Project Title: Order No. 1920 Compliance**

#### Proposed Effective Date: June 2026

- On May 13, 2024 FERC issued Order No. 1920 (Order 1920), Building for the Future Through Electric Regional Transmission Planning and Cost Allocation
  - Regional compliance filing is due June 12, 2025, which is 10 months after the August 12, 2024 effective date.
  - Interregional compliance filing is due August 12, 2025, which is 12 months after the effective date
- Order 1920 mandates significant reforms to the regional system planning process to remedy deficiencies with and build upon the existing regional and local transmission planning and cost allocation requirements, incrementally established in Order Nos. 888, 890, and 1000, to ensure that the rates, terms, and conditions for transmission service provided by transmission providers remain just and reasonable and not unduly discriminatory or preferential
- Proposed commencement of new process is tentatively set for June 2026

#### **Project Title: Order No. 1920 Compliance**

Proposed Effective Date: June 2026

- The focus of this presentation is to:
  - Review background on Longer-Term Transmission Planning (LTTP)
  - Introduce Order 1920 through a comparison with LTTP
  - Review the Engagement Period with Relevant State Entities on Long-Term Transmission Cost Allocation Method(s)

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#### BACKGROUND ON LONGER-TERM TRANSMISSION PLANNING



## Longer-Term Transmission Planning Process Phase 2 - Background

- Order 1920 overlaps with many provisions of the recent <u>FERC-accepted Longer-Term Transmission Planning (LTTP) process</u>
- Over the course of 2023-2024, the ISO worked with NESCOE and stakeholders to develop Phase 2 of the LTTP process
- The LTTP process facilitates the states' achievement of their policy-based goals by enabling the development of transmission infrastructure in connection with a Longer-Term Transmission Study (LTTS) or follow-on study defined under <u>Phase 1</u>

## **LTTP Phase 2 - General Overview**

- Two processes were developed, the "core" process and the "supplemental" process
- Both processes begin with the completion of an LTTS
  - An LTTS is a study conducted by the ISO in response to a request from NESCOE
  - The 2050 Transmission Study is the first LTTS
- The core process allows the states to advance the development of transmission when at least one proposal meets the identified needs and has a benefit-to-cost ratio (BCR) greater than 1.0
- The supplemental process is an add-on to the core process to address instances where none of the proposals that meet the identified needs satisfy the BCR requirement

# LTTP Phase 2 - Core Process Overview

- ISO issues a Request for Proposal (RFP) to address needs identified by NESCOE
  - Provision added to combine needs from an LTTS and other ISO processes (reliability and/or market efficiency) to potentially allow for a single project that addresses multiple needs
- ISO evaluates the submitted proposals; this includes an evaluation of financial benefits
  - A BCR is calculated for viable proposals that meet the needs and are expected to be cost competitive
- ISO selects a preliminary preferred solution
  - Must have a BCR>1.0
- NESCOE reserves the right to:
  - Terminate the RFP at any time
  - Move forward with ISO-identified preferred solution using one of two possible cost allocation options:

- Default cost allocation, similar to Regional Benefit Upgrades, or
- NESCOE-provided alternative cost allocation methodology

# LTTP Phase 2 - Supplemental Process – Overview

- The supplemental process builds on the core process. The core process is used when at least one viable proposal has a BCR>1.0
- The supplemental process allows the states to advance transmission in instances where no projects that meet the needs satisfy the BCR>1.0 threshold
  - By treating costs up to the BCR similar to Regional Benefit Upgrades, and having one or more states agree to fund the remaining costs
  - As an example, if the BCR is 0.85, then 85% of the costs are regionalized, and the remaining 15% is funded by the states electing to move the project forward
- Overview of the supplemental process:
  - ISO presents its findings to the PAC, along with a recommended Longer-Term Proposal
  - PAC may provide written feedback
  - The ISO posts responses to written PAC comments
  - NESCOE has 15 days from the ISO's posting of responses to written PAC feedback to:
    - Accept the ISO's recommendation and provide a description of the cost allocation methodology that will be applied to the states that have elected to move forward
    - Request further analysis on up to three additional proposals (further details on this path are found on the next slide)
    - If NESCOE does not respond in 15 days, the process terminates
  - If NESCOE accepts the ISO's recommendation, the ISO notifies the applicable Qualified Transmission Project Sponsor (QTPS) and Participating Transmission Owner and the process proceeds similar to the core process, with the exception of requesting alternative cost allocation

## LTTP Phase 2 - Supplemental Process -Overview, cont.

- If NESCOE requests further analysis on up to three additional proposals:
  - The ISO presents the additional analysis to PAC
  - PAC may provide written feedback
  - The ISO posts PAC's written comments
  - NESCOE has 15 days from the ISO's posting of responses to written PAC feedback to:
    - Identify a preferred solution along with providing a description of cost allocation for the costs above those that are treated as Regional Benefit Upgrades that will be applied to the states that elected to move forward
      - » The ISO then notifies the applicable QTPS and PTO and the process proceeds similar to the core process, with the exception of requesting alternative cost allocation from FERC
    - If NESCOE does not respond in 15 days, the process is terminated

#### **ORDER 1920 COMPARISON WITH LTTP**



# High-Level Comparison of Order 1920 Requirements vs. LTTP

- The next few slides provide a high-level comparison between the requirements of Order 1920\* and LTTP
  - Note: There are many additional differences beyond those described in this presentation
- In addition, the meeting materials include a table that provides a more detailed comparison of the two processes, and the ISO's current thinking on where there may be gaps

\*Order 1920 refers to the process as Long-Term Regional Transmission Planning (LRTP). It is being referred to as the Order 1920 process throughout this presentation to try to avoid confusion due to the similar naming of the LTTP

# High-Level Comparison of Order 1920 Requirements vs. LTTP

- The Order 1920 process must be conducted at least every five years
  - The LTTP process is initiated at the request of NESCOE at least six months after the conclusion of the prior LTTS cycle
- Order 1920 places the transmission provider, in this case the ISO, in control of developing assumptions for long-term assessments and project selection
  - The LTTP process relies on NESCOE-provided assumptions and provides a substantial role for NESCOE in project selection
- Order 1920 requires the ISO to develop at least three long-term scenarios to consider seven categories of **factors** (provided in the <u>Appendix</u>), at least 20 years into the future, each with a sensitivity

   The LTTP process study year(s) and scenarios are provided by NESCOE
- Order 1920 requires project selection decisions within three years of process initiation
  - LTTP does not have a defined timeline for NESCOE's project selection decisions

# High-Level Comparison of Order 1920 Requirements vs. LTTP, cont.

- Order 1920 provides a list of seven **benefits** for evaluating proposals in long-term transmission planning:
  - 1. Avoided or deferred reliability transmission facilities and aging transmission infrastructure replacement
  - 2. Reduced loss of load probability or reduced planning reserve margin
  - 3. Production cost savings
  - 4. Reduced transmission losses
  - 5. Reduced congestion due to transmission outages
  - 6. Mitigation of extreme weather and unexpected system conditions
  - 7. Capacity cost savings from reduced peak energy losses
- LTTP specifically included:
  - 1. Avoided transmission investment
  - 2. Reduction in expected unserved energy ("EUE")
  - 3. Production cost and congestion savings
  - 4. Reduction in losses
  - 5. Avoided capital cost of local resources needed to serve demand

# High-Level Comparison of Order 1920 Requirements vs. LTTP, cont.

- Order 1920 requires *ex ante* cost allocation, along with allowing for a State Agreement Process
  - LTTP included state agreed-to *ex ante* cost allocation and also allowed for a State Agreement Process, through the inclusion of alternate cost allocation options and the supplemental process
  - Ex ante cost allocation and the State Agreement Process may be those agreed to by the states during the Engagement Period (described later in the presentation)
- Order 1920 requires consideration of dynamic line ratings, advanced power flow control devices, advanced conductors, and transmission switching in existing processes and the Order 1920 process
  - While advanced transmission technologies are already considered in the ISO's processes, consideration is not explicitly specified in the Tariff
- Order 1920 requires long-term planning to consider right-sizing of asset condition replacements as a way to address long-term needs
  - LTTP did not include such a process
- Order 1920 requires that certain interconnection-related transmission needs originally identified through the generator interconnection process be evaluated for potential selection in existing processes

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LTTP did not include such a process

#### ENGAGEMENT PERIOD WITH RELEVANT STATE ENTITIES



#### Engagement Period with Relevant State Entities on Long-Term Transmission Cost Allocation Method(s)

- Order 1920 requires that the ISO establish a one-time six-month time period (Engagement Period) for Relevant State Entities to agree to, and communicate to the ISO, a Long-Term Transmission Cost Allocation Method(s) and/or State Agreement Process for potential inclusion in the ISO's compliance filing
  - Order 1920 defines Relevant State Entities "as any state entity responsible for electric utility regulation or siting electric transmission facilities within the state or portion of a state located in the transmission planning region, including any state entity as may be designated for that purpose by the law of such state"
- The Relevant State Entities have been notified that their Engagement Period began on September 9, 2024 and ends on March 10, 2025
  - Any such agreement must be provided to the ISO by March 17, 2025

#### **DEVELOPMENT PLAN**



## **Overall Plan to Develop Compliance Proposal**

- The ISO plans on breaking down the Order into manageable pieces for stakeholder review and discussion
  - 1. Develop high-level process layout where Order 1920 requires development of an entirely **new** regional process
  - Develop high-level process layout where Order 1920 requires modifications to address other Order 1920 provisions outside of long-term planning
    - E.g., the provision for evaluations of generator interconnection-related needs associated with certain interconnection-related network upgrades in existing regional planning processes
  - 3. Add layers of **details** for each of the steps in the high-level processes (items 1 and 2). Details will be developed and reviewed over the course of a number of meetings
  - 4. Develop detailed modifications to the existing **interregional** process

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• Changes to the interregional process will be addressed separately from the regional process

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#### Stakeholder Schedule for Regional Compliance<sup>\*</sup> Proposed Effective Date – June 2026

Stakeholder Committee and Date	Scheduled Project Milestone
TC: September 25, 2024	Introduction and comparison of Order 1920 vs. the Longer-Term Planning Process
TC: October 24, 2024	Discussion of concepts to be included in upcoming Tariff revisions
TC: November 21, 2024	Respond to stakeholder questions from previous meeting and further discussion on concepts to be included in the upcoming Tariff revisions
TC: December 19, 2024	Respond to stakeholder questions from previous meeting and further discussion on concepts to be included in the upcoming Tariff revisions
TC: January 29, 2025	Respond to stakeholder questions from previous meeting and initial review of proposed redlines, introduce conceptual stakeholder amendments
TC: February 27, 2025	Respond to stakeholder questions from previous meeting, review of proposed redlines, review of conceptual stakeholder amendments
TC: March 26, 2025	Respond to stakeholder questions from previous meeting, review of proposed redlines, review of redlines of stakeholder amendments
TC: April 17, 2025	Vote on proposed Tariff revisions and any proposed amendments
Participants Committee May 1, 2025	Vote on proposed Tariff revisions and any proposed amendments

\*Note: The schedule will be updated to account for PTO AC review. The need for discussion at other NEPOOL Committees and other stakeholder groups is under review; the schedule will be updated accordingly. Additionally, interregional compliance will be presented separately and is not reflected in the schedule.

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# Questions

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#### **APPENDIX**



## **Order 1920's Seven Categories of Factors**

(1) federal, federally recognized Tribal, state, and local laws and regulations affecting the resource mix and demand;

(2) federal, federally-recognized Tribal, state, and local laws and regulations on decarbonization and electrification;

(3) state-approved integrated resource plans and expected supply obligations for load-serving entities;

(4) trends in fuel costs and in the cost, performance, and availability of generation, electric storage resources, and building and transportation electrification technologies;

(5) resource retirements;

(6) generator interconnection requests and withdrawals; and

(7) utility and corporate commitments and federal, federallyrecognized Tribal, state, and local policy goals that affect Long-Term Transmission Needs

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