

Articles + Publications | July 19, 2021

Locke Lord QuickStudy: “[FERC] Cannot Sit Idly by”: FERC Proposes to Fundamentally Reimagine Transmission and Generation Interconnection Planning and Cost

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On July 15, 2021, the Federal Energy Regulatory Commission (“FERC” or “Commission”) unanimously issued a wide-ranging advanced notice of proposed rulemaking (“ANOPR”), raising numerous proposals to consider revamping how regional transmission planning and generation interconnection are accomplished. If the proposals lead to a formal notice of proposed rulemaking, it will lead to a fundamental restructuring of the way in which transmission is planned and the cost that generation incurs to connect new generation to the transmission grid.

Chairman Glick and Commissioner Clements spoke to their concerns with the current regional transmission planning process in a concurrence to the issuance of the ANOPR:

“This Commission cannot sit idly by. . . . [W]e are concerned that **existing regional transmission planning processes** may be siloed, fragmented, and not sufficiently forward-looking, such that transmission facilities are being developed through a piecemeal approach that is **unlikely to produce the type of transmission solutions that could more efficiently and cost-effectively meet the needs of the changing resource mix [the nation is facing]**. Regional transmission planning processes generally do little to proactively plan for the resource mix of the future We are also concerned that current **regional transmission planning processes are not sufficiently integrated with the generator interconnection processes**, and are overwhelmingly focused on relatively near-term transmission needs, and that attempting to meet the needs of the changing resource mix through such a short-term lens will lead to inefficient transmission investments.”

Regarding generation interconnection, the full slate of Commissioners stated:

“We believe it may be time to **reexamine the rationale behind the Commission’s pricing policy established for interconnection-related network upgrades and to consider reforms** to generator interconnection processes that would make such processes more efficient, less costly, and ensure that generation projects that are more “ready” than others are not unduly delayed in the queue.”

The ANOPR questions all the historical and current bases on which transmission is planned and proposed

generation connects to the grid.

Some of the Transmission Planning Issues for which FERC seeks comment include:

- **Planning for Anticipated Future Generation.** FERC asks whether the existing regional transmission planning and cost allocation processes fail to adequately account for anticipated future generation.
- **Geographic Zones for Renewable Generation.** FERC asks whether it should require transmission providers to establish, as part of their regional transmission planning and cost allocation processes, a process to identify geographic zones that have the potential for the development of large amounts of renewable generation and plan transmission to facilitate the integration of renewable resources in those zones.
- **Coordinate Transmission and Generation Interconnection Planning.** FERC asks whether it should require transmission providers to operate their regional transmission planning and cost allocation and generator interconnection processes on concurrent, coordinated timeframes, with the same or similar assumptions and methods, and whether such a potential requirement may identify more efficient or cost-effective transmission solutions that could address needs shared between the two processes.
- **Cost Allocation.** FERC asks whether the costs of transmission facilities from regional transmission planning should be allocated to transmission and interconnection customers.

Some of the Generation Interconnection Issues for which FERC seeks comment include:

- **Benefits from Network Upgrades.** FERC asks whether interconnection requests that trigger the need for network upgrades should be studied to account for the potential broader transmission benefits associated with, for example, resource adequacy, operating reliability, and similar needs, and in coordination with the regional transmission planning process. FERC asks whether other entities that benefit from the network upgrades, such as transmission customers and other interconnection customers, should be allocated part of the cost of network upgrades. FERC asks what benefits from network upgrades should be identified.
- **Eliminate Participant Funding of Network Upgrades.** FERC asks whether the participant funding approach (requiring the interconnection customer to bear the full cost of network upgrades with no reimbursement) in RTOs/ISOs may no longer be just and reasonable. FERC notes that transmission customers can make use of any excess transmission capacity created by a participant funded network upgrade without paying any of the capital costs that are paid for through a participant funding approach, *i.e.*, free riders. FERC asks whether participant funding is inhibiting the development of new generation.
- **Queue Backlog and Penalties for Speculative Interconnection Requests.** FERC asks whether there should be penalties for submitting speculative interconnection requests and whether there should be a limit on the number of requests that a developer can submit in an interconnection queue study year.
- **Fast-Track Process.** FERC asks whether generating facilities that have firmly committed to connect to new regional transmission facilities should be given priority. FERC asks whether a developer that has already executed a power purchase agreement or has been chosen in a state or utility request for proposals may be appropriately deemed more “ready” than other projects.

FERC discussed many proposals for how these transmission planning, generation interconnection and cost allocation reforms might be accomplished. FERC also asks for alternate means for it to consider.

The implications of the ANOPR are massive. FERC is stepping up and asking the tough questions that may result in a long-needed revamp of transmission and generation interconnection planning and cost responsibility processes. Initial comments will be due in late October/early November. This is a unique, once-in-a-generation (no pun intended!) opportunity. We highly encourage all generators and investors to review the ANOPR and

contact us with questions or if you would like to submit comments.

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