



Order No. 1920 in a Nutshell



Disclaimers



The Three Legs of the Order No. 1920 Stool

- I. Long-term regional transmission planning
- II. Evaluation and selection
- III. Cost allocation



Order No. 1920's Theory of the Case

- Public utilities are not adequately planning for the future, and instead developing transmission facilities predominately through processes that are too narrowly focused and too short-term
- This leads to unjust and unreasonable rates for the sale and transmission of electricity because customers end up paying “too much for too little”
- Longer-term, more holistic planning will remedy these deficiencies



Minimum Requirements of Long-Term Regional Transmission Planning

- A planning horizon of at least 20 years
- At least three scenarios that consider seven specific categories of factors
- In each scenario, analyze uncertain operational outcomes due to extreme weather events
- Identify transmission facilities that meet long-term transmission needs
- Measure the benefits of those facilities, including seven enumerated benefits
- Enhanced interregional coordination



Long-Term Regional Transmission Planning: Seven Categories of Factors Used to Identify Transmission Needs

1. Federal, Tribal, state, and local laws affecting the resource mix and demand
2. Federal, Tribal, state, and local laws on decarbonization and electrification
3. State-approved integrated resource plans and entities' expected supply obligations
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
7. Utility and corporate commitments, and federal, Tribal, state, and local policy goals



Long-Term Regional Transmission Planning: Seven Required Economic and Reliability Benefits

1. Avoided or deferred reliability transmission facilities and aging infrastructure replacement
2. Either reduced loss of load probability or reduced planning reserve margin
3. Production cost savings
4. Reduced transmission energy losses
5. Reduced congestion due to transmission outages
6. Mitigation of extreme weather events and unexpected system conditions
7. Capacity cost benefits from reduced peak energy losses



Evaluation and Selection of Long-Term Regional Transmission Facilities

- Transmission providers are **not** required to select transmission facilities identified through the planning process
- Rather, transmission providers must establish an evaluation process and selection criteria that:
 - Are transparent and not unduly discriminatory or preferential;
 - Aim to ensure that more efficient or cost-effective long-term regional transmission facilities are selected; and
 - Seek to maximize benefits accounting for costs over time without over-building
- Transmission providers must consult with relevant state entities when developing the evaluation process and selection criteria



Long-Term Regional Cost Allocation

- Transmission providers must develop and file with FERC an ex ante cost allocation methodology
- Transmission providers must engage with the states and seek their input in developing that methodology
- Transmission providers' methodology must comply with the bedrock cost causation principle



Cost Causation Principle

- “The FPA's ‘just and reasonable’ standard incorporates a ‘cost-causation principle.’” *City of Lincoln v. FERC*, 89 F.4th 926, 930 (D.C. Cir. 2024)
- Costs must be allocated in a manner that is at least roughly commensurate with estimated benefits but need not use “exacting precision.” *Midwest ISO Transmission Owners v. FERC*, 373 F.3d 1361, 1370-71 (D.C. Cir. 2004)
- Beneficiary pays. *Illinois Com. Comm'n v. FERC*, 576 F.3d 470, 476 (7th Cir. 2009) (“[R]ates [must] reflect to some degree the costs actually caused by the customer who must pay them.”)
- Prohibition on free ridership. *El Paso Elec. Co. v. FERC*, 76 F.4th 352, 361-63 (5th Cir. 2023) (“No amount of emphasizing other competing interests permits FERC to sacrifice the foundational principle of cost-causation by refusing to allocate costs to those who cause the costs to be incurred and who reap the resulting benefits.”)



Additional Resources

- Fact Sheet: <https://www.ferc.gov/news-events/news/fact-sheet-building-future-through-electric-regional-transmission-planning-and>
- Order No. 1920: <https://www.ferc.gov/media/e1-rm21-17-000>