



What State Regulators Need to Know About Order No. 1920-B

In 2024, the Federal Energy Regulatory Commission issued Order Nos. 1920 and 1920-A to require transmission providers to develop long-term (at least 20-year) regional transmission plans and new methods for cost

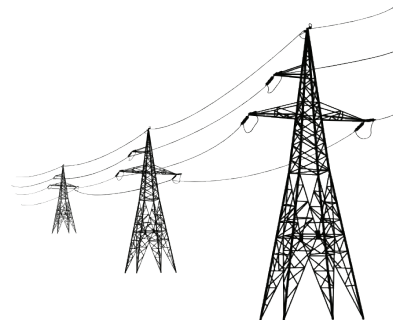
The transmission provider in your area is the Regional Transmission Organization/Independent System Operator (RTO/ISO) if you are in an RTO/ISO territory. If you are not in an RTO/ISO territory, the transmission provider in your area is a utility or a set of utilities that engages in transmission planning, such as SERTP.

allocation. Order No. 1920-A in particular empowered state regulators with unprecedented opportunities to influence and shape long-term transmission planning and cost allocation in the US. The Commission's newest update to the transmission planning rule, Order No. 1920-B, affirms that state regulators will be key decision makers as the electric industry looks to build out the nation's electric transmission system. Order No. 1920-B enshrines the critical consumer-protection role of state utility regulators in planning electric transmission by giving the states more power to influence the regional cost allocation of transmission projects.

This document summarizes some of the tools and powers of state regulators under Order Nos. 1920-A and 1920-B. Please review the orders for details and specifics, as this summary is not the rule text.

If you are a state regulator (or other state energy official designated by your state for Order No. 1920 compliance), here is what you need to know:

1 If states in a transmission planning region agree on a regional cost allocation formula for long-term transmission projects, the transmission provider (TP) *must* include that state agreement in their Order No. 1920-B compliance filing, *even if* the TP prefers and files a different cost allocation formula. FERC will then consider the proposals of the states and the TP. Therefore, the states have every interest to try to reach agreement among themselves on a regional cost-allocation formula.



2 In developing a cost allocation formula, the TP *must* consult in advance with the states on the factors that go into the development of the three planning scenarios required by Order Nos. 1920-A and 1920-B.

3 The states in a region can ask the TP to run *additional* long-term planning scenarios beyond the three required in Order Nos. 1920-A and 1920-B.

Importantly, the states can ask the TP to run a baseline scenario that excludes project costs driven by state laws and policies. This will enable states to see the cost difference between that baseline scenario and the larger costs of the scenarios that include projects driven by an individual state's policies. Under this option, TPs *must* identify the state policy causers of the added costs above the baseline scenario cost and then *must* allocate those added costs solely to the states that are the causers of the policy-driven costs. Benefits are re-defined in Order Nos. 1920-A and 1920-B to include public policy benefits, to match costs with the policy benefits of policy-caused projects and allocate those costs directly to the state drivers of policy-driven projects.

4 If a multi-state TP already has in place a state agreement approach for cost allocation of regional transmission projects, such as PJM’s State Agreement Approach, that cost allocation formula does *not* require re-approval from FERC. It is explicitly allowed to remain in effect and can be used as a voluntary future option, on a case-by-case basis. For example, it can be used for state-driven public policy projects, such as offshore wind projects driven by state policies, in which all the costs are allocated to the state or states sponsoring the public policy projects.

5 In the future, if the TP wants to change the cost allocation formula, the TP *must* consult with the states in the region in advance of any such proposed change and its subsequent Federal Power Act Section 205 filing.

FAQs

Q. What is a Relevant State Entity?

A. Order No. 1920 empowers states to act through “Relevant State Entit(ies).” A Relevant State Entity includes any state entity responsible for electric utility regulation or siting electric transmission facilities within the state or portion of a state located in a transmission planning region, including any state entity as may be designated for that purpose by state law. In other words, the Relevant State Entity is most likely to be the state’s utility regulatory authority, most commonly called the state’s “Public Service Commission” or “Public Utility Commission.”



Q. How do states in a region decide on a cost allocation formula?

A. In a multi-state region, the states themselves must decide up front how they are going to make decisions on factors, scenarios, and a cost allocation formula. They can do it through existing procedures (such as the current by-laws of state organizations such as NESCOE (ISO-New England territory), OPSI (PJM territory), or OMS (MISO territory)) or they can decide on a different process solely for Order No. 1920 purposes, such as voting by simple majority, super majority, or unanimous voting. It is up to the states in a region to “decide how to decide.”

Q. How much time do states have to work on a regional agreement on cost allocation?

A. The process of states seeking agreement is called the “State Engagement Period.” Order No. 1920-A gives states in a region the choice to extend the engagement period by an additional six months simply by requesting the extension. The extension request must come from the states in the region using their decision-making process. In addition, the TP may make its own request to extend its compliance deadline. If a TP is able to extend its compliance deadline, that would extend the state engagement period by the same amount.



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