



National Wildlife Federation Fact Sheet: FERC's Proposed Rulemaking to Improve Long-Term Electricity Transmission Planning

On April 21, 2022, the Federal Energy Regulatory Commission (FERC) issued a [Notice of Proposed Rulemaking](#) (NOPR) stating its intent to update a set of regulations relating to long-term planning and financing for regional energy transmission infrastructure, and seeking comment on its proposals. The announcement was followed by an open comment period, which will close on August 17.

A successful rulemaking holds the potential to better focus transmission planning efforts around long-term needs of a cleaner grid, improve and expedite the expansion and connection of renewable energy resources, and better distribute project costs to ultimately lower energy costs for consumers.

What is the FERC?

[FERC](#) is a quasi-independent governmental agency that oversees regulations relating to interstate transmission of oil, gas, and electricity, as well as natural gas and hydro power generation. It consists of 5 commissioners of both political parties, appointed by the President, and staff. The agency does not approve specific projects, but rather sets rules for how projects are approved and financed across regulated regions.

Why FERC is Proposing New Regulations

It has been a decade since the agency last updated regulations for the long-term planning and cost-allocation of transmission projects. During that time, the power industry has undergone a major shift away from traditional generating sources such as coal power plants, and toward intermittent renewable resources such as wind and solar. This has been driven by improved economics of renewable projects, state and federal policies such as renewable energy mandates and incentives, and consumer preference. These same drivers are also pushing increased demand for power as buildings and vehicles are increasingly electrified.

In light of these changes, FERC believes the existing regulations have not done enough to encourage transmission project planners and state regulators to incorporate future trends and changing market dynamics into their plans, resulting in one-off project approvals rather than a strategic and coordinated approach. Additionally, the agency believes project developers have taken too narrow a view of who benefits from a specific project and, therefore, who must ultimately bear the cost of financing it. Both of these factors can contribute to higher prices for the end users – individual residential and commercial power customers.

The agency has proposed a range of new regulations it believes will lead to better planning and construction of a transmission system that will meet the nation's needs in the coming decades, is more resilient to changing energy resources and extreme weather, and minimizes costs and delays.

What FERC is Proposing

Transmission system operators must plan with an eye to the future and incorporate changing conditions into their plans. Operators must develop comprehensive regional transmission plans that encompass at least 20 years, and they must update those plans every three years. These plans must consider a variety of future scenarios, and respond to changing dynamics in energy generation and consumption as well as other outside factors such as extreme weather and trends in technology and fuel costs.

Consideration of establishing geographic zones for energy generation. Operators would have to consider whether to designate certain parts of their coverage area where new generation resources were likely to be developed, which would inform the planning process for getting that power to customers. For instance, if policymakers know that a certain part of the state has high potential for wind or solar resources, that is probably where that development will take place. That zone should be a high priority for new transmission infrastructure as well.

Clarifying the various benefits and beneficiaries of new and improved transmission infrastructure. The agency currently does not define the “benefits” associated with transmission projects that are a part of the planning and approval process, nor to whom those benefits accrue. The NOPR suggests a list of 12 potential benefits (e.g. economic, grid reliability, efficiency) that could be considered in long-term plans, and requires planners to identify which benefits they are considering and why. Benefits could also be examined at the level of a portfolio of transmission assets rather than on a project-by-project basis.

Consideration of new technology. The NOPR would require plans to consider whether inclusion of specific grid-enhancing technologies would improve the efficiency of new infrastructure investments.

Changes to project cost allocation. Several changes are proposed to how project cost is allocated to various parties. These include incorporating more meaningful engagement with state agencies, and allocating cost according to the new analysis of project benefits and beneficiaries. This way, states will have a more active role in deciding who pays, and costs can be distributed more equitably.

Enhanced opportunities for transmission providers related to investment and cost-sharing between entities. The proposal would create limited new pathways for existing providers to exert right-of-refusal for new projects within their current service footprint if they establish co-ownership with other entities. This would allow for lower barriers of entry for each co-owner and stimulate competition, while providing needed project certainty to attract investment.

Additional public input and transparency. Each of the changes included in the NOPR include requirements for sharing of information with the public and meaningful opportunities for public comment and engagement. This includes requiring new information, such as considerations of local (not regional) transmission needs not otherwise covered by the rule.

Increased cooperation between regions. The proposal would require that transmission operators in one region better coordinate with those in adjacent regions around long-term planning, and better evaluate proposals for inter-regional projects. As energy is increasingly moving larger distances, this type of coordination and planning is more important.