

U.S. FERC considers overhaul to its transmission planning and development rules, a big step in achieving clean energy goals

July 20, 2021

On July 15, 2021, the Federal Energy Regulatory Commission (FERC) unanimously approved and [issued](#) an advance notice of a proposed rulemaking (ANOPR) seeking public comment on reforms to its transmission and interconnection rules for energy projects. While FERC did not announce specific policy changes, this is the first time in over a decade that FERC has begun consideration of high-voltage transmission reform. Restructuring electric transmission planning and interconnection rules could transform the U.S. energy landscape and help the U.S. achieve its clean energy goals.

Following President Biden's [commitment](#) to cut U.S. carbon emissions by 50-52 percent by 2030 and his larger promise to make the U.S. electricity sector carbon neutral by 2035, this ANOPR underscores FERC's support for federal clean energy initiatives. For instance, the ANOPR covers transmission, cost-allocation, and interconnection – topics that could significantly mitigate utility-imposed market challenges for clean energy resources and, ultimately, promote clean energy development.

One specific area of improvement is with the current generator interconnection system. As it stands, the interconnection backlog is the biggest impediment to significant expansion of renewable resources, with [750 gigawatts](#) of planned new generation capacity still awaiting access to the grid. Clearing the interconnection queue backlog is critical to the U.S. achieving its emission-free electricity goals. While reform to the interconnection system is ripe to provide significant improvement in efficiency and clean energy, Commissioner James Danly expressed concern for the cost responsibility associated with upgrading interconnection resources, despite the ANOPR receiving a 4-0 vote.

The dynamics of energy production are evolving. [According](#) to FERC Chairman Rich Glick, where electric generation once leveraged resources located close to population centers, it now looks to resources, including renewables, located at a further distance. The rise of new resources seeking to interconnect to the transmission system and the differing characteristics of those resources are creating new demands on the transmission system.

Considering these industry shifts, the ANOPR [seeks](#) comment on whether there should be changes in regional transmission planning and cost allocation and generator interconnection processes and, if so, which changes are necessary to ensure that transmission rates remain just and reasonable, not unduly discriminatory, and that reliability is maintained. More specifically, the ANOPR seeks comment on three areas: 1) reforms for longer-term regional transmission planning and cost-allocation processes that take into account more holistic planning, including planning for anticipated future generation, 2) rethinking cost responsibility for regional transmission facilities and interconnection-related network upgrades, and 3) enhanced transmission oversight over how new transmission facilities are identified and paid for.

It is clear that the swift pace of the federal government's regulatory changes to combat climate change motivates power markets to follow suit and transition to clean, renewable energy infrastructures. This ANOPR is an important step.

FERC last addressed its transmission planning rule, Order 1000, in 2011. Order 1000 was [designed](#) to encourage interregional transmission planning among FERC-jurisdictional grid operators. However, no interregional transmission lines selected through an Order 1000-mandated transmission plan have been completed to date. While Order 1000 attempted to foster competition among transmission developers, critics have noted that the regulation led incumbent transmission owners to pursue an increasing number of smaller, local reliability projects shielded from the order's competitive bidding requirements.

The series of questions [posed](#) by the July 15 ANOPR indicate the Commission is considering significant changes to the transmission planning and generator interconnection rules, and hopes to avert disputes over cost allocations by laying out clearer policies. This was confirmed during a presentation at the agency's July 15 monthly open meeting when FERC staff noted that reforms considered in the ANOPR are "aimed at producing a more holistic transmission planning process while ensuring rates remain just and reasonable."

Public comments and reply comments, identified by Docket No. RM21-17-000, are due 75 days and 105 days, respectively, after publication of the ANOPR in the *Federal Register*.

Please contact us for more information.

Contacts:



John R. Lilyestrom
Senior Counsel, Washington, D.C.
T +1 202 637 5633
john.lilyestrom@hoganlovells.com



Mary Anne Sullivan
Senior Counsel, Washington, D.C.
T +1 202 637 3695
maryanne.sullivan@hoganlovells.com



Stephanie Fishman
Associate, Washington, D.C.
T +1 202 637 3623
stephanie.fishman@hoganlovells.com

www.hoganlovells.com

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