

FERC Order 1000 Compliance Update

Presented to the North Carolina Utilities Commission

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FERC Order 1000 Compliance Update

Agenda

- **Compliance development activities through the North Carolina Transmission Planning Collaborative (NCTPC)**
- **Brief overview of the NCTPC history, membership and structure**
- **FERC Order 890 establishment of regional planning**
- **FERC Order 1000 issues affecting the NCTPC**
- **FERC Order 1000 compliance timeline**
- **Current strawman proposal for Duke/Progress October, 2012 compliance filing**
- **Next steps**

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Compliance development activities through the NCTPC

- **Compliance approach builds upon current regional planning structure approved by FERC under Order 890.**
- **Duke and Progress are working with the members of the NCTPC to develop consensus positions on the issues raised in FERC Order 1000.**
- **The NCTPC process also provides for review and comment on compliance positions from public stakeholders. Two public meetings have been held to date to review status with stakeholders.**
- **Compliance filings will be made through revisions to the Duke Energy Carolinas and Progress Energy Carolinas Open Access Transmission Tariffs (OATTs).**

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Brief overview of the NCTPC history, membership and structure

- The NCTPC was established in 2005 by the major Load Serving Entities (LSEs) in North Carolina (Duke Energy Carolinas, Progress Energy Carolinas, the North Carolina Electric Membership Corporation and ElectriCities of North Carolina) to *“create an integrated long-term transmission expansion plan that will result in a reliable (i.e., meets all applicable reliability criteria) and cost effective (i.e., lowest overall cost to North Carolina consumers) transmission system.”*
- The planning process is facilitated by an independent third-party to ensure that the interests of all stakeholders are fairly and meaningfully represented.
- The NCTPC consists of an Oversight and Steering Committee (OSC) composed of member representatives, responsible for administrative and technical direction, and a Planning Working Group (PWG) responsible for carrying out the technical studies required to develop a long-term plan.
- A Transmission Advisory Group (TAG), open to all parties interested in the development of the plan and the planning process, provides advice and recommendations to the NCTPC members for consideration for incorporation into the coordinated transmission expansion plan for Duke and Progress service territories.

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FERC Order 890 establishment of regional planning

- In February, 2007 FERC Issued Order 890, establishing (among other things) nine planning principles intended to make the transmission planning process more open and transparent. These principles are coordination, openness, transparency, information exchange, comparability, dispute resolution, regional participation, economic planning studies, and cost allocation.
- The NCTPC process, already in place, was modified to meet the requirements of Order 890, and the Duke/Progress OATT compliance filings were approved by FERC in 2008, 2009 and 2010. The approval indicates acceptance of the NCTPC as a planning region.

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FERC Order 1000 issues affecting the NCTPC

FERC Order 1000 establishes requirements for transmission planning, reforms for transmission cost allocation and reforms for non-incumbent transmission developers. The significant regional requirements to be addressed by the NCTPC are:

- Local and regional transmission planning processes must consider transmission needs driven by public policy requirements established by state or federal laws or regulations.**
- Each public utility transmission provider must participate in a regional transmission planning process that has a regional cost allocation method for new transmission facilities selected in the regional transmission plan for purposes of cost allocation.**
- Public utility transmission providers must develop a not unduly discriminatory regional process for transmission project submission, evaluation, and selection which includes non-incumbent developers and remove any federal right of first refusal from Commission-approved tariffs and agreements with respect to new transmission facilities selected in a regional transmission plan for purposes of cost allocation.**

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FERC Order 1000 issues affecting the NCTPC

The significant inter-regional requirements to be addressed by the NCTPC are:

- Public utility transmission providers in each pair of neighboring transmission planning regions must coordinate to determine if there are more efficient or cost-effective solutions to their mutual transmission needs.**
- Public utility transmission providers in neighboring transmission planning regions must have a common interregional cost allocation method for new interregional transmission facilities that the regions determine to be efficient or cost-effective.**

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FERC Order 1000 compliance timeline

Regional Compliance Filing – Oct 11, 2012

- ***Regional Transmission Planning***
- ***Regional Transmission Cost Allocation***
- ***Non-incumbent Transmission Provider Provisions***
- ***Public Policy***

Interregional Compliance Filing – Apr 11, 2013

- **Interregional Transmission Coordination**
- **Interregional Cost Allocation**

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Current strawman proposals for Duke/Progress October, 2012 compliance filing

General Principles for Compliance Proposals:

- **Regional project definition:**
 - Typically encompasses multiple Transmission Providers service territories
 - Voltage level of 230 kV and above
 - Project cost of at least \$10 million
 - Subject to OATT of incumbent Transmission Provider(s)
 - Categorized as reliability, economic or public policy
 - Project must be selected in the regional transmission plan for purposes of cost allocation.
- All projects not identified as “Regional” would be “Local” projects, not subject to cost allocation or open to non-incumbents development
- Duke and Progress will retain responsibility for maintaining transmission system reliability and integrity
- Costs will be allocated to beneficiaries of regional projects proportionally to quantified benefits

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Issue: Local and regional transmission planning processes must consider transmission needs driven by public policy requirements established by state or federal laws or regulations.

- 1. The NCTPC planning process will solicit stakeholder input into what public policy requirements drive transmission needs.**
- 2. However, since NCTPC LSEs take public policy requirements into account in developing their integrated resource plans, transmission projects developed in accordance with those resource plans should already reflect those public policy requirements.**

Issue: Each public utility transmission provider must participate in a regional transmission planning process that has a regional cost allocation method for new transmission facilities selected in the regional transmission plan for purposes of cost allocation.

- 1. For reliability projects, benefits will be defined as avoided transmission project costs.**
- 2. For economic and public policy projects, project developer must identify benefits and beneficiaries which are subject to NCTPC review.**
- 3. Economic and Public Policy projects must meet a benefit/cost ratio of 1.25. Duke and Progress transmission customers are beneficiaries.**

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Issue: Public utility transmission providers must develop a not unduly discriminatory regional process for transmission project submission, evaluation, and selection which includes non-incumbent developers and remove any federal right of first refusal from Commission-approved tariffs and agreements with respect to new transmission facilities selected in a regional transmission plan for purposes of cost allocation.

1. Regional projects (not local projects) would be brought forward by “project developers”, which may include Duke and Progress, for consideration in the plan. Sufficient information must be submitted with the proposed project to allow analysis. Independent 3rd party reviews for sufficiency.
2. All Regional projects will go through a 3 part high level screen.
 - Developer screen- Developer must be sufficiently qualified to finance, license, and construct the facility and operate and maintain it for the life of the project.
 - Technical analysis screen-is project viable from a reliability perspective
 - Benefit analysis screen-
 - ✓ Reliability projects- does Regional Project solve same issues as alternative Local Project(s)?
 - ✓ Economic and Public Policy projects- review Developer’s analysis to ensure project meets a 1.25 Benefit/Cost ratio.

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When submitting a Regional Project for consideration, Developer must submit Qualification Criteria which demonstrates that the Developer is physically, technically, and financially capable of (i) completing the project in a timely and competent manner; and (ii) operating and maintaining the facilities consistent with Good Utility Practice and applicable reliability criteria for the life of the project.

Qualification Criteria address the following:

- **Financial**
- **Construction**
- **O&M/Reliability**
- **Legal/Regulatory**

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- 3. NCTPC Oversight & Steering Committee assisted by stakeholders, undertakes a thorough review of all Regional Projects that passed screening analyses. NCTPC OSC will issue a report that will indicate whether proposed Regional Projects were approved or rejected and how costs will be allocated for approved Regional Projects.**
- 4. Dispute resolution per Attachment K process. (May include Public Staff resolution or NCUC resolution.)**
- 5. Transmission Providers and non-incumbent Developer(s) with approved Regional Projects negotiate an MOU. If the Regional Project of a non-incumbent Developer is approved for inclusion in the Final Plan, the MOU will be the basis for a Non-incumbent Developer Interconnection Agreement.**
- 6. Transmission project developer would go to FERC for approval of Revenue requirements, which would be flowed through Duke/Progress rates.**

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Examples of factors NCTPC will consider in selection of Regional Projects:

- **Engineering Design (Reliability/Quality/General Design):** Measures the quality of the design, material, technology, and life expectancy of a transmission project.
- **Construction (Project Management):** Measures expertise in constructing projects similar in scope.
- **Operations (Operations/Maintenance/Safety):** Measures how well and safely a Developer will be able to operate, maintain, and restore the transmission project once it is placed in service.
- **Rate Analysis (Cost to Customer):** Measures Developer's cost to construct, own, and operate the transmission project.

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Next Steps

- **Special interim NCTPC OSC meetings continue to develop specifics of compliance proposals. Development of specific compliance plans is ongoing.**
- **Compliance proposals will be presented to the Transmission Advisory Group on June 19 for public review and comment.**
- **Duke and Progress will begin to draft tariff language around agreed upon compliance provisions.**

Questions?