



FERC Order 1920

First, what is FERC Order 1920 and why does it matter?

FERC Order No. 1920, issued on May 13, 2024, is a significant regulatory update focusing on improving regional transmission planning and cost allocation in the United States. This order introduces several key reforms aimed at modernizing the electricity grid to better accommodate the ongoing energy transition, which includes integrating more renewable energy sources and enhancing grid reliability.

Key Aspects of FERC Order No. 1920:

1. Long-Term Regional Transmission Planning:

- Transmission providers are now required to engage in long-term planning with a 20-year outlook, considering future transmission needs driven by changes in resource availability and demand. This planning process is intended to avoid piecemeal, short-term solutions and promote more strategic investments.

2. Cost Allocation:

- The order mandates that transmission providers establish a transparent cost allocation methodology. This includes a six-month engagement period with state entities to negotiate cost-sharing agreements, although state agreement is not mandatory. The aim is to ensure that costs are allocated in a way that reflects the benefits received by different regions.

3. Coordination with Generator Interconnection:

- FERC requires better integration of the transmission planning process with the generator interconnection process. This is intended to address situations where generators face high costs for network upgrades, which often leads to project cancellations. The order emphasizes prioritizing these projects in the regional planning process.

4. Consideration of Advanced Technologies:

- The order encourages the use of alternative transmission technologies, such as dynamic line ratings and advanced power flow control devices, to enhance grid efficiency and reduce costs. Although not mandatory, these technologies must be considered as part of the planning process.



5. Transparency and Local Planning:

- FERC has strengthened transparency requirements in local transmission planning processes and introduced measures to ensure that local projects are evaluated for their potential to be "right sized" or upgraded as part of the broader regional plan.

6. Federal Right of First Refusal (ROFR):

- Unlike the original proposal, Order No. 1920 does not reintroduce a broad federal ROFR, which would allow incumbent utilities to have the first option to build new transmission projects. However, it does allow a narrow ROFR for certain replacement facilities.

Impact and Implementation:

The order is expected to shape the future of transmission planning in the U.S., making it more forward-looking and better suited to handle the complexities of integrating renewable energy. The new rules will become effective 60 days after their publication, with compliance filings due within 10 to 12 months. Some legal challenges may arise, like those faced by previous FERC orders, but the order sets a clear path for the next phase of grid development.

These reforms are seen as crucial for supporting the ongoing energy transition and ensuring that the U.S. grid remains reliable and affordable as the energy landscape evolves.

How was FERC Order 1920 created?

It has been in progress by the Federal Energy Regulatory Commission (FERC) for many years. We have a few key dates below:

- 2021: Advanced Notice of Proposed Rulemaking (ANOPR)
 - July 2021: FERC issued an Advanced Notice of Proposed Rulemaking (ANOPR) to explore potential reforms in regional transmission planning, cost allocation, and generator interconnection processes. This ANOPR was the initial step in a broader effort to modernize the U.S. electricity grid in response to the evolving energy landscape, particularly with the rise of renewable energy sources and the need for enhanced grid resilience.
- 2022: Notice of Proposed Rulemaking (NOPR)
 - April 2022: Following the ANOPR, FERC released a Notice of Proposed Rulemaking (NOPR) that outlined specific proposed reforms. The NOPR built



on feedback received from stakeholders during the ANOPR phase and focused on long-term regional transmission planning, the integration of advanced transmission technologies, and improvements in cost allocation methodologies. This phase marked the formal proposal of many of the elements that would later be included in Order No. 1920.

- 2023: Stakeholder Engagement and Refinement
 - Throughout 2023: FERC engaged with stakeholders, including state regulators, utilities, industry groups, and public interest organizations, to refine the proposed rules. This engagement included public comment periods, workshops, and consultations, allowing for a broad range of inputs to be considered in finalizing the order.
- May 2024: Issuance of Order No. 1920
 - May 13, 2024: FERC issued Order No. 1920; a landmark rulemaking that finalized the reforms initially proposed in the 2022 NOPR. The order mandates long-term regional transmission planning with a 20-year horizon, enhances transparency and coordination in the transmission planning process, integrates advanced technologies, and revises cost allocation methodologies. The order is seen as a critical step in aligning the U.S. transmission grid with the needs of a modern, renewable energy-dominated power system.
- 2024: Compliance and Implementation
 - 60 Days Post-Issuance: The order became effective, requiring transmission providers to begin the process of compliance.
 - **10-12 Months Post-Issuance:** Compliance filings are due from transmission providers. These filings will detail how each transmission region plans to implement the requirements of Order No. 1920, including long-term planning processes, cost allocation methods, and the integration of new technologies.