

# FERC Order 1000

Presentation to IRPS Fall  
Conference

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ITC Midwest  
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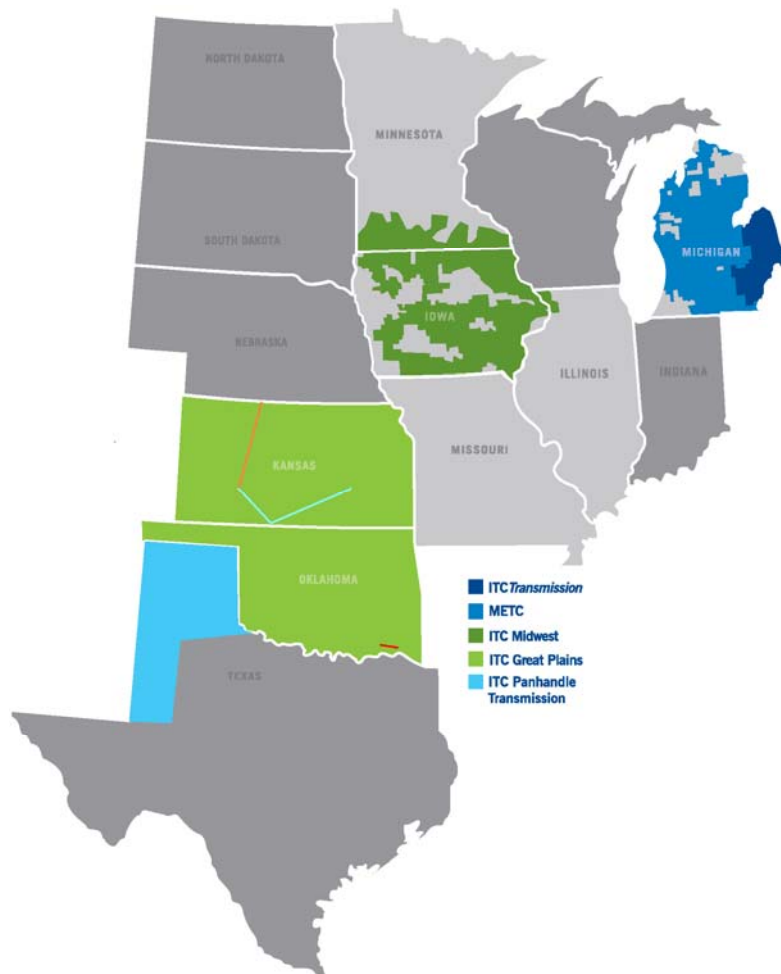


# Outline of Presentation

- **Who is ITC?**
- **Current State of US Transmission Infrastructure**
- **Why Order 1000?**
- **Order 1000 Compliance Issues**
- **Significance of Order 1000 for Illinois**



# Overview of ITC



- **ITC's fully regulated, independent transmission model creates a unique approach to infrastructure**
  - Independent transmission model means our sole focus is investing in necessary transmission infrastructure
- **Presently operate over 15,000 miles of transmission facilities in five states**
  - Serving over 25,000 MW of peak load
- **Actively developing transmission for reliability needs and emerging long-term energy policy objectives**







# ITC = Independent

- ITC focuses on ownership, operation, maintenance, and construction of transmission facilities as a single line of business
- There is no internal competition for capital – it is dedicated for prudent transmission investment
- ITC is singularly focused on transmission and aims to bring significant benefits to customers
- Our Goals:
  - Improve reliability
  - Reduce congestion, improve efficiency
  - Increase access to generation, including renewable resources
  - Lower cost of delivered energy



# ITC System Statistics

				
<b>Service Area</b>	ITC <i>Transmission</i>	METC	ITC Midwest	ITC Great Plains
<b>Approx. Total System Peak Load</b>	12,700 MW	9,400 MW	3,500 MW	In Development
<b>Approx. Total Transmission Miles</b>	2,800	5,500	6,800	
<b>RTO Membership</b>	Midwest ISO	Midwest ISO	Midwest ISO	SPP
<b>Assets Acquired</b>	March 1, 2003	Oct. 10, 2006	Dec. 20, 2007	Aug. 18, 2009

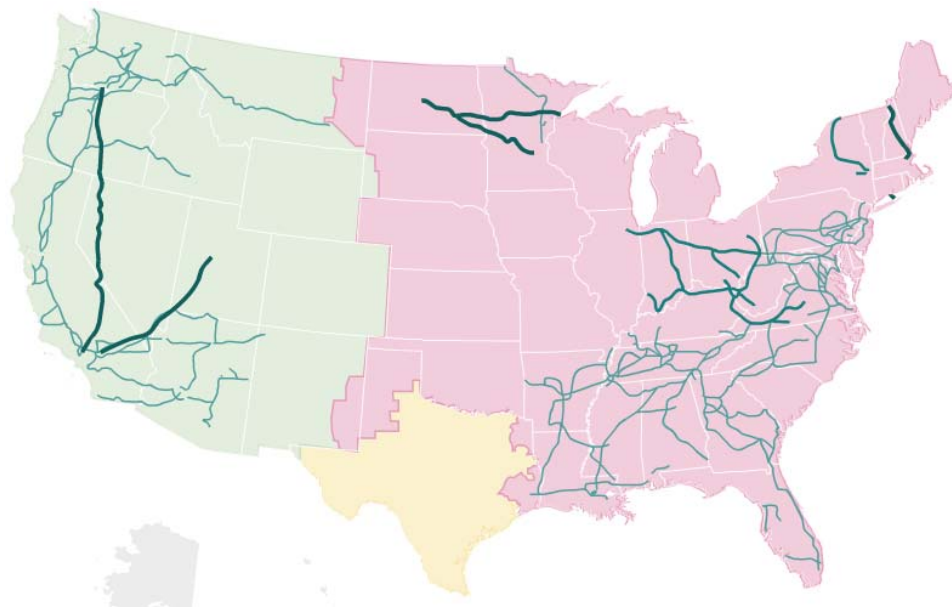


# Order 1000 and ITC

- ITC strongly supports transmission infrastructure expansion
- ITC has long advocated for reforms in the areas that are addressed by Order 1000
- ITC is in a unique position as both an incumbent Transmission Owner and a Non-Incumbent Developer

# Issue: Transmission is Developed Differently than Other Infrastructure

High-Voltage Transmission System



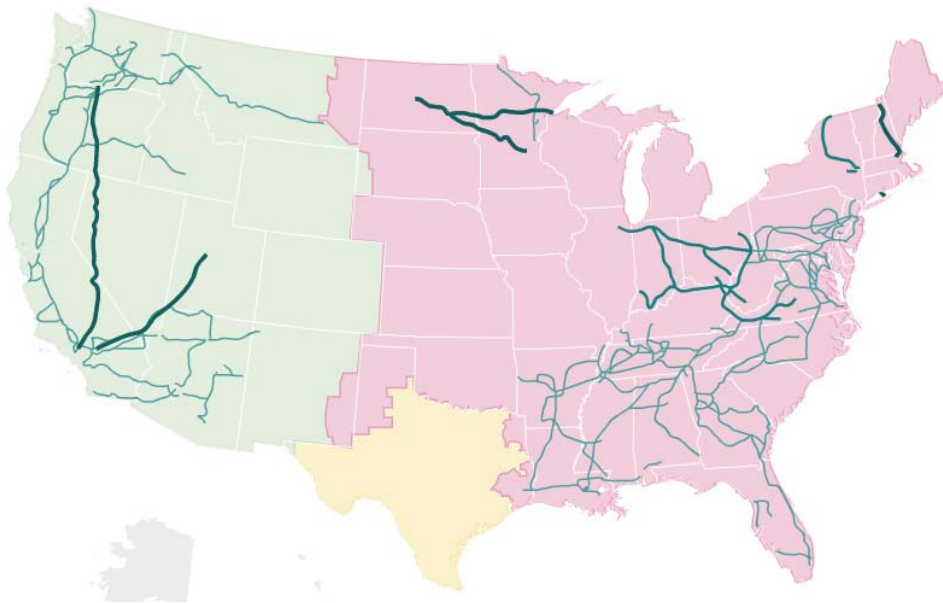
Interstate Highway System



*Represents lines of 500 kV and above*

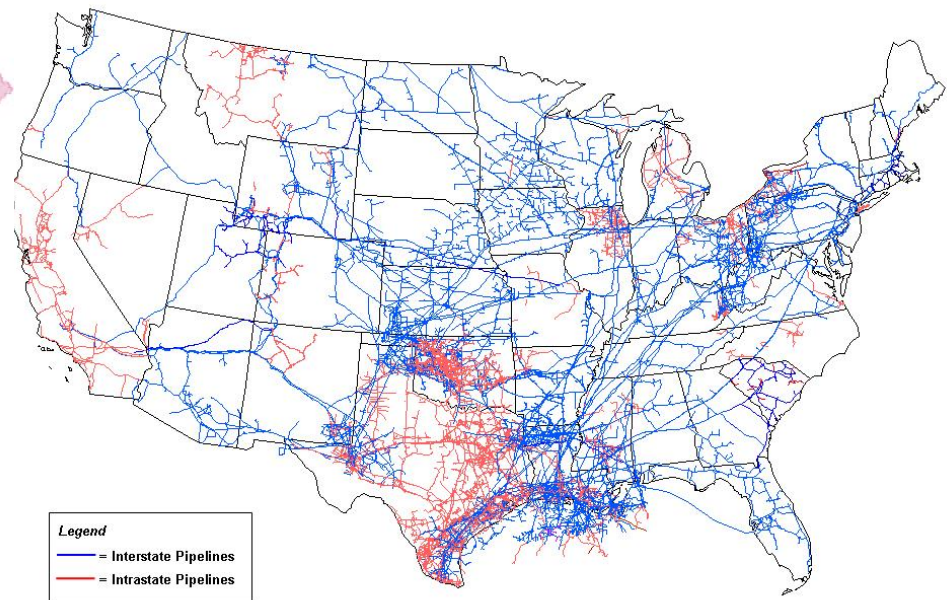
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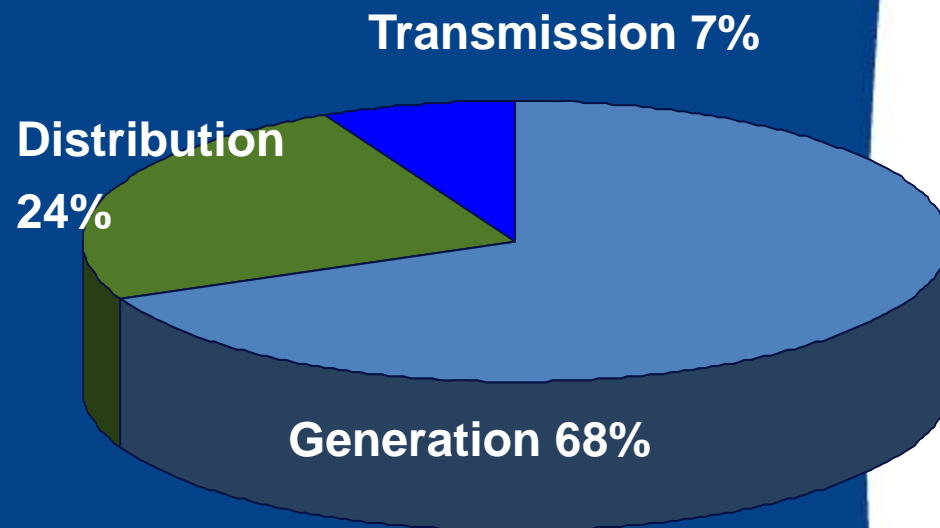
Interstate Natural Gas Pipelines



Source: Energy Information Administration, Office of Oil & Gas, Natural Gas Division, Gas Transportation Information System



# Cost Allocation



Source: U.S. Energy Information Administration, *Annual Energy Outlook 2010*, Reference case, Table A8: Electrical Supply, Disposition, Prices, Emissions, Prices by Service Category (2009)

- Electric generation makes up the largest part of customer electric bills, with the distribution the second largest and transmission costs the third component
- Investments in transmission provide value by providing access to competitive wholesale markets and allowing utilities access to a greater variety of generation sources



# Barriers to Transmission Development

- Lack of long-term, consistent Federal energy policy
- Lack of regional planning, processes
- Cost allocation
- Siting



# Why Order 1000?

- To encourage regional transmission solutions may be more efficient or cost effective than individual Transmission Owner plans
- To align Transmission Planning and Cost Allocation
- To consider Public Policy Requirements in Transmission Planning
- To encourage Interregional Planning
- To provide a level playing field for Non-Incumbent Transmission Developers
- To allocate costs to all beneficiaries



# Modifications to Order 1000?

- The Order discusses initial and/or reply comments from approximately 180 parties or groups
- Approximately 60-70 parties filed comments or requests for clarification or rehearing in August 2011
- There is no clear consensus on possible changes; FERC issued a tolling order in September 2011, so it is not known when a rehearing order will be issued
- Order 1000 doesn't prescribe "one size fits all" positions on most compliance requirements.



# Order 1000 Compliance Issues

- New Planning Regions?
- New Regional Cost Allocation methodologies?
- What are “Projects selected in a Regional Transmission Plan for Purposes of Cost Allocation”?
- How will regional planning processes consider transmission needs driven by Public Policy Requirements (PPRs)?
- Inter-regional planning coordination and cost allocation?
- What regional processes will be developed for transmission project submission, evaluation and selection, and how will non-incumbent developers be accommodated in these processes?



# Regions and Regional Cost Allocation

- Illinois is divided between the MISO and PJM RTO planning regions
- Both MISO and PJM have existing tariff provisions for regional cost allocation
- MISO “MVP” process considers PPRs in Planning – PJM does not have similar provisions in their tariff
- MISO and PJM coordinate planning through a Joint Operating Agreement and have tariff provisions defining cost allocation for “cross-border” economic and reliability projects
- Planning Coordination and Cost Allocation with other adjacent regions are less well-developed



# Project Submission, Evaluation and Selection

- Incumbent Right of First Refusal (ROFR) must be removed from tariffs
  - MISO Owners' Agreement provisions?
- The regions must define processes in the tariff to allow non-incumbents and incumbents to compete to build “projects selected in a regional plan for purposes of cost allocation”
- How will decision be made?
- How to ensure cooperation?
- Any unintended consequences?
- Will the States take control?



# Order 1000 Benefits to Illinois

- MISO and PJM have already addressed many of the Order requirements, either fully or in part
- Additional reforms should facilitate construction of necessary transmission
  - Improved interregional planning coordination and cost allocation
  - More Competition from Non-Incumbent Developers
- Illinois stakeholders will be able to participate in two regional efforts that may comply with the Order in different ways