



SUMMARY OF TWO FERC ORDERS ON THE APPLICABILITY OF ORDER NO. 890 TO ASSET MANAGEMENT PROJECTS AND ACTIVITIES

MRC Special Session –
Transparency and End of Life Planning
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- Two orders (dated August 31, 2018) address the applicability of Order 890 to transmission owner asset management projects
 - *California Public Utilities Commission, et al. v. Pacific Gas & Electric Company* (Dkt No. EL17-45) – FERC denied a Complaint filed by CPUC and others alleging that PG&E was violating its Order 890 obligations to conduct an open, coordinated and transparent transmission planning process because more than 80% of PG&E’s transmission planning costs were “self-approved projects” with no opportunity for stakeholder input or review.
 - *Southern California Edison Co.* (Dkt Nos. ER18-370 and AD18-12) – SoCal Edison filed an amendment to its OATT to create an annual transmission maintenance and compliance review (TMCR) process which SoCal Edison proposed to utilize to share and review information with stakeholders about certain transmission-related maintenance and compliance activities not subject to consideration through CAISO’s transmission planning process. FERC accepted SoCal’s TMCR process subject to revisions in a compliance filing.

- Includes:
 - Maintenance, repair and replacement activities, including but not limited to capital additions;
 - Work on infrastructure at the end of its useful life;
 - Work to satisfy compliance requirements
 - Infrastructure security
 - System reliability and automation; information technology
 - Work requested by others (including generator interconnection); and
 - Increases in transmission capacity that are not *incidental* to, and not reasonably severable from the asset management project or activity.
- But not:
 - *Incremental* work that addresses an RTO-identified transmission need

- Order 890 planning requirements do not apply to “asset management activities and projects” because Order 890 was adopted to remedy opportunities for undue discrimination in expansion of the transmission grid.
- FERC clarified that to the extent a transmission owner’s “asset management activities and projects” do not expand the transmission system or address reliability, they do not fall within the scope of Order regardless of whether they are capitalized in a transmission owner’s rate base.
- FERC recognized that there may be instances in which a transmission owner’s asset management activity or project may result in an incidental increase in transmission capacity that is not reasonably severable from the asset management activity or project, e.g., advancements in technology of replaced equipment. Such incidental increase would not render the asset management activity or project a transmission expansion subject to Order 890.

SoCal Edison and PG&E Orders – FERC denied rehearing

- FERC found the February 15 PJM Order on Supplemental Projects was inapposite to the SoCal Edison and PG&E proceedings because:
 - these dockets dealt with the question whether asset management projects that do not increase the capacity of the transmission system are subject to Order No. 890 transmission planning requirements and
 - the February 15 PJM Order did not address or make findings on the question whether PJM’s Supplemental Projects must be included within PJM’s Order No. 890 RTEP process; rather, it examined the PJM transmission owners’ implementation of the Supplemental Project planning process.
- FERC explicitly stated that the question whether asset management projects that do not increase the capacity of the grid must go through an Order No. 890-compliant process was not at issue in the February 15 PJM Order. Rather the order examined the transmission owners’ implementation of the process for planning supplemental projects.
- FERC further found that the definition of Supplemental Projects does not substantiate Complainant’s assertion that activities that do not increase the capacity of the grid lie at the heart of the definition.

California Orders	PJM TO Show Cause Order
<p>Examined whether asset management activities and projects that do not increase capacity of the grid must go through an Order 890-compliance transmission planning process</p>	<p>Examined the PJM TOs' implementation of the process for planning Supplemental projects set forth in the PJM Operating Agreement and Tariff</p>
<p>FERC accepted TMCR process finding it will provide stakeholders with a new process that offers transparency and the opportunity to have input into the development of SoCal Edison's transmission rates.</p>	<p>Did not examine whether asset management activities and projects that do not increase capacity of the grid are subject to Order 890-compliant transmission planning process</p>
<p>FERC noted that TMCR process is a useful example for PG&E and its stakeholders to consider.</p>	

- SoCal TMCR established a process for providing transparency for asset management activities and projects
- The activities SoCal proposed to include in its TMCR process are not within the scope of Order 890 because the activities relate to maintenance, infrastructure at the end of its useful life, physical and cybersecurity concerns and regulatory compliance issues.
- Such activities and projects do not expand the transmission system or address reliability
- Such activities and projects are not explicitly reviewed within the CAISO TPP nor are they subject to Order 890 transmission planning requirements
- FERC accepted TMCR process finding it will provide stakeholders with a new process that offers transparency and the opportunity for stakeholders to have input into the development of SoCal Edison's transmission rates.
- The TMCR process is a useful example for PG&E and its stakeholders to consider.

- FERC denied the Complaint. Asset management activities and projects are not required to go through an Order 890-compliant transmission planning process.
- Order 890 reforms were intended to address concerns regarding undue discrimination in grid expansion.
- Nothing in FERC's orders accepting CAISO's Order 890 and Order 1000 compliance filings indicated that CAISO would evaluate non-expansion transmission-related work.
- FERC's February 15 PJM Order is not dispositive in the PG&E Order. In that Order, FERC examined the PJM TOs' implementation of the process for planning Supplemental Projects; and
- Whether other transmission planning regions are considering asset management activities and projects through their regional transmission planning process "does not in and of itself, determine whether Order 890 requires them to do so.
- FERC strongly encouraged PG&E to continue to work to develop a process to share and review information with stakeholders regarding asset management activities and projects that are not considered through Order 890 planning process.