

FERC ORDER NO. 1920 WESTERN STATE EX ANTE COST ALLOCATION METHOD:
NORTHERNGRID/WESTCONNECT

- This proposal applies to transmission projects that traverse more than one Enrolled Transmission Owners' balancing control area, selected for the purposes of cost allocation pursuant to the FERC Order No. 1920 process. It does not apply to reliability or economic transmission projects selected pursuant to the FERC Order No. 1000 process.
- 90 days after a project developer is identified following the selection of a transmission project or projects for the purposes of cost allocation by the NorthernGrid/WestConnect Enrolled Transmission Owners, the project developer (or developers) shall complete an open solicitation subject to FERC oversight and pursuant to FERC requirements¹ in order to evaluate offers (from FERC-jurisdictional and non-jurisdictional utilities, generators, and others) to acquire contractual rights for transmission capacity associated with the selected project or projects.
- Each entity has 60 days following the open solicitation to sign a binding contract committing the entity to paying for the transmission rights it is acquiring.
- For purposes of Order No. 1920 cost allocation, the total cost of a transmission project or portfolio of transmission projects shall be reduced by the amounts committed by entities acquiring transmission rights as part of the open solicitation process. The remaining cost is referred to as the Post-Solicitation Cost. The Post-Solicitation Cost will be equal to the total cost of the project or projects less the amount committed during the open season process. For example, if 60 percent of a \$200 million project is allocated as a result of the open solicitation, the Post-Solicitation Cost amount will be \$80 million.
- The Post-Solicitation Cost associated with a transmission project or portfolio of projects will be allocated as follows:
 - Either 100%, 90% or 75% (depending on the voltage level of the applicable transmission project or projects) of the Post-Solicitation Cost will be allocated by quantifying the following seven benefits: (1) reduced loss of load probability or loss of planning reserve margin; (2) reduced production costs;

¹ See e.g., *Allocation of Capacity on New Merch. Transmission Projects & New Cost-Based, Participant-Funded Transmission Projects Priority Rts. To New Participant-Funded Transmission*, 142 FERC ¶ 61,038, at n.7 & P 22 (2013).

(3) avoided or deferred reliability transmission facilities; (4) reduced transmission losses; (5) reduced congestion; (6) grid resilience; and (7) capacity cost reductions; and apportioning the amount of these benefits among the enrolled transmission owners in the planning region that selected the transmission project or portfolio of projects. Each enrolled transmission owner will be responsible for costs calculated by multiplying its portion of the proportioned benefits and either 100%, 90% or 75% (depending on the voltage level of the applicable transmission project or projects) of the Post-Solicitation Cost. Enrolled transmission owners that subscribe to capacity associated with the transmission project or portfolio of projects will be credited for the amount they commit to pay pursuant to the solicitation process, but will still have to pay an additional amount if the costs they are allocated based on their portion of benefits and the zonal cost allocation approach described below exceeds the amount they are paying for transmission capacity pursuant to the solicitation process.

- The remaining portion of the costs will be allocated depending on the voltage of the transmission project or projects in question and pursuant to a zonal cost allocation methodology as follows:
 - If the project is larger than 300kv, 25% of the Post-Solicitation costs will be allocated to each transmission zone in NorthernGrid/WestConnect as designated by NorthernGrid/WestConnect based on the percentage of modeled power flows associated with the new transmission project or projects for which each zone is assigned responsibility pursuant to a Solution-Based Distribution Factor Analysis (DFAX) approach that models power flows on a new transmission project. After a DFAX analysis has identified zones that will be allocated costs pursuant to the zonal cost allocation methodology and if more than one enrolled transmission owners serves customers in that zone, the zonal costs associated with that zone shall be allocated among the relevant enrolled transmission owners pursuant to a load-based methodology in that zone.
 - If the project is between and inclusive of 200kv and 300kv, 10% of the costs will be allocated to transmission zones pursuant to the Solution-Based DFAX approach described above.
 - If the project is smaller than 200kv, none of the costs will be allocated pursuant to zonal cost allocation methodology.
- To the extent that NorthernGrid/WestConnect selects a portfolio of projects for the purposes of cost allocation and those projects are of different sizes

and types, no enrolled transmission owner shall be allocated more costs than if each of the projects had been selected separately.

- The total costs to be allocated via benefit apportionment and the zonal cost allocation methodology can be further reduced *pro rata* at any time after the solicitation process if any entity subsequently agrees to voluntarily acquire additional transmission rights beyond the rights acquired pursuant to the solicitation process.
- Enrolled transmission owners that receive only a *de minimis* level of benefits from a project or portfolio of projects (as calculated via the benefit apportionment and zonal approach) shall not be required to pay any costs associated with the project or portfolio of projects unless the transmission owner subscribes to capacity associated with the project or projects. For purposes of this provision, a *de minimis* amount means less than 2 percent of the total level of costs that would be assigned to the transmission owner based on combined benefit apportionment and the zonal cost allocation methodology. Any costs that would have been allocated to an enrolled transmission owner but for the fact that transmission owner would pay only a *de minimis* amount shall be allocated to all other enrolled transmission owners in the same proportion of other costs allocated to these transmission owners.
- Enrolled transmission owners that are allocated costs associated with a project or portfolio of projects shall be entitled to a commensurate level of transmission rights associated with the project or projects. Capacity that will be unused by the transmission owner may be resold.
- The amount paid for transmission (per MW of capacity) that is acquired pursuant the solicitation shall be equal to the costs associated with the transmission capacity (per MW of capacity) awarded to transmission providers that are allocated costs pursuant to their proportionate benefits and the zonal allocation method.