



FERC Order 1920: State Agreement Process

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Agenda

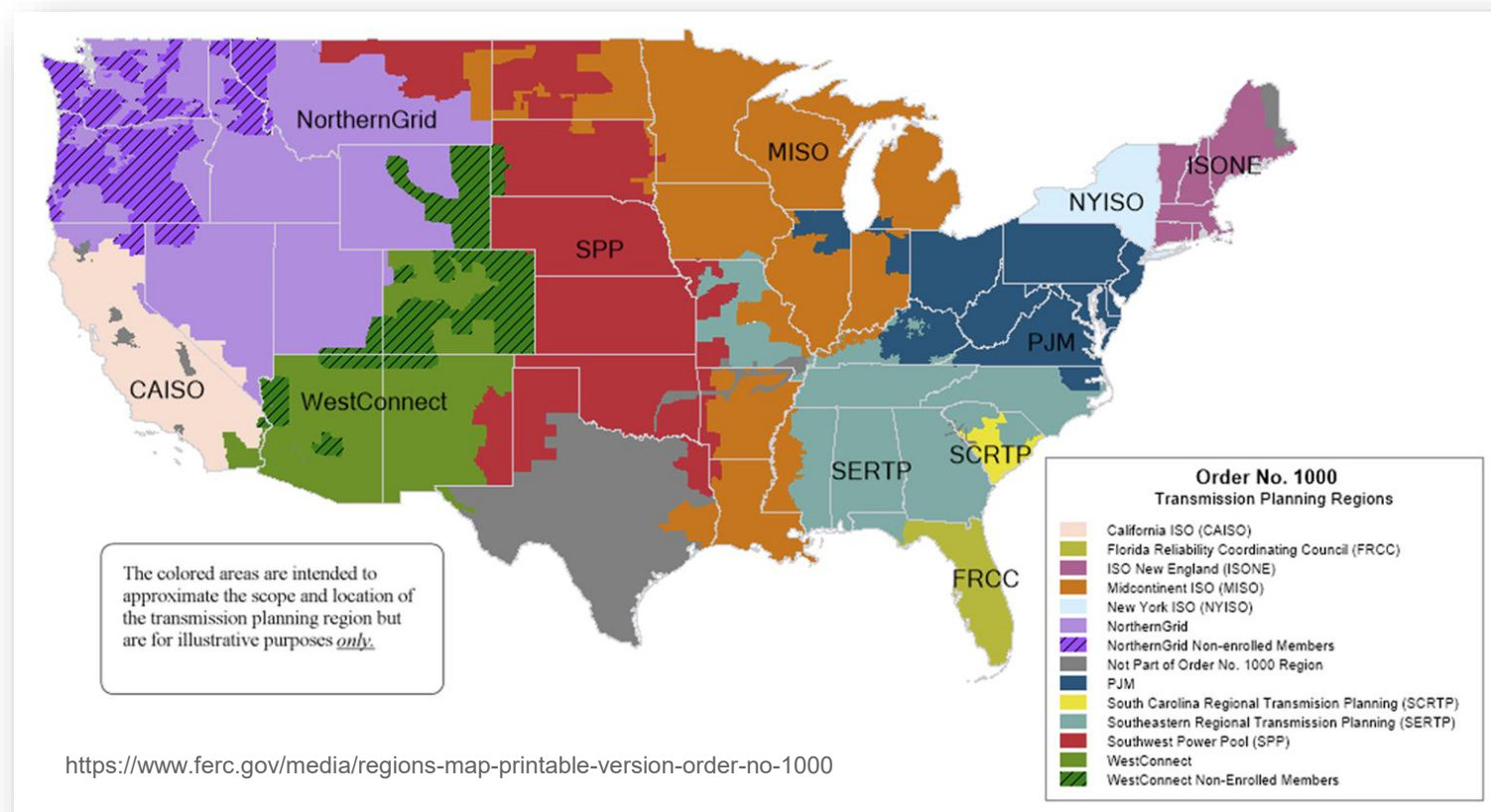
- Overview of FERC Order 1920
- Cost allocation and the State Engagement Process
- Potential elements of a State Agreement Process template
- Additional considerations



Who must make compliance filings in FERC Order 1920?

Filing responsibilities

- Order 1920 compliance filings are required from all FERC-jurisdictional transmission providers
 - In RTO/ISO regions, the RTO/ISO makes the filing on behalf of its members.
 - In non-RTO/ISO planning regions, like Northern Grid, West Connect, and the Southeast, each transmission provider files individually, coordinated through their Order 1000 planning region.



Planning Responsibilities

- Planning must be conducted regionally at the level of the transmission planning region.
- Responsibility attaches to the transmission providers, either:
 1. The RTO/ISO, or,
 2. In non-RTO regions, each utility with an Open Access Transmission Tariff (OATT)).

Quick summary

Key components of FERC Order 1920 - 1

- **FERC Order 1920: Building for the Future Through Electric Regional Transmission Planning and Cost Allocation**
 - Issued May 13, 2024, and updated November 21, 2024 (1920-A), and April 11, 2025 (1920-B).
- Requires comprehensive long-term regional planning
 - 20-year planning horizon with minimum 5-year refresh
 - 7 categories of factors must be used to forecast the long-term transmission landscape
 - At least three plausible and diverse scenarios, and at least one “stress test” extreme weather sensitivity for each scenario
 - At least 7 benefits metrics must be quantified and applied when evaluating and selecting projects
 - Planners must consider Grid Enhancing Technologies (GETs) and upsizing
- Order 1920 requires selection criteria for potential inclusion of projects in transmission plans, but does not mandate the selection of any projects
- Requires improved interregional coordination
- Requires enhanced transparency of local transmission planning inputs

Quick summary

Key components of FERC Order 1920 - 2

- **Cost allocation:**

- Transmission providers **must** file a default **ex-ante cost allocation method** to use for projects selected through FERC Order 1920.
 - ✓ States can “inform and provide alternatives” to the transmission providers’ ex ante method.
 - ✓ State entities must say whether they agree to ex ante filed by transmission providers.
 - ✓ States can propose their own ex ante methods, and the transmission providers must submit to FERC, but in order to be considered, the transmission providers must agree to it.
- Transmission providers **may** file a **state agreement process** to be used later, which would lead to a state agreement cost allocation method that would be used in lieu of the ex ante method.
 - ✓ States design the state agreement process, and the transmission providers must file the process at FERC, regardless of whether the transmission providers support the proposal.
 - ✓ The state agreement process cannot be the sole method for cost allocation.
 - ✓ The state agreement process is run sometime before but no later than 6 months after the projects are selected for regional cost allocation.
 - ✓ If the state agreement process doesn’t result in an agreed-upon method, the project defaults to the ex ante cost allocation method.

Some details

- A **Relevant State Entity** is “any state entity responsible for electric utility regulation or siting electric transmission facilities within the state or portion of a state located in the transmission planning region, including any state entity as may be designated for that purpose by the law of such state” (Order No. 1920 ¶1355)
- Order 1920 requires transmission providers to add new sections to their existing **Open Access Transmission Tariff (OATT)** that every FERC-jurisdictional transmission provider is required to have on file.
 - If filed, the State Agreement Process will become a new component within the transmission provider’s OATT

What FERC Order 1920 says about a State Agreement Process

If Relevant State Entities adopt a State Agreement Process, the following key information must be included within the proposed tariff:*

1. The event triggering the beginning of the state agreement process
2. The duration of the state agreement process (not to exceed 6 months after Facility selection)
3. Which entities can participate in the state agreement process
4. How the state agreement process will result in a cost allocation being filed
5. What constitutes an agreement in the state agreement process
6. How the agreement is communicated to the transmission providers (TPs)
7. What information states will need or receive, and what conditions must be met before a transmission provider files the SAP at FERC
8. Identify the facilities to which the state agreement process applies

Regarding the cost allocation method that comes out of the state agreement process

- The state agreement method must identify who will pay for specific facilities selected under FERC Order 1920 and how much they will pay.
 - Voluntary contributions are OK.
 - Must be just, reasonable, and not unduly discriminatory or preferential.
 - Must “allocate costs in a manner that is at least roughly commensurate with estimated benefits.”
- States can request that the transmission providers run “a reasonable number of additional analyses that could facilitate the design of a State Agreement Method” 1920A ¶336.
- If approved by FERC, the State Agreement Method overrides the ex ante method.

Potential elements of State Agreement Process template - 1

Section 1: Purpose and scope

- **1.1 Preamble:** Develop statement of purpose aligning with FERC Order 1920 to enable relevant state entities (RSEs) to voluntarily agree on cost allocation.
- **1.2 Scope:** Establish scope, i.e., applies to cost allocation for long-term regional transmission facilities identified through the Order 1920 planning cycle.

Section 2: Governance and membership

- **2.1 Relevant state entities:** Identify the RSEs and their authority to participate. Sub-regional groups?
- **2.2 Decision-making process:** Define voting requirements (e.g., unanimous consent, weighted majority, simple majority) and dispute resolution steps. What if the project applies to a subgroup of states in a region? How does that impact voting and approval?
- **2.3 Participation:** Allow for non-voting observers from stakeholders, consumer advocates, and neighboring regions.

Potential elements of a State Agreement Process template - 2

Section 3: Negotiation timeline and process

- **3.1 Initiation:** Identify how and when the State Agreement Process is initiated. States may want to include guardrails for when and how it is used.
- **3.2 Information requests:** Establish the timeframe by which RSEs can formally request additional scenarios or data from the transmission provider.
- **3.3 Negotiation meetings:** Identify frequency of meetings, how they will be noticed, and when they must wrap up during project-specific negotiations.
- **3.4 Confidential information:** Set the processes for handling and protecting sensitive market or proprietary information, as required by FERC.

• Section 4: Proposing and considering cost allocation methodologies

- **4.1 Process for proposing alternatives:** Spell out the process for RSEs or delegated entities to propose cost allocation methodologies for project(s) under consideration.
- **4.2 Methodologies:** Identify information and methodologies that will support discussions, potentially including benefits quantification process, cost allocation formulas, and where they will apply, voluntary funding process.

Potential elements of a State Agreement Process template - 3

Section 5: Finalizing and filing the agreement

- **5.1 Agreement approval:** Determine how final agreement on cost allocation will be memorialized in writing, signed by all participating RSEs, and transmitted to the transmission provider.
- **5.2 FERC Filing:** Identify when and how the TP will include the signed state agreement proposal in its FERC compliance filing, with supporting documentation from the states.
- **5.3 State regulator approach:** Determine how TPs will bring the project and cost allocation agreement before state regulatory commissions for cost recovery.
- **5.4 Failure to agree:** In the absence of a successful state agreement, make it clear that the transmission provider's default cost allocation method will apply.

Section 6: Amendments and termination

- **6.1 Amendments:** Establish the RSE voting requirement needed for any amendments to this framework.
- **6.2 Termination:** Identify the RSE voting requirement needed to terminate the process.

Considerations – 1

- Key question: How will FERC Order 1920 cost allocation (and planning) processes address entities not under FERC jurisdiction, like Tennessee Valley Authority, Bonneville Power Administration, municipal power systems, and rural electric cooperatives?
- **FERC Order 1920-A states:**
 - **Voluntary participation:** Non-jurisdictional entities can *voluntarily* choose to enroll in a regional transmission planning process, such as those overseen SERTP, NorthernGrid, or WestConnect.
 - **Cost allocation:** By enrolling, these entities agree to abide by the cost allocation method for long-term regional transmission projects.
 - **No involuntary costs:** Non-jurisdictional entities are not involuntarily assigned costs for regional projects unless they opt in.

Considerations - 2

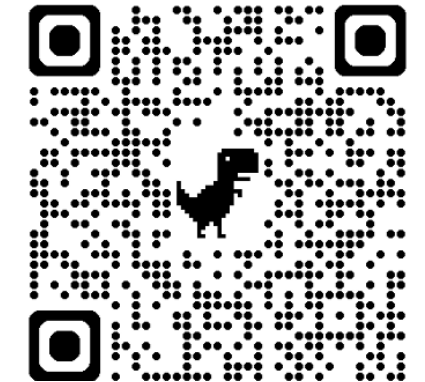
- Questions remain about the relationship between the voluntary projects identified by FERC Order 1920 and the State Agreement Approach projects.

Aspect	Voluntary Funding	State Agreement Process (SAP)
Purpose	A voluntary option for entities, such as state entities or interconnection customers, to pay a portion or all of the costs of a specific project.	A process where relevant state entities work together and voluntarily agree upon a cost allocation method for a specific project or portfolio of projects.
Mechanism	Allows an individual entity to choose to fund a project, in which case their costs are removed from the default regional cost allocation.	Provides a structured negotiation forum for states to propose and agree on an alternative cost allocation method.
Participants	Any entity willing to provide funding, including individual states or interconnection customers.	Relevant state entities within a transmission planning region.
Timeline	Transmission providers must offer timely notice of voluntary funding opportunities.	The SAP negotiation must be completed no later than six months after a project is selected, though states can seek extensions.
Outcome if fails	Not applicable; it is an option for funding, not a negotiation process.	If the states fail to reach an agreement, the costs are allocated using the default regional cost allocation method.



FERC Order 1920 technical assistance is available to states from the National Labs

- Technical assistance offering for states is **currently open!**
 - <https://emp.lbl.gov/projects/state-TA-program>
 - Simple application to get support from national labs
 - Supported by U.S. Department of Energy Grid Deployment Office



State Technical Assistance Program



Thank you

