

FERC's Rulemaking on Cost Allocation

Overview

Today, our nation's electricity transmission system is governed by an outdated patchwork of local, state and federal regulations. As a result of the Federal Power Act, the Federal Energy Regulatory Commission (FERC) has the authority to work with the regions to establish a broad framework to strategically build new electricity transmission. FERC recently issued new rules that build on cost allocation formulas that regions use to pay for high-voltage transmission lines.

FERC's rules establish fair and transparent rules that will help regions more strategically modernize the nation's transmission grid. This new framework will accelerate reliable access to power of all types, promote economic growth and job creation, and facilitate more competitive electricity markets through much-needed transmission development.

FERC's Fair & Transparent Rules

Support voluntary regional agreements

All around the country, regions are working with stakeholders, which include state utility commissions, end users, state and local utilities and co-ops, transmission providers, to craft consensus agreements that support needed transmission in their regions. FERC's rules will ensure these and future processes for funding new electric infrastructure projects continue to drive needed, strategic updates to the grid.

Align costs with benefits

FERC's rules ensure those who benefit from new electric transmission facilities pay for those facilities. The standard requires that only those who benefit from new electric transmission facilities will pay for those facilities and that the amount paid should be "roughly commensurate with the benefits received" – a much more reasonable and workable standard given the long-term and broad benefits of transmission.

Help regions build the infrastructure to meet consumer demand

The rules solidify investment in transmission projects aimed at driving growth, increasing reliability and competition, and providing energy security, national security and environmental benefits for our nation. New projects will be undertaken for the benefit of American businesses and consumers.

Link paying for transmission to the planning process

The rules enhance regional planning processes, and encourage regions to consider public policy objectives, such as state clean energy standards, in their planning activities. It will also facilitate planning efforts between various regions. These measures build upon the reforms that local regions are already doing and will increase competition and lower electricity prices.