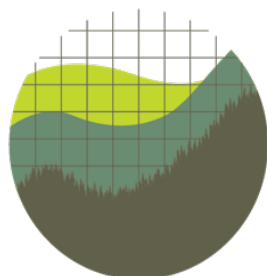




ENVIRONMENTAL &
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Institute *for*
Policy Integrity

NEW YORK UNIVERSITY SCHOOL OF LAW

The Major Questions Doctrine and Transmission Planning Reform

Policy Brief
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This policy brief from the Harvard Electricity Law Initiative¹ and the Institute for Policy Integrity at New York University School of Law² rebuts comments³ filed by 17 states (the States) in response to the Federal Energy Regulatory Commission’s (FERC or the Commission) Notice of Proposed Rulemaking (NOPR), “Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection.”⁴ The States argue that the NOPR would implicate the major questions doctrine because it would “revamp the energy grid’s mix of generation resources writ large,” thereby allegedly intruding upon state authority and imposing large economic effects.⁵

In attempting to leverage the major questions doctrine, the States mischaracterize the NOPR. The NOPR would not “revamp the energy grid’s mix of generation resources,” as the States contend. Rather, it would order utilities to amend existing tariff provisions that outline regional transmission-planning processes to ensure utilities are planning for anticipated changes in resource mix and demand. These changes to resource mix and demand are already occurring as a result of factors entirely unrelated to the NOPR, such as technology and fuel costs, federal and state energy policies, utilities’ carbon-reduction commitments, growing customer demand for renewable energy, and increased electrification.⁶ The NOPR aims to keep FERC-jurisdictional prices just and reasonable by requiring regulated utilities to adopt established best-

¹ The Harvard Electricity Law Initiative is an independent organization based at Harvard Law School’s Environmental & Energy Law Program. This policy brief does not represent the views of Harvard University or Harvard Law School.

² The Institute for Policy Integrity is a nonpartisan think tank dedicated to improving the quality of government decisionmaking through advocacy and scholarship in the fields of administrative law, economics, and public policy. This policy brief does not purport to represent the views, if any, of New York University School of Law.

³ Comments of State of Texas et al., *Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection*, Docket No. RM21-17 (Sept. 19, 2022).

⁴ *Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection*, 179 FERC ¶ 61,028 (2022) [hereinafter NOPR].

⁵ *Id.* at 4.

⁶ NOPR, *supra* note 4, at P 45.

practices in planning and cost allocation that accord with the ongoing changes to the power sector.⁷

The States also overlook key requirements of the major questions doctrine. As the Supreme Court explained in *West Virginia v. EPA*, “a major questions case” is an “extraordinary” one in which an agency “‘claim[s] to discover in a long-extant statute an unheralded power’ representing a ‘transformative expansion in its regulatory authority.’”⁸ Agency action is “unheralded” when it is so novel as to be unlike anything the agency has done before.⁹ And an agency action represents a transformative expansion in the agency’s authority when the action brings about a “‘fundamental revision of the statute, changing it from one sort of scheme of regulation’ into an entirely different kind.”¹⁰ Only when an agency’s action is both unheralded and transformative does it trigger the major questions doctrine and thus the need for “clear congressional authorization” for the action.¹¹

Contrary to what the States argue, application of the major questions doctrine does *not* turn on whether a regulation will have significant economic effects, or on whether the agency has intruded into an area traditionally regulated by states. Although those considerations were embraced in a two-justice concurrence, they did not factor into the majority opinion.¹² Thus, even accepting as true the States’ unsubstantiated assertions about the NOPR’s economic

⁷ See *e.g.*, *id.* at P 99.

⁸ 142 S. Ct. 2587, 2608, 2610 (2022) (alteration omitted) (quoting *Util. Air Regul. Grp. v. EPA*, 573 U.S. 302, 324 (2014)).

⁹ Under the Court’s analysis in *West Virginia*, the relevant antecedent need not be identical—indeed, new regulations will rarely if ever be identical to previous ones, or they would be unnecessary. Rather, the relevant antecedent must be an analogous exercise of authority. See *West Virginia*, 142 S. Ct. at 2610–11; see also *Missouri v. Biden*, 142 S. Ct. 647, 653 (2022) (citing regulations imposing “conditions of participation that relate to the qualifications and duties of healthcare workers” at facilities that participate in Medicare and Medicaid as a basis to uphold an agency regulation requiring Medicare and Medicaid participants to ensure their employees are vaccinated against COVID-19).

¹⁰ *West Virginia*, 142 S. Ct. at 2612 (alterations omitted) (quoting *MCI Telecomms. Corp. v. Am. Tel. & Tel. Co.*, 512 U.S. 218, 231 (1994)).

¹¹ *Id.* at 2614 (quoting *Util. Air Regul. Grp.*, 573 U.S. at 324).

¹² *Id.* at 2620–21 (Gorsuch, J., concurring).

consequences and their flawed claims about the NOPR’s intrusions on state authority, these considerations would not be relevant.

The NOPR does not implicate the major questions doctrine because the Commission’s proposal is neither unheralded nor a transformative expansion of the agency’s authority.

As explained in the NOPR itself, Commission regulation of transmission planning and cost allocation is far from unheralded.¹³ Most obviously, in Order No. 1000, the Commission regulated transmission planning and cost allocation in response to similar concerns about the evolving generation mix.¹⁴ The U.S. Court of Appeals for the D.C. Circuit upheld that order against a sweeping challenge, rejecting claims that closely resemble the States’ arguments here.¹⁵ In particular, the D.C. Circuit concluded that “recogniz[ing] that state and federal policies might affect the transmission market and direct[ing] transmission providers to consider that impact in their planning decisions . . . fits comfortably within the Commission’s authority.”¹⁶ The Commission’s similar approach in the NOPR is thus well grounded in past agency practice and consistent with judicial precedent.

In fact, many jurisdictional tariffs already include provisions that are substantially similar to those that the Commission has proposed to standardize across the industry. **In Appendix A, we have collected a non-exhaustive set of extant tariff provisions that resemble the reforms proposed in the NOPR in key respects.** For instance, existing tariffs outline long-term

¹³ *E.g.*, NOPR, *supra* note 4, at P 12.

¹⁴ *Transmission Planning & Cost Allocation by Transmission Owning & Operating Pub. Utils.*, Order No. 1000, 136 FERC ¶ 61,051, at PP 45, 47 (2011).

¹⁵ *See* S.C. Pub. Serv. Auth. v. FERC, 762 F.3d 41, 48–49 (D.C. Cir. 2014).

¹⁶ *Id.* at 89–90. The opponents of Order No. 1000 similarly attempted to characterize that Order as guiding the generation mix toward renewable energy, but the D.C. Circuit rejected that characterization as “misunderstand[ing] the nature of the mandate.” *Id.* at 89.

planning processes¹⁷ that account for the same factors that the Commission proposes to include through the NOPR.¹⁸ The Commission approved these filed tariff provisions pursuant to Section 205 of the Federal Power Act.¹⁹ Under Section 206, the Commission may order utilities to amend those provisions, whether in a tariff-specific or generic rulemaking proceeding.²⁰ The Commission’s approval of the aforementioned provisions further demonstrates that the reforms proposed in the NOPR are not unheralded.

Many other antecedents exist for Commission regulation of regional planning. In 1976 the Commission found that the New England Power Pool Agreement, which contained transmission-planning and cost-allocation provisions, was just and reasonable (with two exceptions).²¹ In 1979, the D.C. Circuit—approving of the Commission’s acceptance of the similar Mid-Continent Area Power Pool Agreement—affirmed the Commission’s decision that the agreement was not anticompetitive in part because “the Commission has stated that it will monitor access to the planning functions of [the agreement] and, if necessary, institute

¹⁷ App. A at 1–2 (cataloguing numerous long-range planning provisions, e.g., MISO OATT Attachment FF, § I.C: “The Transmission Provider . . . shall develop the [MISO Transmission Expansion Plan] . . . taking into consideration long-range planning horizons, as appropriate. . . . The [plan] will identify Transmission Issues for a minimum planning horizon of five years and a maximum planning horizon of twenty years.”).

¹⁸ *Id.* at 2–4 (cataloguing numerous provisions on planning inputs, e.g., SPP OATT, Attachment O, § III.3: “In accordance with the Integrated Transmission Planning Manual, the Transmission Provider shall incorporate, as appropriate, the following as part of its planning studies: . . . g) Load forecasts . . . h) Capacity forecasts, including generation additions and retirements . . . k) Renewable energy standards; l) Fuel price forecasts; m) Energy efficiency requirements; n) Other relevant environmental or government mandates; . . . q) Other input requirements identified during the stakeholder process . . .”).

¹⁹ *See, e.g., Southwest Power Pool Inc.*, 132 FERC ¶ 61,042 (2010) (accepting SPP’s revised OATT that included an earlier version of Attachment O, § III.3, which appears in part in the previous footnote); *Southwest Power Pool Inc.*, 161 FERC ¶ 61,261 (2017) (accepting SPP’s revised OATT that included modifications to Attachment O, § III.3).

²⁰ *See New York v. FERC*, 535 U.S. 1, 7 (2002) (“[Section] 205 of the [Federal Power Act] prohibited, among other things, unreasonable rates and undue discrimination ‘with respect to any transmission or sale subject to the jurisdiction of the Commission,’ and § 206 gave the [Commission] the power to correct such unlawful practices.” (citations omitted) (quoting 16 U.S.C. § 824d(b))); *see also FirstEnergy Serv. Co. v. FERC*, 758 F.3d 346, 353 (D.C. Cir. 2014) (“The statutory ‘just and reasonable’ standard is the same under section 205 and section 206.”).

²¹ *New England Power Pool Agreement*, 56 F.P.C. 1562, at 1563 (1976); *see NEPOOL Power Pool Agreement*, 48 F.P.C. 538, at PP 539–40 (1972) (describing the agreement).

improvements.”²² In 1999, in Order No. 2000, the Commission encouraged utilities to form RTOs and concluded that RTOs needed to perform certain functions, including regional transmission planning.²³ In orders on compliance, the Commission considered the adequacy of would-be RTOs’ regional transmission-planning proposals.²⁴ Since those orders, the Commission has routinely reviewed amendments to transmission-planning tariff provisions under Section 205.²⁵

These numerous antecedents demonstrate that the NOPR is consistent with longstanding agency practice. Simply put, the NOPR is not “unheralded.”²⁶

Nor would the NOPR represent a transformative expansion in FERC’s authority or bring about a “fundamental revision of the” Federal Power Act’s scheme of regulation.²⁷ The NOPR would simply regulate existing planning processes outlined in Commission-approved tariffs filed by jurisdictional entities. As the Commission explains throughout the NOPR, the planning reforms proposed therein are merely designed to “ensure that Commission-jurisdictional rates remain just and reasonable and not unduly discriminatory or preferential,”²⁸ as required under the

²² Cent. Iowa Power Co-op. v. FERC, 606 F.2d 1156, 1165 (D.C. Cir. 1979); *see also* *Mid-Continent Area Pool Agreement*, 58 F.P.C. 2,622, at 2,672 (1977).

²³ *Regional Transmission Organizations*, Order No. 2000, 89 FERC ¶ 61,285, at 199 (2000).

²⁴ *PJM Interconnection, LLC*, 96 FERC ¶ 61,061, at 61,240–41 (2001); *GridFlorida*, 94 FERC ¶ 61,363, at 62,365–68 (2001); *Midwest Independent Transmission System Operator, Inc.*, 97 FERC ¶ 61,326, at 62,520 (2001); *GridSouth Transco, LLC*, 94 FERC ¶ 61,273, at 62,009–10, *order on reh’g*, 95 FERC ¶ 61,282, at P 61,995–96 (2001); *Alliance*, 94 FERC ¶ 61,070, at 61,318, *order on reh’g*, 96 FERC ¶ 61,052, at 61,143–44 (2001); *New York Independent System Operator, Inc.*, 96 FERC ¶ 61,059, at 61,200–61,204 (2001); *TRANSLink Transmission Company, LLC*, 99 FERC ¶ 61,106, at 61,471–73 (2002); *SeTrans Regional Transmission Organization*, 101 FERC ¶ 61,008, at PP 109–19 (2002); *WestConnect RTO, LLC*, 101 FERC ¶ 61,033, at PP 206–214, *order on reh’g*, 101 FERC ¶ 61,350, at PP 62–68 (2002); *ISO New England Inc.*, 106 FERC ¶ 61,280, at PP 194–218 (2004); *Southwest Power Pool, Inc.*, 106 FERC ¶ 61,110, at PP 175–190 (2004).

²⁵ *See*, e.g., *supra* note 19.

²⁶ *West Virginia*, 142 S. Ct. at 2610 (quoting *Util. Air*, 573 U.S. at 324).

²⁷ *Id.* at 2612 (quoting *MCI Telecomms. Corp.*, 512 U.S. at 231). To trigger the major questions doctrine, an agency action must both be “unheralded” and effect a “fundamental revision” of the statutory scheme of regulation. *See supra* note 11 and accompanying text. Thus, the fact that the NOPR is not unprecedented defeats the States’ invocation of the major questions doctrine, without any need to determine whether the NOPR also represents a transformative expansion in FERC’s authority under the Federal Power Act.

²⁸ NOPR, *supra* note 4, at P 1.

Federal Power Act.²⁹ The Commission proposes to meet that obligation by building on existing regional planning processes outlined in filed tariffs.³⁰ And, as noted above, the D.C. Circuit has held that the Commission has authority under the Federal Power Act to require utilities to account for changes in the generation mix, including increased transmission of renewable resources resulting in part from state policy, in their transmission-planning processes to ensure just and reasonable rates.³¹ In short, the NOPR does not represent a “‘fundamental change’ to [the] statutory scheme.”³²

Because the NOPR is neither unheralded nor transformative, it does not trigger the major questions doctrine.

²⁹ 16 U.S.C. § 824e(a).

³⁰ *See, e.g.*, NOPR, *supra* note 4, at PP 48, 58.

³¹ *S.C. Pub. Serv. Auth.*, 762 F.3d at 48–49.

³² *West Virginia*, 142 S. Ct. at 2609 (quoting *MCI Telecomms. Corp.*, 512 U.S. at 229).

Appendix A: Tariff Provisions Similar to NOPR Requirements¹

Long-Range Planning/Study Horizons

MISO

- OATT Attachment FF, § I.C (“The Transmission Provider . . . shall develop the [MISO Transmission Expansion Plan], consistent with Good Utility Practice and taking into consideration long-range planning horizons, as appropriate . . . Planning Assumptions: Each MTEP report shall list in detail the planning assumptions upon which the analyses are based. In general, planning analyses will be based on the following: . . . a. Planning Horizons: The MTEP will identify Transmission Issues for a minimum planning horizon of five years and a maximum planning horizon of twenty years.”)

SPP

- OATT Attachment O, § III.2.a-b (“The Integrated Transmission Planning Assessment shall review the system for a ten-year planning horizon. . . . The Integrated Transmission Planning Assessment shall identify solutions required to meet the criteria defined in Section III.3 of this Attachment O and assess the cost effectiveness of proposed solutions over a forty-year time horizon.”)
- OATT Attachment O, § IV.2.a (“The Transmission Provider shall perform a 20-Year Assessment at least once every five years, or more frequently if approved by the SPP Board of Directors. The purpose of the 20-Year Assessment is to produce an informational report of possible transmission upgrades that may be used in future planning studies by looking at a longer planning horizon. No project may be authorized for construction as the result of a 20-Year Assessment.”)

CAISO

- OATT, § 24.2 (“The Transmission Planning Process shall, at a minimum: . . . b) Reflect a planning horizon covering a minimum of ten (10) years”)

NYISO

- OATT Attachment Y, § 31.1.4 (“The ISO will prepare and publish the System & Resource Outlook . . . to: . . . (2) project congestion on the New York State Transmission System and system conditions over a twenty-year Study Period”)

WestConnect

- Arizona Public Service Co. OATT Attachment E,² § III.A (“The PMC [Planning Management Committee] will implement the stakeholder-developed Regional Planning Process, which will result in a Regional Plan for the ten-year transmission planning horizon.”)

¹ The tariffs cited in this appendix are available on FERC’s website at <https://etariff.ferc.gov/>.

² Public Utilities that are not RTO members comply with Order No. 1000 by including regional planning processes in their own tariffs. Tariffs of other WestConnect members include identical provisions.

NothernGrid

- Idaho Power Co. OATT Attachment K, Part B, § 1.2 (“Each Planning Cycle considers a ten-year planning horizon.”)

Scenario Planning*MISO*

- OATT Attachment FF, § I.C.8 (“The Transmission Provider shall apply a scenario analysis to determine alternative future generation portfolio possibilities. Generation portfolio development for planning model purposes will be developed with input from the Planning Advisory Committee and its subcommittees, working groups, and task forces. Point-To-Point Transmission Service and Network Integration Transmission Service customers will have an opportunity to guide new generation portfolio development that is reflective of customer future resource plans.”)

SPP

- OATT, Attachment O, § III.7.d (“The Transmission Provider shall assess the cost effectiveness of proposed solutions. . . . This analysis shall take into consideration the following: . . . The analysis scope shall include different scenarios to analyze sensitivities to load forecasts, wind generation levels, fuel prices, environmental costs, and other relevant factors. The Transmission Provider shall consult the stakeholders to guide the development of these scenarios.”)

PJM

- OA, Section 6, § 1.5.3 (“[T]he Office of the Interconnection shall employ sensitivity studies, modeling assumption variations, and scenario analyses, and shall also consider Public Policy Objectives in the studies and analyses, so as to mitigate the possibility that bright line metrics may inappropriately include or exclude transmission projects from the transmission plan.”)

Planning Inputs/Factors*MISO*

- OATT, Attachment FF, § I.C.7 (“Planning Models: The Transmission Provider shall collaborate with Transmission Owners, other transmission providers, Transmission Customers, and other stakeholders to develop appropriate planning models that reflect expected system conditions for the planning horizon. The planning models shall reflect the projected Load growth of existing Network Customers and other transmission service and interconnection commitments.”)
- OATT, Attachment FF, § I.C.8 (“Generation: Planning models of five years or longer will model generation, taking into consideration applicable planning reserve requirements, that are . . . (iii) additional generation as determined with stakeholder input, as necessary to adequately and efficiently meet demand forecasted through the planning horizon and to facilitate compliance with statutory or regulatory mandates.”)

SPP

- OATT, Attachment O, § III.3 (“In accordance with the Integrated Transmission Planning Manual, the Transmission Provider shall incorporate, as appropriate, the following as part of its planning studies: . . . g) Load forecasts . . . h) Capacity forecasts, including generation additions and retirements . . . k) Renewable energy standards; l) Fuel price forecasts; m) Energy efficiency requirements; n) Other relevant environmental or government mandates; . . . q) Other input requirements identified during the stakeholder process”)

PJM

- OA, Section 6, § 1.5.3 (“Sensitivity studies, modeling assumption variations, and scenario analyses shall take account of potential changes in expected future system conditions, including, but not limited to, load levels, transfer levels, fuel costs, the level and type of generation, generation patterns (including, but not limited to, the effects of assumptions regarding generation that is at risk for retirement and new generation to satisfy Public Policy Objectives), demand response, and uncertainties arising from estimated times to construct transmission upgrades. The Office of the Interconnection shall use the sensitivity studies, modeling assumption variations and scenario analyses in evaluating and choosing among alternative solutions to reliability, market efficiency and operational performance needs. The Office of the Interconnection shall provide the results of its studies and analyses to the Transmission Expansion Advisory Committee to consider the impact that sensitivities, assumptions, and scenarios may have on Transmission System needs and the need for transmission enhancements or expansions.”)
- OA, Section 6, § 1.5.6 (“The purpose of the assumptions meeting shall be to provide an open forum to discuss the following: (i) the assumptions to be used in performing the evaluation and analysis of the potential enhancements and expansions to the Transmission Facilities; (ii) Public Policy Requirements identified by the states for consideration in the Office of the Interconnection’s transmission planning analyses; (iii) Public Policy Objectives identified by stakeholders for consideration in the Office of the Interconnection’s transmission planning analyses; (iv) the impacts of regulatory actions, projected changes in load growth, demand response resources, energy efficiency programs, price responsive demand, generating additions and retirements, market efficiency and other trends in the industry; and (v) alternative sensitivity studies, modeling assumptions and scenario analyses proposed by the Committee participants.”)

CAISO

- OATT, § 24.3.1 (The CAISO will consider the following in the development of the Unified Planning Assumptions and Study Plan: . . . (c) Category 2 policy-driven transmission upgrades and additions from a prior planning cycle as described in Section 24.4.6.6; (d) Location Constrained Resource Interconnection Facilities conditionally approved under Section 24.4.6.3; (e) Network Upgrades . . . relating to the CAISO’s Large Generator Interconnection Procedures . . . (g) Policy requirements and directives, as appropriate, including programs initiated by state, federal, municipal and county

regulatory agencies; (h) Energy Resource Areas or similar resource areas identified by Local Regulatory Authorities”)

NYISO

- OATT Attachment Y, § 31.2.2.5 (“The ISO, in consultation with the ESPWG and TPAS, shall develop reliability scenarios addressing the Study Period. Variables for consideration in the development of these reliability scenarios include but are not limited to: load forecast uncertainty, fuel prices and availability, new resources, retirements, transmission network topology, and limitations imposed by proposed environmental or other legislation.”)
- OATT Attachment Y, § 31.2.2.5 (“At the ISO’s request, Market Participants, Developers, and other parties shall provide . . . the data necessary for the development of the System & Resource Outlook. This input will include . . . generation additions and retirements. . . and state policies and related agreements, procurements, and credits.”)

Identification of Energy Production Zones

MISO

- OATT, Attachment FF, § II.C.2.a (“A Multi-Value Project must be developed through the transmission expansion planning process for the purpose of enabling the Transmission System to reliably and economically deliver energy in support of documented energy policy mandates or laws that have been enacted or adopted through state or federal legislation or regulatory requirement that directly or indirectly govern the minimum or maximum amount of energy that can be generated by specific types of generation. The MVP must be shown to enable the transmission system to deliver such energy in a manner that is more reliable and/or more economic than it otherwise would be without the transmission upgrade.”)

CAISO

- Appendix A, Master Definition Supplement (“Energy Resource Area: A geographic region certified by the California Public Utilities Commission and the California Energy Commission as an area in which multiple LCRIGs [Location Constrained Resource Interconnection Generator] could be located. . . .”)
- OATT, § 24.3.1 (“Inputs to the Unified Planning Assumptions and Study Plan . . . d) Location Constrained Resource Interconnection Facilities conditionally approved under Section 24.4.6.3; . . . (h) Energy Resource Areas or similar resource areas identified by Local Regulatory Authorities”)
- OATT, § 24.4.6.3.1 (“The CAISO, CPUC, CEC, a Participating TO, or any other interested parties may propose a transmission addition as a Location Constrained Resource Interconnection Facility.”)