Note: This flowchart applies after each transmission provider's compliance (including *ex ante* cost allocation is approved)

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Transmission Provider Announces Commencement of Long-Term Planning Cycle

STEP 1: Identify Scenario Inputs Considering 7 Categories of Factors

Mandatory Factors

Factors Subject to Discounting

Scenario Planning Inputs
As identified by states & stakeholders

- Input #1: laws/regulations re: **resource mix & demand**
- Input #2: laws/regulations re: **decarbonization & electrification**
- Input #3: **integrated resource plans**
- Input #4: trends in **fuel costs** and **technology**
- Input #5: **resource retirements**
- Input #6: **generator interconnect'n** requests and withdrawals
- Input #7: **utility/corporate/gov** commitments & policy goals

STEP 2: Transmission Provider (e.g., RTO/ISO) develops at least 3 "plausible and diverse" long-term scenarios over at least a 20-year planning horizon

- Plausible scenarios must be "reasonably probable... and collectively ... must reasonably capture probable future outcomes"
- Diverse scenarios allow the transmission provider to "distinguish distinct transmission facilities or distinct benefits of similar transmission facilities[.]"
- Mandatory sensitivity for extreme weather; optional sensitivities for cyber attacks, significant forecast error, fuel price volatility, or other uncertainties

Sensitivities can be applied before or after identification of needs

STEP 3: Transmission Provider identifies "long-term transmission needs" informed by scenarios, sensitivities, and benefits.

In Parallel with Steps 3 & 4: Transmission Provider calculates benefits across at least 7 categories

Benefits inform both identification of transmission needs and candidate project selection

- Benefit #1: avoided/deferred transmission & aging infrastructure replacements
- Benefit #2: loss of load probability & reduced planning reserve margins
- Benefit #3: production cost savings
- Benefit #4: reduced transmission losses
- Benefit #5: reduced congestion due to transmission outages
- Benefit #6: mitigation of extreme weather events/unexpected events
- Benefit #7: capacity cost benefits from reduced peak energy losses

STEP 4: Transmission Provider identifies candidate projects and quantifies benefits

Step 5: Transmission Provider selects project(s)

Cost Allocation Process Begins!

Does a Responsible State Entity invoke State Agreement Process?

Yes

No

Do States reach agreement on cost allocation?

Yes

No

Is alternative cost allocation approved by FERC under the "just and reasonable" standard

Yes

No

Do States re-file a modified cost allocation?

Yes

No

Costs allocated pursuant to ex ante cost allocation developed by transmission provider*

*Ex ante cost allocation filed at FERC is part of initial compliance

Yes

Are benefits greater than 1.25 times costs, including voluntary contributions to cost (or alternative FERC-approved methodology)?

No

Yes

Project Incorporated into Regional Plan!

Optional: entities may contribute funding to specific projects

Does a Responsible State Entity, Interconnection Customer or other non-state entity request to fund a project?

No

Yes

No

Project is not included in expansion plan

<u>Key topics to be determined in each Transmission Provider's Compliance Filing:</u>

* Does the Transmission Provider pick between projects with different benefits or does it defer to stakeholders?

* Is the Transmission Provider required to utilize a competitive transmission solicitation?

* If so, how does the Transmission Provider select between bidders?