Transmission Development and Challenges

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What is FERC?

• An Independent Federal Agency
  – Up to 5 Commissioners
  – No more than 3 from one political party
  – Commissioners are nominated by the President and confirmed by the Senate
  – Chairman serves as administrative head
What is FERC?

• FERC regulates rates, terms, and conditions of service for transmission and wholesale sales of electricity in interstate commerce by public utilities.
  – States generally regulate distribution-level service and retail sales of electricity.

• States are primary decision-makers on siting of transmission facilities.
Transmission Challenges

• Transmission Planning
  – Identifying what transmission facilities are needed to maintain reliability, improve economics, or satisfy public policy requirements that may drive transmission needs

• Transmission Siting

• Transmission Cost Allocation
  – Assigning costs of transmission facilities fairly
• FERC issues notice of proposed rulemaking on June 17, 2010.

• FERC proposes to require transmission planning regions, not the interconnections, to develop transmission plans and cost allocation methods that consider the benefits of new transmission facilities, including reliability, economics, and complying with state or federal laws or regulations.

• FERC also proposes to require each pair of neighboring transmission planning regions to coordinate transmission planning and cost allocation for interregional facilities.
Some borders of transmission planning regions are approximate because not all transmission providers complying with FERC’s Order No. 890 (issued in 2007 and the foundation for this NOPR) have a defined service territory.
Transmission Planning

Today

• Some regions develop transmission plans, but others only study scenarios.

• Some regions believe FERC-approved tariffs keep them from considering the effect of state laws when identifying transmission needs.

FERC Proposal

• Each region would be required to develop transmission plans.

• Requirements established in state or federal laws or regulations that may drive transmission needs would be considered.
• FERC would not require a one-size-fits-all method for allocating costs of transmission facilities.

• Development of cost allocation proposals would start at the regional level.

• If region cannot decide on a cost allocation method, then FERC would establish a method based on the record.
  – Order No. 890: When considering a dispute over cost allocation, FERC considers “whether the proposal is generally supported by state authorities and participants across the region.”
Cost Allocation Principles

• Regions would develop cost allocation methods based on the following principles:
  • Costs allocated “roughly commensurate” with estimated benefits
  • No involuntary allocation of costs to those receiving no benefit
  • Benefit-to-cost thresholds must not be excessive
  • No allocation of costs to other regions except pursuant to agreements
  • Cost allocation methods and identification of beneficiaries must be transparent
  • Different allocation methods could apply to different types of transmission facilities (e.g., developed to meet a need driven by reliability, economics, or compliance with state law)
Who Gets To Build

• FERC’s proposal would remove federal rights of first refusal from FERC-jurisdictional tariffs and agreements

• No preemption of state or local laws or regulations

• Encourage competition and new entrants
Coordination Between Regions

- Jointly evaluate benefits of transmission facilities that begin in one region and end in a second region
- Identify method(s) for allocating the cost of facilities that the regions decide are mutually beneficial
• Comments are due August 30, 2010.
• Regional proposals would be due 6 months after final rule.
• Bilateral coordination proposals would be due 12 months after final rule.
• U.S. Department of Energy providing $80 million under American Recovery and Reinvestment Act
• For each interconnection, funds divided between:
  – Topic A: Interconnection-level analysis
  – Topic B: Greater cooperation between states and stakeholders to guide Topic A analysis
• Improve capabilities to model development of transmission enhancements for scenarios of interest to policy-makers and stakeholders
• FERC NOPR not intended to interfere with this work