

**BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Inquiry Regarding the)
Commission’s Electric)
Transmission Incentives)
Policy)

Docket No. PL19-3-000

**JOINT REPLY COMMENTS OF THE GRID ADVANCEMENT COALITION:
ADVANCED ENERGY ECONOMY, ALLIANCE FOR CLEAN ENERGY NEW YORK,
AMERICAN COUNCIL ON RENEWABLE ENERGY, AMERICAN WIND ENERGY
ASSOCIATION, AMERICANS FOR A CLEAN ENERGY GRID, CENTER FOR
RENEWABLES INTEGRATION, CITIZENS FOR RESPONSIBLE ENERGY
SOLUTIONS, CTC GLOBAL CORPORATION, ENEL GREEN POWER NORTH
AMERICA, ENEL X NORTH AMERICA, INC., ITC HOLDINGS CORP., NATIONAL
ELECTRICAL MANUFACTURERS ASSOCIATION, NATURAL RESOURCES DEFENSE
COUNCIL, NW ENERGY COALITION, R STREET INSTITUTE, SUSTAINABLE FERC
PROJECT, UNION OF CONCERNED SCIENTISTS, WATT COALITION**

August 26, 2019

Introduction

Pursuant to the Notice of Inquiry issued in this docket on March 21, 2019,¹ by the Federal Energy Regulatory Commission (“Commission”), the below-noted organizations² are pleased to submit joint reply comments. Together, our organizations represent a diverse array of transmission stakeholders making up the “Grid Advancement Coalition”—multi-state utilities that develop, own, and operate transmission, transmission equipment manufacturers, renewable energy companies, advanced energy technology developers, non-profit public interest organizations, and major energy-consuming companies. These stakeholders all recognize the significant benefits of an expanded, integrated, efficient, and modernized grid, as well as the policies needed to achieve it.

¹ *Inquiry Regarding the Commission’s Electric Transmission Incentives Policy*, Notice of Inquiry, 166 FERC ¶ 61,208 (2019) (“Notice of Inquiry”).

² Advanced Energy Economy, Alliance for Clean Energy New York, American Council on Renewable Energy, American Wind Energy Association, Americans for a Clean Energy Grid, Center for Renewables Integration, Citizens for Responsible Energy Solutions, CTC Global Corporation, Enel Green Power North America, Enel X North America, Inc., ITC Holdings Corp., National Electrical Manufacturers Association, Natural Resources Defense Council, NW Energy Coalition, R Street Institute, Sustainable FERC Project, Union of Concerned Scientists, WATT Coalition

Most of our organizations have submitted initial comments separately which provide a deeper substantive and legal basis for the comments we file here, and many of our organizations are submitting separate reply comments as well. But we file these comments jointly to indicate the breadth and depth of support for a shift in Commission policies that would allow the savings that certain transmission investment can unlock to be shared by those deploying it. This “shared savings” approach would encourage investments in operational efficiency measures for existing transmission systems. We recommend that the Commission act separately to promote a more expansive transmission planning regime that fully considers the benefits of grid expansion and integration across seams.

Modernizing and expanding the bulk power grid will deliver significant benefits to all electricity consumers by increasing the value of trade across congested transmission systems and thereby lowering the total cost of energy necessary to serve customers. Transmission modernization and expansion can also lower consumer energy costs by creating access to inexpensive remotely produced resources, improve the reliability and resilience of the grid, meet significant emission reduction targets which many utilities and other large businesses have already set, and bring job creation and economic development benefits to America. Integrating the high-voltage grid between and across regions and interconnections will improve bulk power market transparency and efficiency to the benefit of the entire nation.

There are many benefits of transmission investments that are unrecognized and uncredited in the Commission’s current regulatory scheme, making “free riders” of many consumers while others are faced with locally concentrated costs, leading them to oppose transmission development they should favor. The Commission should reset that scheme by focusing its evaluation of transmission incentives on the consumer benefits that proposed transmission investments supported by incentives will deliver, rather than on how “risky” or “challenging” a transmission project may be to develop. Doing so would help broaden the set of technological solutions that transmission developers bring forward and help build broader public support for needed investments in the grid. Further, the Commission should act to ensure that the many benefits of transmission are incorporated in long-term system planning to facilitate sorely needed expansions of regional and interregional transmission.

Proposed Commission Actions

Below, we propose that the Commission take a series of steps to reform its transmission incentives policies and related transmission planning requirements to encourage prompt investment in both improving the efficiency of the existing transmission system and building the integrated grid that is needed to ensure just and reasonable rates. Specifically, we urge the Commission to address

three key issues that, if resolved, will unlock the consumer benefits a modernized and expanded grid can provide.

I. Adopt policies to encourage implementation of low-cost, high-benefit new transmission technologies and other methods to improve the operational efficiency the existing transmission system.

This action is needed to comply with FPA Section 219(b)(3), adopted in the Energy Policy Act of 2005, because the Commission never introduced specific regulations implementing that section in Order 679 or elsewhere. To ensure that it is satisfying the intent of Congress, the Commission should take action now to implement this section of law.

As outlined in the WATT Coalition comments, we encourage the Commission to provide incentives for technologies and operational practices that optimize the capacity of the existing grid as well as the management and control of energy on the grid. Many of these technologies, such as Dynamic Line Rating, power flow controls, and related technologies—are comparatively inexpensive and can deliver significant benefits, yet transmission owners do not have incentives to operate their existing assets more efficiently to deliver more energy.³ We note that 23 entities supported implementing an incentive for operating the existing network more efficiently.⁴ Similarly, as outlined in the R Street Institute’s comments⁵, neighboring Regional Transmission Organizations could eliminate certain congestion costs and improve interregional efficiency by better aligning the operation of the transmission systems to form a more seamless energy marketplace.

New approaches to incentives are needed to accelerate the introduction of new technologies and measures that improve utilization of the existing transmission grid and increase its capacity. As described in the WATT Coalition comments,⁶ we suggest a “shared savings” mechanism that will allow utilities to achieve financial reward for adopting these technologies and saving customers money by expanding the capacity of the existing grid.

³ For a recent analysis and proposal of how to integrate these resources, see: WATT Coalition filing in PL 19-3, and Bringing the Grid to Life, Rob Gramlich, March 2018 <https://watttransmission.files.wordpress.com/2018/03/watt-living-grid-white-paper.pdf>.

⁴ Advanced Energy Economy, Advanced Energy Management Alliance; Alliant Energy Corporate Service, Inc. and DTE Electric Company (Collectively, “Certain TDUs [Transmission Dependent Utilities]”); American Council on Renewable Energy; American Electric Power Company, Inc.; Americans for a Clean Energy Grid; American Wind Energy Association; Ameren Services Company; Consolidated Edison Company of New York, Inc. and Orange and Rockland Utilities, Inc.; Duke Energy Corporation; Edison Electric Institute; Energy Storage Association; ITC Holdings Corp.; National Electrical Manufacturers Association (NEMA); National Grid USA; Oklahoma Corporation Commission (“OCC”) Public Utility Division (“PUD”); Organization of MISO States (“OMS”); PJM Transmission Owners; Potomac Economics, LTD; Public Interest Organizations; R Street Institute; Union of Concerned Scientists; and WIRES

⁵ Comments of R Street Institute, PL 19-3, at 3-7

⁶ Initial Comments of the WATT Coalition in FERC Docket PL19-3.

We urge the Commission to take three concrete steps as quickly as possible:

- First, the Commission should convene a technical conference to fully explore the capabilities of Advanced Transmission Technologies to improve the operations of the existing network. This technical conference would go beyond the focus of dynamic transmission line ratings conference already planned. Congress has explicitly defined “Advanced Transmission Technologies” and required the Commission to exercise its authority to encourage their adoption.⁷ Conducting such an inquiry is an important step in carrying out this directive.
- Second, the Commission should issue a Policy Statement inviting proposals under FPA Section 205 for incentive-based (including performance-based) ratemaking treatments for the use of Advanced Transmission Technologies and other measures that improve the efficiency and capacity of the existing grid. In such a Policy Statement, the Commission should specifically invite proposals to use a “shared savings” approach, as outlined by the WATT Coalition and others in this proceeding, in which customers and the project sponsor share in the benefits of improvements to existing transmission.
- Third, the Commission should issue a notice of proposed rulemaking to modify its regulations in 18 C.F.R. § 35.35, as adopted in Order No. 679, to ensure that its implementation of FPA Section 219(b)(3) fully complies with the directives of Congress. Among other things, the Commission should revise the “risks and challenges” framework that currently guides its consideration of whether to award transmission incentives and requires applicants to propose incentives tailored to a project’s “risks and challenges”. Many of the Advanced Transmission Technologies and operational measures available to improve the capacity and efficiency of the existing grid are not *per se* risky or challenging to implement. Moreover, these technologies and measures are typically not capital intensive, and thus an enhanced return on equity and the other incentives offered under the Commission’s existing regulations do not provide a meaningful incentive for utilities to pursue such projects. Revising the Commission’s regulations to remove the “risks and challenges” barrier to considering these investments, and to specify an incentive allowing for the identification of net benefits, and the sharing of them between utilities adopting these new technologies or measures and their customers, would better align utility incentives to invest in “the capacity and efficiency of existing transmission facilities and improve the operation of the facilities” as Congress required.

⁷ 42 U.S.C. § 16422.

The combination of one or more technical conferences, an immediate policy statement, and a notice of proposed rulemaking would quickly identify both the benefits and the barriers to adoption of Advanced Transmission Technologies and practices to improve the capacity and efficiency of the existing transmission system, allow worthy proposals to be considered immediately, explore additional potential actions, and simultaneously begin to reform the Commission’s regulations to deliver significant reliability and economic benefits in furtherance of Congressional intent in the long-term.

II. Expanding the integrated transmission grid to access and deliver low-cost energy resources.

The Commission should promptly begin a proceeding to remedy the significant issues serving as a barrier to expanding and integrating the grid to access low-cost remote resources and improve bulk power markets on a national basis. Given the many diverse benefits to consumers and the nation of accessing lower-cost remote resources, the Commission should begin an evaluation of these issues now. The roadblocks to these projects are numerous. Both RTO and non-RTO regions have fallen short by failing to plan for interstate and interregional transmission. As a result, very few significant regional or interregional projects have been approved in the last several years, and the Commission could drive that planning forward to ensure, at a minimum, there is planning at every seam. Planning has largely focused on meeting local reliability needs and ignored the considerable consumer benefits available through a broader, integrated interregional or national bulk power market. The Commission could remedy this by requiring a full accounting of the benefits, including but not limited to those laid out in the WIRES Brattle Group report⁸ and the NREL Interconnection Seams Report⁹, and taking actions so that all consumers can share in these benefits. Other problems the Commission should address include:

- The “triple hurdle” problem for interregional lines, *i.e.*, projects must separately be selected in the planning process of each RTO plus a joint RTO planning process. A single planning process involving all relevant regions should be adopted for any given project;
- Failure to address the conflict between two-year lead-times for new generation and ten-year lead-times for the transmission capacity they require—transmission planning and construction must anticipate energy production potential;
- Failure to incorporate new technologies that may be more reliable, resilient, and affordable in the long run.

⁸ Judy W. Chang, Johannes P. Pfeifenberger, J. Michael Hagerty *The Benefits of Electric Transmission: Identifying and Analyzing the Value of Investments*, Brattle Group for WIRES, 2013

⁹ National Renewable Energy Laboratory, *Interconnections Seams Study*, July 2018, <https://cleanenergygrid.org/interconnections-seam-study/>

III. Independent operation of the transmission system.

We are in agreement that independent operation of the transmission system through RTOs/ISOs, independent ownership of the transmission system, or other means provides significant benefits to consumers and promote more efficient investment and operation. We urge the Commission to continue to provide appropriate incentives for independent system ownership, non-discriminatory transmission system planning and operation through RTOs and ISOs, or other means.

Conclusion

Our organizations applaud the Commission for moving forward to consider how it could amend its policies to provide better incentives to meet the compelling needs of the interstate transmission system. These needs are many and must be met if the nation is to achieve any of its most vital energy, environmental, and economic policy goals. Through use of its broad authority over the nation's grid, the Commission can deliver just and reasonable rates for electricity consumers and achieve other key national goals by adopting policies that provide better incentives for projects that improve the operational efficiency and use of existing transmission infrastructure and rights of way through the use of Advanced Transmission Technologies and other advanced operational measures, and that focus attention on planning process barriers standing in the way of the construction of interregional transmission to access low-cost remote energy resources. On the integrated grid of the future, many technologies will have increased roles to play. Taking the steps recommended here will allow the Commission to significantly advance the fulfillment of its fundamental mandate to ensure electric power service across the nation at rates that are just and reasonable and not unduly discriminatory.

Our organizations look forward to further opportunities to offer our views and to assist the Commission in identifying and serving the public interest in this vital domain of energy and environmental policy.

Respectfully submitted,

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