Americans for a Clean Energy Grid

Transmission Tax Credit: A Primer

What is a transmission investment tax credit (ITC)?

A transmission ITC would reduce the costs for customers of large-scale regional and interregional transmission projects, similar to existing wind and solar tax credits which have driven down development costs for those projects by more than 70% over the last decade. An ITC would provide developers long-term investment certainty when building regionally-significant transmission, stimulating both rate-based and "merchant" lines — all while saving consumers money.

Why is a transmission ITC important?

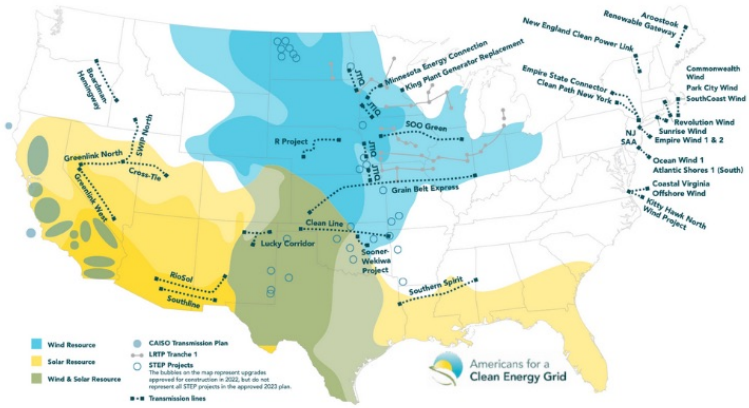
High-voltage transmission is the hardest to build, but provides the greatest regional benefit. Even when built in one state, it can relieve congestion through others, so the costs should be allocated more broadly through a tax credit.

What are the benefits of a transmission ITC?

A 30% ITC for high-voltage transmission would:

- Provide $2.3 billion in energy cost savings for the lower 80% of income brackets
- Create over 650,000 good-paying jobs
- Add 30,000 MW of clean energy capacity to the grid
- Deploy more than $15 billion in private capital investment

FIGURE 1 Transmission projects *ready-to-go*



With 36 high-capacity transmission projects ready to break ground, a tax credit would help move many forward over the next decade.

Would every transmission line qualify for the ITC?

No, only regionally-significant lines that are in the national interest would qualify.

What does it mean for a line to be in the national interest?

Interregional transmission lines which allow regions to transport energy between one another in periods of need, thus increasing reliability and decreasing costs, are critical to the functioning of our electric power system. Accordingly, these lines are in the national interest. Regionally-significant lines include those that:

- Are at least 750 MW or 345-kV
- Cross at least two states, or one state and the outer continental shelf
- Are at least 150 miles long

What would a transmission ITC mean for the electric grid?

Electricity demand has increased over the last few decades and will continue to grow. America's grid of the future needs to meet this demand. In the 1950's, the federal government made a historic investment in the interstate highway system, advancing our ability to move goods and people long distances. Now, we need a similar system upgrade for the power grid to meet the challenges it increasingly faces. More than 70% of the nation's transmission lines are over 25 years old and, in many cases, have exceeded their original design life.

Enacting a transmission ITC would spur transmission development across the country, driving tremendous economic benefits, increasing resilience, bolstering our national security, and maximizing the ability of the grid to deliver low-cost and reliable energy when and where we need it most.

What other policies should be considered in concert with a transmission ITC?

- The federal government should be given primary authority over siting and permitting of regionally-significant transmission lines
- Ongoing funding should be made available for impacted communities to participate in regional and interregional planning, as well as siting, routing, pre-development and technical assistance processes
- FERC should be required to establish a formula to set an interregional transfer capability minimum between any two adjacent planning regions and require planning regions to meet or exceed that minimum capacity
- FERC should also be directed to require that that every region develop an interregional transmission planning process that accounts for full electricity system benefits, selects projects to meet identified interregional needs through a single coordinated assessment, and provides for predictable cost recovery and cost allocation roughly commensurate with benefits

Transmission ITC Proposals in the 118th Congress

The **Grid Resiliency Tax Credit Act** has been introduced in the House and Senate by Rep. Steven Horsford (D-NV) and Sen. Martin Heinrich (D-NM), respectively. The bill would provide a 10-year, 30% tax credit for grid-enhancing technologies and large-scale transmission projects that begin or complete construction between 2024-2033.

Projects eligible for the transmission ITC proposed in this bill are:

- New transmission that meets specific length and capacity requirements
- Modifications to existing transmission that increase capacity by at least 500 MW
- Certain subcomponents necessary for the operation of transmission facilities
- Grid-enhancing technologies that increase the capacity or line rating of transmission facilities
- Transmission property used for interconnection or generator tie-lines

Last Congress, the House passed a transmission ITC as part of its Build Back Better package but it was not included in the final version of the Inflation Reduction Act.