UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection	)))	**Docket No. RM21-17-000**

COMMENTS OF THE
ELECTRICITY CONSUMERS RESOURCE COUNCIL (ELCON)

The Electricity Consumers Resource Council (ELCON) respectfully submits these comments on the July 15, 2021 Advance Notice of Proposed Rulemaking (ANOPR)[1] in the above-captioned docket, in which the Federal Energy Regulatory Commission (FERC or Commission) proposes and seeks comment on potential reforms to improve the electric regional transmission planning and cost allocation and generator interconnection processes.

ELCON is the national association representing large industrial consumers of electricity. ELCON member companies create a wide range of products from virtually every segment of the industrial community—we own and operate hundreds of major facilities and are significant consumers of electricity in the footprints of all organized markets and other regions throughout the United States. Reliable electricity supply at just and reasonable rates is essential to our members' operations. Further, ELCON members rely upon the transmission of electricity by FERC-jurisdictional utilities. Many of ELCON's members also generate electricity and maintain interconnections for purposes of sales of excess power. Accordingly, any changes to the Commission's transmission planning and cost allocation and generator interconnection policies will have a direct financial impact on ELCON members.

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[1] *Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection*, Advance Notice of Proposed Rulemaking, 176 FERC ¶ 61,024 (2021) (ANOPR).

SUMMARY

The Commission's goal in Order No. 1000 was "to adopt reforms to its electric transmission planning and cost allocation requirements for public utility transmission providers… to improve transmission planning processes and cost allocation mechanisms… to ensure that the rates, terms and conditions of service provided by public utility transmission providers are just and reasonable and not unduly discriminatory or preferential."[2] Under its authority under section 206 of the Federal Power Act (FPA), the Commission must execute this duty in a manner that does not unduly shift costs to customers:

> As with Order No. 1000, the statutory framework governing our potential actions in this proceeding remains section 206 of the FPA, which requires us to ensure that all transmission planning processes and cost allocation mechanisms subject to our jurisdiction result in jurisdictional services being provided at rates, terms and conditions that are just, reasonable, and not unduly discriminatory or preferential. Any proposals ultimately adopted by this Commission for reforms or revisions to existing regulations must be consistent with this authority.[3]

Since its implementation a decade ago, additional improvements are necessary to meet the ultimate goals of Order No. 1000 and plan for the transmission grid of the future in the rapidly evolving electric energy industry. Some of the most significant drivers of this evolution are federal, state, local, and company-specific goals for achieving a lower carbon, or net zero, electric power sector. These goals have accelerated the demand for low-carbon energy, which in turn will require significant infrastructure at both the generation and transmission level. As many customers are also seeking lower-carbon energy resources, the financial impact of modernizing the grid to accommodate this shift is significant. According to a study by Princeton University, in order to reach net zero by 2050, high voltage transmission capacity will

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[2] *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, 136 FERC ¶ 61,051 at P 1 (2011), *order on reh'g*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh'g and clarification*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012), *aff'd sub nom. S.C. Pub. Serv. Auth.* v. *FERC*, 762 F.3d 41 (D.C. Cir. 2014) (Order No. 1000).

[3] ANOPR, separate statement from Commissioner Mark Christie, *concurring*, at P 3.

need to expand approximately 60% by 2030 and triple through 2050 with total capital investment in transmission of $360 billion through 2030 and $2.4 trillion by 2050.[4]

With the prospect of such an enormous cost to customers, reforms to the transmission planning process, cost allocation, and generator interconnection process are crucial. As recognized by the Commission, "[e]nsuring just and reasonable rates as the resource mix changes, while maintaining grid reliability, remains the priority in the regional transmission planning and cost allocation and generator interconnection processes."[5] However, the Commission's reforms must protect consumers from increased costs and not build transmission to support any particular type of generation without considering the impact on consumers. As Commissioner Danly noted in his concurrence:

> I fear that in the enthusiasm to build transmission, many may tout the benefits of new transmission while overlooking the costs that will eventually be borne by ratepayers. No proposed policy, however worthy, can evade our statutory duty to ensure that rates are just and reasonable.[6]

ELCON remains committed to ensuring that Commission policies adhere to its central responsibility to ensure just and reasonable rates for customers. As demonstrated by our continued inquiry into whether organized wholesale markets indeed provide the reported cost savings to ratepaying customers[7] to ensuring that customers are not overpaying to incent electric utilities to perform their duties as expected,[8] ELCON will continue to advocate for technology-neutral policy providing

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[4] Princeton University, *Net-Zero America: Potential Pathways, Infrastructure, and Impacts*, p. 108 (Dec. 15, 2020).

[5] ANOPR at P 3.

[6] ANOPR, separate statement of Commissioner James Danly, *concurring*, at P 4.

[7] ELCON Letter to Congress re: Independent Study of the Cost of Electricity (July 8, 2021), https://elcon.org/independent-study-of-the-cost-of-electricity/.

[8] *See*, Comments of the Electricity Consumers Resource Council, *et al.*, Docket No. RM20-10-000 (July 1, 2020); Reply Comments of the Electricity Consumers Resource Council, Docket No. RM20-10-000 (July 26, 2021); Initial Comments of Joint Commenters, Docket No. PL19-3-000 (Aug. 26, 2019).

just and reasonable costs for all customers of electric power.

FERC stated the goal of the ANOPR is to consider reforms necessary at this time to ensure that rates for Commission-jurisdictional service are just and reasonable in light of changing conditions in the industry, as it understands its duties under Section 206 of the FPA.[9] ELCON believes the best way to achieve that goal is to facilitate a broader and holistic planning process that incorporates probabilistic future scenarios to provide a roadmap of transmission development necessary to meet emerging challenges and opportunities. To this end, independent oversight of the transmission planning process is necessary to ensure that planning procedures are followed, and that the most beneficial and lowest cost solutions are put forward with fair cost allocation according to cost causation and beneficiary pays principles. Cost allocation, itself, should be refined to account for positive outcomes that are not easily quantified on a proportional level, therefore capturing the full range of benefits and identifying the true beneficiaries. Given its subjective nature, cost allocation should not determine whether a project is subject to competition as it can offer several loopholes for transmission owners to avoid competition. Instead, a bright-line threshold should be established, eliminating the potential for gaming, in order for consumers to appreciate the full benefit of transmission development at just and reasonable costs.

I. TRANSMISSION PLANNING REQUIRES SIGNIFICANT IMPROVEMENT TO MEET FUTURE ENERGY GOALS

A. <u>Transmission Planning Under Order No. 1000 is Insufficient and Can Contribute to Inefficiencies and Perverse Incentives</u>

In the decade since Order No. 1000 was implemented, several inefficiencies and unintended consequences have emerged in transmission planning despite the intentions of Order No. 1000 envisioned by the Commission and the electric energy industry. While Order No. 1000 made strides in transparency, competition, and

[9] *See* ANOPR at PP 1-2.

coordination, thus far it has not resulted in a comprehensive plan to build towards a grid that could reasonably accommodate current and future needs.

Competitive processes, though well intentioned, have led to less cooperation and coordination within regions as well as the exploitation of loopholes to preserve rights of first refusal (ROFR). As a result, transmission planning has tended to be myopic, piecemeal, and inconsistent. Although the Commission provided ample flexibility to allow regions to implement rules and procedures best tailored to their stakeholders' needs, the result has, at times, been disjointed and self-serving. The next 10 to 20 years anticipate historical spending on transmission infrastructure making these decisions of utmost national importance. For consumers, the lowest cost transmission solutions, whether they be new lines or non-wire alternatives, need to be implemented in a responsible and cost-conscious manner. Transmission planning and development must be well thought out, inclusive, and lowest cost.

The evolving challenges that our energy grid is facing and will continue to face in the coming decades necessitate a well thought out and coordinated national roadmap that can address both unique regional challenges as well as broader national needs. Currently, our transmission planning processes focus on local or regional needs and solutions rather than how to maximize the benefits of an integrated transmission grid at the lowest cost to consumers. As noted by Chairman Rich Glick and Commissioner Allison Clements, "under the *status quo*, customers could end up paying far more to meet their transmission needs than they would under a more forward-looking approach that identifies the more efficient or cost-effective investments in light of the changing resource mix."[10]

[10] ANOPR, separate statement from Chairman Rich Glick and Commissioner Allison Comments, *concurring,* at P 8.

1. A national transmission planning roadmap incorporating a more holistic analysis is necessary to inform generation and transmission planning

For most of the last century, transmission planning has been a relatively straightforward and predictable process. Transmission expanded as needed to bring electric generation to new customers as both population and per-capita electricity consumption grew.[11] As communities became denser and land availability moved farther away from cities and suburbs, centrally-located large electric generation plants took advantage of economies of scale and were sited farther from the end-use customer. Transmission was the conduit to bring that energy to the communities that needed it. Transmission planning traditionally relied on historical data, predictions of load growth, and an analysis of potential reliability or instability issues for which transmission could offer a solution.[12]

The evolving challenges that our energy grid is facing today and will continue to face in the coming decades necessitate a well thought-out and coordinated national roadmap that can address both unique regional challenges as well as broader national needs. Unlike the planning of the past, we must take into account a generation mix with weather-dependent performance, more extreme and frequent weather events, new technologies, and cyber and physical threats to our grid, both foreign and domestic. This creates planning complexities that had not existed when large-scale transmission was first built in the mid twentieth century. Remarkably, our transmission system of the past has remained robust and flexible enough to enable the evolution of the energy grid that we see today. However, aging infrastructure and complex energy needs require new transmission solutions that cannot be done piecemeal without consideration of broader needs and benefits.

A holistic, macro analysis of the nation's transmission grid will be necessary in

[11] *See* Navigant Consulting Inc. for the Eastern Interconnection States' Planning Council and the National Association of Regulatory Utility Commissioners, *Transmission Planning White Paper*, pp. 6-7 (Jan. 2014); National Council on Electric Policy, *Electricity Transmission, A Primer*, pp. 2-4 (June 2004).

[12] *Transmission Planning White Paper*, pp. 24-25.

order to assess our current grid capabilities and plan for future transmission needs. Currently, there is no transmission roadmap that would maximize the net benefits of transmission to consumers and ensure that costs are allocated fairly. Limiting transmission planning to focus exclusively on regional needs fails to take advantage of efficiencies of scale of broader solutions at lower shared costs. Consumers end up paying for multiple, expensive, one-off solutions that may have been more cost-effectively addressed by one larger, multi-regional transmission project with shared costs over a larger footprint. Without a national holistic understanding of the grid today paired with future needs, inefficient and expensive transmission development will continue unabated.

The Commission should require that each regional transmission planner, in consultation with the Commission and other federal or private institutions with the ability to gather and synthesize data, participate in periodic assessments of the nation's grid to develop a comprehensive roadmap that identifies (1) potential generation-rich zones, (2) scheduled generation retirements, (3) the make-up of each region's interconnection queue, (4) potential reliability challenges, (5) aging infrastructure in need of upgrades or replacement, (6) federal and state low-carbon energy goals, and (7) potential broad backbone transmission solutions.[13] The Commission should strongly encourage state regulators to participate in order for those regulators to understand the national perspective of what transmission is necessary. ELCON applauds the Commission's efforts in creating a joint-federal transmission task force with the National Association of Regulatory Utility Commissioners (NARUC) to foster better coordination of federal and state transmission development goals.[14] Given that states have the primary role in approving these projects, initial understanding and buy-in is

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[13] An example of a potential "roadmap" can be found in several studies investigating the macro-grid needed to meet future low-carbon energy goals, see, e.g., Energy Systems Integration Group, *Transmission Planning for 100% Clean Electricity,* p. 17, Figure 7 (Feb. 2021); https://www.esig.energy/wp-content/uploads/2021/02/Transmission-Planning-White-Paper.pdf.

[14] *Joint Federal-State Task Force on Electric Transmission*, 175 FERC ¶ 61,224 (2021).

crucial. Providing this informational roadmap would also facilitate generator and transmission planning and siting decisions and potentially send the correct market signals for generators to make informed decisions about whether and where to interconnect to the grid, thus alleviating some of the backlog in the interconnection queue of non-viable speculative projects and ensuring that customer rates remain just and reasonable. As emphasized in ELCON's Order No. 1000 comments:

> ELCON and the Associated Industrial Groups believe that transmission resources should be developed at the lowest possible cost, and this requires [ ] a cost allocation method that sends appropriate price signals for efficient siting decisions. Broad cost spreading, absent substantial evidence of benefits, would mask or distort price signals and, as a result, lead to poor resource selection and siting decisions—as well as rates that are not "just and reasonable."[15]

The national roadmap or macro-grid concept should be reviewed and updated every three to five years to accurately reflect the current state of the transmission grid, cost-effective technology advancements, and evolving customer needs. The national roadmap would be informational only and would not mandate any specific transmission solution.

2. <u>Transmission planning, including the national roadmap, must take into consideration multiple future scenarios</u>

A large part of the piecemeal nature of transmission planning can be attributed to planning for one specific category rather than a scenario planning approach. Silo-ing projects into specific categories—reliability, market efficiency, or public policy—limits transmission planners from examining bigger projects that take into consideration other needs, solutions, and benefits.[16] Transmission planning at the planning region level and at the national roadmap level must take into consideration probabilistic scenarios that incorporate multiple variables for a future period of time. While such scenario

[15] Comments of ELCON and the Associated Industrial Groups, Docket No. RM10-23-000, pp. 4-5 (Sept. 29, 2010) (ELCON Order No. 1000 Comments).

[16] *See* ANOPR at PP 5, 70, 78, 85.

planning is subject to several unknowns (especially farther in the future),[17] determining the likelihood of one or two dominant scenarios should inform transmission planners of investments which will be needed and the optimal transmission solution to meet future needs. Given the time needed to plan, develop, site, and construct a transmission project, future scenarios need to be studied now, especially as federal, state, and local government carbon policies have firm deadlines.

The national roadmap and regional planning processes will need to consider the probability of many different variables and/or combination of variables for the next ten years, at a minimum.[18] As many zero carbon and low-carbon energy goals have compliance dates of 2035, 2040, and 2050, transmission planning of today must reflect those goals as part of a probabilistic analysis. Other variables that must be taken into account are the future anticipated generation mix, which includes generation retirements, the generator interconnection queue, and low-carbon energy policies and goals; the performance capabilities of that generation mix; storage technologies; projected penetration of distributed energy resources; potential energy zones of generation rich areas (including offshore wind); climate forecasts; emerging technologies including grid enhancing technologies; potential reliability and stability problems; congestion; cyber and physical vulnerabilities; and changing load patterns, including those brought on by the increased electrification of transportation.

As the nation's needs, technologies, and climate evolve, other variables may need to be included in future scenario planning. Consideration of low, medium, and high probabilities should be weighed to mitigate against overbuild, gold-plating, stranded assets, and unnecessary costs to consumers.

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[17] For instance, current legislation under consideration by Congress such as the Clean Electricity Performance Program, as well as state supported energy goals, may or may not be durable due to procedural concerns or changing Administration priorities. *See, e.g.*, ELCON Letter to Senate Committee on Energy and Natural Resources (Sept. 17, 2021), https://elcon.org/clean-electricity-performance-program-letter/.

[18] As transmission projects take between seven and ten years to complete, planning must start now to accommodate the potential resource mix and extreme weather impacts of the next decade.

II. COORDINATION AND OVERSIGHT ARE NECESSARY FOR SUCCESSFUL TRANSMISSION PLANNING

A. Merely Encouraging Coordination Will Not Meet the Goals of a Cost-Effective, Reliable, and Efficient Grid

In Order No. 1000, the Commission provided ample flexibility for each region to design its own transmission planning process, with input from stakeholders, that met the directives for an open and transparent process. The Commission also directed that "we have sought to provide flexibility for public utility transmission providers in each region to propose, in consultation with stakeholders, how best to address participation by nonincumbents as a result of removal of the federal right of first refusal from Commission-jurisdictional tariffs and agreements."[19] The Commission also directed neighboring regions to share data and coordinate planning to determine whether transmission solutions could provide multi-regional benefits.[20] Again, the Commission provided flexibility in achieving this directive. The Commission stated, "the Commission declines at this time to impose specific obligations as to how neighboring transmission planning regions must share information regarding their needs, and potential solutions to those needs, or identify and jointly evaluate interregional transmission alternatives to those regional needs, as well as proposed interregional transmission facilities."[21]

With the experience of Order No. 1000 compliance in the last decade, it has become clear that more stringent requirements will be needed to meet the nation's

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[19] Order No. 1000 at P 227; *see also id* at P 259, "current mechanisms used to evaluate competing transmission projects vary by region… the public utility transmission providers in a region may, but are not required to, use competitive solicitation to solicit projects or project developers to meet regional needs."

[20] *Id*. at P 396 "The Commission requires each public utility transmission provider, through its regional transmission planning process, to establish further procedures with each of its neighboring transmission planning regions for the purpose of coordinating and sharing the results of respective regional transmission plans to identify possible interregional transmission facilities that could address transmission needs more efficiently or cost-effectively than separate regional transmission facilities."

[21] *Id*. at P 397.

transmission needs. First, although regional transmission planning takes into consideration multiple stakeholder proposals and feedback, a national coordinated transmission planning review should be established. As discussed in section A.1 above, mandatory coordination among the nation's regional transmission planners, with the assistance and oversight of the Commission, is necessary to create a more holistic analysis of the current state of the grid and potential backbone solutions to meet future grid challenges. States should be strongly encouraged to participate at the national and regional level to understand bigger-picture needs and potential costs for their states.

Second, at the regional level, expanded and mandatory competitive processes create a level playing field for all transmission developers to offer the most cost-effective and efficient transmission solutions. Uneven application of competition has led to perverse incentives for incumbents to keep projects small to avoid competition and transmission developers to avoid communication and data sharing in order to remain competitive. The Commission must reform current practices to encourage coordination rather than creating incentives to engage in more insular planning. The result of these perverse incentives is that consumers are overpaying for transmission.

Third, interregional planning must also become mandatory and streamlined. Differences in planning criteria, cost allocation, and state policies have complicated and hamstrung the identification of any interregional projects. Here again, a national roadmap could facilitate planning among regions as more comprehensive solutions are identified. The Commission should require that neighboring regions agree to set planning criteria and cost allocation methodologies with a planning cycle every two to five years. Such interregional planning may contemplate interconnection-wide planning or such other larger footprint (incorporating more than just adjacent planning regions), with the goal of considering broader solutions that reduce costs to consumers relative to the status quo. Eliminating the requirement that each region first select a project within each transmission planning process and instead requiring a completely separate interregional planning process could alleviate many of the hurdles in coordinating across regions.

To reiterate, any new rules or processes need to encourage full coordination and cooperation rather than each region solely focusing on their individual needs. The entire planning process must look at the bigger picture to ensure that what we invest in, and ultimately build, provides the most benefit for the most consumers at the lowest cost. Incremental and regionally-focused transmission build ultimately costs consumers more than they might pay through a future scenario process featuring a more holistic, macro analysis of larger grid needs and potential solutions. Although such a large build would be costly upfront, these costs could potentially be spread over a larger footprint with more cost sharing among beneficiaries, and the large build would avoid a number of one-off transmission projects. In other words, consumers may prefer to pay for a single interregional project rather than paying piecemeal for dozens of local or regional projects whose combined cost far exceeds that of the interregional project.

B. Transmission Planning Must Coordinate with Generation Interconnection

Retaining separate transmission planning and generator interconnection processes is problematic and inefficient. Incrementally studying generator interconnection requests focuses on reliability implications at the point of interconnection. As a result, piecemeal upgrades are made until the next generator is studied and ultimately assigned the cost of that upgrade. There is no consideration given for other potential solutions that provide wider benefits and allow multiple generators to exit the queue because a larger, more beneficial upgrade or new build was implemented. Again, a national roadmap could facilitate generation siting decisions and accommodate larger generation penetration. Coordinated transmission planning and interconnection study not only helps alleviate queue backlogs and speculative projects dropping out due to exorbitant upgrade costs but can inform transmission siting decisions that reduce the all-in cost of electricity for consumers.

The interconnection queue must also inform overall transmission planning for future scenarios. To maintain separate processes leaves each process less informed about optimal siting and planning decisions for both transmission and generation developers. Across the board, whether in a regional transmission organization or independent system operator (RTO/ISO) footprint or outside of an RTO/ISO, an independent transmission planner, in addition to the interconnecting transmission owner, should be involved in generation queue studies and future generator developers must be encouraged to participate in the transmission planning process, regardless of whether the two processes are intertwined or separate. Again, greater coordination among the two creates a broader and more comprehensive understanding of what is needed where and who ultimately benefits.

Those generation projects that have achieved certain pre-determined milestones and are most shovel-ready would be included in the upcoming transmission planning cycle as an input into regional plans. This allows for consideration of wider benefits and larger solutions than mere upgrades at the point of interconnection. Other generation developers could participate in the planning cycle to understand future siting options that would reduce the cost of and need for upgrades as well as reduce the number of purely speculative projects. At the national level, interconnection queues help inform a national roadmap by identifying the potential future energy supply mix and where to site the most optimal transmission solution to accommodate interconnection.

C. Oversight is Necessary in Order to Provide More Holistic and Disciplined Transmission Planning

Since the implementation of Order No. 1000, there have been numerous transmission planning cycles, competitive windows, and interconnection studies without significant independent oversight. Although RTOs/ISOs operate and manage these processes as independent parties, there is a natural incentive to support transmission owners, whose membership is relied upon for the RTOs/ISOs' viability. Currently, the avenue to expose inadequacies or violations of these procedures is through FPA section 206 complaints and investigations. However, FPA section 206 matters require significant time and resources with an onerous burden of proof levied on the complainant. Thus, it is necessary and timely to engage an independent transmission monitor, similar to the independent market monitor, to supervise and reinforce the region's transmission practices and procedures. The fundamental responsibility of the independent transmission monitor should be to participate in the national roadmap planning process; oversee compliance with their region's transmission planning process, open solicitation protocols, evaluation methodologies, and competition exemptions; conduct *ex-post* audits of transmission project efficacy; enforce construction and development cost caps; and engage in mandatory interregional planning and coordination with other regions.

In RTO/ISO regions, existing independent market monitors can incorporate the role of independent transmission monitor should they have the expertise and resources. If such oversight extends beyond the independent market monitor's capabilities, each RTO/ISO board could designate and fund a separate independent transmission monitor in consultation with all stakeholder groups.

In regions outside of RTOs/ISOs, all stakeholder groups, including all qualified transmission developers in the planning region, should designate and fund an independent transmission monitor. To the extent that future transmission developers meet the qualification requirements of that planning region, they too will be required to contribute to the funding of the independent transmission monitor on an ongoing basis, regardless of whether they are selected in a competitive solicitation in that region.

III. COST ALLOCATION SHOULD NOT BE THE SOLE DETERMINANT OF HOW TRANSMISSION IS PLANNED

A. Cost Allocation Remains One of the Most Difficult and Controversial Aspects of Order No. 1000

As currently designed under Order No. 1000, cost allocation remains the central tenet to regional transmission planning. Order No. 1000 states:

the Commission adopt[s] a framework in which, upon selection of a transmission

> facility in a regional transmission plan for purposes of cost allocation, the developer of that transmission facility (whether incumbent or nonincumbent) will have the ability to rely on the relevant cost allocation method or methods within the region should it desire to move forward with its transmission project.[22]

The Commission also acknowledged that "we recognize that identifying which types of benefits are relevant for cost allocation purposes, which beneficiaries are receiving those benefits, and the relative benefits that accrue to various beneficiaries can be difficult and controversial."[23] Such statement holds true today and has contributed to the delays and shortsighted planning necessary to meet our transmission needs. Cost allocation, though extremely important especially from the consumer perspective, should not be the sole focus of our transmission planning. Cost allocation is important and must be done properly to ensure that costs are not unduly shifted to customers that do not benefit. While cost causation and beneficiary pay principles are of utmost importance in determining cost allocation for transmission projects, the Commission and transmission planners have relied on rudimentary metrics to determine what is a "benefit" and who is the recipient of that benefit or who ultimately "caused" the need for a transmission project.

Cost allocation methodologies have failed to take into consideration positive externalities that can be difficult to quantify when determining benefits and beneficiaries. In fact, benefits and beneficiaries can evolve over time that were never envisioned when a transmission project was initially constructed. To further complicate matters, current and former Commissioners question whether they have the authority to assess or quantify environmental impacts,[24] which may prevent alignment on

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[22] Order No. 1000 at P 339.

[23] *Id*. at P 670.

[24] *Northern Natural Gas Company,* 174 FERC ¶ 61,189 (2021), statement of Commissioner James Danly, *concurring in part and dissenting in part*, P 19 "There is no question that it is within the Environmental Protection Agency's (EPA) purview—not the Commission's—to determine whether emissions will have a significant effect on the environment." (footnote omitted); Chairman Rich Glick (@RichGlickFERC), Twitter (Oct. 15, 2020 at 10:34am) "@FERC is not an environmental regulator. At the same time, the orders @FERC issue [sic] have a very real impacts on #GHG emissions & we cannot act as if

whether and how to account for societal and environmental benefits that may be shared over a large footprint or even nationally.[25]

Cost allocation will continue to be argued, refined, and improved. And whereas there is no silver bullet, one recommendation is to assign allocation on a proportional basis rather than assign all quantifiable costs to captive customers. For instance, based on cost causation principles, renewable generation projects could be proportionally assigned to the state[26] whose policies necessitated low-carbon energy resources and the generator or generators that seek interconnection to that specific project or transmission line. As ELCON stated in reference to Order No. 1000:

> When new generation projects are driving the need for new transmission, cost causation principles require the recovery of those new transmission costs from the generation projects. Cost allocation comes into play only with respect to recovery from transmission customers of any transmission costs that are not directly assigned to generators. The initial step of directly assigning transmission costs will: (1) help ensure that only facilities that are cost justified get built; (2) make new generators sensitive to location; and (3) protect customers from projects that don't benefit them.[27]

Widespread, hard-to-quantify benefits, including environmental or societal benefits as determined by stakeholders and transmission planners, could be allocated as

#ClimateChange does not exist," https://twitter.com/richglickferc/status/ 1316749268498214912 ?lang=ca; *Remarks of Chairman Neil Chatterjee on the Technical Conference regarding Carbon Pricing in Organized Wholesale Electricity Markets*, "FERC is _not_ an environmental regulator. We have neither the expertise nor the authority to weigh in on how to best curb emissions," FERC, https://www.ferc.gov/news-events/news/remarks-chairman-neil-chatterjee-technical-conference-regarding-carbon-pricing (Sept. 30, 2020) (emphasis in original).

[25] Institute for Policy Integrity, *A Path Forward for the Federal Energy Regulatory Commission: Near-Term Steps to Address Climate Change*, p.15 (Sept. 2020) "FERC, therefore, should direct ISO/RTOs to explicitly account for broader societal effects in transmission planning, such as climate effects and other externalities. ISO/RTOs should quantify and monetize greenhouse gas emissions and other pollutants associated with proposed projects, and incorporate those into their transmission planning analysis. Requiring transmission planners to consider these benefits, in combination with requiring interregional planning as suggested above, would lead to the development of cost-effective regional and interregional transmission projects that support nationwide decarbonization" (footnote omitted).

[26] State could be defined as the generators and load within that state or state sponsorship of a transmission line.

[27] ELCON Order No. 1000 Comments, p. 6.

a small percentage over a larger footprint to acknowledge the far-reaching effects of that benefit while higher percentages of the overall cost are allocated based on quantifiable metrics such as avoided congestion costs, reliability improvements, and regionally-specific upgrades.

The overall effect of proportional cost allocation adheres to both cost causation and beneficiary pays principles while also decreasing the burden on captive ratepayers for the broader societal benefits of transmission and potentially easing disputes between states. As noted by ELCON and associated industrial groups "cases, going back over seventy years, have reaffirmed time and again that a pricing scheme will not pass muster if it subjects ratepayers to costs for facilities from which they derive no benefits, or benefits that are insufficient in relation to the costs sought to be shifted to the ratepayers."[28] Here again, a national holistic roadmap could provide added clarity to the question of who benefits and how.

B. Cost Allocation Should Not Be the Determinant of Projects Eligible for Competition

Cost allocation should not be the determinant of whether projects are eligible for competition due to the subjective nature of cost causation and beneficiary pays. Such subjectivity leads to gaming of the system to exclude projects from competition, thus eliminating the potential benefits of larger, more comprehensive, competitively-bid solutions.[29] Cost allocation issues lead to many contested outcomes and can hinder

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[28] *Id*., p. 5.

[29] For example, the California Public Utilities Commission states that "self-approved" projects that are not scrutinized in the transmission planning process account for $5 billion in PG&E's transmission ratebase between 2007 and 2017, representing 63.0% of its capital additions; over $971 million in Southern California Edison's transmission ratebase between 2007 and 2017, representing 14.9% of its capital additions; and $404.4 million in San Diego Gas & Electric's transmission ratebase in the last five years, between 2012 and 2017, representing 11.1% of its capital additions during this period. Initial Post-Technical Conference Comments of the California Public Utilities Commission, Docket No. ER18-370-000, p. 9 (May 31, 2018). In PJM, Immediate Need Reliability Projects that are exempt from competition accounted for over $4.5 billion dollars over a six-year period. Response of LS Power Transmission Holdings II, LLC, Docket No. EL19-91-000, p. 2 (Jan. 27, 2020). Also in PJM, Supplemental Projects that are exempt from competition are estimated to be about $18 billion with $6 billion for aging infrastructure alone. Initial Comments of American Municipal Power, Inc., Docket No. EL16-71-000, p. 3 (Oct. 25, 2016).

efficient transmission development. By implementing an objective criterion for competitive solicitation, (such as a voltage threshold) the Commission could reduce gaming and consumers can benefit from the cost savings of competitively bid solutions.

CONCLUSION

ELCON appreciates the Commission's efforts to re-examine transmission planning, generator interconnection, and cost allocation. As discussed above, although Order No. 1000 provided a framework for more collaborative, transparent, and cost-effective transmission planning and development, it did not go far enough to ensure that future needs are met without unnecessary cost, delays, and exemptions. ELCON urges the Commission to take a more proactive and holistic approach to transmission planning to ensure that consumers are benefitting from transmission development and are not unduly bearing the high costs of uncoordinated, incremental development.

Respectfully submitted,

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