UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Competitive Transmission Development Technical Conference — Docket No. AD16-18-000

FURTHER SUPPLEMENTAL NOTICE OF TECHNICAL CONFERENCE

(June 20, 2016)

As announced in the Notice of Technical Conference issued on March 17, 2016, and the Supplemental Notice of Technical Conference and Request for Speakers issued on May 10, 2016, the Federal Energy Regulatory Commission will hold a Commissioner-led technical conference on June 27, 2016, from approximately 1:00 p.m. to 5:00 p.m., and on June 28, 2016, from approximately 9:00 a.m. to 5:00 p.m., at the Commission's headquarters at 888 First Street, NE, Washington, DC 20426. The purpose of the technical conference is to discuss issues related to competitive transmission development processes, including, but not limited to, the use of cost containment provisions, the relationship of competitive transmission development to transmission incentives, and other ratemaking issues.[1] In addition, participants will have the opportunity to discuss issues relating to interregional transmission coordination and regional transmission planning as well as other transmission development issues.[2]

An updated Agenda for the technical conference, including speakers, is attached.

The conference will be open for the public to attend. Information on the technical conference will also be posted on the Calendar of Events on the Commission's web site, http://www.ferc.gov, prior to the event. Advance registration is not required but is encouraged. Attendees may register at the following webpage: https://www.ferc.gov/whats-new/registration/06-27-16-form.asp.

This event will be webcast and transcribed. Anyone with internet access can navigate to the "FERC Calendar" at www.ferc.gov, and locate the technical conference in

[1] Topics to be discussed include, but are not limited to, those that the Commission described in *NextEra Energy Transmission West, LLC*, 154 FERC ¶ 61,009, at PP 76-78 (2015) and *ITC Grid Development, LLC*, 154 FERC ¶ 61,206, at P 49 (2016).

[2] *See Northern Indiana Public Service Co. v. Midcontinent Independent System Operator, Inc. and PJM Interconnection L.L.C.*, 155 FERC ¶ 61,058, at P 54 (2016).

the Calendar of Events. Opening the technical conference in the Calendar of Events will reveal a link to its webcast. The Capitol Connection provides technical support for the webcast and offers the option of listening to the meeting via phone-bridge for a fee. If you have any questions, visit www.capitolconnection.org or call 703-993-3100. The webcast will be available on the Calendar of Events at www.ferc.gov for three months after the conference. Transcripts of the conference will be immediately available for a fee from Ace-Federal Reporters, Inc. (202-347-3700).

Commission conferences are accessible under section 508 of the Rehabilitation Act of 1973. For accessibility accommodations, please send an email to accessibility@ferc.gov or call toll free 1-866-208-3372 (voice) or 202-502-8659 (TTY), or send a FAX to 202-208-2106 with the required accommodations.

Interested parties may submit post-technical conference comments for consideration in Docket No. AD16-18-000.

While this conference is not for the purpose of discussing specific cases, we note that the discussions at the conference may address matters at issue in the following Commission proceedings that are either pending or within their rehearing period:

ISO New England Inc.	Docket Nos. RT04-2 & ER09-1532
Midwest Independent Transmission System Operator, Inc.	Docket No. ER11-1844
Northern Indiana Public Service Company v. Midcontinent Independent System Operator, Inc. and PJM Interconnection, L.L.C.	Docket No. EL13-88
New York Independent System Operator, Inc.	Docket No. ER13-102
PJM Interconnection, L.L.C.	Docket No. ER13-1924
PJM Interconnection, L.L.C.	Docket No. ER13-1942
PJM Interconnection, L.L.C.	Docket No. ER13-1944
PJM Interconnection, L.L.C.	Docket No. ER13-1945
PJM Interconnection, L.L.C.	Docket No. ER14-972
PJM Interconnection, L.L.C.	Docket No. ER14-1485

Xcel Energy Southwest Transmission Co., LLC	Docket No. ER14-2751
Consolidate Edison Company of New York, Inc. v. PJM Interconnection, L.L.C.	Docket No. EL15-18
Linden VFT, LLC v. PJM Interconnection, L.L.C.	Docket No. EL15-67
TranSource, LLC v. PJM Interconnection, L.L.C.	Docket No. EL15-79
Delaware Public Service Commission and Maryland Public Service Commission v. PJM and Certain Transmission Owners Designated Under Attachment A to the Consolidated Transmission Owners Agreement	Docket No. EL15-95
San Diego Gas & Electric Company	Docket No. EL15-103
New York Transco, LLC	Docket No. ER15-572
PJM Interconnection, L.L.C.	Docket No. ER15-1344
PJM Interconnection, L.L.C.	Docket No. ER15-1387
New York Independent System Operator, Inc.	Docket No. ER15-2059
NextEra Energy Transmission West, LLC	Docket No. ER15-2239
PJM Interconnection, L.L.C.	Docket No. ER15-2562
PJM Interconnection, L.L.C.	Docket No. ER15-2563
Southwestern Public Service Co. and Xcel Energy Southwest Transmission Co., LLC	Docket No. EC16-64
Pacific Gas and Electric Company	Docket No. EL16-47
DesertLink, LLC	Docket No. EL16-68
Boundless Energy NE, LLC v. New York Independent System Operator, Inc.	Docket No. EL16-84
New York Independent System Operator, Inc.	Docket No. ER16-120

PJM Interconnection, L.L.C.	Docket No. ER16-453
PJM Interconnection, L.L.C.	Docket No. ER16-736
New York Independent System Operator, Inc.	Docket No. ER16-835
New York Independent System Operator, Inc.	Docket No. ER16-966
PJM Interconnection, L.L.C.	Docket No. ER16-1232
PJM Interconnection, L.L.C.	Docket No. ER16-1335
PJM Interconnection, L.L.C.	Docket No. ER16-1499
Midcontinent Independent System Operator, Inc.	Docket No. ER16-1534

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Kimberly D. Bose,
Secretary.

Competitive Transmission Development Technical Conference

Docket No. AD16-18-000
June 27-28, 2016

Agenda

Day 1 – June 27, 2016

1:00 pm – 1:15 pm: Welcome and Opening Remarks

1:15 pm – 3:00 pm: Panel 1: Cost Containment Provisions in Competitive Transmission Development Processes

Transmission developers have recently proposed cost containment provisions in some competitive transmission development processes. Transmission planning regions considering proposals that include cost containment provisions may face challenges in evaluating such provisions and in comparing proposals that include different types of cost containment provisions. This panel will discuss the structure of possible cost containment provisions, how transmission developers have utilized or plan to employ cost containment provisions, and how transmission planning regions evaluate proposals with cost containment provisions.

Panelists should be prepared to discuss, at a minimum, the following topics and questions:

- What are the benefits and limitations of cost containment provisions, including cost caps and fixed revenue requirements, for competitive transmission development processes, transmission developers, and customers?

- How do transmission planning regions evaluate transmission proposals with cost containment provisions? How do they compare these proposals to each other and to other proposals without cost containment provisions? To what extent do and should transmission planning regions favor binding cost containment provisions when evaluating and selecting transmission projects?

- Could transmission planning regions' processes for evaluating cost containment provisions be improved and, if so, how?

- Should a transmission planning region define in advance a common set of standards that apply to cost containment provisions that may be proposed in a competitive transmission development process? For example, should a transmission planning region define in advance one or more categories of costs that are exempt from binding cost containment?

- If a transmission project was selected on the basis of its cost containment provisions but ends up costing more, should the cost overruns (all or some) be recoverable from customers? Assuming yes, should there be standards for how specified costs are to be shared between the transmission developer and customers? Should there be a cap on the total amount of changes in costs that can be recovered from customers? Should changes in cost be subject to review by the transmission planning region and, if so, for what purpose?

- How do proposed cost containment provisions affect the results of competitive transmission development processes with respect to the number and composition of proposals, the selection of winning proposals, and the composition of winning proposals? Discuss this in the context of both competitive solicitation and sponsorship models.

- What process should be used for verifying that a transmission developer is abiding by a binding cost containment provision? Should verification/confirmation be part of the transmission planning process; should verification be a condition in formula rates?

Panelists (Panel 1):

- Craig Glazer, PJM Interconnection, L.L.C.
- Kim Hanemann, Public Service Electric and Gas Company
- Anthony Ivancovich, California ISO
- Richard S. Mroz, President, New Jersey Board of Public Utilities
- Sharon K. Segner, LS Power Development, LLC
- Michael Sheehan, NextEra Energy Transmission, LLC
- Antonio Smyth, Transource Energy
- Noman Williams, GridLiance

3:15 pm – 5:00 pm: **Panel 2: Commission Consideration of Rates That Contain Cost Containment Provisions and Result from Competitive Transmission Development Processes**

Rates that include cost containment provisions and result from a competitive transmission development process have and can be incorporated into traditional cost-of-service rate designs (such as formula and stated rates). This panel will examine possible ways to incorporate cost containment provisions into rates under the Commission's existing cost-of-service ratemaking policies. This panel will also examine approaches to evaluating rates that include cost containment provisions and result from competitive transmission development processes. Some transmission developers, for example, have proposed that

rates that include cost containment provisions and result from a competitive transmission development process should be presumed to be just and reasonable.[3] Panelists should be prepared to discuss, at a minimum, the following topics and questions related to the incorporation of cost containment provisions into rates under the Commission's existing cost-of-service ratemaking policies:

- What are the benefits and limitations of relying on formula rates to incorporate cost containment provisions? What are the benefits and limitations of relying on stated rates to incorporate cost containment provisions?

- In light of the Commission's existing cost-of-service ratemaking policies, should the Commission require entities to include additional documentation in a filing requesting approval of a rate that incorporates or anticipates recovery of costs subject to cost containment provisions? If so, what type and amount of documentation should the Commission require?

- Is the information that transmission planning regions provide to stakeholders to explain why a particular transmission project was selected in the regional transmission plan for purposes of cost allocation useful for evaluating rates that include cost containment provisions and result from that competitive transmission development process? If so, to what extent?

Panelists also should be prepared to discuss, at a minimum, the following topics and questions regarding what options the Commission may want to consider to evaluate rates that include cost containment provisions and result from a competitive transmission development process:

- If the Commission were to adopt criteria to evaluate whether a competitive transmission development process produces rates that are just and reasonable, what criteria should it adopt? Should the Commission consider using the competitive solicitation guidelines articulated in Order No. 784?[4] Alternatively, are there best practices with respect to competitive transmission development processes that could inform the criteria the Commission could consider using to determine whether a competitive transmission development process produces just and reasonable rates? What are the advantages and disadvantages of any criteria in terms of their effects on competition?

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[3] *See, e.g., ITC Grid Development, LLC*, 154 FERC ¶ 61,206 (2016).

[4] *Third-Party Provision of Ancillary Services; Accounting and Financial Reporting for New Electric Storage Technologies*, Order No. 784, FERC Stat. and Regs. ¶ 31,349 (2013). Order No. 784 deals with rates for ancillary services that result from competitive solicitations.

- If the Commission should adopt criteria to evaluate whether a competitive transmission development process produces just and reasonable rates, are there adjustments to existing Order No. 1000-compliant competitive transmission development processes that may be necessary to satisfy these criteria, particularly in the context of results that reflect a fixed revenue requirement?

- Should the Commission create a rebuttable presumption that rates that include cost containment provisions and result from a competitive transmission development process that meets certain Commission-approved criteria (e.g., Order No. 784) are just and reasonable? Should such a presumption apply only to rates that include cost containment provisions?

- Should the Commission establish requirements defining what costs may be exempt from a binding cost containment provision and under what circumstances? If so, should the Commission treat a proposal as if it does not include a cost containment provision if the exceptions to the cost containment provision go beyond parameters set by the Commission?

Panelists (Panel 2):

- Raj Addepalli, New York State Public Service Commission
- John Cupparo, BHE U.S. Transmission, LLC
- Craig Glazer, PJM Interconnection, L.L.C.
- Terry Harvill, ITC Holdings
- John Hughes, ELCON and Joint Consumers
- Raja Sundararajan, American Electric Power
- Edward Tatum, American Municipal Power, Inc.

Day 2 – June 28, 2016

9:00 am – 10:00 am: **Panel 2 (*continued*): Commission Consideration of Rates That Include Cost Containment Provisions and Result from Competitive Transmission Development Processes**

10:15 am – 12:15 pm: **Panel 3: Transmission Incentives and Competitive Transmission Development Processes**

Transmission developers whose projects have been selected in a regional transmission plan for purposes of cost allocation or who have been selected to be eligible to use the regional cost allocation method for a specific transmission project have requested transmission incentives for their projects, raising questions about the interaction of a transmission developer's cost containment provisions and the Commission's transmission incentives policies. Further, some nonincumbent transmission developers have requested

pre-approval of certain transmission incentives in advance of being selected in a regional transmission plan for purposes of cost allocation. Competitive transmission development processes thus may present certain considerations for the Commission's transmission incentives policy.

Panelists should be prepared to discuss, at a minimum, the following topics and questions:

- As a threshold matter, are transmission incentives necessary and appropriate to encourage transmission developers to participate in competitive transmission development processes? If so, explain why. Discuss the benefits to customers that result from competitive transmission development processes and attendant incentives and explain why those benefits would not result without the incentives.

- When crafting a transmission proposal, how do transmission developers view and consider the relationship between cost containment provisions and transmission incentives? What risks do transmission developers undertake when proposing cost containment provisions? Outside of transmission incentives, how can transmission developers mitigate these risks? From the perspective of those paying the transmission rates, is the composition of the rate important (capital costs, return on equity (ROE), and operations and maintenance costs) or do customers care only about the resulting revenue requirement?

- Should a transmission developer that voluntarily commits to cost containment provisions when submitting its proposal in a competitive transmission development process be eligible to receive a ROE adder or other transmission incentives to address the risks associated with the cost containment aspect of the proposal? How is the risk of agreeing to a cost containment provision related to an increase in ROE? How do cost containment provisions relate to the Commission's standard for measuring risks and challenges for purposes of evaluating requests for an ROE adder or other transmission incentives?[5] What, if any, changes are needed to the framework the Commission uses to evaluate ROE adders and other transmission incentives for transmission projects with cost containment provisions?

- Should the Commission consider a proposal where a transmission developer requests a conditional ROE adder to be applied if the base ROE was to drop below

[5] *See Promoting Transmission Investment through Pricing Reform*, 141 FERC ¶ 61,129 (2012) (Policy Statement).

a certain level, effectively creating a ROE floor? If so, what changes to the transmission incentives policies would be necessary to consider such proposal?[6]

- Are alternatives to the existing ROE adders more appropriate for transmission projects subject to competitive transmission development processes? If so, how should such alternatives be designed? Can non-ROE incentives be tailored to mitigate risks associated with competitive transmission development processes? What should transmission developers be required to demonstrate to qualify for such non-ROE incentives?

- Are there ways to revise the transmission incentives policy to enhance the level of competition among transmission developers in competitive transmission development processes? For example, should the Commission allow transmission incentives that would apply to any rate resulting from a competitive transmission development process?

- Do transmission planning regions consider that a transmission developer may request and be awarded transmission incentives when evaluating transmission proposals and, if so, how? For example, how would a transmission planning region consider a proposal with a potential transmission incentive given that the incentive might or might not be granted?

Panelists (Panel 3):

- Peggy Bernardy, California Department of Water Resources
- George Dawe, Duke-American Transmission Company
- Paul Dumais, AVANGRID Service Co.
- Joseph Kelliher, NextEra Energy, LLC
- Stuart Nachmias, New York Transco
- Raja Sundararajan, American Electric Power
- Lawrence Willick, LS Power

12:15 pm – 1:30 pm: Lunch

1:30 pm – 3:00 pm: Panel 4: Interregional Transmission Coordination Issues

Panel 4 is intended to set the stage for understanding key interregional transmission coordination and competitive transmission development issues. A variety of stakeholders in different areas have raised issues related to interregional transmission coordination under Order No. 1000. Below is a list of some illustrative questions and issues related to

[6] *Id.*

interregional transmission coordination that the Commission may want to explore in the future. In Panel 4, the Commission requests industry input regarding which of these or other relevant interregional transmission coordination issues may be appropriate for further consideration.

- What is the current state of implementation of interregional transmission coordination processes?

- To what extent, and how, do existing interregional transmission coordination requirements assist or hinder the identification of the need for interregional transmission facilities?

- Are pairs of regions the most appropriate geographic scope for addressing challenges associated with interregional transmission development?

- How do the interregional transmission coordination processes interact with and relate to the regional transmission planning processes? How can the existing interregional transmission coordination requirements be modified (or re-envisioned) to foster interregional transmission development?

- Have the interregional transmission coordination requirements affected how neighboring transmission planning regions communicate and consider issues related to regional transmission needs that might be better addressed with interregional transmission facilities?

- When assessing the need for interregional transmission facilities, what processes are in place to ensure that the system models, supporting data, enabling assumptions, and scenarios used are current and consistent?

- Is the requirement that an interregional transmission facility be selected in the regional transmission plan for purposes of cost allocation of both of the transmission planning regions in which it is proposed to be located creating a significant barrier to developing beneficial interregional transmission projects?

- What interregional competitive transmission development processes have been created to select interregional transmission projects? Are there challenges posed by the organization and management of such processes?

Panelists (Panel 4):

- John Buechler, New York Independent System Operator
- Jennifer Curran, Midcontinent Independent System Operator
- Gary DeShazo, California Independent System Operator
- Maury Galbraith, Western Interstate Energy Board

- Steve Gaw, Wind Coalition
- Dennis Kramer, Ameren Services Company/MISO Transmission Owners
- Robert McKee, American Transmission Co./WIRES
- Carl Monroe, Southwest Power Pool
- Angela Weber, Commissioner, Indiana Utility Regulatory Commission/Organization of MISO States

3:15 pm – 4:30 pm: **Panel 5: Regional Transmission Planning and Other Transmission Development Issues**

Panel 5 is intended to set the stage for understanding key regional transmission planning and transmission development issues. Various stakeholders have raised issues relating to regional transmission planning and transmission development processes, both relating to Order No. 1000 implementation and compliance more generally. In Panel 5, the Commission requests industry input regarding which issues may be appropriate for further consideration.

Panelists (Panel 5):

- Michael Calviou, National Grid
- Donald L. Gulley, Southern Illinois Power Cooperative/National Rural Electric Cooperative Association
- Steven Herling, PJM Interconnection, L.L.C.
- Matthew Holtz, Northern Indiana Public Service Co.
- Heather Hunt, New England States Committee on Electricity
- John Lucas, Southern Company Transmission/ Southeastern Regional Transmission Planning
- Omar Martino, EDF Renewable Energy
- Paul Suskie, Southwest Power Pool

4:30 pm – 5:00 pm: **Closing**

ATTACHMENT - DESCRIPTION OF KEY CONCEPTS

The purpose of the information in this attachment is to promote a common understanding of certain concepts that will be discussed at the technical conference.[7] Many of the concepts to be discussed at the technical conference originate from the Commission orders that reference the technical conference.[8] However, this attachment describes these concepts in more detail to promote constructive discussion of the issues and is not intended to limit or restrict the discussion. To avoid any confusion, we request that, as part of the discussion at the technical conference, parties establish a common understanding of any term or concept that they may wish to discuss but that may be open to various interpretations.

To support more efficient and cost-effective investment in new transmission infrastructure, the Commission required in Order No. 1000 that public utility transmission providers participate in a regional transmission planning process that has a transparent and not unduly discriminatory process for evaluating whether to select a transmission facility in the regional transmission plan for purposes of cost allocation.[9] Furthermore, Order No. 1000 requires that public utility transmission providers participate in a regional transmission planning process that provides a nonincumbent transmission developer an opportunity comparable to that of an incumbent transmission developer to allocate the cost of a transmission facility through the regional cost allocation method and that, if a transmission facility is selected in a regional transmission plan for purposes of cost allocation, then the transmission developer of that transmission facility (whether incumbent or nonincumbent) must be able to rely on the relevant regional cost allocation method.[10] We refer to the process to select transmission facilities in the regional transmission plan for purposes of cost allocation and the process to provide a transmission developer of a selected transmission facility with the eligibility to use the regional cost allocation method collectively as the **competitive transmission development process.**

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[7] The descriptions in this attachment may not reflect the full range of Commission policies and precedent as they apply in other contexts.

[8] *See NextEra Energy Transmission West, Inc*., 154 FERC ¶ 61,009, at PP 75-78 (2015) (*NEET West*); *ITC Grid Development, LLC*, 154 FERC ¶ 61,206, at P 49 (2016); and *Northern Indiana Public Service Co. v. Midcontinent Independent System Operator, Inc. and PJM Interconnection L.L.C.,* 155 FERC ¶ 61,058, at P 54 (2016)**.**

[9] Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 328; Order No. 1000-A, 139 FERC ¶ 61,132 at P 452.

[10] Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at PP 332, 339.

Transmission planning regions have adopted one of two types of competitive transmission development processes to comply with Order No. 1000: a competitive bidding model or a sponsorship model.[11] Under a **competitive bidding model**, the transmission planning region, with stakeholder input, identifies regional transmission needs and selects the more efficient or cost-effective transmission solutions to meet those needs. The transmission planning region then solicits bids from qualified transmission developers (both incumbent and nonincumbent) for the transmission solutions it selected that are eligible for the competitive bidding process. The transmission planning region chooses from among the bidders and designates a winning transmission developer as eligible to use the regional cost allocation method to develop the selected transmission project. California Independent System Operator Corporation, Midcontinent Independent System Operator, Inc., Southwest Power Pool, Inc., and WestConnect have adopted a competitive bidding model.

Under a **sponsorship model**, the transmission planning region, with stakeholder input, identifies regional transmission needs. Then, qualified transmission developers (both incumbent and nonincumbent) may propose transmission projects to meet those identified regional transmission needs. The transmission planning region selects the more efficient or cost-effective transmission solution to meet each identified regional transmission need, which can be a solution proposed by a transmission developer or one that the transmission planning region designed itself. If a transmission planning region selects a transmission solution that was sponsored by a transmission developer, then the sponsor is eligible to use the regional cost allocation method to develop the selected transmission project. ISO New England, Inc., New York Independent System Operator, Inc., PJM Interconnection, L.L.C. (PJM),[12] South Carolina Regional Transmission Planning, Florida Reliability Coordinating Council, Southeastern Regional Transmission Planning, Northern Tier Transmission Group, and ColumbiaGrid have adopted a sponsorship model.

Transmission developers participating in competitive transmission development processes have submitted or have expressed a desire to submit proposals that include cost containment provisions. **Cost containment provisions** are commitments a transmission

[11] A transmission planning region is made up of the transmission providers that have enrolled in the region and depending on what processes have been adopted, it may be a transmission planning region or the transmission providers within that region that administer the competitive transmission development process. For convenience, we refer to the transmission planning region and transmission providers enrolled in the transmission planning region collectively as the transmission planning region.

[12] PJM relies primarily on a sponsorship model but its process includes aspects of a competitive bidding model in certain situations.

developer makes to limit recovery through rates of one or more category of costs, or to limit its revenue requirement as a whole. Order No. 1000 does not require that a transmission developer propose cost containment provisions, but a transmission developer can voluntarily agree during the competitive transmission development process to limit the costs that it will attempt to recover in rates through a binding cost containment provision.

For purposes of the technical conference, we will consider two types of cost containment provisions: cost caps and fixed revenue requirements. A **cost cap** is a commitment that a transmission developer makes to cap one or more categories of costs that are included in its revenue requirement. For example, a transmission developer may propose to cap the construction costs and/or the annual operation and maintenance expenses it will attempt to recover from customers. A cost cap generally has an "up-to" feature as actual costs above the cap are not recoverable from customers, but if actual costs are below the cap, then only the lower actual costs can be recovered from customers.

A **fixed revenue requirement** is a commitment that a transmission developer makes to recover a total fixed level of revenue over a set time period, regardless of the actual costs the transmission developer incurs, and regardless of any changes to the developer's ROE. Under a fixed revenue requirement, if actual costs are higher than those included in the fixed revenue requirement, the additional costs would not be recovered from customers. However, if actual costs are lower than those included in the fixed revenue requirement, customers would still be charged a rate based on the higher fixed revenue requirement and would not enjoy any reduction to their rate.

In addition, transmission developers whose projects or bids have been selected as a result of a competitive transmission development process have submitted or expressed a desire to submit requests for incentive rate treatment for their transmission projects, including those subject to cost containment provisions. The current incentive rate treatment policies in the context of both competitive transmission development processes in general and cost containment provisions more specifically will be discussed at the technical conference.