UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

(June 28, 2016)

WRITTEN COMMENTS OF STEVE GAW ON BEHALF OF THE AMERICAN WIND ENERGY ASSOCIATION AND THE WIND COALITION

The American Wind Energy Association and the Wind Coalition provide these written comments in advance of the Federal Energy Regulatory Commission's ("Commission") Technical Conference on Competitive Transmission Development. We appreciate the opportunity to speak at the Technical Conference, and these written comments focus on key considerations for interregional transmission coordination.

An energy evolution is currently underway in the United States. Low gas prices, plummeting costs for renewable resources, and new technologies are transforming the way in which we use electricity and the mix of resources we use to generate it. The changes to our generation mix have happened faster than many imagined and our grid has not been able to keep pace. Our current backbone transmission system is simply inadequate to meet the new demand, and a congested and obsolete power grid is denying consumers access to lower cost power and raising the possibility of blackouts. As other sectors of our national infrastructure have evolved to more cheaply and efficiently transport goods and services, so too must our national electric infrastructure modernize to support our increasingly connected electricity market and economy across regional and state boundaries. To access our nation's rich (and often remote) renewable resources, a stronger backbone and more long-haul transmission are simply needed.

While the Commission's Order No. 1000 was a step in the right direction toward better interregional planning, most regions do not fully recognize the benefits of transmission and remain unable to find consensus on whether benefits justify costs, how to allocate costs, and siting of interregional lines. These challenges stand in the way of much-needed transmission expansion, especially across regions, and in turn, the ability to meet public policies that depend on accessing clean generation. In short, ineffective interregional transmission policies – not technical or economic barriers – are the chief factors holding up the construction of new interstate transmission. A new vision for an "interstate electric highway transmission system" connecting regions rich in resources with customer markets is sorely needed—aimed more at interregional benefits and opportunities as compared to the historical focus on transmission as regional or local infrastructure supported in local electricity rates.

In advance of next week's technical conference, we offer the following comments intended to address some of the issues plaguing interregional transmission coordination and impeding interstate transmission to support access to high-quality renewable resources. We look forward to discussing them further during the panel discussions at the conference.

The Current State of Interregional Transmission Coordination and Proposed Remedies

The Commission showed vision when it adopted Order No. 1000 and set forth principles that were intended to encourage competition, transparency, integrated planning and fair cost allocation across regions. Now, a couple years later, it is clear that those needs have not been adequately addressed. This is especially true with respect to the interregional transmission planning process—it is simply not properly planning for and identifying potential interregional projects across regions that give economic, reliability, operational, and public policy benefits to

consumers. As such, the interregional transmission planning process is not achieving Order No. 1000's stated goal: identifying more efficient or cost-effective solutions to the individual needs identified in respective local and regional transmission planning processes. Nothing stands as a starker reminder of this truth than the lack of interregional transmission projects coming out of the interregional planning processes and, in turn, so few long-haul transmission projects moving forward despite the need for them.

We offer the following suggestions on how to improve the interregional transmission planning and cost allocation processes:

- The Commission should issue requests for information and comment on various interregional issues and hold further technical conferences to gather information and lay the groundwork for remedying any flaws in the interregional transmission planning process.
- The Commission should request periodic updates (*e.g.*, an informational filing with the Commission) from transmission planning regions on interregional coordination issues, such as how the regions deal with any conflicts from inconsistencies between planning analysis and other issues that may cause inefficiencies along the seams. This should include the problems that have been observed in the interregional planning processes that have occurred, and if no planning effort has thus far been conducted, an explanation as to as to why this is the case. These updates should include information on how the regions are addressing these issues in order to allow the Commission and stakeholders to assess if further reform is needed in any of the identified areas.
- The Commission should explore whether the existing interregional planning process hinders independent/merchant transmission and other cost effective interregional project

development, and if so, solutions thereto, such as allowing the interregional process to be project/applicant "driven."

- The existing interregional transmission planning process (as well as the regional process) does not provide an effective and comprehensive way to identify and evaluate potential solutions to needs affecting the systems of multiple transmission providers and the transmission projects that efficiently address those needs in a manner that is consistent with a bottom up, project-driven process.
- Transmission developers who offer transmission projects as an alternative to regionally planned solutions should be able to propose a set of solutions that meet the system's needs more efficiently or cost-effectively than other proposed solutions, such as by public utility transmission providers at the regional level.
- With that end in mind, the Commission should provide an affirmative obligation in neighboring public utility transmission providers to identify and jointly evaluate alternatives proposed by interstate transmission project developers that may meet the needs of one or more regions more efficiently or cost-effectively.
- This will help ensure that developers of interregional transmission facilities have an opportunity for their transmission projects to be evaluated.

- The current interregional planning requirements should be strengthened to better reflect the principles found in the regional requirements and require further coordination and standardization among regions. To address this issue, the Commission should consider requiring consistency and standardization between neighboring regions regarding the interregional planning process, such as the planning analyses used between the regions; the application of cost allocation and benefit metrics provisions (economic, reliability and

policy benefits) across the seams, even if those benefits are not considered in their regional process; and reliability criteria and modeling assumptions.

- Require that interregional processes consider lines that address different needs in different regions, such as reliability benefits in one but economic or public policy in another. Currently, the processes tend to allow only evaluation of projects that address the same need in each region.
- The findings of benefits that are agreed to in an interregional study should not be subject to reassessment by subsequent regional evaluation, especially if it reduces the regional benefits found in the interregional study—unless there is agreement from all the regions involved.
- Interregional planning should be synchronized with regional planning.
    - The interregional processes should be required to run concurrently with the regional processes.
- Interregional planning should incorporate good planning practices, including the examination of multiple realistic futures that, at a minimum, reflect the futures studied in the regional planning processes.
- Probabilistic or "anticipatory" interregional transmission planning that focuses on reducing overall costs and diversifying the generation mix should be encouraged, evaluating the broad range of options and benefits available when considering proposed transmission investments.
    - This analysis would explicitly take into account the uncertainties about future growth in energy use, fuel costs, technological changes, technology cost, shifts in

supply and demand patterns, environmental regulations, and other state, regional and federal policy goals.

- Interregional processes should not exclude upgrades below certain voltage levels or project sizes, as they could help increase interregional transfer capabilities and provide other benefits.
- Multi-region planning and cost allocation planning should be required and the studies conducted therein examine the cost effectiveness of multi-regional solutions.
- Benefits considered under interregional processes should be expanded similar to the multi-benefit approaches utilized in several individual regional processes.
- Cost allocation of interregional projects should reflect the benefits recognized in the interregional benefit calculation.
    - Those benefits should fully reflect the economic, reliability, policy and other quantifiable benefits that will accrue.
- Interregional projects could be facilitated by cost allocation methodologies based on pre-specified qualification criteria and pre-specified formulas applied to projects meet those criteria.
- If a project meets the benefit-to-cost ratio in each region and do not require an additional step of passing a combined cost-benefit ratio.
- Apply benefit-to-cost thresholds for interregional projects that are no more stringent than those applied within each region.

Conclusion

The Commission should not wait to exercise its authority to require improvements to the interregional transmission planning processes. In the absence of the reforms discussed above,

we are concerned that public utility transmission providers may not adequately assess the potential benefits of interregional transmission solutions that may meet the needs of a transmission planning region more efficiently or cost-effectively than solutions identified by individual public utility transmission providers in their local transmission planning.