
Steven F. Greenwald


Jeffrey P. Gray

FERC Proposes an Improved Path for New Transmission

By Steven F. Greenwald and Jeffrey P. Gray

In October of last year, the North American Electric Reliability Corp. (NERC) issued a study finding that maintaining electric reliability will require significant acceleration in the siting and construction of new transmission lines. The NERC study is indicative of growing concerns that changes to the current transmission planning process are necessary to maintain reliability and accommodate interconnection of the massive amounts of renewable resources expected to come online over the next 10 to 20 years.

In response to these concerns, the Federal Energy Regulatory Commission (FERC) recently initiated a rulemaking to consider changes to the transmission planning process used by FERC-approved public utility transmission providers, including regional transmission organizations and independent system operators. Among the contemplated modifications, FERC will assess ways to better ensure that public policy mandates, such as renewables portfolio standards (RPS), are properly reflected in the transmission planning process and that coordination between regional transmission planners is improved.

Changes Are Needed

In commenting on the rulemaking, FERC Commissioner Philip Moeller described transmission as "the ultimate 'enabling' energy technology," noting that transmission improves the efficiency of the electric system, enhances reliability, and increases access to new resources. The cost to realize these benefits, however, is potentially staggering. Industry experts estimate that, over the next 20 years, $300 billion to $400 billion in new transmission infrastructure will be needed to simply maintain current reliability levels nationwide. When new generation and other infrastructure investment is considered, these projections escalate to as much as $2 trillion.

In California, regulators believe that seven new transmission lines at a cost of $12 billion will be needed to integrate renewable resources necessary to meet the state's expected 33% RPS target by 2020 (see "Old Challenges Persist in Impeding Renewable Energy Goals," *POWER,* August 2009). Given the stakes, it is essential that transmission planning and permitting become more efficient and better aligned with reliability and RPS goals.

Connecting the Dots

Thirty states and the District of Columbia are implementing RPS requirements, and many have also adopted or are considering additional greenhouse gas emissions reduction requirements. A national RPS and the passage of climate change legislation are also real possibilities in the next several years. To meet these public policy objectives, significant amounts of new renewable generation will need to be connected to the transmission grid and deliverable to load centers.

FERC's existing transmission planning rules, however, do not require that a proposed transmission project's ability "to facilitate the achievement of public policy requirements established by state or federal laws or regulations" be part of the evaluation process. Such a disconnect between transmission planning and public policy goals undermines the planning process and impedes proper decision making.

To address this disconnect, FERC proposes that transmission providers be required to consider public policy requirements in the local and regional transmission planning processes.

Addressing Regional Realities

The importance of new interregional transmission lines can only be expected to increase as deadlines for RPS and emissions reduction requirements approach. In California, for example, utilities have been looking out of state for new sources of renewable generation for years, procuring significant amounts of RPS generation from Montana and several Canadian provinces. As this trend continues across the country, the need for regional coordination and cooperation will become even more critical. The question remains: Can FERC facilitate the necessary changes?

Three years ago, the Arizona Corporation Commission (ACC) rejected a proposed transmission line that would have exported power from Arizona to California. The California Public Utilities Commission approved the California portion, finding that the line would "increase the reliability of the interstate transmission network." An ACC commissioner, however, likened the line to a "230-mile extension cord into Arizona." The proposed new FERC rules would require specific coordination efforts between transmission planning regions, such as the adoption of formal procedures to identify and jointly evaluate new interregional lines.

The Devil Remains in the Details

FERC's new rulemaking is far from the first initiative intended to streamline the transmission planning process. Most recently, federal legislation providing for the designation of national transmission corridors was expected to foster better regional and national transmission planning. The results, however, have fallen well short of expectations (see "Transmission Superhighway or Interconnected Patchwork?" *POWER,* April 2009).

Maximizing the public policy, reliability, and economic value of Midwest wind, Southwest solar, and Pacific Northwest hydro and biomass resources requires new interregional transmission infrastructure. Public policy objectives must be considered as integral to the transmission planning process, and regional cooperation must be improved. FERC's proposed changes to transmission planning seek to address these challenges head-on. Of course, the devil remains in the details. ■

— ***Steven F. Greenwald*** *(stevegreenwald@dwt.com) leads Davis Wright Tremaine's Energy Practice Group.* ***Jeffrey P. Gray*** *(jeffgray@dwt.com) is a partner in the firm's Energy Practice Group.*