

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Transmission Planning Processes Under
Order No. 890

Docket No. AD09-8-000

**REPLY COMMENTS OF THE
TRANSMISSION ACCESS POLICY STUDY GROUP**

Pursuant to the Commission's October 8, 2009 Notice of Request for Comments¹ and October 30, 2009 Notice Granting Extension of Time,² the Transmission Access Policy Study Group ("TAPS") submits limited reply comments on the issues of transmission planning and cost allocation.³

Some commenters advocate in their initial comments for a new, top-down extra-high voltage ("EHV") planning process and interconnection-wide cost allocation to support EHV projects.⁴ However, a planning process driven by a single-minded focus on a specific assumed outcome—*i.e.*, the construction of EHV overlay lines to deliver power produced by Midwest wind generation facilities to East Coast load centers—sidesteps the fundamental question of whether such facilities are needed and fails to consider alternatives that may be environmentally and economically superior. There is no consensus that a new EHV overlay is the right solution for the grid, or that interconnection-wide cost allocation is justified or otherwise consistent with the Federal

¹ Available at eLibrary Accession No. 20091008-3022.

² Available at eLibrary Accession No. 20091030-3050.

³ TAPS addresses only selected points made in the subset of the many comments filed in this docket that TAPS reviewed. TAPS' failure to address a point in a commenter's initial comments should not be taken to mean that TAPS has acceded to that point.

⁴ See, e.g., Comments of American Electric Power Service Corporation at 3-7; Initial Comments of Duke Energy Corporation at 8, 13-15; Post-Technical Conference Comments of ITC Holdings Corp. at 4-7.

Power Act. Instead, there is substantial disagreement—even among wind independent power producers⁵—that EHV lines connecting the Midwest and the East are needed to meet renewable generation goals. Indeed, many of the Northeastern and Mid-Atlantic states that would in theory be the primary recipients of Midwest wind delivered over the proposed EHV overlay are among the most skeptical of claimed benefits from such transmission facilities and planning processes. Instead, they point to the availability of local renewable generation options, and urge the Commission to develop transmission solutions that will work for those resources and respect state integrated resource planning processes—not just support distant renewable and conventional generation.⁶ For example, the New England states have been actively engaged in evaluating the transmission upgrades required to develop and use regionally-sited low-carbon resources and off-shore wind; and their studies have shown that such local resources could be more cost-effective than importing renewable power from the Midwest.⁷

⁵ Advocates of Mid-Atlantic offshore transmission development, for example, support the development of transmission to deliver power generated by offshore wind facilities in order to meet the East Coast's renewable energy demands. *See* Comments of Trans-Elect Development Company, LLC on behalf of the Atlantic Wind Connection at 8-9. In a recent Senate Energy and Natural Resources Committee hearing, Sen. Jeanne Shaheen, D-N.H., expressed concerns that building transmission lines to carry wind power from the Midwest and western United States to the Northeast could potentially preclude the development of offshore Atlantic wind energy. *See* Kathleen Hart, *Wellinghoff: Northeast States Must Weigh Costs, Benefits of Offshore Wind*, Power Daily Northeast, Dec. 11, 2009, at 1 (hearing transcript not yet available).

⁶ Comments of the Massachusetts Department of Public Utilities and the Massachusetts Department of Energy Resources at 5-8; Comments of the Massachusetts Attorney General at 7; Joint Comments of the Governors of New Jersey, Delaware, Maryland, and Virginia at 3-7. *Cf.* Comments of the Maine Public Utilities Commission and the Maine Office of the Public Advocate at 3 (noting large potential for renewable resource development in Maine).

⁷ *See* ISO New England, *New England 2030 Power System Study: Report to the New England Governors* at 2-4 (2009) (draft), *available at* http://www.iso-ne.com/committees/comm_wkgrps/prtcpnts_comm/pac/reports/2009/eco_study_report_draft.pdf (analyzing and proposing potential transmission paths for up to 12,000 MW of wind generation capacity to be sited in mountain and offshore locations in and near New England, and determining that such intra-region solutions could be less expensive than importing renewable power from the Midwest).

Consistent with the position advocated by TAPS in its Initial Comments, many commenters see the need to give the Order 890 planning process, other regional planning processes (like the Upper Midwest Transmission Development Initiative⁸), and new inter-regional processes, like the Eastern Interconnection Planning Collaborative (“EIPC”), a chance to work, rather than assuming that an EHV overlay is the answer and creating a new planning process and cost allocation regime specifically designed to achieve it.⁹ Indeed, the exclusive focus on new EHV construction of some commenters is divorced from the mandate of Federal Power Act Section 217(b)(4),¹⁰ which directs the Commission to facilitate the planning and expansion of transmission “to meet the reasonable needs of load-serving entities” and to enable LSEs to secure long-term firm

⁸ The Upper Midwest Transmission Development Initiative was launched in 2008 by Minnesota, Iowa, Wisconsin, North Dakota and South Dakota to promote regional electric transmission investment and cost sharing among the states. The initiative coordinates efforts among entities involved in transmission matters, including state regulatory agencies, transmission companies, utilities, independent generation owners and other key stakeholders. For more information, see <http://www.misostates.org/UMTDIList.htm>.

⁹ *See, e.g.*, Comments of the New York Independent System Operator at 8 (“new processes should be given a chance to work in New York before the Commission embarks on any significant change in course. To do so at this juncture would only create increased uncertainty to the marketplace, which would have a chilling effect on development activities.”); Comments of the Midwest Independent Transmission System Operator, Inc. at 3-4 (“the Midwest ISO believes that adequate transmission planning structures are in place via the Commission-approved Joint Operating Agreements (“JOAs”) that the Midwest ISO has with its interregional partners, the interregional planning provisions of Order No. 890, and the emerging Eastern Interconnection Planning Collaborative”); Comments of Edison Electric Institute at 9 (“existing regional processes, with enhanced interregional coordination, should produce plans that optimize benefits across the entire interconnection without overriding local concerns. . . . Once the interconnection-wide planning entities have implemented their processes, the Commission can better consider how the existing regional planning processes, pursuant to Order No. 890, should be integrated with the broader efforts performed by the interconnection-wide planning entities”); Comments of the Eastern Interconnection Planning Collaborative Analysis Team at 5 (“the Commission staff should support the EIPC effort and allow it time to mature”); Comments of the State of New York Department of Public Service at 14; Comments of the National Association of Regulatory Utility Commissioners at 3. *See also* Comments of ISO New England Inc. at 2-12, 18-23 (describing ISO-NE’s regional and inter-regional planning efforts, and noting (at 12) that “regional planning must be the foundation of any broader coordinated planning, if it is to be effective,” and (at 18) that “it is unnecessary to establish another process to address cost allocation matters in New England”); Comments of the Organization of MISO States at 5-6, 24 (citing (at 5) the Eastern Interconnection States’ Planning Council, the Organization of MISO States’ Cost Allocation and Regional Planning initiative, and the Upper Midwest Transmission Development Initiative as examples of state and regional processes “likely to produce better results than a federally-led process”).

¹⁰ 16 U.S.C. § 824q(b)(4).

transmission rights. As highlighted by TAPS¹¹ and other commenters, significant challenges remain in fulfilling this statutory mandate and addressing more localized planning and seams issues.¹² The Commission must not lose sight of the fact that meeting these local needs and serving load is the cornerstone of transmission planning and required by the Federal Power Act.

For similar reasons, the Commission should not jump to the assumption that interconnection-wide cost allocation is required to support development of an EHV overlay, the need for which is uncertain. Instead, the Commission should initiate a cost allocation rulemaking that removes impediments to the construction of needed new transmission and gives appropriate recognition to the multiple and changing benefits that will be provided over the life of major new transmission lines, while also ensuring that a region, or sub-region, will not be assigned costs that are substantially disproportionate to reasonably anticipated benefits. While identification of benefits needs to go beyond the narrow energy production cost savings typically modeled for such quantifications, the benefits used to support cost allocation should not include generalized social or environmental benefits.¹³

¹¹ TAPS Initial Comments at 10-11.

¹² *See, e.g.*, Comments of the New Jersey Board of Public Utilities at 5-6 (“An interconnection-wide planning process will hinder resolution of localized issues of reliability and equity across the border between two congested planning areas.”); Joint Comments of the Governors of New Jersey, Delaware, Maryland, and Virginia at 2-3 (noting that a national rulemaking approach “cannot address the specific needs of the most congested and constrained part of the PJM footprint” and that system reliability has been reduced by “continued reliance on transmission to resolve reliability violations”); Comments of Northeast Utilities Service Company at 11 (“Simply overlaying a regional network with an EHV project vetted through an interconnection-wide planning process could lead to ... a delay of other siting and planning processes.”). *See also* Comments of the Massachusetts Attorney General at 6.

¹³ For example, the Massachusetts Department of Public Utilities and the Massachusetts Department of Energy Resources warn that expanding regional planning in a way that would predetermine resource selection is both economically inefficient (Comments at 5) and may encroach on traditional state authority over electricity generating resource development (*id.* at 7, 9-10). *See also* Comments of the Maine Public

Respectfully submitted,

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December 18, 2009

Utilities Commission and the Maine Office of the Public Advocate at 8-9. A cost allocation methodology that broadly spreads the costs of EHV facilities based on claimed interconnection-wide societal and environmental benefits would likewise distort resource decisions in favor of distant generation. Local renewable generation and the new and existing transmission facilities used to deliver that generation to load may well provide societal and environmental benefits equal to or greater than the claimed benefits from new EHV facilities. A cost allocation rule that forces everyone in the interconnection to selectively subsidize the EHV facilities used to deliver distant resources would be unjust and unreasonable and unduly discriminatory.

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing document to be served upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated on this 18th day of December, 2009.

/s/ J.S. Gebhart

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