



TAPS POSITION ON FEDERAL TRANSMISSION LEGISLATION FOR 2009

TAPS has a long history of strong advocacy for a robust transmission grid and competitive wholesale electric markets that will bring real benefits to consumers. A stronger grid is needed for electric reliability and to enable utilities to meet their obligations to serve customers over the long term at reasonable costs. Many parties now recognize that a more robust grid is also essential to develop the nation's renewable energy resources. The U.S. grid makes our electric system work. It must be planned and constructed to meet multiple needs.

Federal transmission legislation should include:

1. **Planning.** Require timely, inclusive and transparent regional transmission planning that meets specific statutory criteria for reliability and adequacy of supply, supplemented by a mandatory interregional planning process for extra high voltage and DC multi-regional transmission projects. The objective should be to determine what new transmission facilities are needed to meet the long-term needs of the nation's electric consumers on a cost-effective, highly reliable and environmentally responsible basis, taking account of alternative generation development scenarios, aggressive energy conservation and efficiency programs and distributed generation potential.

The criteria for adequacy should include facilities needed to

- a. develop new renewable and other low-carbon resources needed to address climate change;
 - b. deliver new and existing generation to meet regional reserve requirements;
 - c. grant long-term transmission rights to load-serving entities (LSEs) consistent with section 217(b)(4) of the Federal Power Act, and prevent the diminishment of those rights over time;
 - d. relieve congestion, minimize seams issues and ensure that trapped generation pockets do not exist;
 - e. provide LSEs with optionality to meet their service obligations economically through access to diverse resources.
2. **Authority to Require Construction.** Provide FERC with clear authority to require the construction of transmission facilities in approved regional and interregional plans.

3. **Enhanced Federal Siting Backstop Authority.** Expand federal backstop siting authority to include facilities in approved regional and interregional plans, if states fail to implement approved plans promptly.
4. **Joint Ownership.** Grant passive ownership rights to public, cooperative and other smaller LSEs with obligations to serve for major new transmission facilities located in their states that are in approved regional and interregional plans, subject to reasonable terms. Such ownership will broaden sources of capital and strengthen political support for siting. It will provide investment opportunities that offset costs for segments of the industry that otherwise are likely to be left out.
5. **Cost Allocation and Cost Recovery Certainty.** Require FERC through a rulemaking to establish clear cost allocation principles, and enhanced cost recovery certainty, for new transmission in approved regional and interregional plans. The details of ratemaking should not be legislated, but left to FERC under the just and reasonable and not unduly discriminatory standard. FERC's rulemaking should remove impediments to the construction of needed new generation and give appropriate recognition to the multiple and changing benefits that will be provided over the life of major new transmission lines. A region, or sub-region, should not be assigned costs that are substantially disproportionate to reasonably anticipated benefits.

The resulting rule, together with a more certain siting process, should reduce transmission development risk substantially. Such reduced risk should eliminate the need for rate incentives in most, if not all cases, and be reflected in lower equity return requirements, thereby benefitting consumers.

6. **Cost Containment; Incentive Rates.** Modify current law on incentive rates to prohibit incentives where joint ownership has not been offered to public power, cooperative and smaller LSEs on a reasonable basis, and permit incentives only where essential for construction of facilities in approved regional or interregional plans, taking account of the risk reductions achieved through the siting improvements and cost allocation and recovery measures discussed above. Where a transmission owner declines to build facilities in an approved plan, ownership and construction of the facilities should be put out to bid to other entities to achieve the lowest reasonable cost for consumers.