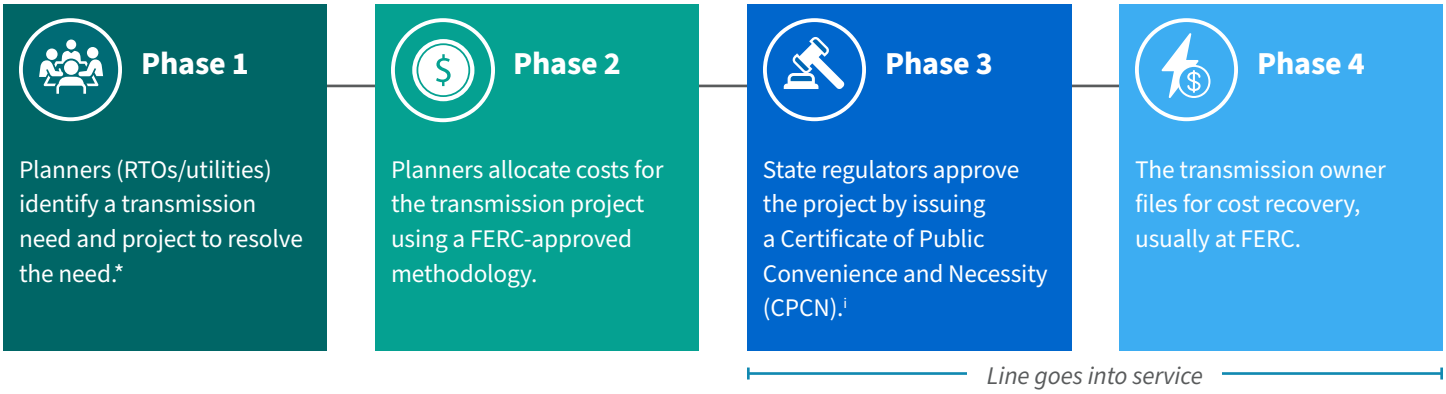
The State Regulator's Role in Transmission

Across the country, power demand is rising, and so are electricity prices. Strengthening our nation's grid by efficiently building transmission lines is a proven way to keep prices low for ratepayers while meeting rising demand. State regulators have a crucial role to play in ensuring such transmission buildout happens in an affordable, reliable manner.

What is the state regulator's role?

State regulators across the country can support efficient transmission buildout in each phase of a transmission project's life cycle, from planning and cost allocation to permitting and cost recovery.

Transmission project life cycle



1. In Phase 1, planners at the utility and/or regional transmission organization (RTO) identify transmission projects to meet needs on the system. In this phase, state regulators can engage in the planning process by attending stakeholder meetings and submitting comments to ensure that their state's needs, such as load growth and policy commitments, are reflected in transmission plans.

2. In Phase 2, planners allocate costs for the project. State regulators can engage here particularly during the development of new cost allocation methodologies, which must be approved by the Federal Energy Regulatory Commission (FERC), or by requesting amendments to existing methodologies so costs are being assigned "roughly commensurate" with benefits (a FERC standard).

3. In Phase 3, state regulators have the largest role to play in issuing a certificate of public convenience and necessity (CPCN), which is essentially a state-level permit that a project must receive to get built. Not all projects may require one, and this responsibility varies by state.[i]

4. In Phase 4, the transmission owner recovers costs from ratepayers. These rates are often approved by FERC, and state PUCs are required to pass FERC-approved costs through to their ratepayers, so state regulators often have a smaller role here.[ii]

* Regional and interregional projects are generally identified via a competitive bidding process. Local projects are built by the utility by default.

[i] A CPCN is required by most states, although this may go by different terms in different states and may not be the PUC's responsibility in all states. Not all states require a CPCN or exert this authority.

[ii] In some states with vertically integrated utilities (i.e., utilities own both generation and transmission/distribution assets) where bundled retail rates still exist, state PUCs exercise some ratemaking authority over transmission. How states exercise this authority varies.

What can state regulators do to enhance transmission buildout?

Within each phase of the transmission life cycle, state regulators can take actions within their existing regulatory authorities to enable more efficient transmission buildout to reduce costs for ratepayers. For more information, please download a copy of RMI's full handbook, *The State Regulator's Role in Transmission*: rmi.org/insight/the-state-regulators-role-in-transmission/

Action	Details
Phase 1: Planning	
Engage in regional transmission planning	• Submit relevant state policies related to generation and load as planning inputs • Request consideration of right-sizing, alternative transmission technologies (ATTs), and non-wire alternatives (NWAs) • Request independent review of local transmission projects • Proactively provide input on siting, including by advancing priority development corridors • Request that regional planning entities conduct interregional planning • Request that merchant transmission projects be included and valued in plans
Integrate transmission into integrated resource plans (IRPs)	• Require utilities to model transmission in IRPs • Require utilities to consider right-sizing, ATTs, and NWAs in IRPs • Require utilities to submit documentation of already approved transmission in IRPs • Improve load forecasting • Require open and transparent IRP stakeholder processes
Consider state-level transmission planning options	• If the state has an electric transmission authority, consider coordinating to assess state transmission needs and opportunities • Require utilities to develop specific ATT plans for their systems • Consider statewide transmission planning exercises, where appropriate and in coordination with existing planning efforts like IRPs • Consider wildfire mitigation plans, where appropriate
Phase 2: Cost Allocation	
Request benefits-based cost allocation	• Prioritize benefits-based cost allocation methodologies
Phase 3: Permitting	
Leverage CPCN authority	• Require applicants to prepare a community benefits plan or agreement • Require applicants to include consideration of right-sizing, ATTs, and NWAs • Examine CPCN exemptions and voltage thresholds to ensure adequate oversight for all transmission projects • Consider the impact of delayed or avoided projects
Phase 4: Cost Recovery	
Advance equitable rate recovery that incentives regional planning	• Allow rate riders that enable expedited recovery for projects that have undergone robust regional review • Assess large load tariffs using emerging best practices, including guidelines to prioritize ratepayer protections, reliability, and policy objective progress • *For states with bundled retail rates:* Consider adopting performance-based regulatory approaches

[iii] Right-sizing refers to opportunities where local and regional needs can be solved together via a single transmission project.