

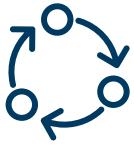


# The Importance of State Regulators for Cost-Effective Transmission Buildout

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## Objectives



**Demystify transmission processes**



**Explore the importance of state regulatory leadership for the grid**



**Identify ways that state regulators can enhance transmission outcomes**



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## Agenda

- **Opening Remarks**
- **Handbook Overview**
  - Background
  - Transmission life cycle framework
  - Recommendations for regulators
- **Discussion / Q&A**

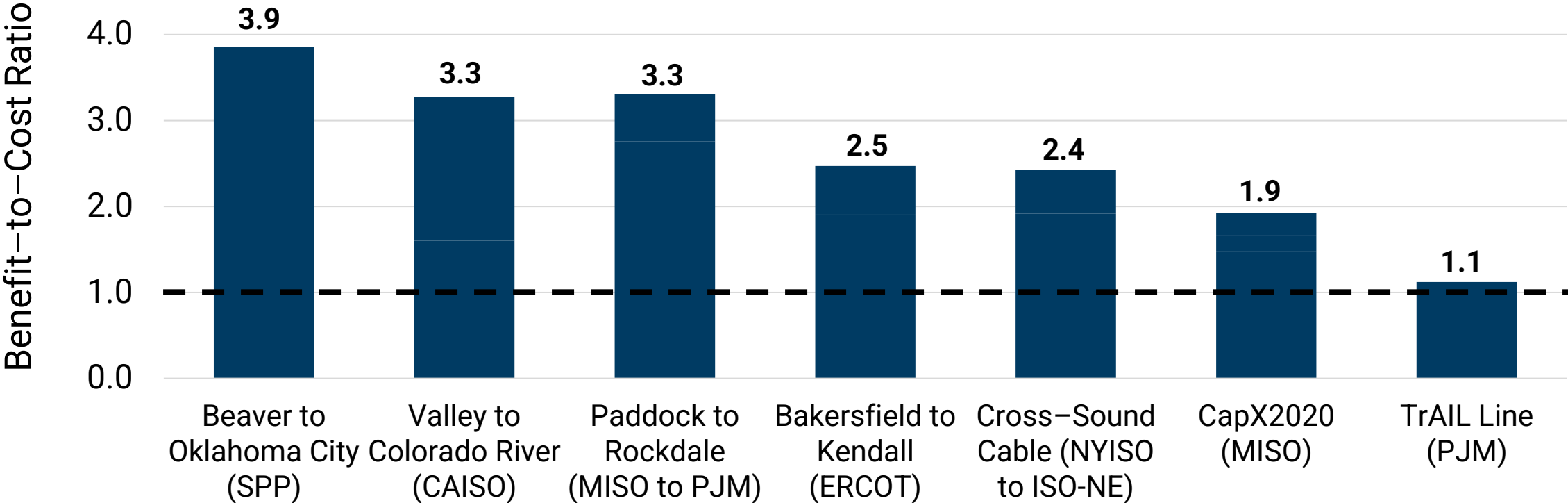


# Background

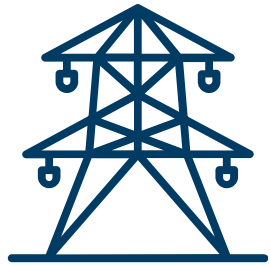
Transmission Trends and Benefits

# High-voltage transmission is essential for addressing rising demand and prices

In *High Voltage, High Reward Transmission*, RMI studied seven HV transmission projects and found all delivered ratepayer savings



# Transmission delivers multiple benefits aligned with regulators' goals



## Reliability

- Reduce outage risks
- Share reserve capacity
- Withstand extreme events



## Affordability

- Reduce grid congestion
- Increase supply of low-cost generation



## State Policy

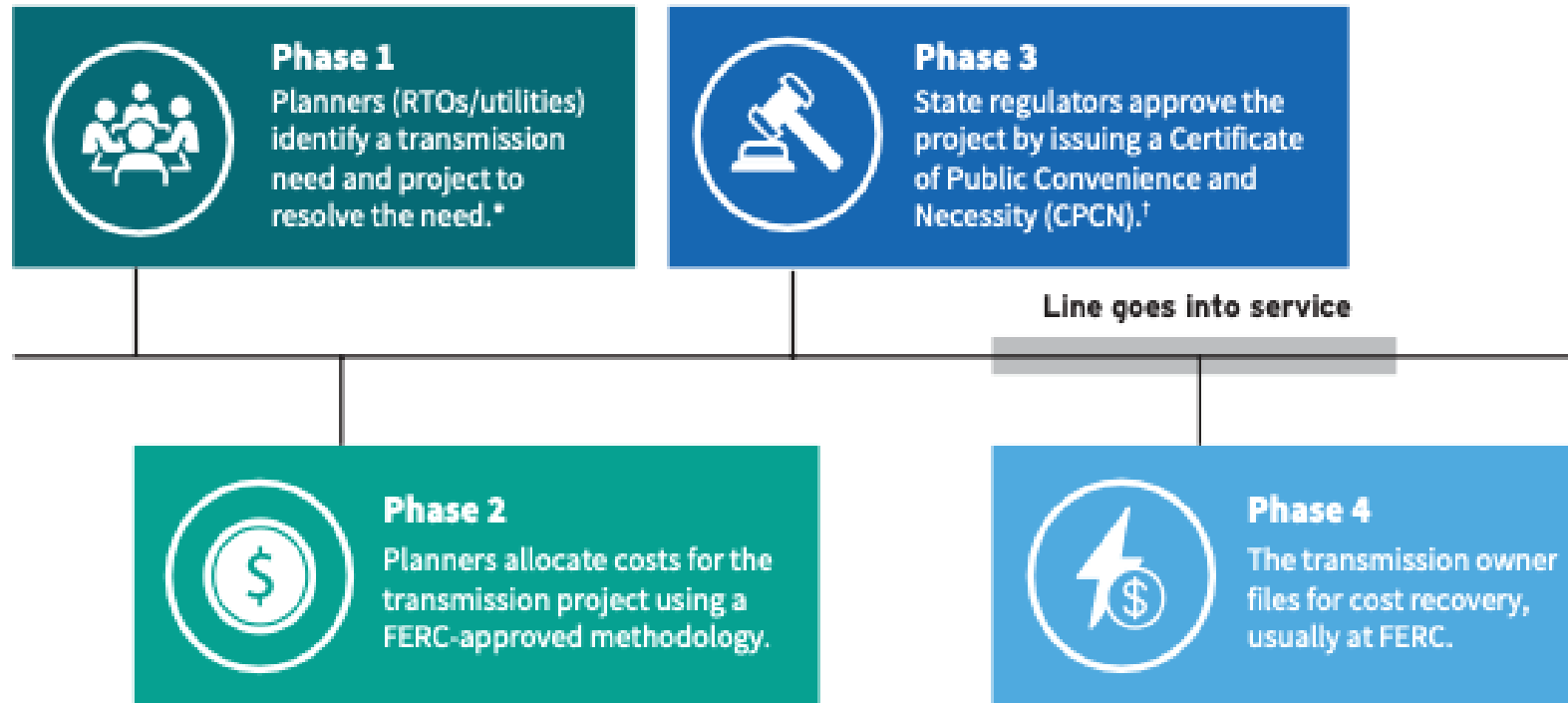
- Economic development
- Electrification
- Clean energy



# The Transmission Project Life Cycle

Overview & Recommendations

# The lifecycle of a transmission line can help regulators identify where to engage



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

† Some states may not require a CPCN or may refer to it by other names. For more information, see Exhibit 6.

Note: RTO = regional transmission organization.

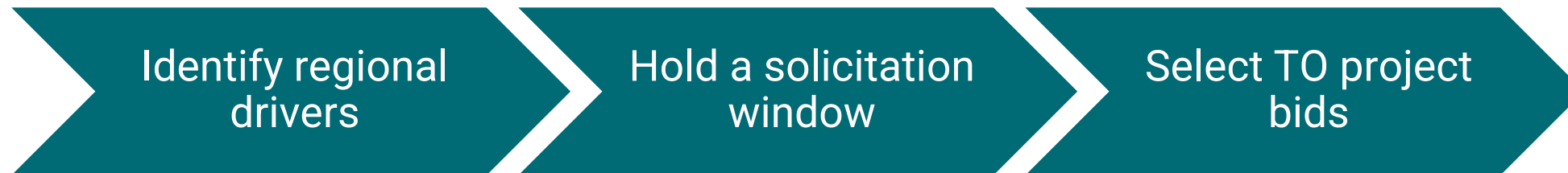
# Phase 1 – Planning

## FERC-regulated transmission planning processes

- **Local planning** is led by utilities and not subject to competition



- **Regional planning** is led by regional planning entities (e.g., RTO/ISOs) through a stakeholder process and subject to competition in some cases



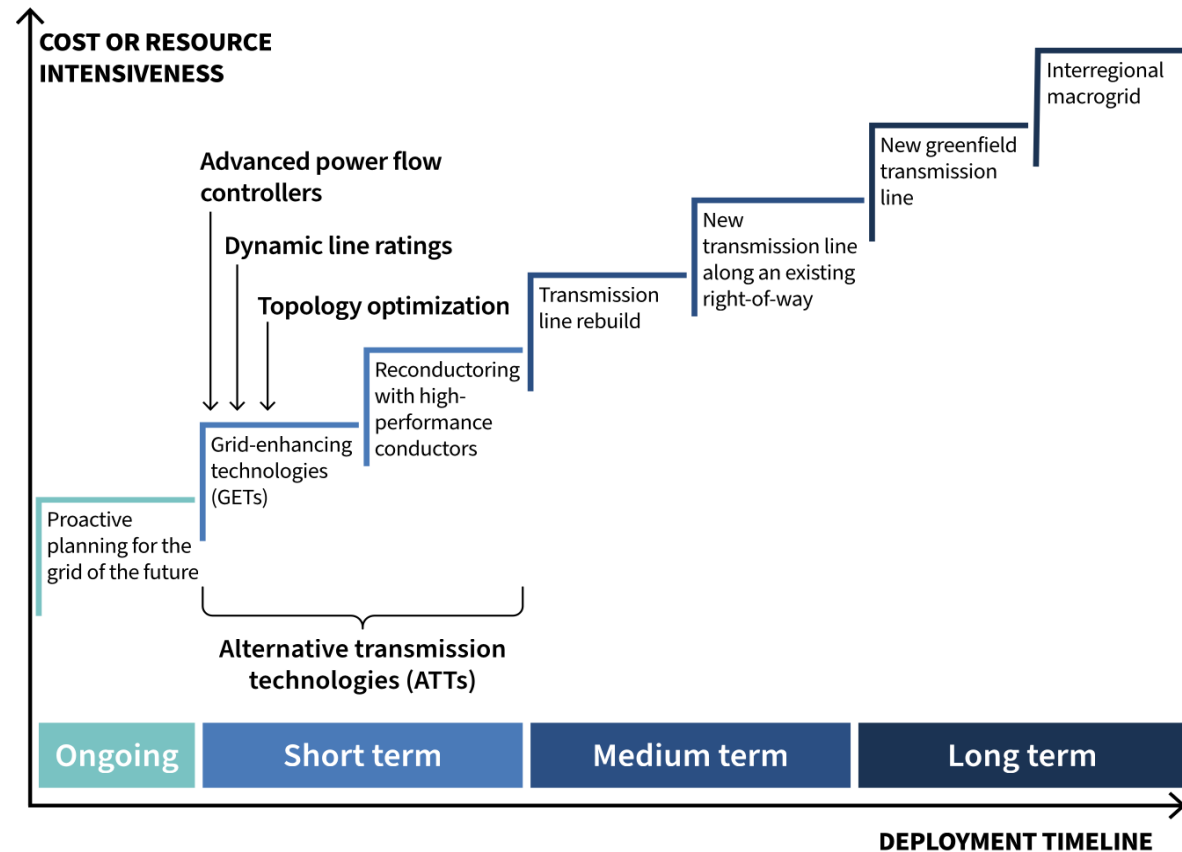


# Phase 1 – Planning

Alternative Transmission Technologies (ATT) are relevant to all levels of planning

- **ATTs are hardware and software solutions** increase grid capacity at lower cost and on faster timelines than tradition solutions
- **There are two categories –**
  - Grid Enhancing Technologies
  - High-Performance Conductors
- **The US underutilizes ATTs**

*Full Spectrum of Transmission Solutions*

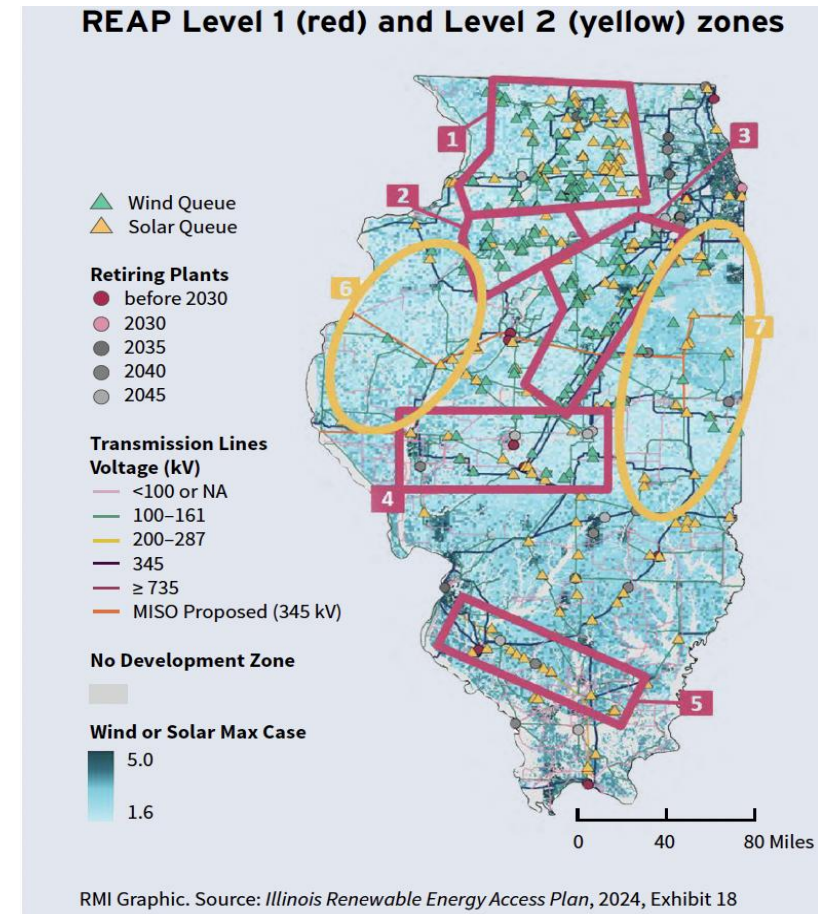


# Phase 1 – Planning

## Regulators can engage in regional planning...

- Submit relevant state policies
- Request
  - right-sizing, ATTs, Non-Wires Alternatives (NWAs)
  - independent review of local projects
  - interregional planning/projects
  - merchant projects be included
- Identify priority corridors for siting

*Example: State-Led Zone Identification in Illinois to Inform Regional Transmission Plans*





# Phase 2 – Cost Allocation

- **Regional transmission costs are *assigned to transmission zones*, not rate classes, by FERC approved methods**
  - The cost allocation must be “roughly commensurate” with zonal benefits
- **Common methods allocate costs to zones based on their...**
  - Portion of regional load,
  - Contribution to power flows across the project, and/or
  - Share of quantified benefits from the project
- **Local transmission costs are usually assigned entirely to the zone they are built in**
  - This allocation need not be “roughly commensurate” with benefits

# Phase 2 – Cost allocation

Regulators can request benefits-based cost allocation that is consistent with FERC orders

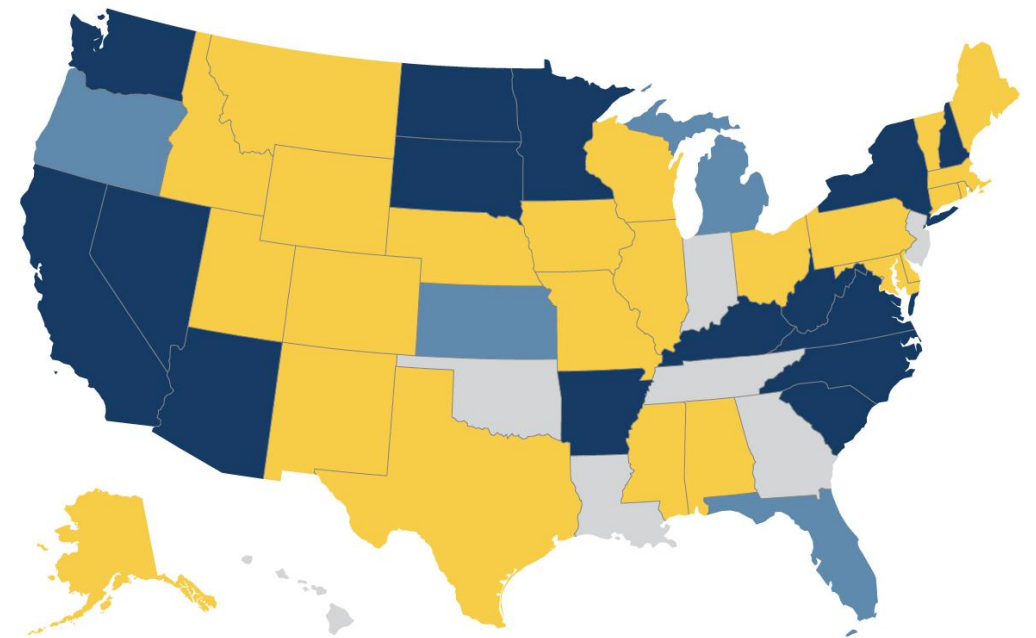


# Phase 3 – Permitting

- **Transmission owners file a CPCN request** in every state an eligible project traverses, except those without a CPCN requirement
- **State regulators review** whether the project is (1) necessary and (2) in the public interest
- **The greatest point of leverage** most regulators currently have in the project lifecycle is permitting<sup>1</sup>

*State-level CPCN Review Authority by Voltage*

No CPCN requirement
  ≤100 kV or no threshold
  100-200 kV
  >200 kV



RMI Graphic. Source: RMI analysis

# Phase 3 – Permitting

## Regulators can...

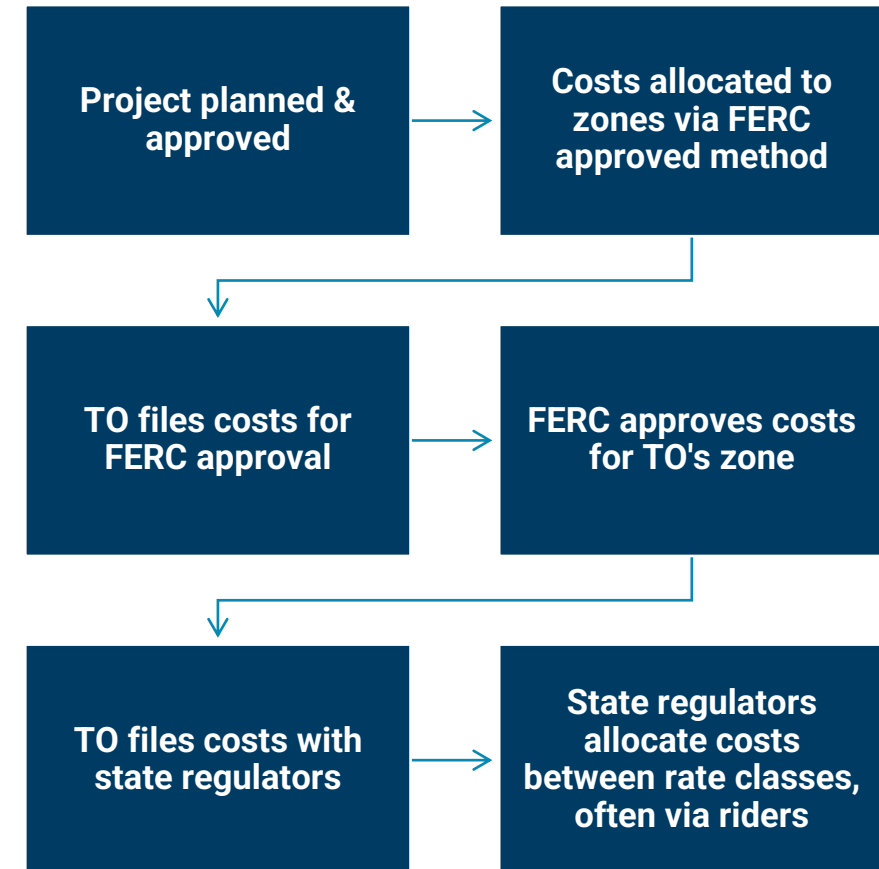
- Require inclusion of community benefit plans or agreements as part of a CPCN
- Require CPCN applicants to consider right-sizing, ATTs, and NWAs
- Examine CPCN exemptions and voltage thresholds to ensure adequate oversight
- Consider the impact of delayed or avoided projects by requiring analysis



# Phase 4 – Cost Recovery

- **Transmission Owners file transmission rates for FERC approval, using one of two options**
  - (1) Stated rates
  - (2) Formula rates
- **State regulators pass through FERC-approved costs, often through a rider**
- **Cost allocation and recovery among customer rate classes is the jurisdiction of state regulators**

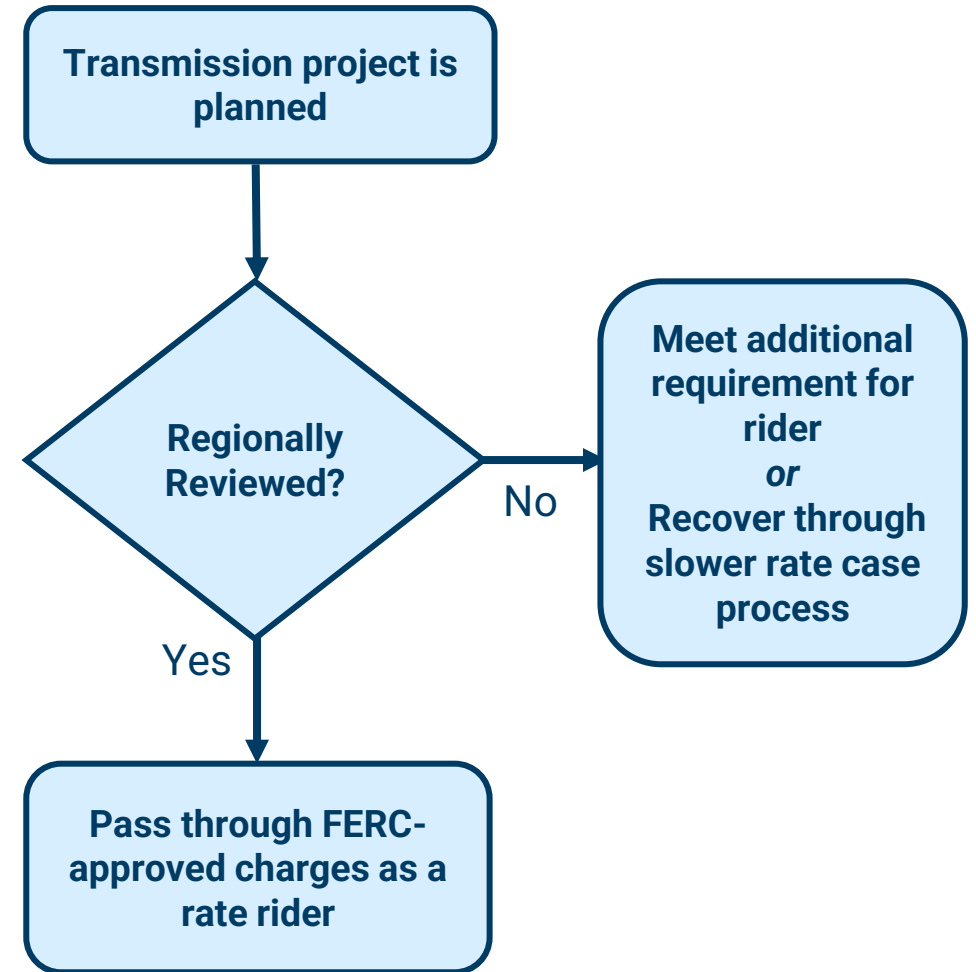
## *Road to State-Level Transmission Cost Recovery*



# Phase 4 – Cost recovery

## Regulators can...

- Allow rate riders that expedite cost recovery for regionally approved projects
- Assess large load tariffs using emerging best practices
- *For states with bundled retail rates:* consider performance-based ratemaking approaches



# To advance the buildout of cost-effective transmission, regulators can...



## Planning

- Engage in regional planning
- Integrate transmission in IRPs
- Consider state-level planning



## Cost Allocation

- Request benefits-based cost-allocation methods



## Cost Recovery

- Allow rate riders for regionally approved projects
- Assess large load tariffs with emerging best practices
- For bundled rates: consider performance-based ratemaking



## Permitting

- Require inclusion of community benefit plans
- Require right-sizing, ATT, and NWA consideration
- Examine CPCN exemptions and voltage threshold



# Thank You

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For more information and to download the handbook, scan the QR code above