

Newsmaker: Utilities warn against ‘socialization’ with new transmission rules
By Edward Felker on September 07, 2010

Bruce Edelston, the executive director of the Coalition for Fair Transmission Policy, says the group is pushing the Federal Energy Regulatory Commission to craft new transmission rules that avoid what he calls “cost socialization” of new lines, including those that would link renewable energy generation to populated areas.

The coalition is made up of 12 utilities, primarily east of the Mississippi River, including Public Service Enterprise Group, Southern Company, Ameren Corporation and Consolidated Edison.

They and allied groups want FERC to adopt transmission planning and cost allocation rules that make the end users of delivered electricity pay for the new lines.

FERC issued a proposed rule on June 17 to set new transmission line rules that emphasize regional agreements, with FERC retaining the right to set terms if no agreement can be reached. The comment period closes in late September.

Energy Guardian: Do you expect FERC to merely prepare the groundwork for a rule to implement legislation, or they are going to issue this rule whether or not Congress passes an energy law this year?

Edelston: FERC has been aware of this issue and was working on it even before they thought there would be some legislative action. So I’m not sure the FERC notice of proposed rule making is directly related to legislation, but I think the possibility of legislation led FERC to issue (it) with the substance that covers the main points of the transmission section of the Senate Energy and Natural Resources bill.

I’m not sure FERC is waiting for legislation, I don’t think they are. FERC believes some of these changes are necessary, with or without legislation.

Energy Guardian: Given the geographic location of your membership, how would they be affected by the proposed rule with their extensive transmission line networks?

Edelston: Most of our members are east of the Mississippi River, but there are quite a few utilities west of the Mississippi and quite a few regulators and governors west of the Mississippi who have the same concerns.

What's common about the membership is we're all concerned about the cost of transmission being built for distant renewables being allocated to companies that either don't need those renewables, because they are building them locally, maybe planning to utilize offshore resources. Or, they may be in a location where they're just too far away to be able to take advantage of it.

I don't think Atlanta, or Raleigh, N.C., are going to be able to take advantage of wind resources in North Dakota, but under some of the early proposals for interconnection-wide cost allocation, they would have ended up paying for some of that transmission.

Energy Guardian: What are the transmission challenges that these companies and customers face right now, and does FERC's proposal help in some of those cases?

Edelston: There's 24, 25 states that already have renewable energy standards, and all of our coalition members support development of renewables. But in most cases utilities are relying on local renewable resources. Or, where there are opportunities to purchase distant resources, and those opportunities are economic, utilities will go ahead and purchase them.

There are probably a dozen or more transmission projects under construction or under development right now that are specifically being built to move renewable resources, particularly wind, from high-wind areas to utilities and companies that are planning to buy those resources.

We think a lot of that is already going on. What we don't want, what we're mostly concerned about, is FERC or the regions or someone else making decisions, basically speculative decisions, to build an interstate grid or long distance transmission lines, where customers haven't determined that there's a need for the resources those lines will access and having to pay for those lines.

Energy Guardian: FERC says they are leaving federal authority as a last resort. Do you see it as more than that?

Edelston: We're pretty supportive of what they say there. That is the proper way to do, the sort of bottom-up planning, and we do agree very strongly with FERC that having everyone, all the stakeholders involved in the planning process, will help down the road in the cost allocation process.

We think the current processes under FERC Order 890, have been working pretty well, and that regional planning and coordination between regions is the right way to go.

Energy Guardian: Is FERC's proposal to include state renewable energy requirements driving the coalition's concerns?

Edelston: As long as FERC sticks to its guns on costs being proportional to benefit, that will avoid utilities having to pay for transmissions from which they don't benefit. We're

not opposed to regional planning processes taking into account state renewable energy requirements. We think that they should. But once those requirements have been taken into account, the costs should be allocated according to who benefits from the transmission.

Energy Guardian: What in the proposed rule is giving everyone pause, or is it just the uncertainty of where they might go?

Edelston: The coalition is fairly in agreement with the principles FERC has laid out, but there's a lot of uncertainty in the details of how it will be implemented.

There's a few questions about what they mean by certain things. For example, we're happy that they do say that costs should be roughly commensurate with benefits, but they don't really define what they mean by benefits very well.

We're concerned that speculative benefits such as possible environmental or social benefits, that may occur 20 or 30 years into the future, that nobody knows about now, could be considered enough that FERC approves a cost allocation plan.

So, our main focus will be to ask FERC to provide clarification and heightened definitions.