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## TRANSMISSION GROUPS PUSH SENATE COST ALLOCATION PROVISION CHANGES

Advocates of new electric transmission construction have been meeting with lawmakers and Hill staff in an effort to amend both Senate and House energy legislation provisions considered barriers to an integrated national transmission system, specifically constraints on FERC's criteria for cost allocation in the Senate bill and various aspects of the House bill's transmission planning and siting provisions.

"The Senate has a better view of how to get transmission siting moving than the House, which is focused on renewable energy," says a source with the Working Group for Investment in Reliable and Economic Electric Systems (WIRES), which seeks to promote regulations and policies that facilitate "a robust high-voltage transmission network." While WIRES prefers S. 1462 — sponsored by energy committee Chair Jeff Bingaman (D-NM) and reported out of committee June 17 with a 15-8 vote — "there are still problems" with the cost allocation language and the structure of the planning process, the source says.

Specifically, the source says, Sen. Bob Corker's (R-TN) cost allocation amendment that was adopted in S. 1462 is a concern because it will limit FERC's ability to spread costs widely. The amendment stipulates that FERC "may permit allocation of costs for high-priority national transmission projects to load-serving entities within all or a part of a region, except that costs shall not be allocated to a region, or subregion, unless the costs are reasonably proportionate to measurable economic and reliability benefits."

High-voltage transmission that "will be there for 40 to 50 years" provides widespread benefits, but it is hard to measure benefits five or 25 years out, as would be required by the provisions, the WIRES source says, adding that the requirement is motivated by a desire to ensure that those who benefit from transmission pay for it. "But the language reflects a lack of understanding of how hard it is to measure benefits over a wide region and the lifetime of a project."

A number of senators and staff have "a growing awareness that the bill could be improved," and amendments will likely be offered either on the floor or during conference with the House, the source says, noting that "there are distinct limits to what can be accomplished on the floor" and it remains unclear whether Congress will pursue energy issues in conjunction with or separate from climate change legislation.

Another industry source echoes the WIRES concerns and says that the original Senate language providing for the allocation of costs if benefits are "reasonably anticipated to occur" was preferable because it gave FERC latitude to conclude that a line's benefits are broad, whereas the Corker language "will make it impossible for FERC to spread the costs." The broader FERC latitude is appropriate because assessing who benefits "is more of an art than a science" and is "not black and white," the source says. The source says FERC staff reportedly are very concerned about the Corker language.

The WIRES source notes that during the House vote on H.R. 2454 — co-sponsored by Reps. Henry Waxman (D-CA) and Edward Markey (D-MA) — Waxman and Rep. John Dingell (D-MI) held a colloquy during which Dingell raised concerns about the bill's transmission language. Waxman conceded that the bill "is only a partial step forward" and said he was looking forward to having Dingell's help "in adopting a workable policy," thus leaving the door open for modifications later in the process. WIRES sent a letter to Waxman June 25 raising concerns about various aspects of the bill's transmission provisions, including the planning process, which WIRES suggested "simply invites too many cooks into the kitchen" and could result in "manipulation of the process and anti-competitive behavior, not to mention duplicative and lethargic processes with uncertain outcomes." WIRES and others want a process that produces "a dispositive ruling on specific projects."

The industry source says other controversial issues include an amendment by Rep. Jay Inslee (D-WA) that gives FERC authority to approve siting and construction of transmission facilities that are "identified as needed in significant measure to meet demand for renewable energy." According to this source, FERC interprets "in significant measure" to mean "more than 50 percent," and "the whole industry is united in saying it's infeasible." Among other things, intermittent renewable energy will require coal and gas as back-up generation. It is unclear who is pushing the Inslee approach because even the renewable energy sector "doesn't need green-only transmission" because it puts the industry at risk if consumers have to pay a lot more for that energy.

Cost allocation and green-only transmission — which is supported by Senate Majority Leader Harry Reid (D-NV)

— will be the two biggest transmission fights when legislation moves forward, the source suggests. These battles are likely to be waged during conference, the source believes, because a floor fight could risk losing Senate support given Reid's policy preference and Bingaman's and other senators' opposition to the Corker cost allocation provisions. In conference, Bingaman could choose conferees and Democrats will have more participants than the GOP, the source adds.

A FERC source says the commission has not issued any position statements on the Corker or Inslee amendments.