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FERC Enters a Maze of Questions About Renewable Energy Transmission

By PETER BEHR of ClimateWire

The spread of wind and solar power is being held back by fragmented policies on paying for new transmission lines to carry renewable energy, said a group of leading transmission providers in a petition to the Federal Energy Regulatory Commission.

Members of the WIRES association called on FERC to establish "on an aggressive schedule" clear, comprehensive national guidelines covering the complex and politically charged issue of allocating costs among consumers for new multi-state transmission lines.

FERC has solicited views of industry, environmental and consumer groups on transmission planning and cost allocation policy, with a filing deadline today, indicating to industry officials that the commission may seek to break new ground on the issue.

FERC Chairman Jon Wellinghoff told a conference Friday that transmission costs must be spread more widely. "We need to see how we can do it across interconnections."

Two decisions this year by separate U.S. courts of appeal, and different approaches taken by the full House and the Senate Energy and Natural Resources Committee, threaten to stymie transmission expansion for renewables.

FERC's traditional, case-by-case approach to regional transmission line cost determination -- relying on informal, consensus-based negotiations -- is not working for new long-distance power line proposals that cross regional grid boundaries, said the WIRES group. Its petition was filed with FERC Thursday by its president, Paul McCoy, who is also the president of Trans-Elect Development Co., and WIRES counsel James Hoecker, FERC chairman in the Clinton administration.

31 states in search of a plan

"The lack of transmission infrastructure is among the critical obstacles to the development of wind, solar, and other forms of renewable energy which are frequently located far from major electric load centers," the WIRES petition (pdf) says. Whether Congress ultimately adopts national renewable electricity standards or not, 31 states have done so, and these targets can't be met in many cases unless power can move across regional grid organizations, it adds.

"The 'clean energy economy' will necessarily await a better Commission resolution to this challenge," said the WIRES group, which includes the grid operators in California, the Great Lakes and most of the mid-Atlantic region.

FERC's policy review comes amid an expanding debate over how high-voltage lines should be planned, sited and paid for.

At the beginning of this year, Senate Majority Leader Harry Reid (D-Nev.) and renewable energy advocates supported a national "green superhighway" concept -- an overlay of new lines to deliver wind

and solar energy. State regulators and transmission owners pushed back, arguing that planning decisions should come from existing regional organizations.

Seminal question: Who pays for the lines?

"Siting, cost allocation and planning issues are often controversial because in many situations, someone's gain comes at someone else's expense," said David Coen, commissioner of the Vermont Public Service Board and the incoming head of the National Association of Regulatory Utility Commissioners, in testimony to Congress in June.

In general, new transmission lines should be paid for by generators whose new projects require more transmission capacity, he said, except where a broader sharing of costs is approved by individual states.

Renewable energy advocates say that state vetoes could cripple plans for long transmission lines that carry wind from and through sparsely settled states to urban centers.

FERC's role has been unsettled by a decision (pdf) by the 7th U.S. Circuit Court of Appeals in August that disallowed the commission's intentions to spread or "socialize" costs for new high-voltage long-distance transmission lines widely among customers in the PJM Interconnection.

The court majority said FERC hadn't made the case for its position. The court ruling is an invitation for FERC to justify its approach more clearly, said Christine Tezak, an analyst with Robert W. Baird & Co.

The Energy Department will be funding new studies about the grid's future. A coalition of 23 energy companies and grid operators -- the Eastern Interconnection Planning Collaborative -- is expected to get one of the DOE grants. It advocates a "roll-up" of regional and state transmission plans into a comprehensive expansion strategy for the grid east of the Rocky Mountains. Some industry officials fear that this approach would get bogged down, delaying transmission expansion.

Will there be a Cabinet-level answer?

President Obama has pushed transmission policy up to a Cabinet-level issue, convening top advisers and Cabinet leaders to work on the issue. The administration has produced a memorandum of understanding among federal departments and agencies about coordinating transmission expansion in the West, where the huge tracts of federal land open possibilities for new lines. That option is not available in the East.

The meetings are aimed "at sharpening the administration's thinking" on transmission, said one official. "We have an opportunity really rethink the system in some fundamental ways, and we have to do justice to the opportunity."

The Conservation Law Foundation filed views with FERC last week on behalf of itself and nine other leading environmental organizations, urging the commission to set national rules for transmission cost allocation. The rules would give predominant weight to recommendations by new planning organizations that would be created in the Eastern and Western interconnections, based on formal agreements by state governors.

While that path would seem promising in the West, some governors in the Northeast oppose paying for long-distance transmission projects to bring Great Plains wind power to their states. They will do their own wind projects, they say.

"We're organized to do it in the West," said Rick Sergel, chief executive of the North American Electric Reliability Corp., the grid's operations monitor. "They just need to get to the finish line," he said in an interview. The finish line is much farther away in the Eastern grid interconnection. Transmission projects "hopefully will be done with the authorities that exist today. If not, that will have to change," he said.

'Glacial progress'

"We are making glacial progress," said one administration official. While the recession has bought some time, that reprieve is temporary. "Substantial increases in renewable energy require a much stronger, flexible transmission. We need a federal law that gives structure to planning."

The Senate Energy Committee's bill would create a transmission planning process that does begin with regional needs, but would authorize FERC to pull disparate regional plans together.

However, the bill contains an amendment by Sen. Bob Corker (R-Tenn.) that would require FERC to make detailed cost-benefit analyses in allocating transmission costs.

FERC would have to show that costs allocated to state customers are "reasonably proportionate" to "measurable economic and reliability benefits," noted a letter (pdf) to congressional leaders this month from WIRES and 60 other energy companies and environmental organizations.

"This language threatens to hamstring FERC," inviting disputes, lawsuits and delay, according to the Nov. 3 WIRES letter. In the House, Rep. Ed Markey (D-Mass.) heads a group of legislators who do not favor strong federal transmission rules.

Hoecker said in an interview that he did not think FERC would go so far as to prescribe a single specific nationwide cost allocation rule. But it can spell out overarching policies. "Anything they could do to narrow the field of debate on these issues would help expedite decisions" and strengthen the commission's position in court, he said.

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