

Electric Transmission Policies

- The American Public Power Association (APPA) agrees that new electric transmission infrastructure is needed, but rising transmission costs are a major concern for public power utilities. New transmission lines must be planned through transparent processes that focus on the needs of utilities serving customers.
- The Federal Energy Regulatory Commission (FERC) must be diligent in adopting and enforcing policies ensuring that transmission costs paid by consumers are just and reasonable, as required by the Federal Power Act (FPA). Electricity customers should not be required to pay for transmission facilities from which they do not receive commensurate benefits.
- Some of the problems involved in transmission planning, siting, and cost allocation could be mitigated if new transmission lines were jointly owned, with some partial ownership by public power utilities where feasible, and FERC and Congress should pursue policies to promote public power joint ownership.
- To encourage the development of new transmission facilities, Congress and the federal agencies should streamline the federal permitting and siting process, eliminate excessive regulatory barriers, and ensure more timely decisions from relevant federal agencies.

Background

Once electricity is generated, it typically travels over high-voltage bulk power transmission lines from the generating unit to local electric distribution systems, and on to consumers. Just as cars traveling on the interstate highway system need to exit and travel on a system of smaller roads to reach their destinations, lower voltage electric distribution systems interconnect with the bulk power transmission systems in their regions to deliver electricity to end-use customers—industry, homes, and businesses.

FERC administers the FPA, the federal law governing the transmission of electricity. FERC regulates electric transmission rates and infrastructure (including rules governing the interconnection of generators to the transmission grid), and it also has authority to establish transmission planning rules. State and local governments generally have authority over the siting and construction of transmission lines, and they also regulate the electric distribution system and the electric utilities that own and operate this infrastructure. This division of authority over the electric grid can at times create regulatory tension between states/localities and the federal government.

Over the last two decades, FERC has attempted to facilitate appropriate transmission planning and development through a series of orders aimed at addressing regional and interregional transmission planning and cost allocation (i.e., who pays for new transmission facilities), and the interconnection of new generators to the transmission grid.

In some regions, particularly those in which regional transmission organizations and independent system operators supervise transmission system operation and planning, transmission costs have risen rapidly over the past several years, imposing a significant burden on transmission customers, including many public power utilities. While there are legitimate reasons for many of these costs, such as accommodating new renewable generation and upgrading aging infrastructure, public power utilities have also raised concerns that the most cost-effective transmission lines to meet their customers' needs are not necessarily being planned and built.

Congressional and FERC Action

Prompted by a rapidly evolving generation resource mix and the need to ensure a reliable and resilient grid, FERC is currently considering significant changes to its rules governing regional transmission planning, cost allocation, and generator interconnection. Congress has also taken up electric transmission issues in recent legislation.

FERC is considering potential revisions to its rules governing regional transmission planning and cost allocation. APPA agrees that it is worthwhile to explore potential improvements in transmission planning, such as a greater emphasis on identifying anticipated future generation, as well as expanded opportunities to participate in the planning process. Planning should not be overly speculative and should focus on generation that is likely to be added to the transmission system based on the resource plans of utilities. Further, any revised rules must ensure that transmission investment costs allocated to customers are roughly commensurate with the benefits customers receive. FERC has also proposed to encourage joint ownership of transmission lines. APPA strongly agrees that some of the current challenges of planning and building new transmission infrastructure could be mitigated through joint ownership by public power utilities where feasible as an expanded pool of transmission owners can facilitate more transparent and effective planning, mitigate the expense of new transmission facilities for all participants, and reduce siting risks by having a broader and more diverse set of utilities advocating for the projects.

FERC has also issued a proposed rule that would modify its existing rules governing the process by which generators interconnect to the transmission system. The rapid evolution of the generation resource mix has strained FERC's existing generator interconnection framework in some regions, often complicated by the submission of many speculative interconnection requests. APPA agrees that improvements to FERC's current generator interconnection rules may be appropriate, particularly new policies to reduce speculative interconnection requests.

FERC's general policies for setting transmission rates, including its guidelines for establishing authorized equity returns and awarding transmission rate incentives, can also have a material impact on transmission costs borne by public power utilities. FERC must be diligent in adopting and enforcing policies that ensure transmission rates are reasonable and affordable for customers.

The Infrastructure Investment and Jobs Act (IIJA)(P.L. 117-58), signed into law in November 2021, included revisions to the federal "backstop" siting provisions of the FPA, which gives FERC authority to step in and site certain transmission lines when state authorities cannot or do not approve them. The IIJA also included \$2.5 billion to fund a new Department of Energy (DOE) Transmission Facilitation Program that will allow the department to support the development of certain new or upgraded high-voltage transmission lines by either serving as an anchor tenant, providing federal loans for a transmission project, or entering into a public-private partnership to build or upgrade certain lines. The Inflation Reduction Act (IRA)(P.L. 117-169), signed into law in August 2022, also included several provisions to encourage the development of transmission infrastructure, including funding to build or modify high voltage transmission lines in certain DOE-designated areas and funding for DOE to issue grants to transmission siting authorities, including states and local governments, for transmission project studies, stakeholder engagement, and costs associated with participation in federal and state regulatory proceedings. The IRA also includes funding for DOE to convene stakeholders and conduct analysis related to interregional transmission and offshore transmission development.

Reforming the permitting process for energy infrastructure has been, and continues to be, a primary focus of discussion on Capitol Hill in 2023. The leaders of various committees in the House and Senate have introduced numerous pieces of legislation. Broadly speaking, Republicans have primarily been interested in reforming the National Environmental Policy Act (NEPA) while Democrats have been focused on reforms that would change how transmission lines are sited and paid for (cost allocation). The bipartisan agreement to suspend the debt ceiling (H.R. 3746/P.L. 118-5) included a provision directing the North American Electric Reliability Corporation to study total current transfer capability between neighboring regions and make recommendations on additional transfer capability needed to strengthen reliability. APPA believes that further permitting reform legislation should focus on reforms to increase clarity and certainty in NEPA and other environmental laws to speed up the process for transmission and other energy infrastructure development, rather than changing cost allocation or giving the federal government more authority to site transmission lines. Further, APPA believes that FERC and DOE must be given sufficient time to exercise the expanded authorities and funding authorized in recent legislation before additional statutory changes are made.

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The American Public Power Association is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. We represent public power before the federal government and protect the interests of the more than 49 million people that public power utilities serve and the 96,000 people they employ.