



# Legal & Regulatory Conference

IN PARTNERSHIP WITH

GRIDLIANCE

A background image showing a group of people in a professional setting, likely a conference. The image is partially obscured by a blue overlay. In the foreground, a man in a dark suit is seen from the side, looking towards a woman with long blonde hair who is speaking. Other people are visible in the background, slightly out of focus.

*Examine Together*



**Transmission Competition Under FERC Order No. 1000  
Reinforce or Replace?**

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APPA Legal & Regulatory Conference – October 10, 2018

# Background on GridLiance

GridLiance is an independent transmission company. We partner with electric cooperatives, municipal utilities, and others to plan for the future of the grid, invest in transmission infrastructure, and improve grid reliability.

## What We Do

- Unlock the financial value of existing transmission assets and invest in transmission projects with our partners
- Own and operate nearly 600 miles of transmission lines and related substation equipment
- Build strong business relationships with long-term agreements based on each partner's needs

## Who We Are

- Led by an experienced executive team
- Backed by Blackstone Energy Partners, L.P., a leading energy infrastructure investor that provides strategic and financial support
- Guided by independent board members who are industry leaders and include Terry Boston (former CEO, Tennessee Valley Authority and PJM Interconnection) and Mike Morris (former CEO, American Electric Power)

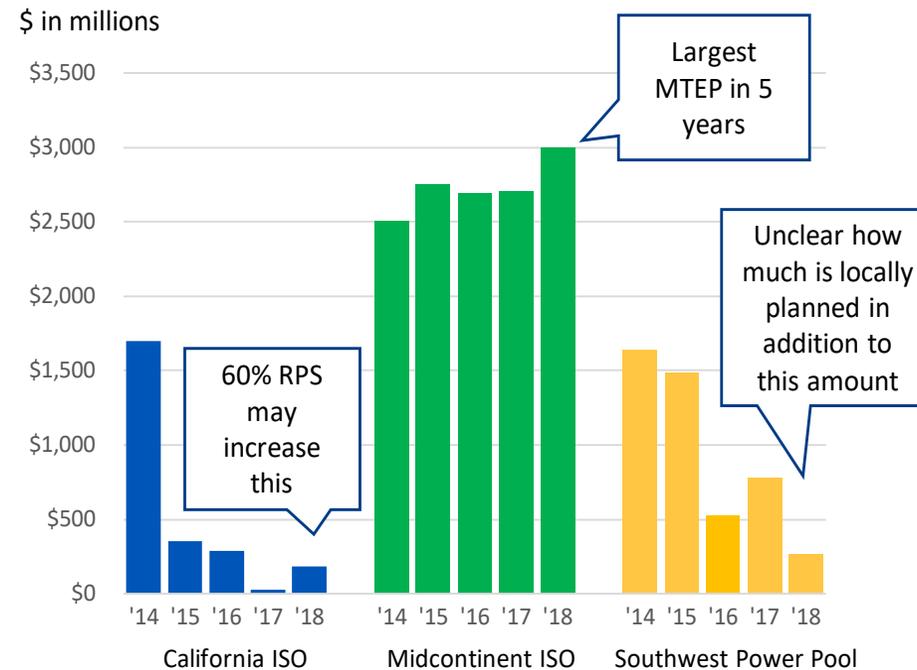
## Current Partners



# Why does competition in transmission matter?

- One of the most important objectives of our industry is to provide **affordable electricity to customers**
- Transmission investment is putting **upward pressure on rates**
  - Investment has increased to ~\$18 billion in 2017 from ~\$2 billion in 1999
  - On average, transmission costs were ~10% of residential retail rates in 2017; this is up from ~6% in 2006
- **Managing the cost of transmission is fundamental** to keeping electricity affordable

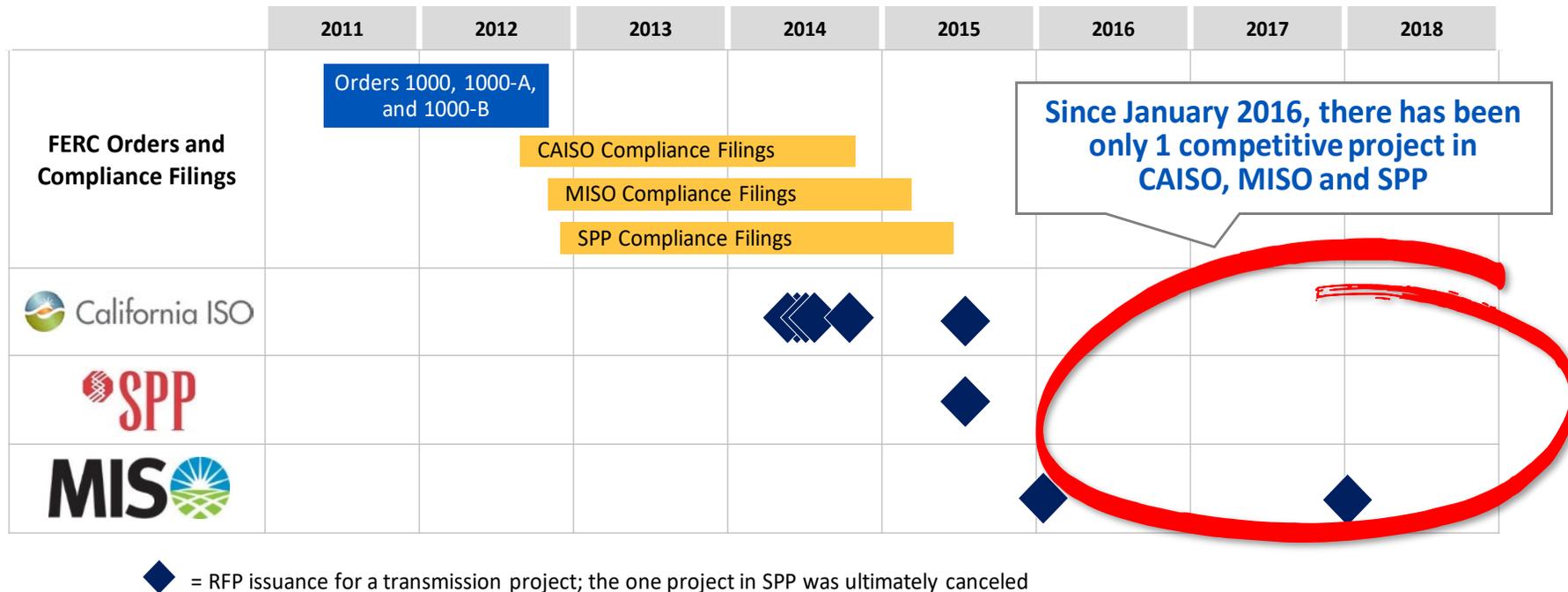
Project Approvals (Example RTOs)



**To achieve affordability, competition in transmission can reduce upward pressure on customer rates**

# How did we get here?

- FERC Order No. 1000 (July 2011) opened to door for competition
  - **Regional Participation:** Every transmission owner must join a regional planning group and each region must implement competition for regionally planned/cost-shared projects
  - **Right of First Refusal:** FERC-approved tariffs cannot have a federal right of first refusal
  - **Cost Allocation:** Regional process must have a regional cost allocation methodology
- **However, since then few projects have been sourced using competitive processes**



# Are there benefits when competition is used?

- **Demonstrable savings from lower capital costs:** On average, winning bids have been approximately 10% - 60% below initial planning cost estimates or lowest-cost incumbent bids
- **Risk reduction for customers:** Winning bids normally include binding cost caps or cost-control measures, with limited exclusions; this shifts the risk of cost increases to developers from utility customers
- **Creativity:** In regions with “solution-based” processes (e.g., PJM) competition can foster design innovations. In other markets, developers have been creative in the terms and conditions they offer to control cost to customers

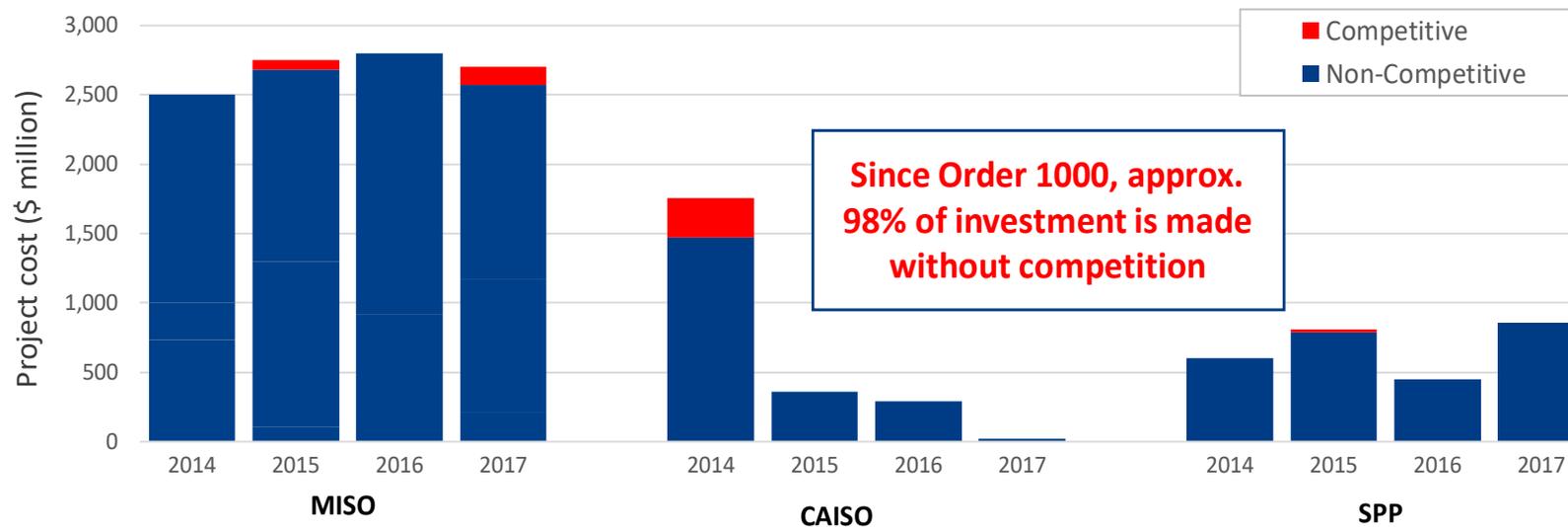
Example Projects (\$ in millions)	Planning Estimate	Winning Bid	Estimated Savings <sup>(1)</sup>	Binding Cost Containment?
CAISO Delaney-Colorado River	\$300	\$280	7%	Yes
CAISO Estrella Substation	\$35 - \$45	\$20	56%	Yes
CAISO Wheeler Ridge	\$90 - \$140	\$60	57%	No
CAISO Suncrest	\$50 - \$75	\$37	50%	Yes
CAISO Spring Substation	\$35 - \$45	\$28	38%	No
SPP Walkemeyer-North Liberal	\$17	\$8	50%	No
MISO Duff-Coleman	\$59	\$50	15%	Yes
CAISO Harry Allen-Eldorado	\$144	\$133	8%	Yes

(1) Difference between winning bid and upper bound of planning estimates, if applicable

**When competition is used, customers face lower transmission costs and lower risk of cost overruns**

# What is preventing competition?

- Unnecessarily restrictive rules are limiting the scope of competition
  - Categorical exclusions enumerated in Order 1000 (e.g., local cost allocation, upgrades, State ROFRs)
  - Whole categories of transmission are not subject to regional cost allocation and, therefore, subject to federal ROFRs (e.g., MISO Baseline Reliability Projects, PJM Supplemental Projects)
  - Minimum voltage thresholds (e.g., 300-kV in MISO)



**Without reforms, customers will continue to pay much more than is necessary**

# What can be done to strengthen competition?

GridLiance recommends FERC take the following steps, which will ensure Order No. 1000 competitive processes yield even greater consumer benefits

1

## Enhance Transparency

- **Near-Term:** While it considers possible longer-term rule changes, FERC should act in the near term to improve transparency on project cost overruns
- **FERC should:** (i) require RTOs to track and disclose project cost for all approved projects, (ii) compare those costs to planning estimates, and (iii) distinguish between competitively sourced and non-competitively sourced projects

2

## Broaden the Scope of Competition

- **Revisit Competition Eligibility:** Delink the nexus between competition and regional cost allocation and consider adopting a universal minimum project threshold
- **Scrutinize Near-Term Projects:** Carve-outs for “immediate need reliability” projects should be reexamined and oversight should be increased

3

## Improve Competitive Processes

- **Strengthen Pre-Qualification:** Pre-qualification should be strengthened and relied upon so that bidder qualifications are not part of project RFPs
- **Streamline RFP Process:** Processes should (i) be shortened in most RTOs, (ii) focus on project cost and design (instead of bidder qualifications), and (iii) emphasize objective factors like cost and cost containment terms