Transmission projects are on the rise across the country. According to the Edison Electric Institute’s (EEI) 2016 Transmission Projects at a glance, total EEI member annual transmission investments increased from $10.2 billion in 2010 to $20.1 billion in 2015 and is expected to peak at $22.5 billion in 2017. Primary drivers for this investment include replacing aging infrastructure, system hardening and resilience, improvements to meet evolving reliability and security requirements, and the integration of renewables.

During a July 2015 presentation to JP Morgan’s Investor Conference, The Brattle Group identified similar drivers for investment and projects annual expenditures between $5 billion to $10 billion annually, just to replace aging infrastructure. With the various drivers for new transmission, Brattle estimates spending to be approximately $120 billion to $160 billion per decade through 2030.

Additionally, investor-owned utilities in some parts of the country have indicated their intent to move away from competitive wholesale power markets to focus on replacing investment in power supply resources with investment in regulated transmission assets.

With all of these drivers, it is paramount that the Federal Energy Regulatory Commission (FERC) ensure that the planning processes developed under orders 890 and 1000 are fully implemented by transmission owners and regional transmission organizations (RTOs). Order 890 provided guiding principles of openness, transparency, and comparability to enable stakeholders to meaningfully participate in the transmission planning process. Order 1000 further codified these principles to apply to both regional as well as local planning, and added a competitive process for projects in the regional plan.

In the PJM region, where public power systems are transmission dependent, American Public Power Association (APPA) members have seen not only a marked increase in transmission costs, but also a marked increase in projects (supplemental) that are not part of the PJM Regional Transmission Expansion Plan (RTEP). The RTEP is comprised of projects with clear criteria and planning guidelines reviewed and or planned by PJM and approved by the PJM Board. On the other hand, “supplemental” transmission projects are changes to the transmission system that are not required to satisfy reliability, operational performance, or economic criteria. Supplemental transmission projects do not receive the same rigorous review by PJM that baseline transmission projects do, even though the costs for these projects are also
passed on to consumers. This lack of true oversight means it is nearly impossible for energy consumers—who ultimately bear the costs of these projects—to verify that they are getting their money’s worth.

In the PJM Interconnection territory from May 2011 through May 2017, the annual revenue requirement (the actual cost for transmission owners to provide transmission service plus a return on their capital investment) for transmission enhancement projects increased by 294.5 percent. Additionally, through 2012, there was approximately $21.3 billion of PJM in-service or planned baseline and network upgrades compared to $6.8 billion in supplemental transmission projects. Since 2012, there have been approximately $12.7 billion in supplemental projects compared to $11.6 billion of PJM in-service or planned baseline and network upgrades. This means there were more transmission projects proposed without any true oversight than within the established PJM planning process. With the exception of 2016, the amount of supplemental transmission projects has steadily increased each year.

APPA supports efforts to address necessary maintenance and refurbishing of the transmission grid to maintain reliable and economic service. However, it is imperative that federal policymakers implement a true review process that ensures transmission investments within regional transmission organizations are prudent, cost-effective and future-focused.

NOW, THEREFORE BE IT RESOLVED: That the American Public Power Association (APPA) urges the Federal Energy Regulatory Commission (FERC) to enforce the transmission planning process requirements of orders 890 and 1000 in a manner consistent with the purposes and goals of those orders; and

BE IT FURTHER RESOLVED: That APPA recognizes earlier efforts by FERC’s 2016 Show Cause Order in Docket No. EL16-71, and urges FERC to issue a final ruling to ensure all transmission investments in the PJM region are needed and cost effective; and

BE IT FURTHER RESOLVED: That APPA supports efforts to maintain and refurbish the electric transmission grid with timely and meaningful stakeholder participation and effective oversight and review.