

Electric Transmission Policies

- The American Public Power Association (APPA) believes 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 prioritize the needs of utilities serving customers.
- The Federal Energy Regulatory Commission (FERC) must be diligent in adopting and enforcing policies that ensure 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 challenges involved in transmission planning, siting, and cost allocation could be mitigated if new transmission lines were jointly owned, with partial ownership by public power utilities where feasible. FERC and Congress should pursue policies to promote public power joint ownership.
- To encourage the development of new transmission facilities, Congress and federal agencies should streamline the federal permitting and siting process, eliminate excessive regulatory barriers, and ensure more timely decisions from relevant federal agencies.

Background

When electricity is generated, it typically travels over high-voltage 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 smaller roads to reach their destinations, lower voltage electric distribution systems interconnect with the 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 has the 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 systems 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. Rising demand for electricity, especially from data centers and other large new loads, is increasing federal policymakers' focus on transmission permitting and planning.

In some regions, particularly those where 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 legitimate reasons exist for many of these costs, such as accommodating new 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.

One way to mitigate transmission costs is to support joint ownership of new transmission facilities by load-serving entities, including public power utilities. By giving load-serving entities a direct ownership stake, joint ownership can promote more disciplined project selection, improve cost accountability, and help keep more of a project's financial value in the communities that the facilities serve.

FERC Action

In June 2026, in response to the Secretary of Energy's Advanced Notice of Proposed Rulemaking on interconnecting large loads, FERC issued a series of "show cause" orders directing the six regional grid operators to ensure the rates and conditions that apply to data center connections will prevent cost shifting to existing customers and maintain grid reliability, while also requiring faster interconnection or co-location policies to ensure data centers are able to receive power efficiently. This region-by-region approach will allow each regional transmission organization/independent system operator to implement the principles through upcoming filings.

FERC has also been acting individually in different regions, most notably the PJM region, to allow regional solutions to building transmission that will facilitate the interconnection of new data centers. In May 2024, prompted by a rapidly evolving generation resource mix and the need to ensure a reliable and resilient grid, FERC issued rules on long-term regional transmission planning and improving generator interconnection (Order No. 1920). FERC Order No. 1920, as clarified and modified by subsequent orders, requires each transmission planning region to engage in a long-term, forward-looking, comprehensive transmission planning process at least once every five years. These long-term plans must identify regional transmission needs over the next 20 years, identify potential transmission facilities that meet those needs, measure the benefits of those transmission facilities, and evaluate whether to select any of those facilities in the regional transmission plan. The order also requires each region to propose a cost allocation methodology for the new long-term regional transmission facilities. Whether Order No. 1920 results in the most cost-effective new transmission facilities being built in the coming decade will depend on how transmission owners implement the order's complex provisions. Transmission providers are now implementing Order No. 1920 on a region-by-region schedule, with FERC having extended compliance deadlines and state engagement periods in several regions. Several states have challenged Order No. 1920 in the court of appeals, with a ruling expected this year.

In July 2023, FERC issued Order No. 2023, which modified 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 numerous speculative interconnection requests.

Notably, Order No. 2023 replaces the "first come, first served" approach to generator interconnection with a "first ready, first served" approach, and requires transmission providers to study the impact of proposed interconnections in groups, or "clusters." APPA is generally supportive of the reforms in Order No. 2023, particularly the new policies to reduce speculative interconnection requests.

Nearly all transmission owners have now implemented the requirements of Order No. 2023, but it remains unduly time consuming to interconnect shovel-ready projects that are needed for reliability. In 2025, FERC approved limited, fast-track queue processes for the PJM Interconnection, Midcontinent Independent System Operator, and Southwest Power Pool. These fast-track processes could add nearly 200 new reliable generation projects totaling over 50 gigawatts (GW) of capacity to the grid within the next five years.

At the direction of Congress, the North American Electric Reliability Corporation (NERC) studied the amount of electricity that can be transferred between regions of the country, resulting in the 2024 Interregional Transfer Capability Study. It found that existing interregional transfer capability varies significantly across the country and that a one-size-fits-all requirement for a minimum amount of interregional transmission may be inefficient and ineffective. The study identified 35 GW of interregional transfer capability that could improve reliability but noted that building new transmission is one of many options for addressing the identified reliability risks.

Congressional Action

The 118th Congress focused extensively on reforming the permitting process for energy infrastructure. Broadly speaking, Republicans were, and remain, primarily interested in reforming the National Environmental Policy Act (NEPA) and judicial reforms that

would streamline the federal permitting process for a variety of energy projects, while Democrats were and continue to be focused on reforms that would change how transmission lines are sited, planned, and paid for (cost allocation), with the goal of expanding the transmission system to accommodate increased renewables. In 2024, Senators Joe Manchin (I-WV) and John Barrasso (R-WY) introduced S. 4753, the Energy Permitting Reform Act (EPRA) of 2024, which would have made changes to judicial review processes for certain permitting challenges, increased oil, gas, and coal leases available on federal lands, and expanded renewable energy siting on federal lands. On transmission, EPRA would have further strengthened FERC's "backstop" siting authority, which gives FERC authority to site certain transmission lines when state authorities cannot or do not approve them, and created a new requirement for transmission planning regions to create interregional transmission plans. Unfortunately, the legislation also included provisions that would have expanded the jurisdiction of FERC over public power utilities, electric cooperatives, and the federal Power Marketing Administrations, intruding on public power's critical local decision-making authority and likely leading to higher transmission rates for public power customers. APPA advocated extensively to amend the legislation to remove the expansion of FERC jurisdiction. EPRA passed out of the Senate Energy & Natural Resources Committee but did not receive further consideration in the Senate.

Permitting reform remains a major focus in Congress, with bipartisan NEPA reform legislation passing in the House of Representatives in December 2025. APPA believes that permitting reform legislation should focus on reforms that increase clarity and certainty in NEPA and other environmental laws to speed up the permitting process for transmission and other energy infrastructure development, rather than changing cost allocation or granting the federal government more authority over public power utilities.

However, Democrats in Congress remain interested in changes to transmission permitting, planning, and cost allocation, including proposed expansions of federal "backstop" siting authority, mandatory participation in interregional transmission, or the expanded socialization of transmission costs. APPA supports efforts to streamline and expedite federal permitting for transmission lines, which can add years and additional costs to projects. APPA does not support mandated participation, transfer capability, or technology requirements that bypass planning and cost-benefit review, which risk overbuilding, or cost allocation practices that are neither quantifiable nor measurable. Because transmission costs flow directly into retail rates, it is crucial that Congress consider how transmission policy decisions will impact overall energy affordability.

APPA believes Congress and FERC should also pursue policies to support joint ownership of new transmission facilities by load-serving entities, including public power utilities, to create a more collaborative planning and siting process and to make it easier to garner local and political support for projects. Joint ownership can also help preserve affordability for public power utilities facing rising transmission costs; owning a share of transmission assets provides a hedge against those costs, ultimately keeping more of a project's financial value in the local community.

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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 55 million people that public power utilities serve and the 100,000 people they employ.