

THE ACADEMY

AMERICAN PUBLIC
POWER ASSOCIATION

Transmission

Increasing Rates Demand Increasing Scrutiny

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Set the Stage - Rate of Return Regulation

- **All** utility profits come from investing in capital equipment like power plants, **transmission lines and substations**
 - utility cannot earn any profits on its operating costs... so no incentive for cost reduction
- **Averch-Johnson Effect** – “the tendency of regulated companies to engage in excessive amounts of capital accumulation in order to expand the volume of their profits.”
- *In recent years, given that the low price of natural gas has kept wholesale electricity prices very low, increases in customer bills in competitive jurisdictions are most likely the result of investment in **new T&D** and/or generation infrastructure.*

What are your pain points?

Pain points

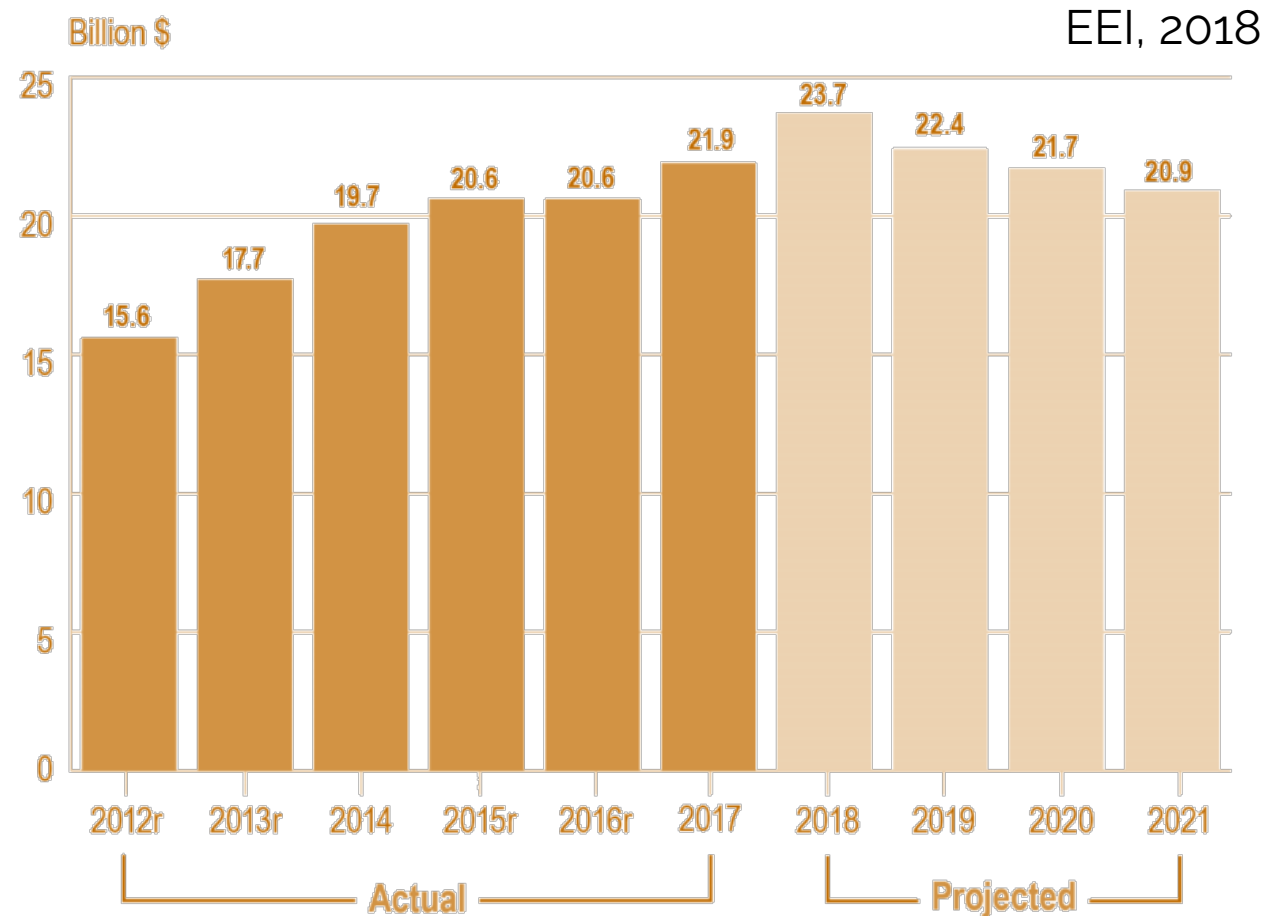
- FERC Order 890 – “What happened to transparency?”
- FERC Order 1000 – “What happened to competition?”

What's driving the issue?

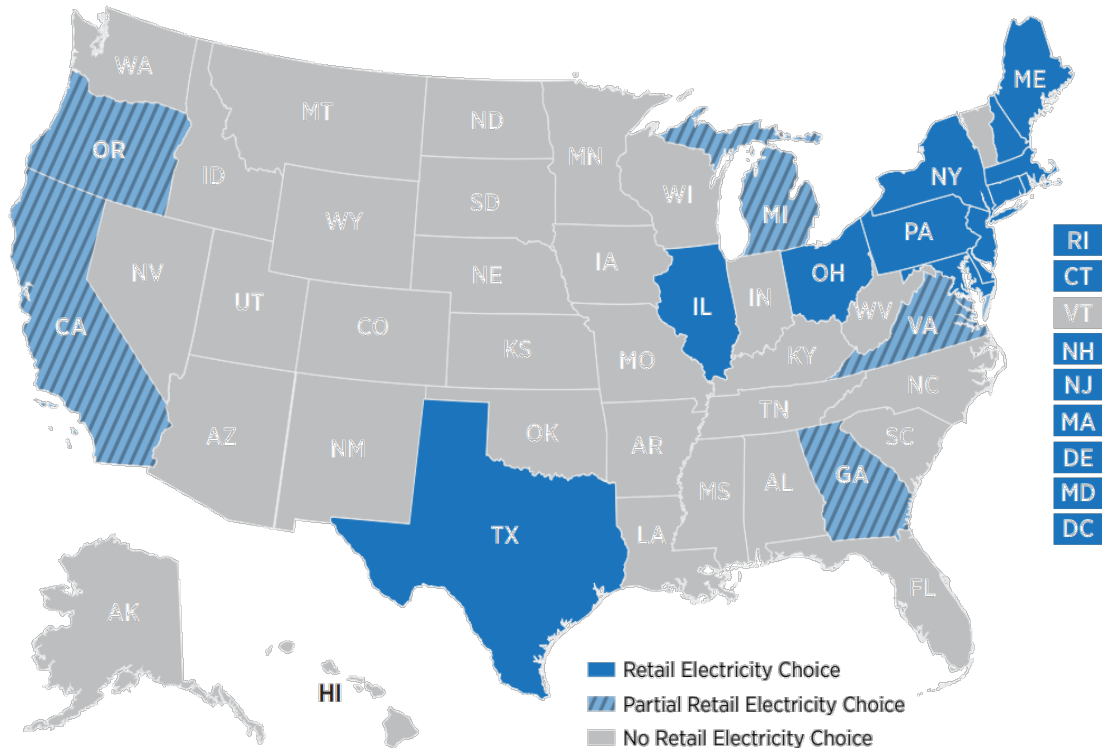
Competitive transmission... not so competitive

- PJM Supplemental Projects
- ISO-NE “Time Sensitive” Projects
- CAISO “Asset Management” or “Capital Maintenance” projects

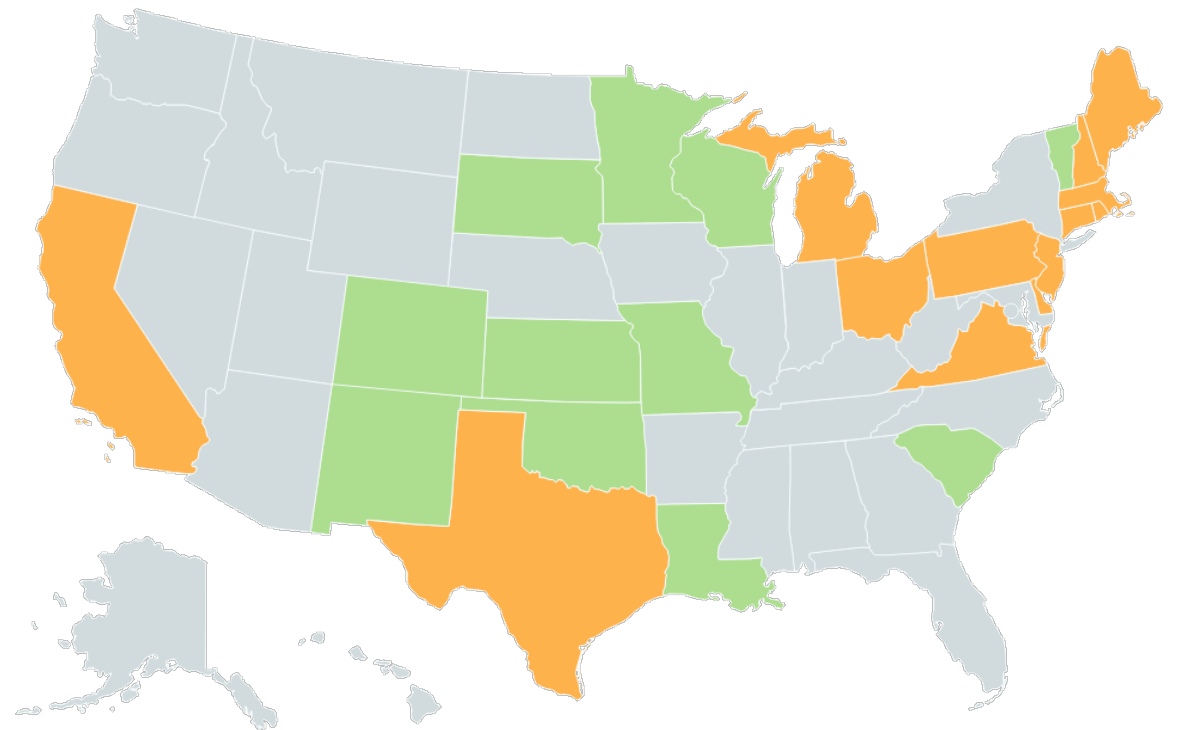
Historical and Projected Transmission Investment



Retail Choice & Transmission Investment

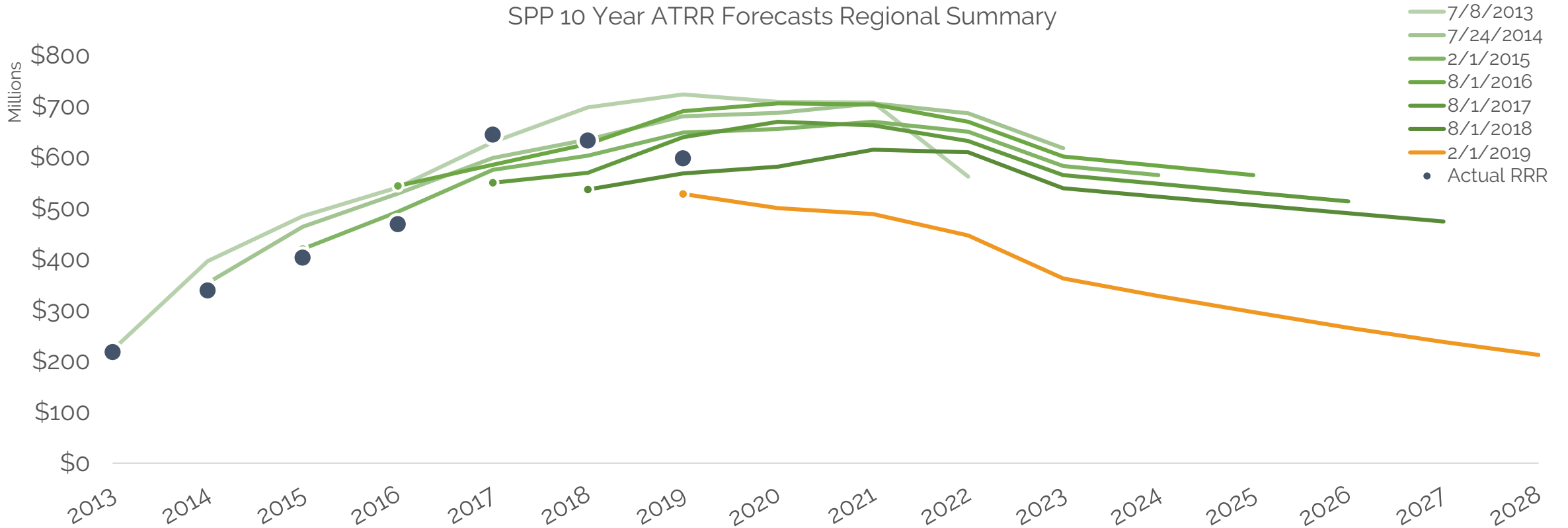


Top 25 1998-2018 %-increase in transmission investment

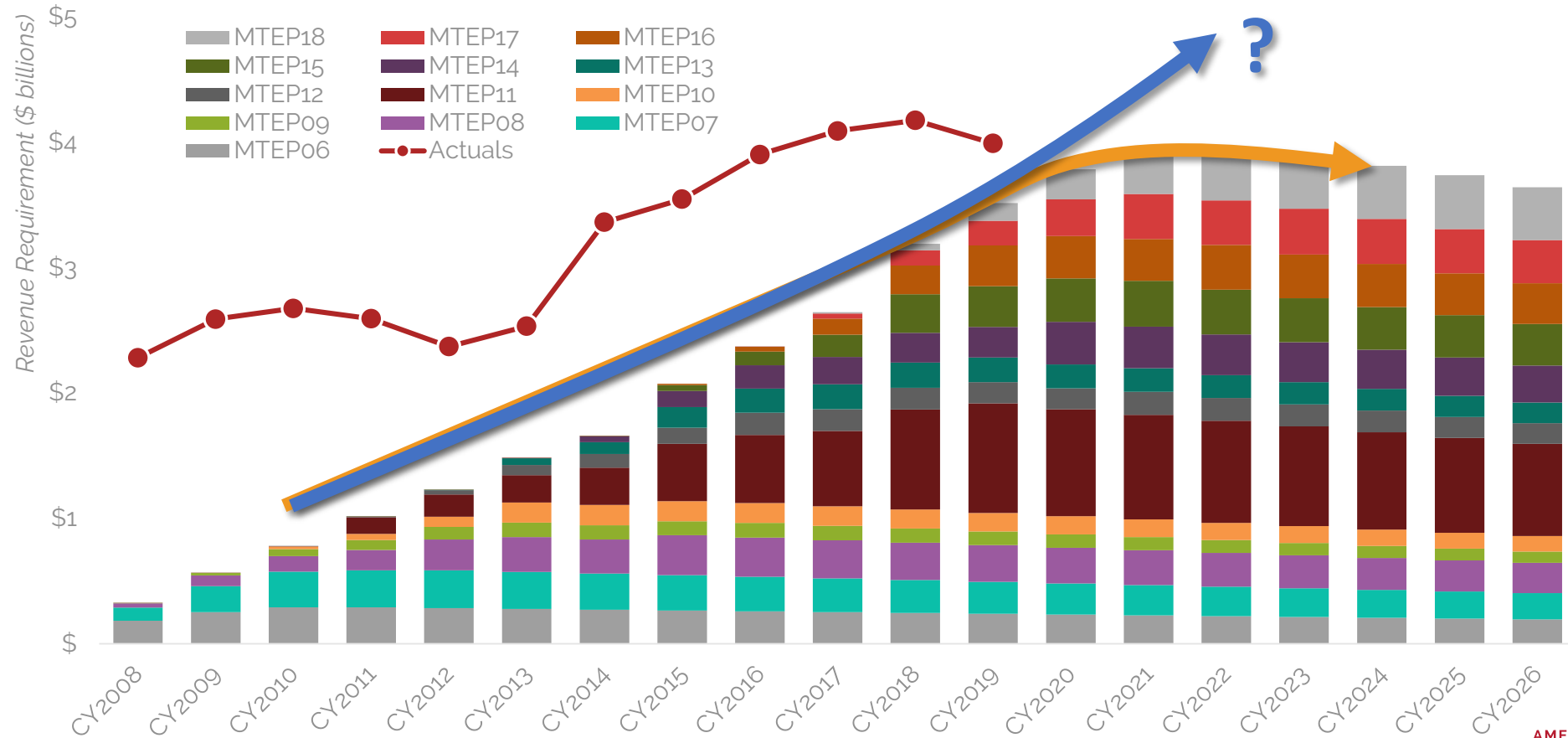


SPP RR Forecast

SPP 10 Year ATRR Forecasts Regional Summary

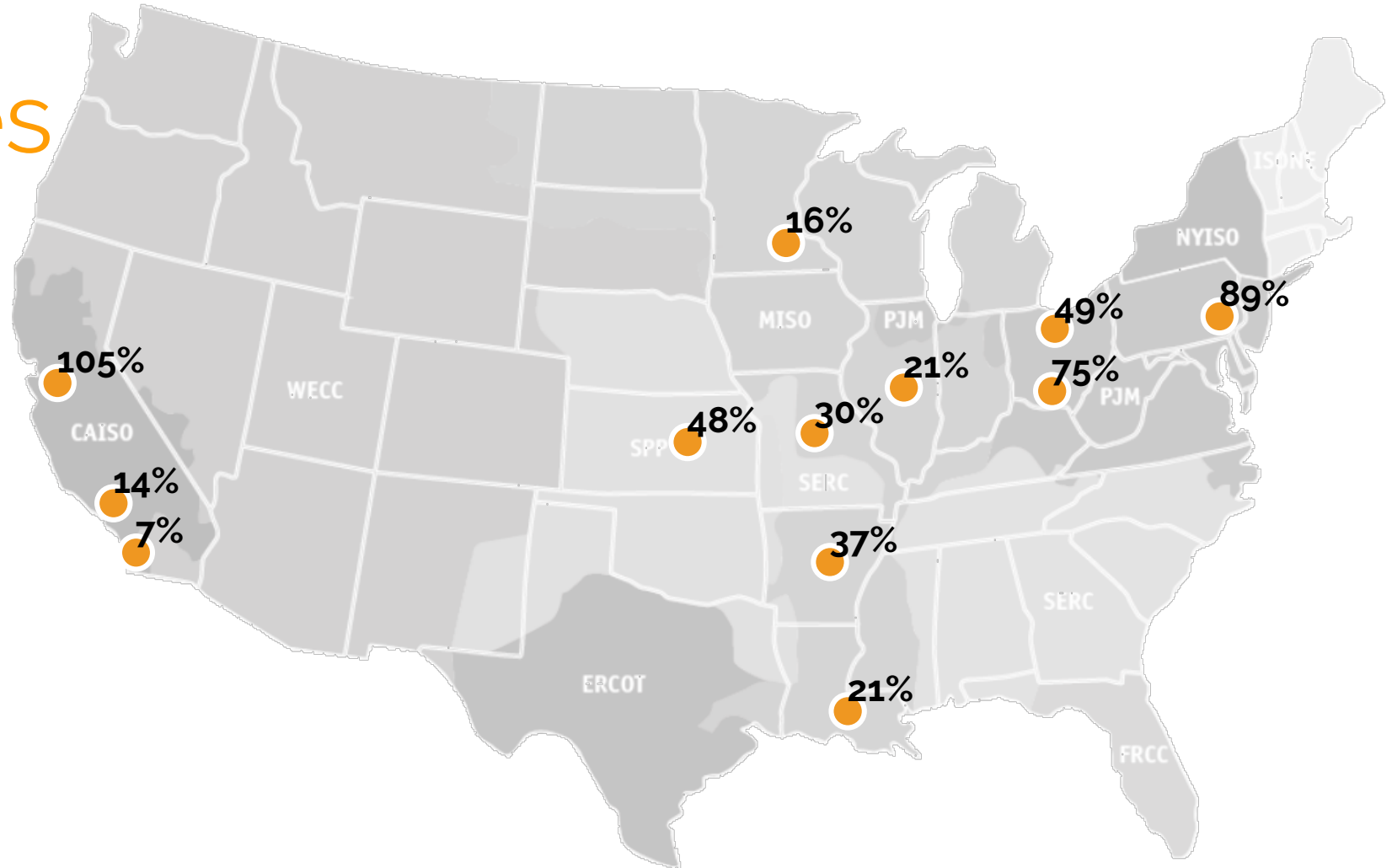


MISO RR Forecast



Rate changes

Percent increase in rates from 2015 to 2019 in various RTO markets



What will improve the process?

Let's start with more info

- New legislation in Maine to improve public oversight of transmission

*Maine Public Utilities Commission to adopt rules that require investor-owned transmission and distribution utilities to **provide customers with a 10-year history of transmission, service rates** and a statement of the total percentage change in rates over the 10 years. That information would need to be provided every year.*

- FERC and RTOs need to insist on additional transparency in the planning process

Consider all the alternatives

- Transmission is a 40yr to 60yr asset → What will the grid look like in 2050?
- Ernst and Young forecasts non-utility solar+storage to reach grid cost parity by 2040
 - T&D investment parity by 2050 (by 2038 for California – less than 20 yrs away)
- Transmission alternatives
 - Smaller, more discrete projects
 - Storage

Other considerations

- Transmission Planning – *Are the “right” projects being built?*
 - *How many futures should we consider?*
 - *How can we increase competition?*
- Cost Allocation – *Are the “right” people bearing the cost of the projects?*
 - *Cost allocation methodologies*
 - *Zonal definitions*
- Seams Issues