

INSIGHTS

FERC Report on Transmission Investment and Related Technical Conference

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At the March 17, 2016 Federal Energy Regulatory Commission ("FERC") meeting, FERC's Office of Energy Policy and Innovation presented a report assessing the effectiveness of FERC's transmission investment policies, including Order No. 1000 reforms and identifying possible policy changes ("Report"). The Report includes data from 2013-2015. The report is located [here](#) and the presentation is located [here](#). On March 17, 2016, FERC also announced a planned Technical Conference regarding competitive transmission development rates to be held on June 27-28, 2016, with details located [here](#). The specific agenda for the Technical Conference is not yet available but the FERC notice indicates that, among other things, the Technical Conference agenda will cover the following topics: transmission cost containment provisions, the relationship of competitive transmission development to transmission incentives and other ratemaking issues. A high level summary of issues examined in the Report is below.

Nonincumbent Participation: The Report provided data on bids or proposals for new transmission projects in the Order No. 1000 regional transmission planning processes in PJM and CAISO made by nonincumbent transmission developers.

- In the CAISO region, between two-thirds and three-quarters of proposals in each of the three years were submitted by nonincumbents;
- In PJM region, the nonincumbent proposals varied, from more than 60 percent of proposals in 2013 to less than 40 percent of proposals in 2014.

Levels of Transmission Infrastructure: In this analysis, FERC Staff assumed that persistent costly congestion in an area may correspond to insufficient transmission investment. To identify congestion in RTO/ISO markets, FERC Staff looked at pricing. For non-RTO/ISO market regions, the Report uses an indirect metric based on historical NERC Transmission Loading Relief (TLR) data.

- **Bilateral Market Regions:** The Report concluded that overall, the SPP regions consistently experienced more TLR events per gigawatt-hour of retail load than other regions. However, FERC Staff notes that the analysis is narrow because TLRs only represent transmission limitations between Balancing Authority Areas. Moreover, the Western Interconnection does not use TLRs to manage unscheduled flows, and therefore FERC Staff did not calculate this metric for the Western Interconnection. In the future, FERC Staff intends to use data from Electric Quarterly Reports (EQR) to improve its analysis of

congestion in non RTO/ISO regions.

- **RTO/ISO Regions:** The Report analyzes congestion data in RTO/ISO on direct locational marginal pricing. The report details several regions that experienced significant price differentials. For example, the Report details a large number of low-priced points in the middle of the country, particularly western SPP, north-central MISO, and the Greater Chicago area, with a few instances of persistent low prices in the Northeast and California. The analysis shows the Delmarva Peninsula, Long Island, Baltimore, north-central MISO, the Upper Peninsula, and ND-SD-MN border region as having a large number of persistent high price points, with a few instances in other regions.

Comparison of Effect of FERC Policies: The Report analyzes the effect of policy changes, including Order No. 1000 policy changes, by evaluating three interrelated metrics: (1) load-weighted transmission investment; (2) load-weighted circuit-miles; and (3) circuit-miles per million dollars of investment. The Report notes the difficulty in identifying particular FERC policies that may have resulted in the observed patterns because several FERC initiatives were underway simultaneously, including the transmission planning under Order No. 890, later in Order No. 1000, and the FERC's evolving transmission incentives policies. The Report identifies several areas for future research to better refine the study to provide further insights into the impact of Commission policy changes over time.