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Electric Transmission Incentives Regulation: Federal Energy Regulatory Commission Federal Register Notice Proposes Revisions

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The Federal Energy Regulatory Commission ("FERC") published an April 2nd Federal Register Notice proposing to revise its transmission policy and corresponding regulations ("Regulations Revisions"). See 85 Fed. Reg. 18784.

The FERC states that the Regulation Revisions are being proposed:

... in light of changes in transmission development and planning in the last few years.

The Federal Power Act was amended by the Energy Policy Act of 2005 by the addition of a Section 219. This statutory provision required that the FERC use transmission incentives to ensure reliability and reduce the cost of delivered power. This was to be accomplished by reducing transmission congestion.

Section 219 of the Federal Power Act was implemented by the FERC through the issuance of Order No. 679. This Order was intended to provide incentive rate treatments. Further, it sought to establish risk-reducing incentives.

FERC subsequently reviewed its transmission incentives policy in a 2012 Policy Statement.

In proposing these Regulation Revisions the preamble states that the "landscape for planning, developing, operating and maintaining transmission infrastructure has changed considerably." The referenced changes are stated to include:

- An evolution in the resource mix
- An increase in the number of new resources seeking transmission service
- Shifts in loads patterns
- The impact of the implementation of FERC's major rulemaking on transmission planning and cost allocation
- New challenges to maintaining the reliability of transmission infrastructure

The proposed revisions include:

- Depart from the risks and challenges approach used to evaluate requests for transmission incentives adopted in Order No. 679 (instead focusing on granting incentives based on the benefits to consumers of transmission infrastructure investment identified by Congress in the Federal Power Act

- Offer public utilities an ROE incentive for transmission projects that provide sufficient economic benefits (as measured by the degree to which such benefits exceed related transmission project costs)
- Offer public utilities an ROE incentive for transmission projects that provide significant and demonstrable reliability benefits
- Modify the incentive allowing public utilities to recover 100 percent of prudently incurred costs of transmission facilities that are cancelled or abandoned due to factors that are beyond the control of the applicant
- Revise the regulations to eliminate the ROE incentive and related acquisition adjustment incentive available to standalone transmission companies
- Modify the ROE incentive available to transmitting utilities or electric utilities that join and/or continue to be a member of an Independent System Operator (ISO), Regional Transmission Organization (RTO), or other Commission approved Transmission Organization
- Offer public utilities incentives for transmission technologies that, as deployed in certain circumstances, enhance reliability, efficiency, and capacity, and improve the operation of new or existing transmission facilities
- Establish a 250-basis-point cap on total ROE incentives granted to a public utility in place of the current policy of limiting ROE incentives to the public utility's zone of reasonableness
- Reform the information collected from transmission incentive applicants in FERC-730, Report of Transmission Investment Activity, by obtaining the information on a project-by-project basis and expand some of the information collected

A copy of the Federal Register Notice can be downloaded [here](#).