

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Electric Transmission Incentives Policy)	Docket No. RM20-10-000
Under Section 219 of the)	
Federal Power Act)	
)	

COMMENTS OF THE ADVANCED ENERGY BUYERS GROUP

The Advanced Energy Buyers Group (“AEBG” or “Buyers Group”) appreciates the opportunity to provide input on the above-captioned notice of proposed rulemaking regarding Electric Transmission Incentives Policy (“Transmission Incentives NOPR” or “NOPR”) put forth by the Federal Energy Regulatory Commission (“FERC” or “the Commission”).¹ AEBG members include commercial and industrial companies seeking to meet a greater portion of their energy needs from advanced energy resources, including carbon-free wind and solar energy. As large energy users and customers, AEBG members have a strong interest in ensuring balanced consideration of the costs and benefits of transmission infrastructure, and as purchasers of renewable energy, AEBG members also have an interest in ensuring that transmission planning and investment decisions facilitate the deployment of cost-effective renewable energy.

AEBG’s comments in response to the Transmission Incentives NOPR focus on identifying principles for the Commission’s consideration as it moves forward with this NOPR

¹ *Notice of Proposed Rulemaking on Electric Transmission Incentives Policy Under Section 219 of the Federal Power Act*, 170 FERC ¶ 61,204 (2020) (“Transmission Incentives NOPR”).

and other transmission-related policy matters. Based on these principles, our comments provide directional feedback on the changes proposed in the Transmission Incentives NOPR.

I. ABOUT THE ADVANCED ENERGY BUYERS GROUP

The Advanced Energy Buyers Group is a business-led coalition of large energy users engaging on policies to expand opportunities to procure energy that is secure, clean, and affordable. Members of the Buyers Group are market leaders and major employers spanning different industry segments, including technology, retail, and manufacturing. Our companies are among the 71% of Fortune 100 companies and 43% of Fortune 500 companies that have established renewable and/or climate targets as part of our corporate sustainability commitments. We share a common interest in expanding our use of advanced energy, such as renewable energy like wind, solar, geothermal, and hydropower; demand-side resources like energy efficiency, demand response, and energy storage; and onsite generation from solar photovoltaics, advanced natural gas turbines, and fuel cells.

AEBG previously provided comments in response to the Commission’s March 21, 2019 Notice of Inquiry² regarding potential reforms and improvements to electric transmission incentives regulations and policy.³ In those comments, AEBG advocated for a transmission policy framework that: places focus on consumer benefits, enables sufficient long-distance transmission to unlock access to cost-effective renewable energy resources, prioritizes efficient use of existing transmission infrastructure and cost-effective use of advanced transmission technologies and non-wires alternatives, and requires or encourages increased interregional

² *Inquiry Regarding the Commission’s Electric Transmission Incentive Policy*, 166 FERC ¶ 61,208 (2019) (“Transmission Incentives NOI”).

³ Comments of Advanced Energy Buyers Group in Docket No. PL19-3-000 (filed June 26, 2019) (“AEBG Transmission Incentives NOI Comments”).

coordination and Regional Transmission Organization / Independent System Operator (“RTO/ISO”) participation.

II. COMMENTS

When evaluating the Transmission NOPR, AEBG first developed a set of principles to guide our assessment of this and any other transmission initiative or policy proposal, building off the priorities identified in our Transmission Incentives NOI comments. Below, AEBG summarizes these guiding principles, then provides specific input on the NOPR.

A. AEBG Transmission Policy Principles

As mentioned above, AEBG’s interest in transmission policies stems from our position as large electricity consumers and our role as companies seeking to accelerate the deployment of renewable energy and other advanced energy resources through our own purchases and through policies that support a rapid and affordable transition to a clean energy future. With these perspectives in mind, AEBG supports transmission policies that will advance the following objectives:

1. **Unlock opportunities to ensure loads may utilize the most cost-effective renewable energy projects.** Areas of strong renewable energy potential are often located far away from load centers, requiring new transmission to enable optimal renewable energy deployment. For example, 15 central states account for 88% and 56% of onshore wind and solar technical potential, respectively, and only 30% of projected electricity demand in 2050.⁴ Such a mismatch between supply and projected demand highlights the need for transmission investment and the importance of both intra- and inter-regional planning and

⁴ A Renewable America, *Transmission Upgrades & Expansion: Keys to Meeting Large Customer Demand for Renewable Energy* (January 2018) (at 6 and 13-14), available at <https://windsolaralliance.org/wp-content/uploads/2018/01/WEF-Corporate-Demand-and-Transmission-January-2018.pdf>.

coordination. For members of AEBG, transmission planning and availability directly impacts the ability to efficiently integrate large loads and procure the most cost-effective renewable energy resources to meet renewable energy and greenhouse gas reduction goals.

2. Always consider and aim to minimize the cost of meeting transmission needs. A

robust transmission system brings important benefits, but along with those benefits new transmission facilities come with costs for consumers that must be taken into account. Transmission policy and planning should be focused on finding the most cost-effective and beneficial transmission projects to meet identified needs, including taking full advantage of cost-effective opportunities to unlock additional capacity within existing transmission infrastructure.

3. Improve reliability and market efficiency of necessary transmission expansion.

When appropriately planned and balanced against costs, transmission investment brings many consumer benefits, including more efficient use of generating assets, reduced congestion, fewer market power concerns, reduced reserve margin requirements, and improved reliability outcomes. These customer benefits should be prioritized in transmission planning and policy, while keeping in mind the cost concerns outlined in Principle Two, above. Policies and incentives should also focus on increasing the efficiency with which transmission projects can be planned and built to meet these important customer needs, again balancing both benefits and costs.

4. Expand independent planning and operation of transmission. To maximize benefits to customers, transmission should be planned and operated independently in accordance with the Commission's principles of open access to the transmission system. Expanded

participation in RTOs/ISOs also facilitates corporate renewable energy procurement, which is heavily concentrated in RTO/ISO regions. For example, in 2019, 80% of corporate renewable energy power purchase agreements were signed in organized wholesale markets overseen by an RTO/ISO.⁵

- 5. Facilitate higher levels of renewable energy penetration consistent with future needs.** In addition to unlocking access to the most cost-effective renewable resources (Principle One), a robust transmission system is one important tool to reliably integrate higher levels of renewable energy. Thoughtful and cost-effective transmission planning and policy should take this function into account. In particular, transmission investments should consider future renewable energy development required to meet federal and state policies because doing so will ensure achievement of these objectives at the lowest cost to consumers. These investments should similarly take into account the well-documented consumer demand for renewable energy that is also driving significant renewable resource buildout.⁶

Achieving these five objectives will require actions well beyond the scope of the current NOPR, but the Commission has an opportunity to make significant progress when it issues a final rule. Below, we evaluate the NOPR on the basis of these five guiding principles and provide recommendations to better address future transmission needs.

⁵ BloombergNEF, “Corporate Clean Energy Buying Leapt 44% in 2019, Sets New Record,” (January 28, 2020), <https://about.bnef.com/blog/corporate-clean-energy-buying-leapt-44-in-2019-sets-new-record/>.

⁶ Analysis from WoodMackenzie projects that demand for renewable energy among the Fortune 1000 could reach 85 GW across the United States over the next decade. See Wood Mackenzie, on behalf of the American Wind Energy Association, “*Analysis of Commercial and Industrial Wind Energy Demand in the United States*,” (2019), <https://www.awea.org/resources/publications-and-reports/analysis-of-commercial-and-industrial-wind-energy>.

B. AEBG Agrees with Many of the Goals of the NOPR, but Finds that the Proposed Changes are Likely to be Insufficient or Counterproductive to Achieving these Goals

At a high level, many of the goals of the NOPR are directionally aligned with AEBG’s principles as outlined above and in our earlier comments in response to the Transmission Incentives NOI. However, AEBG believes that the proposals included in the NOPR could be strengthened to ensure that this new direction comes to fruition through a final rule incentivizing investment that will result in timely, prudent and cost-competitive transmission solutions.

i. AEBG Agrees with the Concepts Underlying Many of the NOPR’s Proposed Changes.

While we disagree with some of the specific changes proposed by the NOPR, AEBG agrees with many of it stated or implied objectives.

In particular, as outlined in our response to the Transmission Incentives NOI, AEBG agrees with the Commission that the current approach of awarding incentives based on “risks and challenges” is not the most efficient or effective means to optimize transmission infrastructure buildout. FERC’s pivot toward incentives based on consumer benefits, with a focus on economic benefits and reliability improvements, more appropriately reflects the end goals of good transmission infrastructure decisions.⁷

The NOPR also maintains and expands the incentive for transmission operators to participate in an RTO/ISO. While we would like to see improvements to this approach, as explained below, AEBG strongly supports the goal of increased participation in RTOs/ISOs as an important tool to facilitate more efficient use of existing transmission infrastructure and more coordinated and efficient transmission planning and investment. RTOs/ISOs bring demonstrable

⁷ See AEBG Transmission Incentives NOI Comments at 3.

benefits to customers and the Commission should continue to carry out its duty under Section 219(c) of the Federal Power Act to provide incentives for RTO/ISO participation, while remaining mindful of the costs customers pay for such incentives.

Finally, the NOPR provides an incentive for technologies that enhance the performance of new or existing transmission facilities. Consistent with the second principle outlined above, AEBG supports efforts to make better use of existing transmission infrastructure, as well as efforts to ensure that needed transmission facilities are planned and built efficiently with loads and the utilization of renewable energy in mind in order to maximize customer benefits while minimizing costs.

AEBG therefore agrees with the intent of many components of the NOPR. However, as explained below, we are concerned that the NOPR will not lead to meaningful progress toward the Commission's stated objectives and is not ambitious enough in the incorporation of customer benefits into the incentive calculation. AEBG encourages the Commission to take action to strengthen any final rule so consumers can realize the benefits identified in the NOPR.

ii. The NOPR is Likely to Fall Short of Delivering Improved Transmission Outcomes.

While some of the changes put forward by the NOPR may be directionally correct, it is not clear that they will meaningfully change outcomes in a way that advances the priorities espoused in the NOPR and outlined above. Incentives that increase transmission spending without delivering commensurate customer benefits fail to appropriately consider and seek to minimize costs, contrary to AEBG's second principle, above. In addition, while we agree with many of the issues addressed by the NOPR, other important objectives have been overlooked. In

particular, the Commission ignores the importance of prioritizing transmission investments that will best meet both current and future needs.

First, AEBG encourages the Commission to adopt specific incentives or directives to drive the efficient development of transmission designed to meet the future customer demand for reliable service and utilization of renewable generation. The adjusted production cost test (which should identify transmission projects that will reduce congestion) does not necessarily account for or identify the transmission system that is needed to integrate increasing amounts of renewable generation to meet customer demand, including the demand from AEBG members. FERC should ensure that its incentive policies drive transmission expansion that will meet future customer demand by incentivizing expeditious transmission builds and reducing the long-run costs of integrating new loads and renewable generation.

Commissioner Glick identifies a closely related issue in his Partial Dissent, in which he laments the NOPR's failure to address future transmission needs driven by public policy. Commissioner Glick states, "the NOPR's focus on the current transmission grid and its failure to consider how to incentivize transmission projects that would meet the grid's evolving needs misses an important opportunity and may quickly prove to have been a short-sighted use of customer's money."⁸ AEBG agrees with this critique, and, as noted above, further contends that there should be greater focus on future transmission needs to enable utilization of renewable energy by customer loads. AEBG encourages the Commission to explore ROE ("ROE") and non-ROE incentives to better prepare the transmission system to meet the future needs of customer loads and a grid dominated by higher levels of renewable energy.

⁸ Comm. Glick Partial Dissent on *Notice of Proposed Rulemaking on Electric Transmission Incentives Policy Under Section 219 of the Federal Power Act*, 170 FERC ¶ 61,204 (2020) P 16.

Second, the NOPR does little to address the inefficiencies of what is in many places still a very balkanized transmission system. While we view the Commission’s continuation and expansion of the ROE adder for RTO/ISO participation as an indicator of the Commission’s commitment to RTO/ISO participation as a tool to improve transmission outcomes, more should be done to prioritize this important objective. In our comments in response to FERC’s NOI, AEBG voiced support for “additional, non-ROE incentives and/or tools and analysis to facilitate increased participation in such markets” and suggested further, detailed exploration of this important topic through a technical conference or other means. AEBG continues to support further efforts, including efforts outside of this NOPR, to expand participation in RTOs/ISOs. We also note that maintaining an ROE incentive for utilities that have participated in an RTO/ISO for years or even decades adds costs without actually incentivizing RTO/ISO participation, and therefore encourage the Commission to consider whether a permanent ROE adder is an appropriate tool.

Third, AEBG questions the effectiveness of the proposed ROE adder for “transmission technologies that, as deployed in certain circumstances, enhance reliability, efficiency, and capacity, and improve the operation of new or existing transmission facilities.”⁹ AEBG agrees with the intent of this ROE adder, yet remains concerned that it may not sufficiently counteract the strong built-in incentive for transmission utilities to develop new, capital-intensive projects rather than pursuing incremental changes to the transmission system even if those incremental changes would unlock additional capacity more cost-effectively. AEBG continues to recommend consideration of the ideas we proposed in response to the Transmission Incentives NOI to

⁹ Transmission Incentives NOPR, P 9.

provide meaningful incentives to technologies that will enhance existing and new transmission infrastructure, including:¹⁰

- a “shared savings” approach to incentivize transmission providers to undergo investments that will reduce overall costs;¹¹
- policy solutions to address barriers that cause technologies, tools, and operating improvements recovered as operating expenses to be overlooked, to ensure that such solutions are deployed to their full cost-effective potential; and
- non-wires alternatives (NWAs), such as energy storage and distributed energy resources (which provide other market services), and advanced transmission technologies, to compete to provide transmission services.

While AEBG does not necessarily oppose the proposed ROE adder, we urge FERC to consider these other options to unlock more meaningful deployment of transmission-enhancing technologies.

Finally, as a general matter, it bears mention that all incentives come at a cost to consumers, and should be scrutinized accordingly. Specifically, incentives should influence outcomes rather than rewarding activity that would have occurred in the absence of the incentive, and the cost of the reward or incentive should be outweighed by the incremental benefit that it delivers. It is not clear that all the incentives proposed in the NOPR meet this basic benchmark, and AEBG encourages further scrutiny as the Commission works toward a final rule.

III. CONCLUSION

¹⁰ AEBG Transmission Incentives NOI Comments at 7.

¹¹ This approach was proposed and/or supported by multiple other commenters in response to the Transmission Incentives NOI. *See* Comments of Watt Coalition in Docket No. PL19-3-000 (filed June 26, 2019), at 5-8; Comments of Advanced Energy Economy in Docket No. PL19-3-000 (filed June 26, 2019), at 21-22.

AEBG appreciates the Commission's consideration of our perspective on the policy proposals put forth in the NOPR, and on transmission incentives and policy more generally. We look forward to continued work on these important issues.

Respectfully Submitted,

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