

**ADVANCED
ENERGY
BUYERS GROUP**

the policy voice of advanced energy purchasers

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Inquiry Regarding the Commission’s
Electric Transmission Incentives Policy

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Docket No. PL19-3-000

COMMENTS OF ADVANCED ENERGY BUYERS GROUP

The Advanced Energy Buyers Group (“AE Buyers Group” or “Buyers Group”) on behalf of large energy users¹ appreciates the opportunity to provide initial comments in response to the Federal Energy Regulatory Commission’s (“FERC” or “Commission”) Notice of Inquiry dated March 21, 2019,² regarding potential reforms and improvements to the Commission electric transmission incentives regulations and policy. The AE Buyers Group applauds the Commission’s attention to this important topic. Our comments focus on the need for a transmission policy framework focused on consumer benefits that ensures sufficient long-distance transmission to unlock access to cost-effective renewable energy resources; prioritizes

¹ These comments represent the consensus view of the Advanced Energy Buyers Group (information and membership available at <https://www.advancedenergybuyersgroup.org/>). However, this document does not necessarily reflect the position of any specific member of the AE Buyers Group, and these comments should not be attributed to any individual company or companies participating in the AE Buyers Group.

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

efficient use of existing transmission infrastructure and fosters cost-effective use of advanced transmission technologies and non-wires alternatives; and encourages and facilitates increased interregional coordination, including incentives for participation in broader regional markets, including RTOs/ISOs.

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, advanced natural gas turbines, and fuel cells.

In 2017, members of the AE Buyers Group totaled over \$1 trillion in revenue and collectively consumed over 18 TWh of electricity, including over 11 TWh hours of renewable electricity, equivalent to the electricity sales for the states of North Dakota and Delaware, respectively.

II. COMMENTS

The AE Buyers Group supports FERC's efforts to consider potential improvements to its transmission incentives policies and regulations. Timely, prudent, and cost-competitive delivery of transmission solutions will benefit all consumers while making the grid more reliable and

resilient; conversely, inefficient or excessive buildout of the transmission system will raise consumer costs unnecessarily. Below, the AE Buyers Group explains our perspective as large end users and as purchasers of large-scale renewable energy projects, and provides recommendations for the Commission to consider as it takes next steps on potential changes to its transmission incentives policies and regulations.

A. The AE Buyers Group Encourages the Commission to Focus on Expected Customer Cost Savings and Benefits When Designing and Evaluating Transmission Incentives and Policies.

The AE Buyers Group supports efforts to ensure that the electricity system meets customer needs both cost-effectively and reliably. FERC’s existing approach of awarding transmission incentives based on “risks and challenges” does not inherently prioritize transmission investments that are optimized from a cost and performance perspective, and has the potential to create perverse incentives for transmission providers to pursue certain types of projects over others to increase earnings, and not to improve outcomes. Consumers ultimately pay the cost of any inefficient transmission infrastructure buildout.

The Commission appears to recognize this disconnect in Q2 of the NOI, which asks, “Is providing incentives to address risks and challenges an appropriate proxy for the expected benefits brought by transmission and identified in section 219 (i.e., ensuring reliability or reducing the cost of delivered power by reducing transmission congestion)?”³ The AE Buyers Group argues that risks and challenges are *not* an accurate or appropriate proxy for expected benefits, and encourages the Commission to pursue an approach that considers expected benefits to customers, as described in more detail below. Moving toward a benefits-focused approach while still addressing barriers that certain projects or technologies currently face would lead to

³ NOI at 12.

investments that better align with the transmission needs of the electricity system and the customers it serves.

B. The AE Buyers Group Urges the Commission to Prioritize Investment in Transmission Projects and Solutions that Will Bring Benefits to Customers, and to Address Any Barriers Such Investments Currently Face.

As explained above, the AE Buyers Group encourages the Commission to pursue a benefits-focused approach to policies and regulations guiding transmission incentives. In particular, we encourage the Commission to focus on the following benefits: (1) prioritizing investments needed to unlock access to cost-effective renewable energy resources; (2) removing disincentives and providing incentives for investments that will improve efficiency of the system and save money overall; and (3) promoting improved interregional coordination and encouraging expansion of regional markets. We explain each below, along with some initial recommendations for how the Commission could prioritize these benefits.

1. Prioritizing Investments Needed to Unlock Access to Cost-Effective Renewable Energy Resources.

As purchasers of large-scale renewable energy projects, AE Buyers Group members are acutely aware that transmission constraints can present a significant barrier to bringing cost-effective renewable energy development to market. Indeed, the Commission acknowledges in the NOI that “interconnection queues in many regions of the country have expanded considerably, with many of the potential resources clustered in specific geographic areas with limited transmission access.”⁴ The Commission should prioritize investments in efficient use of existing transmission infrastructure and targeted buildout of new transmission infrastructure—including

⁴ NOI at 27.

interregional projects—that would allow full utilization of existing generating facilities and optimal buildout of new generation projects.

Voluntary corporate renewable energy contracts signed since 2014 total more than 15 GW, and that figure is projected to increase as more buyers make progress toward their sustainability goals.⁵ An analysis by David Gardiner & Associates found that even under an aggressive transmission buildout scenario where 90% of all planned transmission is built, transmission capacity would be sufficient to meet only 70% of projected renewable energy demand from voluntary corporate buyers and announced state renewable portfolio standards.⁶

In addition to being necessary for companies pursuing renewable energy targets to meet their goals on time and cost-effectively, unlocking access to areas with high renewable energy resource potential will lower costs for consumers overall by ensuring optimal buildout of the lowest-cost and highest quality renewable energy resources. Equally important, such transmission investments will minimize curtailment of existing projects as more renewable energy facilities are built on a transmission-constrained system, reducing risk for offtakers from these projects, including as our companies.

As the Commission weighs potential incentives or policies to drive investment in projects that will improve access to renewable energy resources, the AE Buyers Group also encourages consideration of new or different roles that project offtakers such as our companies could play in the buildout of transmission infrastructure. While transmission needs have historically been met by merchant or utility providers, voluntary purchasers also have an interest in cost-effective,

⁵ Business Renewables Center, *BRC Deal Tracker* (updated December 2018), available at <https://businessrenewables.org/corporate-transactions/>.

⁶ Based on 51 GW of demand for renewable energy, derived from Renewable Energy Buyers Alliance goals. David Gardiner and Associates, *Transmission Upgrades & Expansion: Keys to Meeting Large Customer Demand for Renewable Energy* (January 2018), available at <https://windsolaralliance.org/wp-content/uploads/2018/01/WEF-Corporate-Demand-and-Transmission-January-2018.pdf>.

timely buildout of transmission infrastructure to unlock access to new renewable energy projects. The potential involvement of customers such as our companies in building out transmission system needs should, at the very least, not be hindered by the Commission, and we would welcome exploration of potential policies that would facilitate investments or partnerships involving our companies.

2. Removing Disincentives and Providing Incentives for Investments that Will Improve Efficiency of the System and Save Money Overall.

Improving the use of existing transmission infrastructure provides cost and performance benefits, and should be prioritized. The AE Buyers Group notes that FPA section 219(b)(3) directs the Commission to “encourage deployment of transmission technologies and other measures to increase the capacity and efficiency of existing transmission facilities and improve the operation of the facilities.”⁷ However, to date the Commission’s efforts to encourage projects and measures that would improve the performance and efficiency of the transmission system have been largely ineffective. In fact, transmission owners often face a perverse incentive to do the exact opposite; financial rewards favor large new capital-intensive infrastructure projects over lower cost operational practices, software tools, and technology solutions that would make better use of existing transmission infrastructure. In short, the fact that such solutions are often much less costly and capital intensive than large-scale infrastructure investments makes them simultaneously less attractive to transmission owners and more attractive to meet customer needs.

⁷ 16 U.S.C. § 824s(b)(3).

The AE Buyers Group encourages FERC to pursue policy approaches that would avoid perverse incentives and encourage cost-saving or least-cost solutions. Specifically, among other actions, the Commission should:

- Consider a “shared savings” approach to incentivize transmission providers to undergo investments that will reduce overall costs;
- Explore potential 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
- Develop clear pathways to enable 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.

Incentives and regulatory frameworks that are designed to ensure efficient use of existing transmission infrastructure and that allow all available technologies a fair chance to provide transmission services will improve outcomes by reducing congestion, improving access to existing and future transmission-constrained regions, and delaying or deferring costly capital expenditures.

3. Promoting Improved Interregional Coordination and Encouraging Expansion of Regional Markets.

The AE Buyers Group supports expanded interregional coordination and increased participation in broad regional markets, including RTOs/ISOs, and encourages the Commission to pursue policies that would drive additional utility participation. The Commission is already required under Section 219(c) to provide incentives to transmitting utilities or electric utilities that elect to join an RTO or ISO. The AE Buyers Group supports the Commission’s effort

through the NOI to explore potential improvements to existing incentives for RTO/ISO participation, and would support further work in service of this goal.

Increased participation in broader regional markets, including RTOs/ISOs, is important to AE Buyers Group members because expanded organized wholesale markets brings several relevant benefits to our companies as large customers and as renewable energy buyers.

Specifically, broader regional markets, including new and/or expanded RTO/ISO markets:

- **Facilitate renewable energy integration, enabling new renewable energy development and decreasing curtailment of existing projects.** Larger organized wholesale markets help reduce renewable energy curtailment, provide a market for cost-effective resources located far from load centers, and facilitate transmission planning to enable greater renewable energy development. These changes would benefit existing renewable energy projects while helping to unlock opportunities to develop new, cost-competitive renewable energy projects across regions such as the west and the southeast that do not participate in organized wholesale markets.
- **Provide additional flexibility and choice for our companies as we seek renewable energy to meet our needs.** Expanded reach of wholesale market mechanisms, including RTOs/ISOs, would open new opportunities for companies to seek renewable energy projects through virtual power purchase agreements and other competitive contract structures that are generally only available in organized wholesale markets.
- **Improve grid performance and reliability.** A more coordinated market across the western states would bring significant grid benefits to the region. For example, a larger regional footprint with a greater range of peak production and peak load times would help smooth out variable renewable energy generation.

- **Deliver cost savings to all customers due to more efficient resource use.** The cost savings to customers are a clear benefit of larger regional markets. Already, the expansion of the Energy Imbalance Market to several utilities in the west has brought significant customer savings, with total benefits since its initial expansion in November 2014 estimated at over \$560 million.⁸ A more integrated organized market in the west would provide further savings by ensuring more efficient resource deployment and long-term planning across the region. Other regions that do not currently participate in a broader regional market would likely see similar benefits.

In addition to consideration of how to reform or improve direct incentives for joining a broader regional market, the AE Buyers Group would support consideration of additional, non-ROE incentives and/or tools and analysis to facilitate increased participation in such markets. The AE Buyers Group would therefore support further, detailed exploration of this topic by the Commission, such as through a technical conference. Short of expanded regional market participation, the AE Buyers Group also urges FERC to take a more active role in ensuring effective interregional coordination for transmission needs, including but not limited to consideration of improved planning and coordination requirements and incentives for interregional projects that unlock renewable energy development.

III. CONCLUSION

As large electricity customers who benefit from a more efficient, cost-effective, and reliable grid, and as offtakers from large-scale renewable energy projects, the AE Buyers Group strongly supports FERC's efforts to examine and improve its approach to transmission incentives

⁸ California ISO, "Western EIM Benefits Report: Fourth Quarter 2018" (January 31, 2019), <https://www.westerneim.com/Documents/ISO-EIMBenefitsReportQ4-2018.pdf>.

policy and regulation. We recommend that FERC pursue reforms that would focus transmission policy on expected consumer benefits, especially considering opportunities to improve and accelerate built-out of long-distance transmission to unlock access to cost-effective renewable energy resources; to optimize utilization of existing transmission infrastructure; and to increase interregional coordination, including incentives for participation in broader regional markets, including RTOs/ISOs. The Advanced Energy Buyers Group looks forward to continued discussion and engagement on this important topic.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Caitlin Marquis", with a stylized flourish at the end.

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Dated: June 26, 2019