UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Electric Transmission Incentives Policy	)	Docket Nos. RM20-10-000 and
Under Section 219 of	)	AD19-19-000
The Federal Power Act	)	

COMMENTS OF
INDUSTRIAL ENERGY CONSUMERS OF AMERICA ON
PERFORMANCE-BASED RATEMAKING AND SHARED SAVINGS CONCEPTS FOR GRID-ENHANCING TECHNOLOGIES

Pursuant to the Notice Inviting Post-Workshop Comments, the Industrial Energy Consumers Association ("IECA") submits these comments to address the overarching issue raised by the Commission and that was discussed during the September 10, 2021 workshop in which IECA participated. For the reasons discussed below, IECA urges the Commission to refrain from establishing incentives for grid-enhancing technologies ("GETs"), but, instead, require that transmission owners evaluate GETs as a means for optimizing existing transmission facilities and establish clearly a risk of non-recovery of the costs of new transmission facilities that are placed into service if transmission owners fail to consider GET alternatives to the new construction.

Description of IECA

IECA is a nonprofit, member-led organization created to promote the interests of manufacturing companies for which the availability, use, and cost of energy play a significant role in their ability to compete in domestic and world markets. IECA is a nonpartisan association of leading manufacturing companies with $1.1 trillion in annual sales, over 4,200 facilities nationwide, and with more than 1.8 million employees worldwide.

COMMENTS

The various GET vendors that comprise the WATT Coalition share a common objective, and that common objective is optimizing the capacity or transfer capability of the existing transmission system by applying available technologies. Each has either physical equipment, or software, or both that is fully capable of enhancing the ratings of existing transmission facilities. IECA members are facing rapidly increasing transmission rates in many areas of the country, and appreciate the opportunity presented by GETs to fully optimize existing transmission facilities to reduce the need for investment in new transmission lines, towers, substations, and associated equipment and, consequently, help mitigate transmission rate increases.

The question that is presented in this docket is not whether to deploy GETs on a wider basis, but how best to achieve the objective of greater GET deployment. Implicit in the asking of that question seems to be a recognition that transmission owners are not currently taking advantage of all opportunities to deploy GETs before moving ahead with new transmission facility investment. In other words, transmission owners are not currently optimizing existing transmission facilities to the best of their ability. As the WATT Coalition and AEE Comments observe, this should not come as a surprise to anyone. The current financial incentive, and arguably even the fiduciary obligation of each publicly traded transmission owner, is to provide shareholder value. Both of these factors, combined with the current regulatory design, favor the construction of new facilities over the optimization of existing facilities because only new construction offers an opportunity to earn a "return on" the new investment when it is added to a transmission owner's rate base.

IECA fully supports more widespread deployment of GETs where cost-effective for consumers but does not support performance-based rates ("PBRs"), including any shared savings approaches, for GETs. IECA has several concerns with PBRs. First, the very questions that are teed up for discussion in the Workshop underscore the administrative complexity of implementing, monitoring, and auditing PBRs. Consumers are already faced with the complexity of transmission owners' formula transmission rates and the staggering burden of constantly monitoring and inquiring about the flow-through of costs in those formula rates. The last thing consumers want or need is additional administrative complexity. How PBRs would juxtapose with existing transmission formula rates is a critical question that is left unanswered by the proponents of PBRs. Second, under any form of PBR, transmission owners will continue to ignore GETs and invest in new facilities as long as the net present value of the return on the new transmission facility investment exceeds the net present value of any return on GET investment plus the PBR value, thus defeating the objective of establishing PBRs. The amount to be paid as incentives to transmission owners under PBRs would need to exceed the return to transmission owners of earning a return on equity over a 40-50 year depreciable life of a new transmission facility. Otherwise, the rational economic decision by the transmission owner would be to ignore GET deployment and pursue expansion or replacement of substations, conductors, and other transmission facilities. This dynamic would greatly increase the cost to consumers of GET deployment and, even then, is very unlikely to solve the problem of creating the correct incentives for GET deployment. In short, the Commission could go through the exercise of developing and implementing PBRs for GETs, only to find itself back at square one after transmission owners make the economically rational decision to ignore GET deployment and continue to invest in transmission facilities that deliver a much greater financial benefit.

IECA urges the Commission to take the following steps:

- Consideration of GETs: All transmission planners should be required to consider, as part of transmission planning, whether GETs can serve as a non-wires alternative to new transmission capital investment. If the transmission planners make such a determination, then the GETs should be included in the transmission plan. The Commission should state clearly, in a final rule or a policy statement or in another issuance, that investment in GETs, where cost-effective for consumers, is consistent with good utility practice and should be undertaken by transmission owners.

- Risk of Cost Non-Recovery For Projects That Do Not Consider GETs: The Commission should also state clearly, in a final rule or a policy statement or in another issuance, that if transmission owners invest in new transmission facilities that could have been avoided through deployment of GETs, a rebuttable presumption exists that the investment in those new transmission facilities will be imprudent and the new investment will not be recoverable from consumers. Under such rules, transmission owners would have two options – consider GETs as a transmission solution or overcome the rebuttable presumption that the non-GET transmission investment is imprudent. To overcome the rebuttable presumption of imprudence, the transmission should be required to file either a Section 205 filing or a petition for declaratory order, and obtain the associated Commission approval, before seeking to pass through the costs of the new transmission facility in its transmission formula rate. Consumers should not be required to bear the burden of "finding the imprudent costs" or determining whether GET alternatives existed when reviewing annual updates to each transmission owners' transmission formula rate. That burden should rest squarely with the transmission owners.

The Commission has clear statutory authority, and arguably a statutory responsibility, to take these two steps to ensure that transmission rates are just, reasonable, and not unduly discriminatory.

CONCLUSION

WHEREFORE, IECA respectfully requests that the Commission afford due consideration to these Comments.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served, via first-class mail, electronic transmission, or hand-delivery the foregoing upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, DC this 14th day of January, 2022.

/s/ Robert A. Weishaar, Jr.

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