

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

Building for the Future Through Electric)
Regional Transmission Planning and Cost)
Allocation and Generation Interconnection)

Docket No. RM21-17-000

**JOINT REPLY COMMENTS OF
THE INDUSTRIAL CUSTOMER ORGANIZATIONS**

November 30, 2021

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The Industrial Customer Organizations¹ welcome the opportunity to submit these Reply Comments in response to the Federal Energy Regulatory Commission’s (“Commission” or “FERC”) Advance Notice of Proposed Rulemaking (“ANOPR”) regarding the Commission’s regional transmission planning, regional cost allocation, and generation interconnection processes.² The Industrial Customer Organizations include associations of leading manufacturing companies, large energy-intensive users of electricity, coalitions of transmission customers, and others representing hundreds of billions of dollars in sales, thousands of manufacturing facilities in the United States, and millions of family-sustaining jobs in the United States.

The Industrial Customer Organizations support the participant funding model for interconnection and network upgrades, vibrant competition in transmission planning and development, and optimization of existing transmission infrastructure as a means of minimizing new transmission investment. To these ends, the Industrial Customer Organizations encourage the

¹ The Industrial Customer Organizations include the Industrial Energy Consumers of America (“IECA”), PJM Industrial Customer Coalition (“PJMICC”), Coalition of MISO Transmission Customers (“CMTC”), the American Forest & Paper Association (“AF&PA”), the American Chemistry Council (“ACC”), and Glass Packaging Institute (“GPI”).

² *Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generation Interconnection*, 175 FERC ¶ 61,035 at p. 1 (2021) (“ANOPR”).

Commission to remain focused on maintaining reliability at just and reasonable rates by rejecting stakeholder proposals that are anticompetitive or that would shift costs and risk from generators to transmission customers.

The Commission should undertake efforts to protect manufacturers and other energy-intensive transmission customers from the relatively recent, rapid, and substantial increases in transmission rates. Competition, proper cost allocation, and grid optimization can provide this protection to consumers, but only if the Commission remains committed to them as the means of maintaining reliability at just and reasonable rates. While competition has been clearly demonstrated to provide substantial cost savings, competitive processes have been woefully absent in transmission planning since the Commission issued Order No. 1000, with only approximately 3 percent of total transmission investment between 2013 and 2017 being subject to competition.³ This has resulted in incumbent transmission owners maintaining a stranglehold on the development of new transmission facilities, while transmission investment costs routinely exceed projected costs. Transmission planning and construction without competition is unjust, unreasonable, and unduly preferential toward incumbent transmission owners. The Commission should continue the work it set out to accomplish in Order No. 1000 and promote competitive processes so that consumers do not pay unjust and unreasonable rates for what some are projecting to be significant additional future transmission investment.

Further, the Commission should reject any proposals by stakeholders or transmission utilities that would result in unjust or unreasonable rates for transmission customers, such as proposals to abandon participant funding for network upgrades. Some stakeholders have proposed

³ “Cost Savings Offered by Competition in Electric Transmission – Experience to Date and the Potential for Additional Customer Value,” The Brattle Group, April 2019, pages 1, 5, https://www.brattle.com/wp-content/uploads/2021/05/16726_cost_savings_offered_by_competition_in_electric_transmission.pdf

that the Commission abandon participant funding for interconnection costs and replace that time-honored approach with subsidies for new generators where such subsidies would be paid by transmission customers. Participant funding for network upgrades sends appropriate pricing signals for generators to locate close to load or at existing interconnections with the transmission system, is therefore economically efficient, and remains a just and reasonable means of allocating generation interconnection costs.

Finally, the Commission should promote optimization of existing transmission infrastructure. Manufacturers and industrial energy users are a mainstay of the U.S. economy, providing millions of jobs and producing millions of products, but they cannot continue to pay excessive transmission rates when lower-cost alternatives exist. The Industrial Customer Organizations urge the Commission to require adoption of grid-enhancing technologies and establish a rebuttable presumption that investment in new transmission projects that are developed in lieu of grid-enhancing technologies may be deemed imprudent and non-recoverable from consumers.

I. THE PARTICIPANT FUNDING APPROACH FOR INTERCONNECTION AND NETWORK UPGRADES SENDS APPROPRIATE PRICING SIGNALS FOR NEW GENERATION PROJECTS TO LOCATE CLOSE TO LOAD WHILE PROTECTING TRANSMISSION CUSTOMERS FROM SUBSIDIZING THE INTERCONNECTION OF NEW FACILITIES.

The Industrial Customer Organizations support the existing participant funding model for interconnection and network upgrades because it sends proper pricing signals for generation developers to select projects close to load while also protecting existing transmission customers from subsidizing the interconnection of new generation projects. The Commission has already found that “participant funding in RTOs/ISOs is consistent with the policy of promoting competitive wholesale markets because it causes the interconnection customer to face the same

marginal cost price signal that it would face in a competitive market.”⁴ The Industrial Customer Organizations oppose any efforts to eliminate efficient locational price signaling to new generation and encourage the Commission to reject stakeholder proposals to abandon participant funding.

The Federal Power Act requires rates to be just, reasonable, and not unduly discriminatory or preferential – which should be sufficient to prohibit transmission customers from subsidizing the interconnection of new generators. Participant funding is not only just and reasonable, but also equitable and economically efficient. For example, assume a developer is pursuing two potential projects of the same size and capacity; Project A would cost \$110 million, and Project B would cost \$90 million.⁵ However, Project A would require \$10 million in grid upgrades while Project B would require \$50 million in grid upgrades. The totals then are \$120 million for Project A and \$140 million for Project B. Under participant funding, the economic Project A would be constructed. However, if the Commission were to abandon participant funding and require transmission customers to subsidize the grid upgrades, then Project B would be constructed, with transmission customers picking up the \$50 million tab for the network upgrades. And because the total cost of Project B is \$20 million more than Project A, that “difference of \$20 million is a deadweight loss to society.”⁶ If this example were extrapolated to thousands of generation projects, the deadweight loss to society easily surpasses billions of dollars. Projects with less expensive network upgrades are generally those located closer to load or projects that occupy interconnection sites held by now-retired generation facilities, and participant funding encourages those projects located closest to load or at existing interconnection sites to get built first.

⁴ Order No. 2003, 104 FERC ¶ 61,103 (2003) at P 695.

⁵ Example taken from Participant Funding and its Discontents, Steve Huntoon, <https://www.energy-counsel.com/docs/participant-funding-and-its-discontents.pdf>, September 28, 2021.

⁶ *Id.*

Participant funding is just and reasonable, but also economically efficient in that it requires generation developers to properly consider total project costs.

A. The Commission should reject arguments that participant funding results in generators not receiving recognition for any alleged benefits they provide.

Some stakeholders assert that participant funding results in generators not receiving recognition for the benefits to the transmission system that they allegedly provide.⁷ However, the same can be said for generators that receive open access to the transmission system, and delivery of their output, essentially for free. New generators do not pay transmission rates despite the fact that they are dependent upon the transmission system to get their generation output to load. Similarly, with some existing rules for Financial Transmission Rights (FTRs), certain transmission projects may be undercompensated relative to the value they provide to the transmission system, and transmission customers are potentially paying more than they should while generators pay essentially nothing at all. But in the two-and-a-half decades since the Commission began its work toward regional transmission systems and operators, legal precedent and underlying ratemaking principles have been established to ensure that rates remain just and reasonable, customers pay for transmission upgrades based upon their roughly commensurate benefits, and new generators pay for network upgrades because such upgrades would not be needed but for the new generator. New generators need the transmission system, often substantially more than the transmission system needs new generators.

The Commission should maintain the participant funding model because it properly allocates the costs of interconnection and network upgrades to new generators, particularly because such interconnection and network upgrade costs often would not exist but for the new generator.

⁷ American Clean Power Association and Energy Storage Association (ACP/ESA) Initial Comments at 12-19; SEIA Initial Comments at 4, 9.

It would be unjust and unreasonable for the Commission to abandon the participant funding model and replace it with subsidies to new generators paid for by transmission customers.

1. The Commission should reject any arguments that participant funding results in unjust, unreasonable, or unduly discriminatory rates for failing to consider the benefits generators provide to the transmission system.

Participant funding sends appropriate pricing signals and results in new generators paying for the costs they impose. MISO, PJM, consumer representatives, manufacturers, and numerous stakeholders have supported participant funding for interconnection costs and network upgrades and argue that the approach continues to be just and reasonable, as well as that RTO/ISOs should have the flexibility to adopt participant funding approaches.⁸ However, the American Clean Power Association and Energy Storage Association (ACP/ESA) assert that the Commission should eliminate participant funding in RTO/ISO regions because generators are funding portions of the transmission system that benefit other users and that provide net benefits under traditional benefit-cost analysis.⁹ On the contrary, generators receive essentially free transmission service between their generation and load, and do not bear any future transmission costs for upgrades to maintain deliverability of their generation. Further, the Commission's long-standing "roughly commensurate benefit" standard ensures that costs are allocated based upon who benefits, and no party has successfully demonstrated in this proceeding that transmission customers disproportionately benefit from new generation. As the Commission has noted, "[p]roperly designed rates should produce revenues from each class of customers which match, as closely as practicable, the cost to serve each class or individual customer."¹⁰ There is no need to reform

⁸ MISO Initial Comments at 89; PJM Initial Comments at 18-19, 46 ("PJM strongly believes that the Commission should take a far more surgical approach"), 50-58.

⁹ ACP/ESA Initial Comments at 6.

¹⁰ *New Dominion Energy Cooperative*, 122 FERC ¶ 61,174, P 41 (2008), citing *Alabama Electric Cooperative, inc. v. FERC*, 684 F.2d 20, 27 (D.C. Cir. 1982).

participant funding because new generators already have the ability under Section 205 of the FPA to challenge the model if they can demonstrate that benefits are not “roughly commensurate” to the costs. In Order No. 1000, the Commission maintained that the costs of transmission infrastructure must be allocated to its beneficiaries in a manner that is at least roughly commensurate with the benefits that they draw from those facilities.¹¹ The Commission should affirm its Order No. 1000 holding that participant funding is just and reasonable, not abandon it in favor of an approach that socializes interconnection costs and blunts price signals.

2. Participant funding does not result in “free riders” for transmission customers.

Some parties have asserted that participant funding results in free riders, or more specifically, that transmission customers receive benefits of new generation for which they do not pay.¹² For example, ACP/ESA asserts that “some transmission customers benefit from interconnection-related network upgrades that are fully funded by others.”¹³ This, they assert, results in transmission customers being free riders. But, as PJM points out in their initial comments, it is important for the Commission not to lose sight of the fact that “a generator developer comes to the RTO/ISO seeking to interconnect its project to an existing transmission system that has already been built and paid for by both load and prior interconnection customers.”¹⁴ Further, future upgrades to the transmission system necessary to ensure continued deliverability of that generation to load is borne 100 percent by transmission customers.¹⁵ PJM then points out the following facts in opposition to this alleged free rider problem:

¹¹ Order No. 1000, 136 FERC ¶ 61,051 at P 10.

¹² ACP/ESA Initial Comments at 15, 33.

¹³ *Id.* at 34.

¹⁴ PJM Initial Comments at 18-19.

¹⁵ PJM Initial Comments at 18-19.

- Generators fund costs to interconnect but do not pay any transmission costs once interconnected.
- In return for funding network upgrades, interconnection customers receive Capacity Interconnection Rights to ensure their continued deliverability 24/7/365.
- Once interconnected, transmission customers take on all cost responsibility to upgrade the transmission system to ensure continued deliverability of the generation project.¹⁶

Moreover, energy, capacity, and ancillary service markets provide the necessary dynamics to determine the recoverability of the generators' cost of funding network upgrades. Generators that are competitive in those markets will recover the costs of their project investment, including investment in network upgrades, from customers that purchase energy, capacity, and ancillary services. Only generators that are not competitive in those markets ultimately bear the costs of network upgrades and are not in position to pass through those costs to customers. That same dynamic exists in most other industries. Manufacturers must pay for the warehousing and delivery systems that are necessary to deliver their products from the place of manufacture to the place of consumption, and they recover those costs if and only to the extent that the cost of their delivered products are price-competitive. So too should generators be required to pay interconnection costs and network upgrades that are necessary to ensure that their delivered product is capable of reaching consumers. While the ACS/ESA and other stakeholders may accuse transmission customers of being free riders for the benefits provided by new generation, the Commission should recognize that those same customers ultimately pay for economically efficient network upgrades when they purchase output from generation that is cost-competitive. Customers are not free riders under a participant funding model.

¹⁶ *Id.*

3. If participant funding results in certain benefits not being recognized, the Commission can refine the participant funding model without requiring transmission customers to subsidize new generators.

Potomac Economics, the Independent Market Monitor for MISO and the external Market Monitoring Unit for NYISO, noted in Initial Comments that many of the concerns around participant funding relate to the belief that a participant will not receive the full benefit of the transmission upgrade through the allocation of transmission rights, which some stakeholders allege results in “free riders.”¹⁷ Potomac Economics proposes solutions to this alleged shortcoming that would avoid abandoning the participant funding model, specifically that the Commission (1) allocate Financial Transmission Rights (FTRs) in a manner that would provide payments in accordance with LMP differentials between two points, and (2) allocate Financial Capacity Transfer Rights (FTCRs) in a manner that provides revenues to new transmission projects for reducing capacity requirements.¹⁸ Each of these proposals ameliorates concerns for merchant generation developers without abandoning participant funding. The Industrial Customer Organizations support the participant funding model for generation-related network upgrades and encourage the Commission to consider solutions to any shortcomings of participant funding without abandoning the benefits of encouraging market-based investment in transmission upgrades.

B. The Commission should uphold its findings in Order Nos. 2003 and 2003-A that participant funding is “a cost recovery mechanism that ensure[s] that native load and other transmission customers will not subsidize service to the Interconnection Customer.”

When the Commission adopted Order Nos. 2003 and 2003-A, it explained that the options for funding a Network Upgrade “provides the Transmission Provider with a cost recovery

¹⁷ Potomac Economics Initial Comments at 5-8.

¹⁸ *Id.*

mechanism that ensure that native load and other transmission customers will not subsidize service to the Interconnection Customer.”¹⁹ The Commission must remain steadfast to ensure that other transmission customers do not subsidize service to new generators. Pursuant to Sections 205 and 206 of the FPA, the Commission must ensure that the rates, terms, and conditions for transmission of electricity in interstate commerce are just, reasonable, and not unduly discriminatory or preferential.²⁰ This means that regardless of whether the new generator or transmission utility is required to pay interconnection costs, such costs should not be paid by or allocated to customers.

In Order No. 2003, the Commission noted that “a well-designed and independently administered participant funding policy for Network Upgrades offers the potential to provide more efficient price signals and a more equitable allocation of costs than the crediting approach.”²¹ Further, Order No. 2003 established the “at or beyond” rule whereby the costs of interconnection facilities are the sole responsibility of the incoming generator.²² The Commission should reject calls to abandon participant funding and should continue to uphold the “at or beyond” rule to maintain generators as the sole party responsible for the costs of network upgrades for interconnection. Generators are the primary, and potentially only, beneficiary of interconnection and network upgrade costs to connect the generator to the transmission system. Any goal of facilitating market entry by lowering the cost and time of interconnection must be focused on lowering the costs to all customers and avoid shifting costs from interconnection customers to transmission customers.

¹⁹ Order No. 2003-A, 106 FERC ¶ 61,220 at P 613.

²⁰ 16 U.S.C. 824d, 824e.

²¹ *Id.*

²² Order No. 2003, 104 FERC ¶ 61,102.

C. The Commission should reject arguments by stakeholders to eliminate participant funding by integrating the generator interconnection process and regional transmission planning processes.

Participant funding properly results in interconnection-related costs being imposed on the interconnection cost-causer, even if such costs may be extensive. Just because costs may be extensive does not mean they should be subsidized by other customers, which is what would occur if the generator interconnection processes were integrated into regional transmission planning processes. Interconnection is inherently a generation function, necessary for new generators to get to market to sell their product. Transmission planning, on the other hand, should remain focused on maintaining reliability at the lowest possible cost in the face of load growth and aging infrastructure. Integrating the generator interconnection process into regional transmission planning processes would essentially undermine the core function of transmission planning to maintain reliability at lowest possible cost, and likely result in both substantial over-build of the transmission system and a socialization of project costs among transmission customers instead of the interconnecting generators that are causing the costs.

D. The studies by ICF Consulting and Brattle Group regarding participant funding support the conclusion that the Commission should maintain the participant funding model for interconnection costs and network upgrades.

Participant funding sends appropriate pricing signals to encourage development of economically beneficial network upgrades. However, some stakeholders have relied on a study by ICF Consulting paid for by the American Council on Renewable Energy (ACORE) in support of their assertions that participant funding should be abandoned.²³ The ICF Consulting study analyzed 12 network upgrade projects (from a total pool of 663) in SPP and MISO and determined

²³ See Just & Reasonable? Transmission Upgrades Charged to Interconnecting Generators Are Delivering System-Wide Benefits, <https://acore.org/wp-content/uploads/2021/09/Just-Reasonable-Transmission-Upgrades-Charged-to-Interconnecting-Generators-Are-Delivering-System-Wide-Benefits.pdf>, September 9, 2021.; see Initial Comments of ACP/ESA at 15.

that the total cost of the network upgrades was \$3.3 billion while the total benefits to load were \$990 million. Accordingly, ICF Consulting concluded that transmission customers should be billed this \$3.3 billion, despite the fact that the benefits were a fraction of the total cost or that the study cherry-picked 12 of a total 663 projects. Further, in making this conclusion, ICF Consulting ignored numerous other benefits that generators get from the transmission system, including essentially free access to the transmission system because transmission customers and past generators have already paid for the existing system and continue to pay for the transmission service between the generator and the load.²⁴

The Brattle Group also issued a study on network upgrade costs that likewise defies its conclusion and instead supports continuing the participant funding model for interconnection costs and network upgrades.²⁵ The Brattle Group relies extensively on an analysis conducted by PJM regarding offshore wind. That PJM study was aimed at calculating the costs of network upgrades for offshore wind. However, the PJM study included *zero* cost for transmission projects to get the energy from the offshore wind to inland substations. Essentially, the PJM study ignores all network upgrade costs and assumes the energy can be transmitted from offshore to inland substations at no cost. So, the PJM study undershoots the cost of network upgrades, and then the Brattle Group takes this study and exacerbates the problem by assuming the offshore energy will be transmitted to new coastal substations, but then ignores the costs of delivering the energy from these new coastal substations to onshore, inland substations.²⁶ Accordingly, the Brattle Group

²⁴ See Participant Funding and its Discontents, Steve Huntoon, <https://www.energy-counsel.com/docs/participant-funding-and-its-discontents.pdf>, September 28, 2021.

²⁵ See Transmission Planning for the 21st Century: Proven Practices that Increase Value and Reduce Costs, <https://www.brattle.com/wp-content/uploads/2021/10/Transmission-Planning-for-the-21st-Century-Proven-Practices-that-Increase-Value-and-Reduce-Costs.pdf>, October, 2021.

²⁶ See Apples and Oysters, Steve Huntoon, <https://www.rtoinsider.com/articles/28884-counterflow-apples-and-oysters> (subscription required), October 19, 2021.

relied on a study that underestimated the costs of network upgrades by ignoring a major cost component, and then itself ignores another major cost component to arrive at an even lower estimated cost. Some stakeholders have used the Brattle Group study for the assertion that participant funding should be abandoned because network upgrade cost are extensive and cannot be borne by generators. The Industrial Customer Organizations ask the Commission to follow the math, reject these arguments, and commit to participant funding for economic network upgrades.

II. THE COMMISSION SHOULD ENSURE THE EXISTING TRANSMISSION SYSTEM IS FULLY OPTIMIZED BEFORE ANY NEW INVESTMENTS IN THE SYSTEM ARE CHARGED TO TRANSMISSION CUSTOMERS.

The Commission should promote optimization of existing transmission infrastructure before transmission expansion, allow competitive developers to offer lower-cost solutions to transmission needs (including proposals to use Grid-Enhancing Technologies (GETs), and require GETs to be used by incumbent transmission owners when they benefit consumers. In short, the Commission should ensure the existing transmission system is fully optimized before allowing cost recovery for any new transmission investment. And, presently, it is not.

Before new projects are developed, transmission utilities and developers should be required to demonstrate full utilization of GETs and other grid optimizations where cost-effective. Numerous stakeholders have supported GETs in Initial Comments,²⁷ while some stakeholders have asserted that “more experience is needed” before GETs are required.²⁸ However, there appears to be very little opposition to the implementation of GETs on the existing grid. Two forms of GETs which have, to date, been the primary focus are Dynamic Line Ratings (DLRs) and Ambient Adjusted Line Ratings (AARs). Comments in Docket No. AD19-15-000, *Managing*

²⁷ See ACP/ESA Comments at 28; Potomac Economics Initial Comments at 8; Southwest Power Pool Initial Comments at 12.

²⁸ See EEI Comments at 7.

Transmission Line Ratings, make clear that strategic deployment of GETs, including DLRs and AARs, can provide a low-cost means of producing significant benefits to consumers by optimizing the existing transmission system in lieu of spending billions to expand it.²⁹

A. Grid-Enhancing Technologies Reduce Costs To Consumers.

The Commission should require transmission utilities to implement GETs to fully optimize the capabilities of the existing transmission system. Further, in terms of transmission planning, utilities should be required to consider GETs as an alternative to new investment to address congestion. The initial comments filed by stakeholders in this proceeding range from outright support for GETs to encouraging a cautious approach, but there exists little (if any) opposition to such technology – and for good reason, as GETs can provide a much less-costly alternative to new transmission project investment.

The stakeholder comments in this case do not show much opposition to GETs, but generally range from this being something the Commission should do, to being something that requires more analysis. The benefits of GETs where they have been implemented are substantial and include reducing the need for costly new transmission investment. Requiring GETs, such as AARs and DLRs, where cost-effective for consumers, would be a positive step toward enabling grid operators to measure and make transparent the optimal physical capacity of electric transmission circuits so that grid operators, market participants, and other stakeholders may make informed decisions about planning and system operations. The Commission should adopt rules requiring the implementation of DLRs unless transmission owners can establish that the cost of implementing DLRs would exceed DLR-related benefits to consumers (via lower transmission

²⁹ See *Managing Transmission Line Ratings*, Docket AD19-15-000 (Nov. 1, 2019), eLibrary No. 20191101-5189; Tr. Day 2 at 292:20-23 (Bourg, Entergy); Tr. Day 2, 286:14-18 (Hartman, ELCON) (the Independent Market Monitor for the Midcontinent Independent System Operator, Inc. “found AARs would have reduced congestion costs by over 100 million annually in recent year.”).

rates and energy, capacity, and ancillary services prices). In nearly every case, the cost of installing DLRs will be nominal in comparison to the benefits of reduced congestion, lower energy and capacity costs, and reduced need for investment in new transmission system capability.

Further, any project where a transmission owner does not consider GETs as an alternative to new transmission investment should be subject to a rebuttable presumption that the new transmission investment is not prudent.³⁰ Under such rules, transmission utilities would have two options – consider GETs as a transmission solution or overcome the rebuttable presumption that the transmission investment is prudent. To overcome the rebuttable presumption, 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 in its transmission formula rate. Consumers should not bear the burden of “finding the imprudent costs” when reviewing annual updates to each transmission owners’ transmission formula rate.

B. Competition Can Support Full Optimization Of The Existing Electric Grid And Deployment Of Grid-Enhancing Technologies.

Competition can promote full optimization of the electric grid and deployment of GETs. While the Commission should support competitive processes for transmission development, so too must technologies be able to compete with each other, as well as with transmission solutions without GETs. When an RTO/ISO, or Independent Transmission Planner if the Commission establishes such entities (as the Industrial Customer Organizations and ETCC and others advocate), identifies a transmission-related need to address a reliability violation or to address unhedgeable congestion, the Independent Transmission Planner should solicit competitive proposals to resolve the reliability need or constraint. This will provide a real opportunity for competition among developers, but also among the technologies and transmission solutions,

³⁰ ANOPR at P 107.

resulting in real benefits for consumers. Further, by integrating GETs into competitive processes and transmission planning, the Commission can incorporate GETs and low-cost solutions to transmission needs without creating a new separate process to evaluate GETs and their benefits. Further, incorporating GETs into competitive processes will eliminate the need for above-cost incentives. The Commission should require competition in transmission planning and design, which will necessarily result in competitive developers proposing to use GETs as a low-cost solution to identified transmission needs.

III. TRANSMISSION PLANNING SHOULD BE CONDUCTED BASED UPON KNOWN AND MEASURABLE OUTCOMES, NOT BASED ON SPECULATIVE FUTURE SCENARIOS.

The Industrial Customer Organizations oppose transmission planning that is not based upon known and measurable outcomes and encourage the Commission to reject stakeholder proposals for scenario planning that is based upon speculative future scenarios or demand for certain types of generation (as opposed to reasonably forecasted demand for energy). Scenario planning could result in overbuilding the transmission system for generation that ultimately does not get built, at significant “stranded” cost to consumers. The Industrial Customer Organizations are very concerned that aspects of the ANOPR are premised on a view that certain types of generation resources should receive special treatment in transmission planning and generation interconnection processes, and such concern was validated by certain stakeholder comments recommending scenario planning to encourage development of renewable energy resources.

The ACP/ESA asserts that “planned transmission capacity expansions fail to keep pace with the demand for renewables.”³¹ This is, at best, a questionable assertion because interconnection queues are filled almost exclusively with renewable projects. Transmission

³¹ ACP/ESA Initial Comments at 33.

planning should be based upon economic principles of supply and demand *for energy*, with transmission investment made to meet the needs of reliability, not certain public policy considerations. The Industrial Customer Organization encourage the Commission to maintain its unwavering historical commitment to generation resource neutrality.

Transmission investment is driven by modeled future scenarios to ensure that there are sufficient long-term and comprehensive forecasts of future transmission needs, including consideration not of “anticipated future generation” but of new generation that is “known and measurable”. Generally, transmission planners include in baseline reliability models only those generators that have completed a facilities study and are thus far enough along in the interconnection queue so as to have a sufficiently high commercial probability of activation and be modeled as an expected future generator. Transmission planners should not be required to consider speculative and uncertain factors when modeling future transmission needs, such as federal, state, and local climate and clean energy goals or initiatives. There is currently no reason to believe that transmission planners are in a position to predict future supply-side technologies, electricity storage, and demand-side measures (such as demand response and distributed generation) with sufficient accuracy to justify the expenditure of hundreds of millions or, more likely, billions of dollars in new transmission investment. The concept of “anticipated future generation” has not been a factor in transmission planning and it should not be added now. Transmission planning should be based on known and measurable factors, such as known and measurable reliability violations, known and measurable non-economic and unhedgeable congestion, and known state requests to build and corresponding commitments to pay for new transmission. Transmission planning should not be based on speculative future scenarios.

Transmission investment is and should continue to be driven by reliability and economic metrics that signal the need for new or upgraded transmission, including expected future generators *that have completed a facilities study*. A generator that completes a facilities study is considered far enough along in the interconnection queue that there is sufficient commercial probability to be modeled as an expected future generator. However, only generators that have completed this facilities study should be modeled, while speculative scenarios of future generation or technology have no place in transmission planning.

A. The Commission should narrowly and precisely define any use of “scenario planning” for transmission planning.

Numerous stakeholders have recommended that the Commission consider “scenario planning” as a means of transmission planning for the future. While the Industrial Customer Organizations support transmission planning based exclusively upon known and measurable outcomes, it is also clear that the term “scenario planning” remains so loosely defined as to be essentially meaningless. To some extent, existing transmission planning processes already incorporate future scenarios by taking into account load forecasts and certain other factors.³² However, numerous stakeholders have proposed that the Commission adopt scenario planning as if it does not already exist, while others have widely divergent views about what scenarios should be included in scenario planning. For example, MISO supports long-range scenario development as an aspect of grid planning but opposes any prescriptive requirement that would require an overabundance of future scenarios. EEI supports a holistic approach to long-term planning that includes expected future/projected generations in resource plans reasonably anticipated to meet

³² See, e.g., PJM Manual 14B: PJM Region Transmission Planning Process, Attachment B: Regional Transmission Expansion Plan – Scope and Procedure at 72-73, B.4 Scenario Planning Procedure.

the needs of load.³³ PJM proposes a more collaborative process in which PJM would engage with states, stakeholders, and customers to “utilize survey techniques and processes to create a record of future customer-identified needs so that the choice of scenarios and future planning decisions are based on a record of defined customer needs, as opposed to the RTOs mere prognostication of future needs.”³⁴ To this end, Kenneth Seiler, the PJM Vice President of Planning, provided a statement at the Technical Conference for this case regarding PJM’s Master Plan to find the sweet spot between usurping the role of the market and engaging in some form of integrated resource planning disguised as transmission planning, but not consider long-term customer needs and policy trends. He noted that, as scenario planning is concerned, PJM’s plan would recognize:

- Scenario planning combined with a probabilistic analysis to analyze future scenarios and transmission needs associated with those future scenarios; and
- Development of a clear record of customer trends and needs, through confidential surveys and other means, to clearly document the purchasing plans of customers as diverse as those entering into long-term power purchase agreement to meet corporate sustainability for customers looking to develop distributed resources through municipal or private aggregation.

In the view of the Industrial Customer Organization, the “sweet spot” that PJM is seeking should be the role of the market with transmission planning based exclusively upon known and measurable outcomes. However, if the Commission is going to pursue “scenario planning,” however it may be defined, the Industrial Customer Organizations support removal of any speculative prognostication of future needs. The Industrial Customer Organizations support modeling based upon existing laws and policies and not upon speculative forecasts, pending or expected future legislation, policy trends, or other uncertainties. The problem with basing transmission planning on speculative or uncertain future scenarios is that transmission investments

³³ EEI Initial Comments at 24-25.

³⁴ PJM Initial Comments at 42.

may be made for generation that does not get built or projected customer needs that do not materialize, resulting in overbuilding of the transmission system and unreasonably high transmission rates. Instead, transmission planning should be focused on known and measurable outcomes with the goal of maintaining reliability at the lowest possible cost.

IV. THE INDUSTRIAL CUSTOMER ORGANIZATIONS ADOPT AND EMBRACE THE REPLY COMMENTS FILED BY THE ELECTRICITY TRANSMISSION COMPETITION COALITION.

The Industrial Customer Organizations encourage the Commission to adopt the many recommendations in the ETCC's Initial Comments and Reply Comments. The ETCC advocates for:

- Vibrant competition for all transmission projects, in all regions of the country, in concert with collaboration among all interested stakeholders to identify and implement cost-effective transmission solutions;
- Elimination of all federal ROFRs and preemption of state ROFRs, all of which act as barriers to vibrant competition; and
- Establishment of Independent Transmission Planner and Independent Transmission Monitors in all areas of the country, to the extent such entities do not already exist and to the extent any such existing entities do not have full functionality.

The Industrial Customer Organizations support these positions and encourage the Commission to support competition for the benefit of transmission customers.

V. CONCLUSION

WHEREFORE, the Industrial Customer Organizations respectfully request that the Commission afford due consideration to these Reply Comments.

Respectfully submitted,

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Dated: November 30, 2021

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 30th day of November, 2021.

/s/ Robert A. Weishaar, Jr.

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