



UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection	Docket No. RM21-17-000
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Date: August 16, 2022

**INTRODUCTION**

The staff of the Clean Energy States Alliance (CESA) is pleased to have the opportunity to submit the following comments on the Notice of Proposed Rulemaking, Docket No. RM21-17-000, called “Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection.”

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CESA is a national nonprofit coalition of public agencies and organizations working together to advance clean energy. CESA's members—primarily state energy agencies representing 18 states and the District of Columbia—include many of the nation's most innovative, successful, and influential implementers of clean energy policies. The comments in this document solely represent the views of CESA staff and not CESA's individual member organizations.

## **LONG TERM PLANNING**

Many of CESA's member states have established, through legislation, rulemaking, or executive order, 100% clean energy goals for their power sector or zero-carbon goals for their state economy. Since many of these goals have a target date of 2040 or 2050, we are especially interested in the proposal in the NOPR to require planning over a minimum of 20 years (compared to the current practice of 6-15 years). Because states are already planning for the long term, we support quick adoption of policies to improve the regional transmission planning process.

We applaud FERC's focus on being forward-looking to meet changes in the resource mix and demand. Transmission planning should, as hockey great Wayne Gretzky reportedly said, "skate to where the puck is going to be, not to where it has been." Too many grid projects are planned for individual power plants, occurring outside a comprehensive regional planning process.

Queues for interconnection of new generation and storage to the grid are extremely large, dominated by the renewable energy resources states will need to meet their clean energy goals. So there is urgency in the need to facilitate that development through grid expansion.<sup>1</sup> Nonetheless, the one-plant-at-a-time approach to transmission upgrades results in a patchwork approach that drives up costs and misses opportunities for improvements to the system as a whole.

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<sup>1</sup> Lawrence Berkeley National Lab, *Queued Up: Characteristics of Power Plants Seeking Transmission Interconnection*, April 2022, at <https://emp.lbl.gov/queues>.

The ad hoc nature of satisfying interconnection requests can create its own backlog, impeding rapid progress on clean energy. FERC should seek to spread more positive examples of transmission planning shown by ERCOT with its Competitive Renewable Energy Zone (CREZ) process, and the Midcontinent ISO's 2021 Transmission Expansion Planning process (MTEP21).<sup>2</sup> These efforts identified areas with strong renewable energy resources and the infrastructure needed to tap them, leading to very large-scale development. Texas and the Midwest are now global leaders in wind power, driving rural economic development, helping accelerate the retirement of aging coal plants, and reducing exposure to fluctuating fuel prices.

Consumers will be best served by a planning process that (i) is proactive and inclusive in nature and that (ii) considers expected changes in generation at the system level, rather than being a reactive process that is primarily driven by project-level considerations.

## **ROLE OF STATES AND STATE POLICY**

We agree that the transmission planning process should give a prominent role to state agencies, including the energy policy agencies of state government that develop and implement state resource policies. Because the Federal Power Act leaves resource choices in the hands of states, FERC should ensure that the bulk power system supports those choices.

We strongly support the proposal to require transmission providers and planning processes to incorporate "federal, state, and local laws and regulations that affect the future resource mix and demand." The 21 states (plus DC and Puerto Rico) with 100% clean energy policies account for 42.3% of US power sales as of 2020, 49.4% of US customer accounts, and 51% of US population.<sup>3</sup> Altogether, they could see an aggregated demand for 800 TWh of new clean

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<sup>2</sup> Warren Lasher, ERCOT, "The Competitive Renewable Energy Zones Process," August 11, 2014, at [https://www.energy.gov/sites/prod/files/2014/08/f18/c\\_lasher\\_qer\\_santafe\\_presentation.pdf](https://www.energy.gov/sites/prod/files/2014/08/f18/c_lasher_qer_santafe_presentation.pdf). Midcontinent ISO, *MISO Transmission Expansion Plan*, at <https://www.misoenergy.org/planning/planning/>.

<sup>3</sup> Clean Energy States Alliance, 100% Clean Energy Collaborative, <https://www.cesa.org/projects/100-clean-energy-collaborative/>.

energy generation to meet their targets, on top of the 665 TWh they got from zero-emission sources in 2020.

The NOPR says little about the governance of the regional entities that would be the primary forum for transmission planning. Many regional transmission entities (RTOs and ISOs) are essentially self-regulated, dominated by transmission and generation owners, with a limited role for states or consumer representatives.

The result is that an RTO can behave like a private club, with rules that benefit members at the expense of the public. For a transmission planning process that reflects the public interest, state regulators need to be given greater powers. As Ann McCabe, a member of the Illinois Commerce Commission, has said of RTOs, “States have found they have little influence on important policies that not only affect costs but influence their resource mix and inhibit their state policy objectives.”<sup>4</sup>

In a detailed critique of grid governance, Shelley Welton, a professor at the University of Pennsylvania Carey Law School, argues that the failure of RTOs to more rapidly advance clean energy “can be traced to their functionally privatized governance systems, which are now making public policy decisions that they were never designed to address.”<sup>5</sup>

Because RTOs are dominated by market participants, they “have an endemic bias against new resources that threaten incumbent profits” and “should not be treated as benign partners ready to accept and effectuate the popular will on climate change.”

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<sup>4</sup>Ann McCabe, quoted in Bentham Paulos, Clean Energy States Alliance, *The Governance of Wholesale Power Markets*, October 27, 2021, at <https://www.cesa.org/resource-library/resource/the-governance-of-wholesale-power-markets/>

<sup>5</sup>Shelley Welton, University of South Carolina School of Law, “Rethinking Grid Governance for the Climate Change Era,” *California Law Review*, Volume 109: No. 1, February 2021, at <https://www.californialawreview.org/print/rethinking-grid-governance/>.

She adds that while RTOs have “established market rules that undermine states’ goals in favor of increasing the profits of incumbent member utilities... states are largely powerless within RTO governance processes to do anything about [it].”

We encourage FERC to work with states and RTOs to develop a greater role for states in regional transmission policies. The Regional State Committee (RSC) in the Southwest Power Pool is a notable example of state representation, as the RSC retains authority for region-wide transmission cost allocation and resource adequacy. Regions that lack such state authority may continue to encounter difficulty in promoting beneficial transmission, regardless of reforms at FERC.

In addition, more substantive state engagement in regional governance will help facilitate inter-regional planning. State policymakers are in a better position to negotiate the costs and benefits of inter-regional development and can better represent the public interest than regional grid planners or developers with narrow commercial interests.

## **EQUITY AND RURAL BENEFITS**

The NOPR proposes consideration of a “broader set of benefits of regional transmission facilities,” beyond the typical cost and engineering factors. Research has shown that there are no standards for what benefits should be included in transmission planning processes, and that benefits are often defined narrowly, blocking projects that would be beneficial if more completely assessed.<sup>6</sup> The definition of benefits is typically limited to electricity benefits, such as lower or more stable electricity rates, and misses out on the important social and economic impacts of the energy system.

Many states are adopting and implementing policies that address energy equity. We define energy equity to mean reducing the environmental burdens that have traditionally been

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<sup>6</sup> Johannes Pfeifenberger et al., Brattle Group and Grid Strategies, *Transmission Planning for the 21<sup>st</sup> Century: Proven Practices that Increase Value and Reduce Costs*, October 2021, at [https://www.brattle.com/wp-content/uploads/2021/10/2021-10-12-Brattle-GridStrategies-Transmission-Planning-Report\\_v2.pdf](https://www.brattle.com/wp-content/uploads/2021/10/2021-10-12-Brattle-GridStrategies-Transmission-Planning-Report_v2.pdf)

inflicted upon low-income communities and communities of color, and ensuring that all communities can participate in the economic opportunities created by a transition to a clean energy economy.

One way to create equitable outcomes in energy is to facilitate the retirement of polluting power plants and their replacement by clean ones. This can often involve changes to transmission, making energy equity an inherent component of transmission planning. To create economic opportunities, transmission can be directed to low-income rural areas that would benefit from local development of clean energy. Thus, we urge FERC to require equity considerations in regional transmission planning.

This could mean specifically identifying disadvantaged communities in the transmission process, with a consideration of how certain transmission projects would facilitate or hinder energy equity goals in those communities. It could further mean providing incentives for beneficial projects, such as a bonus return on investment.

Consideration of equity in transmission policy is in line with the Justice40 policy of the Biden Administration and is supported by the Inflation Reduction Act (IRA), which provides incentives to promote the transition of “energy communities” to new economic opportunities.

Another benefit that is often overlooked in transmission planning is the economic opportunity in clean energy development for rural communities. Rural areas have higher poverty rates than cities, lower educational achievement, and an aging and declining population, plus increasing demographic diversity thanks to Latino and Hispanic immigrants.<sup>7</sup>

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<sup>7</sup> Economic Research Service, U.S. Department of Agriculture, “Rural Economy,” at <https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/rural-economy/>. DW Rowlands and Hanna Love, Brookings Institute, “Mapping rural America’s diversity and demographic change,” September 28, 2021, at <https://www.brookings.edu/blog/the-avenue/2021/09/28/mapping-rural-americas-diversity-and-demographic-change/>

Wind and solar generation are most often sited in rural areas. They can deliver substantial economic benefits to rural communities through lease payments to landowners, property tax payments, and employment, especially from large numbers of construction jobs. Each of these can have both direct and multiplier effects that can support rural economies, helping pay for public services for an aging population.

Virtually all state governments are interested in promoting rural economic development, and renewable energy can be a powerful source of growth. We believe a broader consideration of benefits in transmission planning should reflect economic impacts that go beyond the utility bill.

### **COST ALLOCATION**

The NOPR proposes state agency involvement in developing cost allocation methods, such as developing a formula in advance or negotiating on a case-by-case basis.

Many regional and inter-regional transmission projects have foundered on the issue of cost allocation. We agree that state agencies are the correct parties to develop formulas or negotiate on cost sharing, since it is their residents and businesses that will bear the costs.

It is also true that the same states will share the benefits, such as economic activity, potentially lower rates, and increased fuel diversity. FERC notes that the cost sharing debate around inter-regional transmission can generate a free rider problem, as states seek to benefit from a project without paying for it.

We think it would be prudent to develop a more sophisticated analysis of how benefits are created and allocated. This new approach would cover electricity impacts, such as the effect on regional wholesale power prices, but would also incorporate a more widely defined set of benefits, including equity and rural economic development, but also the health benefits of reduced air pollution and the cost of climate change. EPA and academic researchers have a

well-established protocol for calculating the benefits of pollution reduction, while the social cost of carbon can serve as a way to calculate carbon reduction benefits.

And while state agencies should have a primary role in negotiating cost allocation between states, not all negotiations result in a positive outcome, even for beneficial projects. FERC should be actively engaged in facilitating the negotiation and be willing to determine a just and reasonable solution to cost allocation if the parties are unable to.

## **CONCLUSION**

In summary, CESA commends FERC for the direction of the NOPR and looks forward to a productive rulemaking process. In our comments, we urge FERC to:

- 1) Require a transmission planning protocol that can anticipate long-term changes in the power system that state policy demands, and promote improvements in a cost-efficient manner;
- 2) Support the work of states to achieve clean energy policies by addressing shortcomings in the governance of regional planning bodies;
- 3) Incorporate a broader set of social and economic benefits into the planning process, including the ability of electric transmission projects to address environmental injustices and rural poverty; and
- 4) Facilitate engagement by state officials in regional and inter-regional planning and cost allocation efforts.

Sincerely,

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