



Americans for a  
Clean Energy Grid



November 26, 2018

The Honorable Neil Chatterjee, Chairman

The Honorable Cheryl A. LaFleur

The Honorable Kevin J. McIntyre

The Honorable Richard Glick

US Federal Energy Regulatory Commission

Sent by e-mail

Dear Chairman and Commissioners:

The WATT Coalition, Americans for a Clean Energy Grid, and AWEA are encouraged by the interest you have recently expressed in reviewing transmission incentives. We request that you open a proceeding to hold a Technical Conference on these topics. Specifically, we request that you address an uncompleted aspect of the Energy Policy Act of 2005: encouraging the deployment of advanced transmission technologies.

Congress passed and President George W. Bush signed the Energy Policy Act of 2005 (EPAAct), one provision of which is Section 219(b)(3), whose purpose is 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.” In 2018 – 13 years after its signing – this provision has yet to be addressed.

When the Commission implemented the rate incentives provisions of EPAAct in Order No. 679, very little guidance was provided on the *operational* aspect of transmission relative to the incentives for grid *expansion*. In part that was because the relevant technologies were undeveloped at that time and few commenters raised the issue in the docket. In 2011 after five years of experience with Order No. 679 the Commission observed, “To date, the vast majority of applications for transmission incentives filed with the Commission have focused on the enlargement of facilities, including construction of new transmission facilities. Few applications have focused on the improvement, maintenance, and operations of transmission facilities or on increasing their capacity or efficiency... For example, this could include software improvements

that enhance scheduling and dispatch or investment in tools to enhance self-healing grid capabilities or improved situational awareness.”<sup>1</sup>

In the subsequent policy statement the Commission once again acknowledged the issue but did not establish any implementing regulations: “Investments in the following types of transmission projects may face the types of risks and challenges that may warrant an incentive ROE based on the project’s risks and challenges that are not either already accounted for in the applicant’s base ROE or could be addressed through risk-reducing incentives: ...3. projects that apply new technologies to facilitate more efficient and reliable usage and operation of existing or new facilities...Examples of projects that meet this description include those that create additional incremental capacity without significant construction (e.g., through the use of dynamic line rating), that allow for more efficient balancing of variable energy resources, and/or that provide increased grid stability. In addition, the Commission is concerned that its current practice of granting incentive ROEs and risk-reducing incentives may not be effectively encouraging the deployment of new technologies or the employment of practices that provide demonstrated benefits to consumers. Accordingly, the Commission remains open to alternative incentive proposals aimed at supporting projects that achieve these ends.” Thus, there continues to be no policy implementing Section 219(b)(3) of EAct 2005.

In the years since EAct 2005, transmission operations technologies have improved dramatically. Dynamic line ratings, power flow control, and topology optimization in particular have advanced to commercial status, have been deployed in pilots in the US, and on larger scales in other countries.

We are ready to offer policy ideas. A rich source of ideas comes from other countries where grid operations technologies are being more widely deployed because the regulatory policies differ. For example, in Australia there is a process whereby grid operations technologies deployed by transmission owners receive an incentive return after the independent grid operator verifies that benefits to customers exceed the costs, and the regulator approves them. These and other options could be considered at a Technical Conference.

We look forward to your response.

Sincerely,

Rob Gramlich

Executive Director

WATT Coalition

[www.watt-transmission.org](http://www.watt-transmission.org)

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<sup>1</sup> Promoting Transmission Investment Through Pricing Reform, May 2011, RM11-26, p.13.

John W. Jimison

Executive Director

Americans for a Clean Energy Grid

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