



FEDERAL ENERGY REGULATORY COMMISSION

STATEMENT

June 17, 2010

Docket No. RM10-23-000

Item No. E-9

Commissioner John R. Norris

Statement of Commissioner Norris on Transmission Planning and Cost Allocation Notice of Proposed Rulemaking

"I believe today's Proposed Rulemaking is the appropriate and necessary next step to address the needed improvements to our nation's electric transmission infrastructure. Rather than proposing broad changes to the transmission planning processes that the Commission first required in Order No. 890, we are instead wisely choosing to build on existing efforts in the areas of transmission planning and cost allocation. The reforms we propose today all address targeted needs or gaps in the existing processes that were identified through extensive stakeholder outreach conducted by Commission staff.

It is important to recognize that we are asking our present electric transmission grid to do more than it was ever planned and constructed to do. While recently constructed transmission facilities have been designed to address the modern demands on our system, by anyone's measure the improvement and expansion to date has been inadequate. We are now asking our transmission infrastructure to support regional wholesale power markets, adapt to the technological capabilities envisioned with Smart Grid and facilitate the achievement of public policy goals such as expanded use of renewable energy and demand-side resources. This means that modernizing and expanding our country's electric transmission system is vitally important. Through all of this evolution and change, we are also rightfully insisting that system reliability be maintained and even improved where necessary.

Today, the Commission proposes important steps forward in this national effort to expand and modernize our electric transmission infrastructure. Effective transmission system planning and cost allocation are critical prerequisites to ensuring that needed new facilities are constructed. Well-functioning transmission planning processes that bring together all of the stakeholders to share knowledge and evaluate alternatives should facilitate the determination of what project or group of projects most efficiently meets transmission system needs.

For example, this proposed rule would require that transmission planning processes consider transmission projects intended to help facilitate the achievement of public policy requirements established by state or federal laws or regulations. Stakeholders told us that, in some cases, the existing planning processes do not provide a mechanism for transmission providers to plan for these requirements, and might even prevent them from doing so. With our proposal today, we want to enable regions with state renewable energy requirements to be able to utilize the transmission planning process to identify and develop the necessary transmission to efficiently bring renewable energy to their consumers.

Additionally, we propose to build upon the Order No. 890 planning requirements that transmission plans be developed not just for individual transmission providers, but also for transmission planning regions as a whole. This proposal addresses concerns that individual transmission providers, producing individual plans, may not have enough information or sufficient scope to assess proposed projects and determine the most efficient and cost-effective choices. The goal here is to get to a point where decisions can be made about what level of transmission does and doesn't need to be built to meet our reliability, economic and public policy requirements, and the specific projects that will most cost-effectively meet those needs.

We also propose a set of targeted reforms to the existing transmission planning processes to ensure that those processes do not unfairly discriminate against non-incumbent transmission developers. Significant sources of new capital are eager to invest in the transmission grid, and it is important that we ensure that transmission planning processes subject to our jurisdiction do not preclude any set of potential investors from participating in those





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processes and ultimately constructing new transmission facilities. I am hopeful that our reforms in this area could unleash a wave of innovation to help address some of our most pressing energy needs.

Finally, our proposal today takes a further step forward from Order No. 890 in addressing the critical issue of transmission cost allocation. As I have stated before, I believe that disputes and uncertainty with regard to cost allocation are holding back the build-out and expansion of the transmission system. The proposed rule would establish a set of principles and a process to work through disputes and provide more upfront certainty with respect to cost allocation. We give the regions the opportunity to determine a cost allocation method or methods appropriate to their needs and system characteristics. In the event that the individual regions are unable to reach consensus on cost allocation, the Commission would use the record in the relevant compliance filings as a basis for developing the cost allocation method.

I am pleased to support the reforms we propose today, but as I noted, I believe they are a “next step” in addressing needed upgrades and expansion of our transmission infrastructure. However, there are significant uncertainties in national policy that are beyond our control, and that will greatly impact efforts to build the transmission system of the future. Without guidance and decisions from Congress on a national carbon and clean energy policy, it is exceedingly difficult – if not impossible – to know what future scenario the transmission system must be planned to support. As long as this uncertainty remains, the reforms proposed today – while worthwhile and important – do not represent all the remaining pieces necessary to solve our energy puzzle. For that, we must look to Congress.

Time is not on our side in this matter. There are looming infrastructure needs to address critical challenges for our nation’s electricity supply. The current timeline for transmission construction is not, in my mind, in sync with the time demands for addressing our electric generation and environmental policy needs. The time for decisions on critical national energy policy is upon us.

I am looking forward to reviewing the comments we receive on these proposals, and to discussing them with stakeholders in the coming months. I believe it is critical that there be a constructive and open dialogue between the Commission and all stakeholders as we move toward a final rule. I strongly urge all stakeholders to file comments on this proposed rule so that we can understand all viewpoints.

I want to conclude by giving my heartfelt thanks to the Commission staff for their tireless work on this proposal. I know that there were countless meetings and many late nights drafting language and responding to questions. I appreciate your expertise and the hard work that went into this document, and I am pleased to support it.”

