



FACTS

NEWS

STATEMENT

BIOS

FEDERAL ENERGY REGULATORY COMMISSION

May 17, 2012

Commissioner Cheryl A.

LaFleur **STATEMENT**

Docket Nos. RM10-23-001

Item No. E-1

## **Statement of Commissioner Cheryl A. LaFleur on Rehearing of Transmission Planning and Cost Allocation Rule**

"Today, we act on the petitions for rehearing of Order No. 1000, affirming the determinations of our earlier order, while clarifying several points. I am pleased to support today's Order.

Our nation is making a substantial investment in its interstate transmission network. As noted in the Order, a study by the Brattle Group estimated that between 2010 and 2030, close to \$300 billion in new transmission facilities may be required. Transmission is needed to strengthen reliability, reduce congestion costs, and connect new resources driven by state and federal public policy requirements. I continue to believe that the Commission's rule on planning and cost allocation will help ensure that the most efficient and cost-effective transmission solutions are the ones that are chosen and constructed.

There is one particular point in the Order that I wish to emphasize.

Today's Order, in discussing the Commission's jurisdiction over transmission under Section 201 of the Federal Power Act, notes previous findings that the interconnected transmission grid functions as a "single machine" whose flows are determined by the laws of physics. However, as the Order also correctly notes, this physical reality does not in itself dictate beneficiaries and the just and reasonable allocation of the costs of new transmission. The fact that electric energy flows broadly across a given interconnection does not imply that costs must be correspondingly allocated. Rather, a regional cost allocation method must satisfy the principles set forth in Order No. 1000 and affirmed here, including that the costs of transmission facilities must be allocated to those within the transmission planning region that benefit from those facilities in a manner that is roughly commensurate with estimated benefits.



I view this as the central principle of cost allocation in Order 1000. In addition, as I indicated in my dissenting opinion in the Commission's recent order in the Opinion No. 494 proceeding,<sup>1</sup> I believe on compliance we should be open to different applications of this principle that reflect the facts and circumstances of different regions.

I know that public utility transmission providers across the country are working hard on compliance with Order No. 1000. I appreciate the FERC staff's work to draft Order No. 1000-A in a timely manner, and hope that it helps these compliance efforts move forward. I look forward to reviewing the compliance filings we receive, and to supporting the efforts of regions across the country to build transmission that is needed by customers for reliability, economic, and public policy reasons."

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<sup>1</sup> *PJM Interconnection, L.L.C.*, 138 FERC ¶ 61,230 (2012).