

166 FERC ¶ 61,208

UNITED STATES OF AMERICA

FEDERAL ENERGY REGULATORY COMMISSION

[Docket No. PL 19-3-000]

Inquiry Regarding the Commission's Electric Transmission Incentives Policy

Comments from the Oklahoma Corporation Commission ("OCC") Public Utility Division ("PUD")

Section 219 directs the Commission to promote certain specified goals—namely, promoting capital investment in the enlargement, improvement, maintenance, and operation of jurisdictional transmission facilities; providing an ROE that attracts investment in new transmission facilities and technologies; encouraging deployment of technologies and other measures that enhance the capacity, efficiency, and operation of existing transmission facilities; incentivizing transmission-owning public utilities to join an RTO; and allowing recovery of certain types of prudently incurred costs.

Current adders to a base ROE: (1) to compensate for the risks and challenges of a specific transmission project (ROE adder for risks and challenges); (2) for forming a transmission-only company (Transco adder); or (3) for joining a regional transmission organization (RTO) or independent system operator (ISO) (RTO/ISO adder).

PUD believes the current adders to base ROE (1) and (2) are no longer required to promote capital investment in the enlargement, improvement, maintenance, and operation of jurisdictional transmission facilities; providing an ROE that attracts investment in new transmission facilities, efficiency, operation of existing transmission facilities; and allowing recovery of certain types of prudently incurred costs. Due to the formation of the ISOs/RTOs there has been a large transmission buildout in Oklahoma and the Southwest Power Pool ("SPP"). For example, the SPP has approved approximately \$ 10 Billion in transmission projects since becoming an RTO in 2004. Due to this ISO/RTO model significant improvements have occurred in how transmission is planned and developed. These changes have made FERC's risks and challenges approach of promoting capital investment in the bulk electric system ("BES") no longer the most effective means to comply with Section 219 directives. Through the ISO/RTO planning process, if transmission needs are identified the ISO/RTO will direct an entity to build the project, whether it is the incumbent transmission owner, assigned to a transmission developer, or the result of a competitive bidding process under FERC Order 1000. Because of this change in transmission planning and development due to the formation of ISO/RTOs, PUD believes continuing an RTO/ISO adder will be beneficial to comply with Section 219 directives.

PUD also believes now is the time to bring back an advanced transmission technology adder. PUD believes FERC approved base ROE for transmission projects are unjust and unreasonable which creates an incentive for electric utilities to build more expensive transmission projects and place in rate base in order to get a higher ROE. For example, utilities have no incentive to invest in advanced transmission technologies, which are usually much cheaper than building a new transmission line, because the utility will make a higher return on the transmission line in rate base because of its higher cost. PUD believes that this is the reason to date FERC has seen only a few applications seeking an ROE adder related to advanced technology. With the large transmission buildout that took place over the past decade PUD

recommends FERC direct utilities to optimize the current BES before upgrading the current system or building new transmission lines. An example of an advanced transmission technology solution could be instead of building a new transmission line, a utility could install equipment and software that provides Dynamic Line Ratings, Real Time Conductor Monitoring and Sensing, and System Reconfiguration. Another option instead of building a new transmission line could be a high performance conductor upgrade to an existing transmission line which could satisfy the need at a lower cost and create additional efficiencies in line loss, thermal sag, and improved reliability and grid resilience.

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