UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Inquiry Regarding the Commission's Electric Transmission Incentives Policy	**)** **)**	**Docket No. PL19-3-000**

INITIAL COMMENTS OF EVERSOURCE ENERGY SERVICE COMPANY

Eversource Energy Service Company ("Eversource"), on behalf of its affiliated public utilities,[1] submits these comments in response to the Federal Energy Regulatory Commission's (the "Commission" or "FERC") Notice of Inquiry Regarding the Commission's Electric Transmission Incentives Policy issued on March 21, 2019 (the "NOI"). In the NOI, the Commission observed that a number of significant developments have occurred in the electric power industry since the issuance of Order No. 679[2] almost 13 years ago. The Commission asked for comments on a wide range of issues relating to the Commission's efforts to provide incentives to encourage the construction of new transmission investments as directed by Congress in the Energy Policy Act of 2005 ("EPAct 2005").

I. INTRODUCTION AND EXECUTIVE SUMMARY

Eversource commends the Commission's initiative in opening this inquiry seeking comments from stakeholders in the electric power sector on ways to improve its policy and regulations with respect to electric transmission incentives. As a transmission owner in New

[1] Eversource Energy Service Company provides centralized services, such as accounting, legal, and purchasing, to its electric and gas affiliates. The Eversource public utilities are The Connecticut Light and Power Company, NSTAR Electric Company, and Public Service Company of New Hampshire.

[2] *Promoting Transmission Investment Through Pricing Reform*, Order No. 679, 116 FERC ¶ 61,057 ("Order No. 679"), *order on reh'g*, Order No. 679-A, 117 FERC ¶ 61,345 (2006) ("Order No. 679-A"), *order on reh'g*, 119 FERC ¶ 61,062 (2007).

England who has developed and built many transmission projects that have increased reliability and reduced congestion, including several projects that have received incentives under Order No. 679, Eversource has experience with the complex and difficult process of getting transmission planned, sited, and built, and the important role that transmission incentives play in facilitating the construction of transmission infrastructure. Eversource appreciates the opportunity to submit comments in this proceeding.

As the Commission recognizes, significant and indeed transformative changes are rapidly taking place on the nation's electric power grid. The Commission's initiation of this NOI to revisit its transmission policies and regulations is both timely and critical in order to ensure that its transmission incentive policy and regulation are adequate and effective to incentivize the types of transmission projects that are needed to meet the needs of the nation's electric power grid, not just today, but also in the future.

Since its issuance in 2006, Order No. 679 has been successful in incentivizing significant new transmission infrastructure projects throughout the country that have produced tremendous reliability, economic and environmental benefits for consumers. In New England, the availability of incentives under Order No. 679 has been instrumental in incentivizing the construction of a number of major transmission projects that have resulted in significant benefits to New England consumers, including reducing congestion costs by several hundred million dollars each year.

In the coming years, as the result of technological developments, environmental policies to decarbonize the electric power sector, and other factors, the electric power grid will continue to evolve and transform. Significant new transmission investments will be needed to accommodate rapid changes in the generation resource mix (including the need to integrate

reliably large quantities of renewable energy resources from distant locations to load centers), to replace and harden aging infrastructures to increase grid reliability and resiliency in response to heightened risks of extreme weather events due to climate change, and to protect against increased risks of physical and cybersecurity attacks.

To address the multitude of demands on the power grid, Eversource submits that the need for new transmission infrastructure projects (and the incentives to encourage those projects) continues to exist, and may even be heightened. To stay ahead of the major energy issues facing the nation, the Commission should be pro-active in evaluating the needs of the nation's electric power grid and take actions to ensure a reliable and secure electric power grid. This includes ensuring that appropriate policy and regulations are in place to incentivize the types of transmission projects that are needed to meet the challenges to the power grid in the coming years.

In these comments, Eversource wishes to make the following points:

- Under Order No. 679, the Commission has granted numerous applications for transmission incentives. Transmission developers have relied in good faith upon the Commission's orders granting incentives in committing substantial capital and resources to move forward with the financing, development, siting, and construction of their proposed transmission projects. To promote regulatory continuity and regulatory certainty, Eversource urges the Commission to exercise caution in making changes to its incentives policies that have been in place for almost 13 years. In particular, Eversource urges the Commission against taking any action to reduce or eliminate the incentives that were previously granted. The Commission should retain (and perhaps even augment) those policies or rules that have been effective in encouraging new transmission

investments, and re-evaluate only those policies or rules that have not achieved the desired results of encouraging new transmission investments.

- The Commission should continue its policy of granting the fifty (50) basis point ROE adder to those entities that join, and remain in, an RTO/ISO. As the Commission recognizes, and as numerous studies confirm, RTOs/ISOs have produced significant benefits and cost-savings to consumers.
- If the Commission grants an incentive ROE adder to a transmission project based upon a fully developed factual record in the proceeding, that incentive ROE adder should remain valid for the life of the project because transmission developers and investors rely upon the Commission's incentives orders in making their decisions to move forward with the financing, development, and construction of their projects. It would be fundamentally unfair and constitute a "bait and switch" if the Commission were to reduce the incentive ROE adder that was reasonably relied upon by the developer to finance, develop, and construct the project.
- To ease regulatory burden on transmission developers, the Commission should consider certain rate treatments as standard ratemaking to be requested under FPA Section 205, rather than transmission incentives under Order No. 679. These include 100 percent Construction Work in Progress ("CWIP") in rate base, 100 percent abandoned plant cost recovery, and pre-commercial operation costs deferred as a regulatory asset.
- To incentivize the types of transmission projects that are needed to address the reliability and security needs of the grid of the future, the Commission should broaden its analytical framework for evaluating a project's eligibility for transmission incentives to include, not only the risks and challenges approach, but also other approaches, such as consideration

of a project's benefits and characteristics. Eversource believes such an approach may be appropriate in order to directly encourage those transmission projects that are essential to meet the nation's evolving transmission demands. Eversource recommends several categories of projects that are the types of projects that are vital in the future and therefore deserving of consideration for transmission incentives: (i) public policy projects that are driven by state or federal mandates to decarbonize the grid; (ii) resiliency/infrastructure hardening projects; (iii) projects or plans of action to protect against physical and cybersecurity threats; (iv) grid-scale electric storage projects; and (v) complex, large-scale projects involving multiple developers.

II. CORRESPONDENCE AND COMMUNICATIONS

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III. DESCRIPTION OF EVERSOURCE

Eversource's parent company, Eversource Energy, is a Fortune 500 energy company that operates New England's largest energy delivery system. Eversource Energy is a public utility holding company under the Public Utility Holding Company Act of 2005. Eversource Energy's utility subsidiaries transmit and deliver retail electricity and natural gas to approximately 3.6

million customers in over 620 cities, towns, and communities in Connecticut, Massachusetts, and New Hampshire.

The Eversource public utilities own and operate transmission facilities primarily in the states of Massachusetts, Connecticut, and New Hampshire. These utilities have planned and constructed major transmission projects to satisfy New England's reliability needs and decrease congestion costs. The Eversource public utilities' transmission facilities are used to provide transmission service under the ISO New England Inc. Open Access Transmission Tariff ("ISO-NE OATT") pursuant to transmission formula rates contained therein. The Eversource public utilities and their affiliates have developed and constructed many transmission projects in New England, including several large projects that received transmission incentives under Order No. 679.[3]

IV. BACKGROUND

In 2005, Congress recognized that business conditions and regulatory policies were not adequate to encourage new transmission investments to modernize the nation's transmission system.[4] To incentivize new investment in "reliable and economically efficient" energy transmission infrastructure, Congress amended the Federal Power Act by adding Section 219 directing the Commission to adopt a rule to establish "incentive-based" rate treatments in order to "promot[e] capital investment" in projects to upgrade the electric power grid.[5] Congress's

[3] *Northeast Utilities Service Co.,* 126 FERC ¶ 61,052 at P 21 (2009); *Northeast Utilities Service Co. and National Grid USA*, 125 FERC ¶ 61,183 (2008) ("*NEEWS Order*"), *reh'g denied*, 135 FERC ¶ 61,270 (2011); *Northern Pass Transmission LLC*, 134 FERC ¶ 61,095, *reh'g denied*, 136 FERC ¶ 61,090 (2011).

[4] Order No. 679 at PP 24, 48.

[5] Energy Policy Act of 2005, Pub. L. No. 109-58 § 1241, 119 Stat. 961 (2005) (codified as amended at 16 U.S.C. § 824s).

goal was to " benefit[] consumers by ensuring reliability and reducing the cost of delivered power by reducing transmission congestion."[6] Congress recognized that because such a rate-treatment rule would encourage much needed transmission upgrades on which reliable and efficient electric service depends, "it would ultimately benefit consumers, even as it also cost them."[7]

In response to this Congressional mandate, the Commission promulgated Order No. 679 in which the Commission observed that there was insufficient transmission investment. The Commission noted that investment in transmission facilities declined significantly in the prior years at a time when electric load using the nation's grid more than doubled.[8] The Commission recognized the "unique and substantial challenges faced by large new transmission projects."[9] As noted by the Commission, "[s]iting major new transmission lines is extraordinarily difficult, given the environmental and land use concerns associated with obtaining and permitting new rights-of-way."[10] To incentivize transmission investments as directed by Congress, in Order No. 679, the Commission identified a number of transmission incentives available to transmission developers: (i) ROE incentives for new transmission; (ii) 100 percent CWIP in rate base; (iii) recovery of prudently-incurred pre-commercial operation costs; (iv) hypothetical capital

[6] 16 U.S.C. § 824s(a).

[7] *See San Diego Gas & Electric Co. v. FERC*, No. 16-1433, slip op. at 3 (D.C. Cir. 2019).

[8] Order No. 679 at P 10.

[9] *Id.* at P 24.

[10] *Id*. *See also Coakley v. Bangor Hydro-Elec. Co.*, Opinion No. 531, 147 FERC ¶ 61,234 at P 149 (2014) (noting the risks faced by transmission developers, including "long delays in transmission siting, greater project complexity, environmental impact proceedings, requiring regulatory approval from multiple jurisdictions overseeing permits and rights of way, liquidity risk from financing projects that are large relative to the size of a balance sheet, and shorter investment history"), *order on paper hearing*, Opinion No. 531-A, 149 FERC ¶ 61,032 (2014), *order on reh'g*, Opinion No. 531-B, 150 FERC ¶ 61,165 (2015), *vacated*, *Emera Maine v. FERC*, 854 F.3d 9 (D.C. Cir. 2017).

structure; (v) accelerated depreciation used for rate recovery; (vi) 100 percent abandoned plant cost recovery; (vii) deferred cost recovery; and (viii) any other incentives that are determined to be just and reasonable and not unduly discriminatory or preferential. The Commission held that these incentives would be applied in case-specific manner, only where appropriate, to avoid "increasing rates in a manner that has no correlation to encouraging new investment."[11]

In 2012, the Commission issued the 2012 Incentives Policy Statement in which it narrowed the circumstances in which it would provide a ROE incentive.[12] Specifically, the Commission held that, among other things, applicants seeking transmission incentives based on a project's risks and challenges should demonstrate that the project faces risks and challenges that are not either already accounted for in the applicant's base ROE or addressed through risk-reducing incentives. The Commission stated that applicants should seek risk-reduction incentives, such as inclusion of 100% CWIP in rate base and abandoned plant cost recovery before seeking ROE incentives.[13] The Commission also identified several examples of the types of projects that may qualify for the ROE incentive, such as projects that relieve chronic or severe grid congestion that has had demonstrated cost impact to consumers; unlock location constrained generation resources that previously had limited or no access to the wholesale electricity markets; or apply new technologies to facilitate more efficient and reliable usage and operation of the existing or new facilities.[14]

[11] Order No. 679 at P 6.

[12] *Promoting Transmission Investment Through Pricing Reform*, Policy Statement, 141 FERC ¶ 61,129 (2012) ("2012 Incentives Policy Statement").

[13] 2012 Incentives Policy Statement at PP 28-29.

[14] *Id.* at P 21.

In the NOI, the Commission noted that since the issuance of Order No. 679 and the 2012 Incentives Policy Statement, there have been a number of significant developments in how transmission is planned, developed, operated and maintained, including: (i) the issuance of Order No. 1000; (ii) the evolution in the generation mix and the number of new resources seeking transmission service, (iii) shifts in load patterns; and (iv) an increased emphasis on the reliability of transmission infrastructure.[15] The NOI asks for comments on a wide range of issues relating to the Commission's efforts to provide incentives to encourage the construction of new transmission investments, including the scope and implementation of its electric transmission incentives regulations and policy, and whether the framework for granting transmission incentives, instead of being based on risks and challenges of a proposed transmission project, should be based on a project's specific benefits or characteristics.

V. COMMENTS

A. To Satisfy the Nation's Transmission Needs in the Coming Years, the Commission Should Be Pro-active in Encouraging New Transmission Investments, and Avoid Actions that Undermine Prior Incentives Orders that Public Utilities Relied Upon in Developing Their Projects

Since its issuance in 2006, Order No. 679 has been effective in encouraging new transmission investments to modernize the power grid to increase reliability and reduce transmission congestion. As the Commission noted, "since issuing Order No. 679, the Commission has acted on 109 incentive applications for more than $80 billion of anticipated construction costs."[16]

[15] NOI at P 13.

[16] *See* March 21, 2019 FERC News Release in Docket No. PL19-3 (Mar. 21, 2019).

In New England, for the period 2002-2018, the region made billions of dollars of investments in transmission infrastructure.[17] The Commission's authorization of transmission incentives has been crucial in facilitating the region's transmission owners, including Eversource, to successfully finance, develop, and complete major transmission projects in the region.[18] As a result of the large transmission investments that Eversource and other New England utilities have made, electric reliability has been improved, the transmission system has been able to integrate a significant amount of new generation capacity (including renewable resources), and energy and reliability costs in the ISO-NE power markets have been significantly reduced. Indeed, in its 2006 National Electric Transmission Congestion Study, the Department of Energy ("DOE") identified Southern New England "as a Congestion Area of Concern due to the transmission constraints and significant congestion in the Southwest Connecticut and Boston Area load pockets and the surplus of generation trapped behind the transmission constraints in Maine." However, in its 2009 study, DOE dropped New England from its list of "Congestion Areas of Concern," citing, among other factors, the region's success in developing transmission.[19] In fact, ISO-NE reports a reduction of congestion costs and other out-of-market

[17] State of the Grid: 2019, ISO in Depth (Feb. 20, 2019), Gordon van Welie, President & CEO, ISO New England, at page 43 ("*2019 State of the Grid*") (available at https://www.iso-ne.com/static-assets/documents/2019/02/20190220_pr_state-of-the-grid_presentation_final.pdf).

[18] *See, e.g.*, NEEWS Order (granting incentives under Order No. 679 to the New England East West Solution ("NEEWS"), which was one the largest transmission projects ever proposed in New England with an estimated cost of $2.1 billion).

[19] Department of Energy, "National Electric Transmission Congestion Study" at 54-55, 58 (Dec. 2009) (stating that the New England transmission owners have constructed a significant amount of new transmission projects, which have helped to "remedy several of New England's most problematic reliability and economic congestion problems" and that "the Department no longer identifies New England as a Congestion Area of Concern") (available at https://emp.lbl.gov/sites/default/files/doe-natl-elec-study-2009.pdf).

costs from $600 million per year to $100 million.[20] In short, the Commission has been successful in achieving its policy objective in Order No. 679 of encouraging new transmission investment, particularly with respect to the reduction of transmission congestion.

In the coming years, as the demands on the nation's power grid continue to change and transform, significant new investments will be needed with respect to: (i) upgrades and replacement of aging infrastructure; (ii) infrastructure hardening and enhanced resiliency to minimize the impacts of adverse catastrophic events;[21] (iii) improvements to comply with evolving transmission reliability and security compliance standards; and (iv) expansion of transmission system to integrate renewables generation.[22] EEI's member companies are expected to invest approximately $90 billion in the transmission system for the period 2018 to 2021. Utilities in New England are expected to make significant transmission investments, including new facilities to connect renewable resources to load centers. In short, there continues to be a need to encourage and facilitate the construction of infrastructure projects that will satisfy the nation's emerging transmission needs.[23]

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[20] State of the Grid: 2017, ISO on Background (Jan. 30, 2017), Gordon van Welie, President & CEO, ISO New England ("*2017 State of the Grid*") (available at https://www.iso-ne.com/static-assets/documents/2017/01/20170130_stateofgrid2017_presentation_pr.pdf.

[21] According the U.S. Global Research's Fourth National Climate Assessment, which is a comprehensive study of the science of climate change in order to inform decision-makers, severe weather events are expected to intensify and becoming "increasingly disruptive in the coming decades" due to climate change. *See* https://www.globalchange.gov/climate-change.

[22] *See* "Utilities conthttps://www.globalchange.gov/climate-changeinue to increase spending on transmission infrastructure." U.S. Energy Information Administration (Feb. 9, 2018) (available at https://www.eia.gov/todayinenergy/detail.php?id=34892).

[23] According to ISO-NE, the New England transmission system is transforming into a "hybrid grid" due to two factors that are occurring simultaneously: (1) a shift from conventional generation to renewable energy resources; and (ii) a shift from central dispatched generation to distributed energy resources. See *2019 State of the Grid* at page 15.

In light of the success achieved under Order No. 679 to date, in this NOI proceeding, Eversource urges the Commission to exercise caution in eliminating or making significant changes to its incentives policies that have been in place and worked well for almost 13 years. The Commission should retain those policies or rules that have been effective in encouraging new transmission investments, and improve those policies or rules that are not likely to achieve the desired results of encouraging new types of transmission investments. Because significant transmission investments will be needed in the coming years, the Commission should retain its full panoply of incentives identified in Order No. 679. To be granted incentives, an applicant must make a filing with the Commission supporting its request for incentives, and the Commission will have the opportunity to determine which incentives are appropriate for any given situation or project. Each project has its unique set of facts and circumstances, and based on its specific circumstances, the transmission developer is best positioned to determine which incentives to request in order to address its specific needs. Thus, the Commission should maintain a wide range of incentives to address future conditions where transmission could be urgently needed, and afford applicants the opportunity to request those incentives that would most effectively facilitate the development and construction of its proposed project.

Moreover, Eversource urges the Commission to avoid taking any action that undermines or negates its prior orders granting incentives or the underlying basis upon which the project developers had reasonably and in good faith relied upon in moving forward with the development and construction of their transmission investment programs. (This includes the 50 basis point ROE adder for RTO participation, as discussed further below.) Regulatory continuity and regulatory certainty are essential to a developer's planning and decision-making as it goes through the complex, expensive, time consuming, and difficult process of developing, siting, and

permitting transmission projects. The Commission has emphasized the importance of regulatory certainty to the development of transmission projects.[24] Developers should be able to rely upon the Commission's prior orders granting incentives in its financing and decision process, without concern about the possibility that those incentives could be subsequently altered midstream. When transmission developers make substantial investments to build new transmission projects in reliance on the Commission-granted transmission incentives, the Commission should not take actions that undermine the expectation of the developers. In Order No. 679, the Commission stated that "it can be important to investors making long-term investments in long-lived facilities to be assured that a ratemaking proposal adopted prior to construction of those facilities will not later be altered in a manner that undermines the basis for the financing of those facilities."[25]

To the extent that the Commission determines it is necessary to make any changes to its incentive policy under Order No. 679 as the result of this NOI proceeding, the Commission should apply those changes only on a prospective basis – *i.e.*, the Commission should apply the new policies or requirements only with respect to new applications for incentives, and not modify the incentives that the Commission previously granted. Public utilities that have been granted transmission incentives should be able to rely upon the Commission's incentives orders as part of their planning and decision-making process to move forward with the project. There would be no justification for the Commission to alter the previously-granted incentives after the transmission developer has already moved forward with developing and building the project.

[24] *See, e.g.*, Order No. 679 at PP 115, 168, and 175.

[25] Order No. 679 at P 36. *See also Northeast Utilities Service Co.*, 126 FERC ¶ 61,052 at P 21 (2009) (emphasizing the importance of regulatory certainty in the construction of transmission projects and that a denial of "transmission incentive at this late stage may create regulatory uncertainty and deter future project development in the United States").

Such an action would cause uncertainty and confusion and disrupt future transmission developers' expectations.[26]

B. The Commission Should Not Alter Its Policy of Granting the 50 Basis Point ROE Adder to Those Entities that Join, and Remain in, an RTO or ISO

In the NOI, the Commission asked several questions regarding the 50 basis point RTO-participation incentive adder, including whether the Commission should consider providing incentives other than ROE adders for utilities that join RTO/ISOs, such as automatic provision for CWIP in rate base or the abandoned plant incentive for all transmission owning members of an RTO/ISO; if the Commission continues to provide ROE adders for RTO/ISO participation, what is an appropriate level for an ROE adder; should RTO-participation incentive be awarded on a fixed period of time after a transmission owner joins an RTO or ISO; and should voluntary participation remain a requirement for receiving RTO/ISO incentives?[27]

Eversource strongly urges the Commission not to change its long-standing policy of granting the 50 basis point ROE adder to entities for joining or remaining in an RTO. Such an action would be contrary to the express language in Section 219 of the FPA, court decisions, and Commission precedents. As the Commission and the courts have recognized, the 50 basis point ROE adder incentive compensates transmission providers for turning regional planning and operational control over their transmission facilities to RTOs/ISOs, which have generated enormous benefits to consumers.[28]

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[26] *See, e.g.*, *Tallgrass Transmission, LLC*, 150 FERC ¶ 61,224 at P 16 (2015) (affirming previously granted incentives and stating that ruling otherwise, "would contribute to the unnecessary confusion and uncertainty," which may "prompt developers to delay construction of their transmission projects"). *See also ITC Great Plains, LLC*, 150 FERC ¶ 61,225 at P 12 nn.19 & 20 (2015).

[27] The Commission noted the Ninth Circuit's recent decision in *Cal. Pub. Utils. Comm'n v. FERC*, 879 F.3d 966, 974-75 (9th Cir. 2018). *See* NOI at P 38.

[28] In New England, the Commission granted the 50 basis point incentive ROE adder to the New England TOs based upon a finding that the New England Transmission Owners' proposal to transfer day-to-day

In EPAct 2005, Congress specifically included statutory language directing the Commission to "provide for incentives to each transmitting utility or electric utility that joins a Transmission Organization." In Order No. 679-A, the Commission held that based upon the Commission's careful "***reading of section 219 in its entirety***" the 50 basis point adder is appropriate to all utilities "to join, and remain in Transmission Organizations."[29] The Commission specifically declined to impose a duration of the 50 basis point ROE adder for RTO participation, stating that "an entity will be presumed to be eligible for the incentive if it can demonstrate that it has jointed an RTO, ISO, or other Commission-approved Transmission Organization, and that its membership is going."[30]

The Commission's grant of the 50 basis point ROE adder for RTO participation was affirmed by the D.C. Circuit in *Maine Public Utilities Commission v. FERC*, 454 F.3d 278 (D.C. Cir. 2006). The D.C. Circuit affirmed the Commission's rationale that the 50 basis adder for RTO participation compensates transmission owners for turning control of their transmission assets over to an RTO/ISO.

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operational control authority over their transmission facilities to ISO-NE was "voluntary." *Bangor Hydro-Elec. Co.*, 106 FERC ¶ 61,280 at P 245 (2004); *Bangor Hydro-Elec. Co.*, Opinion No. 489, 117 FERC ¶ 61,129 at P2 (2006), *order on reh'g*, 122 FERC ¶ 61,265 (2008), *order granting clarification*, 124 FERC ¶ 61,136 (2008), *aff'd sub nom. Conn. Dep't of Pub. Util. Control v. FERC*, 593 F.3d 30 (D.C. Cir. 2010). *See also Proposed Pricing Policy for Efficient Operation and Expansion of Transmission Grid*, 102 FERC ¶ 61,032 at PP 3, 24 (2003) (stating that "transmission facilities can be operated more reliably and efficiently when coordinated over large geographic areas, and that RTOs would achieve this result" and that as a reward, "any entity that transfers operational control of transmission facilities to a Commission-approved RTO would qualify for an incentive adder of 50 basis points on its ROE for all such facilities transferred").

[29] Order No. 679-A at P 86 (emphasis added). *See also Association of Businesses Advocating Tariff Equity v. Midcontinent Independent System Operator,* 149 FERC ¶ 61,049 at P 200 (2014) (noting that the Commission's decision to grant an incentive ROE adder for RTO participation "is consistent with the stated purpose of FPA Section 219").

[30] Order No. 679 at PP 327, 331.

The ROE adder for RTO participation has encouraged the formation of RTO/ISOs, which, as the Commission has recognized, have produced enormous benefits for consumers. The benefits of having a centralized energy and capacity market and centralized transmission planning conducted by an independent system operator –far outweighs the 50 basis points ROE adder that the Commission has granted to encourage utilities to turn planning and operational control over their facilities to RTOs/ISOs. In Order No. 679, the Commission recognized the benefits of RTOs/ISOs to customers, as described in Order No. 2000, including to improve efficiencies in grid management, improve grid reliability, eliminate residual undue discrimination and undue preference in transmission services, improve market performance, and facilitate lighter-handed regulation.[31]

Last year, in her testimony before the Committee on Energy and Commerce of the U.S. House of Representatives, Commissioner LaFleur stated that the Commission's years of experience with RTOs/ISOs have shown that RTOs/ISOs have yielded substantial benefits for consumers.[32] Commissioner LaFleur noted that the organized wholesale electricity markets that provide electric service to over two-thirds of the country and noted the benefits of such markets operated by RTOs/ISOs:

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[31] RTOs perform the following functions: management of the bulk power transmission system within its footprint; ensuring non-discriminatory access to the transmission grid by customers and suppliers; dispatch of generation assets within its footprint to keep supply and demand in balance; regional planning for generation and transmission.

[32] *See* Written Testimony of Cheryl A. LaFleur, FERC Commissioner, Hearing on the Oversight of the Federal Energy Regulatory Commission before the Committee on Energy and Commerce, Subcommittee on Energy, United States House of Representatives at 2 (April 17, 2018). Similarly, in her June 12, 2019 testimony before the same Congressional subcommittee, Commissioner LaFleur re-emphasized the benefits of RTOs/ISOs, stating that the organized wholesale electric power markets in RTOs/ISOs "save customers money by driving the efficient dispatch of resources over a large footprint, facilitate the introduction of innovative technologies and greater customer-side participation in the power supply, and, depending on the underlying state regulatory construct, shift investment risk from electricity customers to company shareholders."

> Open and non-discriminatory access to the nation's transmission system has lowered barriers to entry, increased competition, and spurred innovation. Regional planning for, and deployment of, electricity supply resources has yielded substantial efficiency gains and cost savings, while the attraction of at risk-capital into these markets has successfully shifted much of the investment risk from captive customers to investors.

In addition, numerous studies have demonstrated that RTOs/ISOs provide significant benefits to consumers by reducing the cost of power, increasing reliability, reducing the need for new generation and transmission facilities, adding the integration of renewable energy resources, and improving system balancing and operations.[33]

C. The Commission Should Retain the Discretion to Determine the Level of the ROE Incentive, and Once Granted, the Incentive ROE Should Remain Valid for the Life of the Project

In the NOI, the Commission stated that the benefits of various transmission projects may vary substantially and could be difficult to compare, and that under the current risks and challenges framework, the Commission has the discretion to determine the level of any incentive, rather than establishing a pre-determined range.[34] The Commission asked whether for ROE incentives the Commission should retain discretion to determine the appropriate level of ROE incentives, and if a transmission project qualifies for ROE incentives, should there be an upper limit or range that the total ROE cannot exceed? If so, what is the appropriate limit or range?[35]

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[33] *See, e.g.*, *2017 State of the Grid* at page 40 (noting the reduction in energy and reliability costs in New England and that in 2009, the Department of Energy dropped New England from its list of "Congestion Areas of Concern" based on the region's success in developing transmission, generation, and demand-side resources).

[34] NOI at P 47.

[35] *Id.*

In evaluating whether a project warrants an incentive ROE, under Order No. 679, the Commission undertakes a comprehensive review of the project, including evaluating the project's specific characteristics and benefits and risks and challenges associated with the project, such as the regulatory/siting approvals that are needed for the project. Based upon the materials submitted by the applicant, the Commission exercises its discretion to determine whether the project qualifies for an ROE incentive, and if so, the appropriate ROE incentive adder. This case-by-case approach has worked well since 2006. Because each project has its own specific risks and challenges, it would not be practical to establish a pre-determined range of ROE incentives that would be automatically granted to individual transmission projects. Eversource believes that it would be appropriate for the Commission to retain its flexibility and continue its approach of evaluating applications for incentives on a project-by-project basis. The Commission's discretion should not be bound within a pre-determined range.

However, after the Commission has granted the incentive ROE adder to a specific transmission project based upon the factual record presented in the docket, Eversource submits that it is essential for the Commission to honor that incentive ROE adder for the life of the project. This is particularly important because in making the decision to move forward with a transmission project, public utilities and investors must be able to rely upon the Commission's incentives orders, which serve as the underlying basis upon which transmission developers make their decision to move forward with obtaining financing and constructing their proposed projects. It would be fundamentally unfair and constitute a "bait and switch" situation if that incentive ROE adder is subsequently lowered or eliminated after investors have made the decision to invest their capital. Such outcomes would undermine the purpose of attracting investment and deter future investments in transmission.

In 2008, in connection with the NEEWS project, one of the largest transmission projects ever proposed in New England, the Commission granted an incentive ROE adder of 125 basis points to the project.[36] Based upon a comprehensive factual record in the proceeding, the Commission found that the incentive ROE adder of 125 basis points was warranted because of the significant risks and challenges faced by the Project.[37] However, several years after NEEWS was already well in the construction process with several of the key components already completed and in service, in its Opinion No. 531 issued in 2014, the Commission found that the New England Transmission Owners' total ROE, which applied to the NEEWS project, was capped by the top end of the zone of reasonableness of 11.74 percent.[38] The application of this policy resulted in a reduction of 115 basis points to the total ROE that the Commission previously granted to NEEWS. This was fundamentally unfair, and prevented Eversource from implementing the full incremental ROE adder of 125 basis points that the Commission had previously granted to NEEWS under Order No. 679. The net effect of this policy was that what the Commission gave in one hand, it effectively took back with the other. Eversource believes that while the base ROE may fluctuate based upon changes in market conditions, to the extent that the Commission grants an incentive ROE adder to a proposed project, the incentive ROE adder should remain unchanged for the life of the project. As a policy matter, the Commission should not engage in actions that would cause uncertainty in the financial community or compromise the basis for their investment in risky and challenging projects.

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[36] *NEEWS Order* at P 82.

[37] *Id.* at P 80 (noting the significant risks faced by NEEWS because the project would be built along over 300 miles of transmission corridors, spanning three states, required joint siting effort of two utilities and must be approved by at least fifteen state agencies, three federal agencies, and numerous local municipalities).

[38] Opinion No. 531 at P 164.

Nonetheless, should the Commission choose to revisit a previously-granted project-specific incentive ROE, Eversource submits that the Commission should not review the incentive ROE in isolation. The Commission should not make changes based on its evaluation of only a specific component of that rate without evaluating the reasonableness of the overall rate. Public utilities' transmission rates are calculated on a "rolled-in" basis, based on all of the transmission provider's costs. Accordingly, the Commission needs to evaluate the public utility's total transmission rates, not single out the individual components, such as a project-specific ROE that was previously granted.[39] Under the Commission's long-standing policy, the Commission should evaluate the utility rates in their entirety, rather than based on a review of the ROE of individual projects.[40]

D. The Commission Should Not Impose a Duration or Sunset on the Applicability of Transmission Incentives

In the NOI, the Commission asked whether incentives should be revisited if there is a material modification to the project or if there is a significant change in benefits.[41] The Commission asked what should constitute such a material change and how would the Commission and interested parties be informed of such a material change?[42] The Commission also asked whether certain types of incentives should automatically sunset and under what circumstances.

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[39] *See also* Initial Paper Hearing Brief of the New England Transmission Owners at 55-57, Docket No. EL11-66-001 (Jan. 11, 2019).

[40] *See, e.g.*, *Sithe/Indep. Power Partners v. FERC*, 165 F.3 944, 951 (D.C. Cir. 1999) ("[T]he Commission itself has . . . interpreted the § 206 burden scheme to require a customer seeking an investigation into existing rates to 'provide some basis to question the reasonableness of the overall rate level, taking into account changes in all cost components.") (quoting *Houlton Water Co.*, 55 FERC ¶ 61,037 at 61,110 (1991)).

[41] NOI at P 44.

[42] *Id.*

As discussed above, to promote regulatory continuity and certainty, the Commission should not impose any duration or a sunset of the applicability of any transmission incentives. In fact, the Commission already considered and rejected this concept in Order No. 679. The Commission declined to impose any sunset or duration of the application of transmission incentives. With respect to the RTO ROE adder, in Order No. 679, the Commission held that based upon its "interpretation of section 219, eligibility for the 50 basis point ROE adder for RTO participation" flows to any entity that joins a Transmission Organization. The Commission said: "We will not make a generic finding on the duration of incentives that will be permitted for public utilities that joins Transmission Organization. [43] The Commission said: "An entity will be presumed to be eligible for the incentive if it can demonstrate that it has joined an RTO, ISO, or other Commission-approved Transmission Organization, and that its membership is on-going. Any public utility receiving an incentive ROE for joining a Transmission Organization but that withdraws from such organization is no longer eligible for the ROE incentive."

With respect to the circumstances under which the Commission should revisit its prior incentives orders, Eversource believes that the Commission's current approach is appropriate. Project sponsors generally seek incentives early in the project development process in order to facilitate more favorable financing, cash flow or rate treatment for unique and risky investment. It is highly probable that the description of the various components of a transmission project included in the Order No. 679 application will be modified over the course of final design, engineering, siting and permitting. Such modifications should not be sufficient reason for the Commission to revisit the incentives previously granted. Otherwise, project sponsors would be constrained to submit their applications for incentives only after the project is ready for

[43] Order No. 679 at P 327.

construction (*i.e.*, after it has been fully engineered and sited). Yet, it is at that point that a project is least risky. In fact, the Commission has denied incentives to project sponsors who have sought such incentives when the project was already advanced in the development or construction process.[44]

Further, the Commission has long-standing precedent recognizing that there may be changes to a project as it goes through the planning process but that such changes may not change the basis upon which the Commission relied upon in granting transmission incentives. The Commission has held that to the extent an entity believes that a proposed project has been modified in a manner that renders the basis for the transmission incentives granted to be invalid, that entity may file a complaint under section 206 of the FPA challenging the continued validity of the incentive.[45]

E. The Commission Should Consider Certain Rate Treatments as Standard Ratemaking under Section 205 Rather than Incentives under Order No. 679

The NOI asked the benefits and drawbacks of granting incentives on a case-by-case basis, as compared to being granted automatically.[46] Eversource believes that there are certain rate treatments the Commission should treat as generic ratemaking proposals under the just and

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[44] *See, e.g.*, *Midcontinent Independent System Operator, Inc., Ameren Services Co*., 165 FERC ¶ 61,083 at P 10 (2018) (holding that "the Commission will consider how close the project is to completion when evaluating the risks and challenges of the project – with less risk attendant to projects that are further along in the construction process); *Commonwealth Edison Co*., 122 FERC ¶ 61,037 at P 31 (2008) ("Notwithstanding whether either project is a baseline project in the PJM RTEP, the Commission has made clear that it will also consider a project's planning and completion dates when determining whether incentives may be appropriate.").

[45] In *Pioneer Transmission LLC*, 130 FERC ¶ 61,044 at P 21 (2010), the Commission recognized that a transmission project may experience changes or modifications as it goes through the regional transmission planning process, but stated that "such changes will not necessarily alter the basis upon which the Commission granted transmission incentives." The Commission said: "if an entity believes that a project has been modified in a manner that renders the basis for the transmission incentives to be invalid, that entity may file a complaint under section 206 of the FPA." *Id.*

[46] NOI at P 45.

reasonable standard of FPA Section 205, rather than as incentives under the heightened Order No. 679 standard: 100 percent CWIP in rate base, abandoned plant cost recovery, and pre-commercial operation costs deferred as a regulatory asset for future cost recovery.

The Commission has already determined that several rate treatments, such as pre-commercial operation costs deferred as a regulatory asset, could be requested under Section 205, and the Commission has routinely granted such requests.[47] With respect to 100% CWIP in rate base, the Commission has granted this rate treatment in numerous orders in which the Commission explained that the inclusion of CWIP in rate base does not have a negative impact on rate payers because it affects only the timing of cost recovery. In fact, the Commission has stated that CWIP is beneficial to ratepayers as it provides up-front regulatory certainty and rate stability and avoids rate shocks.[48] Over the past few years, the Commission has come to view CWIP as a primary risk reducing mechanism that should be sought before the developer seeks ROE incentives. Accordingly, project sponsors should be able to request this rate treatment through a Section 205 application rather than under the heightened standard applicable to an Order No. 679 application.

With respect to the abandoned plant cost recovery, Eversource supports the NOI's proposal to grant the abandoned plant incentive automatically, rather than on a case-by-case basis.[49] The Commission has granted this incentive in virtually every application seeking this incentive, subject to a Section 205 filing requirement once cost recovery is sought. Specifically,

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[47] *See, e.g., PJM Interconnection, LLC,* 155 FERC ¶ 61,097 at P 175 (2016), *order on reh'g*, 158 FERC ¶ 61,060 (2017) (noting that the Commission has granted under Section 205 the hypothetical capital structure and the deferral of pre-commercial costs through the creation of regulatory assets in a number of recent cases) (citations omitted).

[48] *See, e.g.*, Order No. 679 at P 115.

[49] NOI at P 42.

to recover the abandoned plant costs, the Commission requires the applicant to make a Section 205 filing demonstrating that the factors for which the project was abandoned were outside its control, the costs that were prudently incurred, and the applicant's proposal to recover the abandoned plant costs is just and reasonable. The requirement of a Section 205 filing presenting the full facts and circumstances of the project abandonment provides the Commission ample opportunity to review the justness and reasonableness of the rates and the rate recovery mechanism. Thus, it appears unnecessary to require applicants to seek and justify the abandoned plant cost recovery as an incentive upfront.

F. The Commission Should Expand Its Approach for Evaluating Projects for Transmission Incentives

In the NOI, the Commission noted that Section 219 required the Commission to promote certain specified goals – i.e., "promoting capital investment in the enlargement, improvement, maintenance, and operation of jurisdictional transmission facilities." The Commission asked for comments on "what the Commission should incentivize in order to satisfy Congress's directives in section 219,"[50] and "on what expected benefits or project characteristics warrant incentives."[51] In particular, the Commission asked whether the risks and challenges approach remains the most effective means of complying with Congress's directive in Section 219, and asked whether its approach for evaluating transmission incentives should be broadened to include other potential alternatives, such as granting transmission incentives on the basis of the project's benefits and

[50] NOI at P 20.

[51] *Id*.

characteristics.[52] The Commission suggested that it could use transmission project characteristics as a proxy for expected benefits.[53]

Eversource believes that the risks and challenges framework under Order No. 679 was an appropriate method for the Commission to evaluate whether a transmission is deserving of transmission incentives. However, at this stage in the development of the nation's transmission grid, Eversource believes that it may be appropriate for the Commission to expand its approach of incentivizing projects to include not only projects that have specific levels of risks and challenges, but also those projects that will result in certain specific benefits to the transmission system and consumers (especially those projects that are needed to satisfy the country's transmission needs in the coming years). Eversource believes that the risks and challenges framework could be too rigid in certain circumstances to incentivize the types of projects that are needed to meet the needs of the electric grid in the coming years. A recent Commission order highlights the inflexibility of the risks and challenges framework in capturing the types of the projects that the Commission should seek to encourage. In *United Illuminating Company*, 167 FERC ¶ 61,126 (May 14, 2019) ("UI Order"), in connection with UI's $101.6 million Pequonnock Project, which was designed to have a hardened resilient design in order to prevent system interruptions during severe weather events and coastal flooding, the Commission granted 100% CWIP treatment and abandoned plant cost recovery but denied the request for a 50 basis point ROE incentive. The Commission found that the project did not fall within the types of project that the Commission identified in its 2012 Incentives Policy Statement, and that UI did not show that the project faces risks and challenges that are not already accounted for in UI's

[52] *Id.* at PP 16, 18.

[53] *Id.* at P 18.

base ROE or addressed through risk-reducing incentives. The Commission commended UI for designing the Pequonnock Project with resilience in mind; however, the Commission found that "this design does not present sufficient risks and challenges to warrant an ROE Incentive Adder."[54] The Commission's decision in the UI order demonstrates that the current risks and challenges framework may not be sufficiently flexible to encompass reliability/resiliency projects, which the Commission has indicated to be its top priority.[55]

On a going-forward basis, the Commission should expand the scope of its evaluation framework and provide transmission incentives to projects that are designed to address the nation's evolving transmission needs. Transmission may be somewhat cyclical, and due to innovation and technological developments, it may not be possible to predict what types of transmission infrastructure may be needed to advance national, state, or economic goals of the future. In particular, Eversource supports the consideration of transmission incentives, including ROE incentives, for the following categories of transmission projects:

Public Policy Projects. In the coming years, public utilities will need to make significant transmission investments to meet environmental policies and state mandates to reduce greenhouse gas emissions. In New England, the states have adopted ambitious goals for significant reductions in greenhouse gas emissions, including reducing their greenhouse gas emissions by approximately 80% below the 1990 levels by the year 2050.[56] In response to these state policies, developers have and must continue to make significant investments in renewable resources. For instance, wind power now comprises two-thirds of new resource proposals in the

[54] *See* UI Order at P 64.

[55] On June 13, 2019, UI filed in Docket No. ER19-1359 a request for rehearing of the Commission's order.

[56] *See 2017 State of the Grid* at 22.

ISO-NE interconnection queue. To address the needs of grid in the coming years to interconnect renewable resources, Eversource believes that the Commission should grant rate incentives to those projects that are driven by public policy requirements pursuant to state or federal laws or regulations, such as those that have environmental benefits, reduce emissions or decarbonize the grid, or advance other public policies. This category would include projects that are designed to interconnect and integrate a significant amount of new renewable generation resources to load centers, including offshore wind generation resources. These types of projects also face significant new challenges, such as federal approval processes (including approval by the Bureau of Ocean Energy Management) and significant risks in offshore construction and operations.

A possible metric that the Commission may use for evaluation purposes is the level of reduction in greenhouse emissions that would be achieved by the proposed transmission project, or the reduction in risk of environmental harm, or the degree to which the proposed project supports state policies.[57]

Resiliency/Infrastructure Hardening Projects. The Commission has consistently emphasized that the "resilience of the bulk power system will remain a priority of this Commission."[58] Resilience transmission projects are projects that improve the resilience of transmission system to extreme weather events or increase flexibility to the system or improve flexibility of existing facilities to respond to major storms. Projects in this category include

[57] Increased amounts of clean energy resources – particularly distributed clean energy resources – may result in increasing periods with light load and high voltage conditions on the transmission system. The Commission should encourage those projects that improve flexibility and voltage control to ensure that state clean energy policies can be readily accommodated.

[58] *Grid Resilience in Regional Transmission Organizations and Independent System Operators*, 162 FERC ¶ 61,012 (2018).

projects that seek to improve on storm hardening, protect against wildfires, or mitigate sea level rise, geomagnetic or electromagnetic pulse.

The Commission should consider granting incentives for those projects that will increase reliability and improve resilience of the transmission system above the standard reliability needs, especially projects that have resilient engineering design that prevent system interruptions during severe weather events and protect equipment during instances of storm surge and flooding. In the coming years, the industry will need to upgrade or replace aging infrastructure, and the Commission should encourage the replacement projects to have resilience/infrastructure hardening designs and features. The Commission has emphasized that a central focus of the efforts to enhance resilience of the bulk power system should be the transmission grid. An example of such a project on a small scale was NSTAR Electric Company's recently developed state-of-the art 115/14kV Substation in Seafood Way in South Boston. This project placed the substation on a 15-foot elevation above grade for the purpose of flood hardening and protection against storm surges associated with increasing risks of severe coastal storms that strike the waterfront area in South Boston. This feature materially increases the reliability of the substation's design. While NSTAR did not seek incentives for this project, this is the type of projects that the Commission should consider as eligible for incentives. As major storms that affect coastal areas are becoming more frequent in intensity and duration, the Commission should be augmenting policies that encourage utilities to invest upfront in large-scale resilience capital projects.

Another example is efforts to broaden the application of current technologies beyond what is necessary to achieve compliance with NERC and regional reliability standards. For example, Northeast Power Coordinating Council ("NPCC") Directory 1 (Design and Operation

of the Bulk Power System)[59] planning and operating criteria creates the need for redundant and separate protection schemes that are capable of clearing a fault with no intentional delay (high speed clearing) for all bulk power system ("BPS") facilities connected elements. This typically requires independent high-speed communication paths, usually optical ground wire ("OPGW") between stations, as well as high-speed microprocessor based relays. It improves reliability by improving fault clearing. While such protection schemes are implemented primarily for Bulk Power System (BPS) facilities, as required by NPCC Directory 1, expanded deployment to other facilities would provide additional reliability improvements.

Physical and cyber security Projects. In the NOI, the Commission emphasized that addressing the security of the transmission system is a priority of the Commission.[60] During the March 28, 2019 FERC/DOE Joint Technical Conference regarding Security Investments for Energy Infrastructure in Docket No. AD19-12, in his opening remarks, Chairman Chatterjee observed that as the energy landscape is quickly changing due to technological developments to the benefit of consumers, the industry needs to keep in mind that "the threats that we face also are transforming and increasing."[61] Chairman Chatterjee noted that with respect to cyber security vulnerabilities "the threat of malicious actors targeting our nation's critical infrastructure is part of the new reality we have to contend with." Other speakers at the technical conference also stressed that in recent years, there has been increase in sophistication and frequency of cyberattacks, and the consequences of a successful attack could be devastating, and urged

[59] https://www.npcc.org/Standards/Directories/Directory_1_TFCP_rev_20151001_GJD.pdf.

[60] NOI at P 27.

[61] *See* Technical Conference in Docket No. AD19-12 regarding FERC and DOE's Joint Technical Conference Security Investments for Energy Infrastructure, Transcript of March 28, 2019, Tr. at 6-7 ("March 28, 2019 FERC/DOE Security Technical Conference").

governmental agencies, including DOE and the Commission, and the electric power industry to collaboratively work together to take steps to stay ahead of these increasing threats.[62]

The Commission is the federal agency that is charged with the responsibility to ensure the reliability and security of the nation's transmission system.[63] In this NOI proceeding, the Commission should reinforce the importance of protecting the nation's system. In particular, the Commission should indicate that it is willing to provide rate incentives to encourage security-related proposals or projects (i.e., physical and cyber security investments). The Commission should consider granting incentives to those projects that exceed the minimum or baseline NERC requirements. For instance, Eversource believes that the Commission should encourage Research and Development (R&D) projects with respect to physical and cyber security, as well as projects that involve smart grid technologies to address the fact that market operations are increasingly more complex at the same time that there is an increasing cyber security threat to the operation and control of the transmission system. The Commission should announce that it would be willing to grant incentives to a public utility's proposed plan of action to protect against physical and cybersecurity attacks.

Electric Storage Facilities. The Commission should consider granting incentives to further development of electric storage facilities, including battery storage when it is designed to serve a transmission function. EPAct 2005 defined advanced technologies that are eligible for transmission incentives to include electric storage devices, such as superconducting magnetic

[62] *See* March 28, 2019 FERC/DOE Security Technical Conference, Transcript of March 28, 2019, Tr. at 54, Jim Robb, CEO of NERC (stating that "our adversaries, as has been pointed out several times today, are persistent, dynamic, determined and growing in sophistication" and that "in recent years, we've seen an increase in sophistication and frequency of cyberattacks").

[63] Under EPAct 2005, the Commission has the authority (as delegated by Congress) to approve and enforce mandatory reliability standards for the nation's power grid. *See* FPA Section 215.

energy storage, flywheels and batteries. The Commission recognized that storage technologies, such as batteries, have the potential to play a leading role in the transition to the electricity system of the future by improving operational and economical efficiencies of the transmission system. At a recent roundtable discussion hosted by Edison Electric Institute, the CEOs of several major investor-owned utilities noted that the electric power industry has made significant progress in cutting carbon emissions by almost 30% from earlier levels, but agreed that to achieve more ambitious reductions of up to 80% or even net-zero carbon emissions goals, innovation and new technologies, including electric storage facilities, such as batteries, will need to be developed.[64] In this respect, Eversource urges the Commission to encourage the development and deployment of new technologies, including electric storage facilities.[65] Electric storage facilities, such as batteries, may provide technical solutions that are not currently on the table.[66] In particular, when batteries are used to support a transmission function (such as providing voltage support for the power grid), they should be considered as transmission facilities and eligible for transmission incentives under the Commission's incentive policy.

In the NOI, the Commission recognizes that "[a]s the generation mix changes and load patterns evolve, the requirements of the transmission system will also change," and that "[f]lexibility characteristics of the transmission system, such as increased line rating precision,

[64] *See* "EEI leadership discusses need for US power market evolution, nuclear power, " S&P Global Market Intelligence (June 12, 2019). The Commission recently granted a policy-based incentive to a proposed project involving the use of high temperature superconductor cable, finding that the proposed project "reflects an innovative use of advanced technology that will improve reliability. *See Commonwealth Edison Co.*, 167 FERC ¶ 61,173 (2019).

[65] Section 1223 of EPAct 205 directs the Commission to "encourage, as appropriate" the deployment of advanced transmission technologies. *See* EPAct 2005 § 1223(b), 42 U.S.C. § 16422(b).

[66] *See* "Official says Xcel Energy's final steps to 100% carbon-free power remain unclear, S&P Global Market Intelligence (June 12, 2019) (noting that Xcel announced a gold to reduce its emissions by 80% by 2030 from 200 levels and to attain 100% carbon-free power by 2050).

greater power flow control, and technologies, including energy storage, may be able to facilitate the transmission system's ability to respond to changing circumstances."[67] In recent years, the Commission has taken actions to encourage the development of energy storage facilities, including battery facilities.[68]

Eversource currently has several energy storage projects that are in various stages of development. While Eversource is actively deploying this technology at the distribution level, it believes that similar approaches on a larger scale could be made applicable in the transmission context in the near future, and therefore should be encouraged through incentives. As an example, in 2018, Eversource was the first utility in Massachusetts to secure approval for a 30 MW grid scale storage as part of its grid modernization proposal. Battery storage projects, including those being developed by Eversource, will provide significant benefits, such as improving reliability, resiliency, deferring traditional wires investments, reducing reliance on old diesel generators, increasing the ability to bring distributed energy resources, like solar, onto the distribution grid, and provide support during peak load periods.[69]

Jointly-Planned Projects. The Commission should consider granting incentives to jointly-planned and executed projects that involve multiple developers/entities. This category of

[67] NOI at P 26.

[68] *See, e.g.*, *Electric Storage Participation in Markets Operated by Regional Transmission Organizations and Independent System Operator*s, Order No. 841, Docket No. RM16-23, 162 FERC ¶ 61,127 (2018), *order on reh'g*, 167 FERC ¶ 61,154 (2019) (removing barriers to the participation of electric storage resources in the markets operated by RTOs and ISO).

[69] Eversource's current battery storage projects include: (i) the 14.7 MW Martha's Vineyard Project; (ii) the Outer Cape Project that will provide reliability and resiliency for four towns in Cape Cod, Massachusetts; and (iii) the Westmoreland Clean Innovation Project involving the installation of a 1.7 MW/7.1 MWh lithium ion battery for back-up power purposes in Westmoreland, New Hampshire. Projects such as these on the distribution level demonstrate future broader applications of battery storage projects for the transmission system, and therefore should be supported and encouraged by flexible Commission policies.

projects could include transmission lines that cross a state or international border and are subject to siting approvals in more than one jurisdiction. Projects in this category are typically large-scale projects that involve complex planning and a comprehensive and potentially state-by-state regulatory approval. The involvement of multiple transmission developers would encourage cooperation and facilitate the project development; the joint planning of projects by multiple entities could benefit a broader region than if the project was planned/developed by a single entity. Examples of jointly-planned projects include the NEEWS project and the 345-kV Merrimack Valley Reliability Project, both of which were jointly planned and built by Eversource and National Grid USA.

VI. CONCLUSION

Transformative changes are taking place on the nation's electric power grid. In the coming years, billions of dollars of new transmission investments will be needed to address a multitude of challenges and risks facing the country's electric power grid, including changes in the generation resource mix as the power sector makes the transition to clean, renewable generation resources in an effort to combat climate change, the need to harden and increase the resilience of electric utility infrastructure to avoid system interruptions and prolonged power outages due to extreme weather events, and the need to address physical and cybersecurity threats to the transmissions system. To stay ahead of these major energy issues, the Commission should ensure that the appropriate incentives are in place to encourage the development of needed transmission infrastructure projects to protect the reliability and security of the country's electric power system.

Respectfully submitted,

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