

**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
OLD DOMINION ELECTRIC COOPERATIVE**

I. INTRODUCTION

Pursuant to the Notice of Inquiry (“NOI”) issued by the Commission on March 21, 2019,¹ and the Notice of Extension of Time issued in the above-referenced proceeding on May 21, 2019, Old Dominion Electric Cooperative (“ODEC”) submits these limited comments. Specifically, ODEC supports the Initial Comments of the National Rural Electric Cooperative Association (“NRECA”) and ODEC’s comments here are limited to the issue of return on equity (“ROE”) incentives for utilities that “join and/or continue to be a member of an ISO, RTO, or other Commission-approved Transmission Organization.”²

II. COMMENTS

Federal Power Act Section 219³ provides for transmission incentives to help ensure reliability and reduce the cost of delivered power by reducing congestion. In Order No. 679, the

¹ *Inquiry Regarding the Commission's Electric Transmission Incentives Policy*, 166 FERC ¶ 61,208 (2019).

² *Promoting Transmission Investment through Pricing Reform*, Order No. 679, 116 FERC ¶ 61,057 at P 326 (“Order No. 679”); *order on reh’g*, Order No. 679-A, 117 FERC ¶ 61,345 (2006); *order on reh’g*, 119 FERC ¶ 61,062 (2007).

³ 16 U.S.C. § 824s.

Commission provided its approach to transmission incentives. The Commission also identified potential incentives which it would consider.

As the Commission acknowledges in the NOI, there have been significant developments with respect to transmission development, planning, operation and maintenance.⁴ In light of these changes, ODEC agrees with the Commission that it should at this time evaluate not only its approach to incentives, but also whether the existing incentives are necessary. With respect to the ROE adder incentive for participation in an RTO or ISO, the Commission posed several questions in the NOI.⁵ ODEC's responses to those questions are provided below.

As a load-serving entity which both owns transmission facilities and is a customer of transmission service, ODEC supports efforts to encourage transmission investment. ODEC is also concerned that load not fund incentives which are not necessary in order to provide such encouragement for transmission development. Generally, ODEC encourages the Commission to continue its review of such requests on a case-by-case basis.⁶ However, the Commission should revise its incentive policy to provide that in instances where the incentive applicant is required to join and/or maintain membership in a transmission organization, the RTO participation adder is not available, on a general or project-specific basis. ODEC's responses to the questions posed in the NOI are below:

Q 61. Should the Commission revise the RTO-participation incentive?

The Commission should revise the RTO-participation incentive to remove the incentive in instances where incentive applicants who are required to join and maintain membership in a

⁴ NOI at P 2.

⁵ NOI at P 38.

⁶ See Order No. 679 at P 327.

transmission organization by a legally enforceable requirement such as a state statute or state commission regulation. Specifically, the Commission should require applicants for the RTO-participation adder incentive to state in their application whether they are required to participate in an RTO. If so, then the RTO-participation adder should not be available. For existing RTO participation adders, the Commission should require those who have received the RTO participation adder to remove it for future transmission projects in the transmission owners' formula rate or stated rate.

Q 62. Should the Commission consider providing incentives other than ROE adders for utilities that join RTO/ISOs, such as the automatic provision of CWIP in rate base or the abandoned plant incentive for all transmission-owning members of an RTO/ISO?

In instances where a project is canceled for reasons beyond the control of the utility, ODEC believes the CWIP or abandoned plant recovery might be reasonable. However, such incentives should not be available for projects which are discretionary, such as Supplemental Projects in PJM. Where entities decide to exercise discretion in constructing facilities which are not determined as necessary by the RTO, load should not bear the cost of the facilities as well as an incentive.

Q 63. If the Commission continues to provide ROE adders for RTO/ISO participation, what is an appropriate level for an ROE adder?

As discussed above, where RTO membership is required, there is no reasonable or appropriate ROE adder incentive for RTO participation. Providing an RTO adder for something the entity is otherwise required to do in any event defeats the purpose of incentives to ensure

reliability and reduce congestion. Moreover, having load fund incentives for utilities who are required to participate in an RTO in any event amounts to a reward, not an incentive.

Q 64. Should the RTO-participation incentive be awarded for a fixed period of time after a transmission owner joins and RTO or ISO?

ODEC does not agree that any RTO participation adder is warranted, particularly where RTO membership is required. For utilities that have voluntarily joined a RTO, they should receive a RTO participation adder. The level of this adder should be minimal with the other requirements placed on utilities for regional planning including utilities outside of RTO/ISOs. As such, ODEC would support a 25 basis point RTO participation adder

Q 65. Should the RTO-participation adder be awarded on a project-specific basis?

ODEC does not support application of the RTO-participation incentive on a project-specific basis. Where the entity is required to participate in an RTO, providing an incentive even on a project-specific basis creates an unnecessary and unreasonable cost to be borne by transmission customers. Instead, the Commission could consider making other incentives available, such as the CWIP or abandoned plant incentives discussed above. Or, to the extent the utility can demonstrate significant cost savings from a project to the load that is paying for said project, then the utility should be allowed to file with FERC for a project-specific incentive adder.

Q 66. In Order No. 679, the Commission found that “the basis for the incentive is a recognition that benefits flow from membership in such organizations and the fact that continuing membership is generally voluntary.” Should voluntary participation remain a requirement for receiving RTO/ISO incentives?

Yes, voluntary participation in a RTO/ISO should be a requirement for receiving any incentives from FERC. For the reasons discussed above, ODEC does not support providing incentives for required RTO/ISO participation. If the Commission retains the RTO participation adder (at a lower level of 25 basis points instead of 50 basis points), then it must at least eliminate the incentive for RTO participation where the entity is required to participate.

III. CONCLUSION

ODEC appreciates the opportunity to provide these limited comments and requests that the Commission consider them in its determinations in this proceeding.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify on this 26th day of June, 2019, that I have caused a copy of the foregoing to be served upon each person designated on the Official Service List for this proceeding.

/s/ Adrienne E. Clair
Adrienne E. Clair

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