UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Notice of Inquiry	}	Docket No. PL 19-3-000
Regarding the Commission's	}	
Electric Transmission Incentives Policy	}	

COMMENTS OF THE NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION (NEMA)

In response to the March 21, 2019 "Notice of Inquiry Regarding the Commission's Electric Transmission Incentives Policy" (Docket No. PL 19-3-000), the National Electrical Manufacturers Association (NEMA)—the association of nearly 350 electrical equipment and medical imaging technology manufacturers that make a diverse set of products used in the generation, transmission, distribution, and end-use of electricity—provides the following comments about the role of transmission incentives as a way to improve reliability and resilience, reduce the cost of electricity, reduce congestion, improve security, and improve access to resources needed to meet public policy objectives.

NEMA encourages FERC to take a holistic view of transmission incentives—not limited to traditional return on equity, accelerated depreciation, deferred cost recovery, and other incentives as laid out in Order No. 679. Specifically, NEMA requests that FERC:

- Require neighboring transmission planning regions to work together to develop interregional transmission plans; and
- Reinstate transmission incentives for advanced technologies that have the ability to improve transmission reliability, resilience, efficiency, capacity, security/cybersecurity, and provide other beneficial services.

Require Interregional Transmission Planning (NOI Section II.B.8.)

In Order No. 1000, published on July 21, 2011, FERC required regional planning and the production of regional transmission plans. However, the interregional planning requirements of Order 1000 encourage, but do not adequately require, neighboring planning regions to work together to identify and plan for interregional transmission lines. This limitation of Order 1000 reduces the likelihood that long-distance interregional transmission projects will be specified in transmission plans and ultimately built.

FERC noted in Order 890 that there are geographic efficiencies inherent in regional planning, as opposed to independent transmission provider project evaluation. Broad geographic planning areas create opportunities to increase the benefits (e.g., increased reliability, reduced congestion, meeting public policy requirements) of transmission projects as planning region size increases. This same logic should be extended to interregional, including inter-interconnection, planning. For example, the variability of renewable energy resources can be decreased when integrated over a larger geographic area (for example, if the wind slows down in Virginia, it may be picking up in Oklahoma; or as the sun sets in Pennsylvania, it is still shining in Illinois).

While interregional planning is not a transmission incentive per se, requiring neighboring transmission planning regions and the three major interconnections to cooperate and develop interregional transmission plans would nonetheless be a non-monetary incentive of great value. FERC should issue an order adopting a regulatory process for interregional and inter-interconnection transmission planning.

Reinstate Advanced Technology Incentives (NOI Section II.B.7.)

Members of the National Electrical Manufacturers Association (NEMA) make the electrical products that make the grid function: high-voltage AC and DC power cables, large power transformers, energy storage systems, inverters, switchgear, and much more. Advances in transmission technologies have the potential to improve dramatically the operations of the bulk power system, including improved reliability and resilience, reduced congestion, reduced losses and increased efficiency, improved security and cybersecurity, improved access to remote and renewable resources in location-constrained areas, and decrease costs.

FERC eliminated the transmission technology return on equity adder on November 15, 2012 with the issuance of its policy statement "Promoting Transmission Investment Through Pricing Reform." NEMA asks FERC to reinstate a technology incentive that encourages transmission owners and operators to upgrade and maintain their equipment to keep pace with the changing demands of the bulk power system. NEMA further encourages FERC to use the concept of performance-based ratemaking when designing transmission technology incentives, as it is required to do under Section 219(a) of the *Federal Power Act*. A performance-based approach would encourage transmission owners and operators to adopt the latest technologies to drive performance outcomes.

Conclusion

The National Electrical Manufacturers Association commends the Commission for initiating Docket No. PL 19-3-000 as it seeks to modernize transmission incentives. FERC should take a broad, holistic view of transmission incentives as it moves forward, considering not

just traditional return on equity, accelerated depreciation, deferred cost recovery, and other conventional incentives.

Members of the National Electrical Manufacturers Association urge FERC to require neighboring transmission planning regions, as well as the three interconnections, to work together to develop interregional transmission plans. We further urge FERC to reinstate transmission incentives for advanced technologies that have the ability to improve transmission reliability, resilience, efficiency, capacity, and provide other beneficial services, and to rely on performance-based principles when doing so.

Should you have any questions about these comments or need more information, please contact me at philip.squair@nema.org or 703-841-3274.

Respectfully Submitted:

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