



# U.P. Energy Summit

## Policy Developments

### Transmission

Tom Finco  
Director – External Relations

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# Today's Agenda

- Background for Today's Discussion
- FERC Update
  - Transmission planning and cost allocation
  - Midwest ISO "Multi Value Project" (MVP)

# The transmission landscape is evolving...



## Wellinghoff: FERC May Rule On Who Builds Transmission

BY JEFF BEATTIE

Weighing in on a divisive electric industry policy debate, Federal Energy Regulatory Commission Chairman Jon Wellinghoff said last week the commission likely will decide soon whether to significantly alter

### FERC Chairman Wellinghoff...

- “This is, I think, something that’s going to be one of our challenges in the future—who should build transmission lines,”
- “This is a country where transmission lines have traditionally been built by the incumbents who serve that area; the question is whether we should continue that policy in the future,”

# Transmission investment is a key driver of growth within the electric industry...



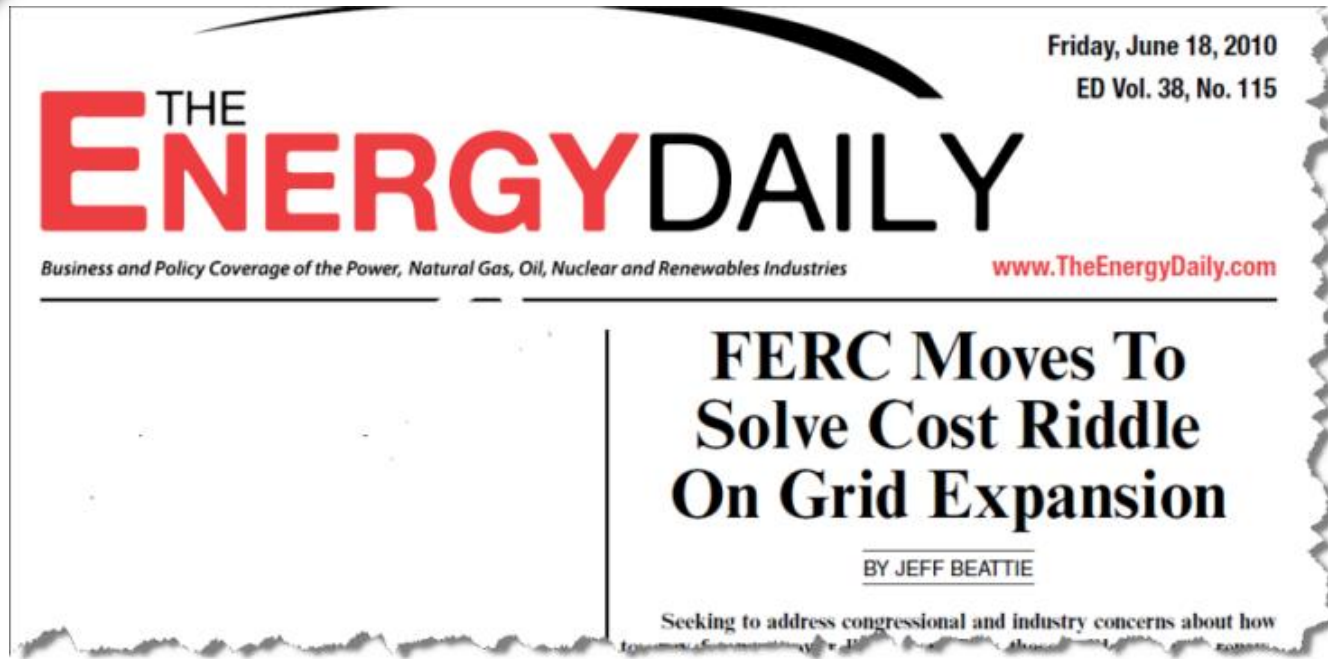
Monday, August 02, 2010 5:10 PM ET

## **UPDATE: Ameren creates transmission-only subsidiary to compete for new wires**

By Lynn Doan

Ameren Corp. announced Aug. 2 that it is establishing a new transmission subsidiary focused first on building lines in Illinois and Missouri and then across the Eastern Interconnection. The company said it has identified \$3 billion in "transmission investment opportunities" in its two home states alone that could be developed over the next 10 to 15 years.

...amidst the running debate over who should pay for transmission...



Friday, June 18, 2010  
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# THE ENERGY DAILY

Business and Policy Coverage of the Power, Natural Gas, Oil, Nuclear and Renewables Industries [www.TheEnergyDaily.com](http://www.TheEnergyDaily.com)

## FERC Moves To Solve Cost Riddle On Grid Expansion

BY JEFF BEATTIE

Seeking to address congressional and industry concerns about how

Wednesday, July 28, 2010 4:31 PM ET

### Utility: Assigning costs of new Mich. lines regionally would be 'naive'

By Lynn Doan

A \$510 million proposal to transform a network of 120-kV lines along the "thumb" of Michigan into a 345-kV loop to move wind-generated power could become the Midwest ISO's first "multivalued project."

But the designation will not come without a fight.

# FERC Update

## *Notice of Proposed Rulemaking (NOPR)*



With Congress yet to act, FERC proposes  
new regional transmission pricing, planning requirements

- FERC issued NOPR in June 2010
- Proposed reforms may change the way transmission is planned, built and paid for in the future
- Seeks to correct deficiencies in transmission planning and cost allocation processes
- Comments were due on September 29

# **NOPR Part 1**

## ***Cost Allocation***

- Costs allocated “roughly commensurate with benefits” - based on recent decision in 7<sup>th</sup> Circuit
- No involuntary allocation of project costs to neighboring regions or to those receiving no benefits
- Would require bilateral inter-regional planning and cost allocation agreements with neighboring regions to be negotiated and filed
- FERC will decide cost allocation If regions cannot

The NOPR raises a number of legal issues regarding FERC’s authority under the Federal Power Act

[www.atcllc.com](http://www.atcllc.com)



# NOPR Part 2 *Planning*

- **Planning & Interregional Planning**
  - Each region must develop regional transmission plans AND FERC would require greater interregional coordination and the filing of interregional transmission planning agreements
- **Federal & State policy requirements must be considered in any planning effort**
- ***Planning process must not discriminate against new entrants***



# NOPR Part 2

## *Planning (cont.)*

- **Eliminating Discrimination in the Planning Process—Right of First Refusal (ROFR) means:**
  - Eliminating ROFR in all FERC jurisdictional agreements
  - Creating new procedures for who builds transmission
  - Facilitating new entrant participation in regional planning process on equal basis
  - Ensuring that new entrants and incumbents have right to develop projects they have proposed
  - Allowing comparable cost recovery for non-incumbent developers through regional cost sharing
- **Does not preempt state/local laws or regulations**

# **NOPR Part 2**

## ***The ROFR Fallout***

- **Arguments against elimination of the ROFR:**

- Creates legal and regulatory “uncertainty”
- Creates operational challenges by allowing new entrants onto incumbent system
- Would be detrimental to transmission planning processes underway under Order 890
- Creates financial burdens on incumbents
- Legal—no basis for ROFR reforms & exceeds FERC Authority under FPA

- **Arguments for elimination of ROFR:**

- Ensures equal playing field for new entrants
- Facilitates innovation for new project sponsors to develop needed transmission
- Does not impair operation of system
- Promotes the most efficient deployment of transmission CAPEX
- Will accelerate development and construction of transmission solutions



# FERC Update

## *Midwest ISO Cost Allocation Filing*

- Filed on July 15
- Seeks FERC approval to classify certain transmission projects that deliver multiple benefits in the planning process and proposes to allocate costs of such projects regionally
- “Multi Value Projects”
  - Satisfy a public policy mandate, provides multiple economic benefits in more than one pricing zone, or addresses a reliability issue and provides an economic benefit in more than one pricing zone
  - Costs are allocated via a 100% postage stamp to load and exports on an energy basis (MWh)
  - Does not change cost allocation for other types of transmission projects (e.g., RECB I)

# ATC Supports the MVP Approach

- ATC filed comments on September 10
- ATC is seeking clarification on couple aspects, but is supportive of the MVP proposal
  - The proposal takes into account that transmission provides a blend of benefits
  - MVPs create a cost allocation mechanism for projects that address public policy mandates
  - ATC supports regional cost sharing for transmission that provides regional benefits

# ATC Supports the MVP Approach (cont.)

- MISO has identified three ATC projects that cost an estimated \$821 million as candidate MVPs that will be evaluated for Appendix A of MTEP 11
- If approved, proposal may face legal challenges



# Questions?