

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

Building for the Future Through	)	
Electric Regional Transmission	)	Docket No. RM21-17-000
Planning and Cost Allocation and	)	
Generator Interconnection	)	
	)	

**REPLY COMMENTS OF THE ELECTRIC POWER SUPPLY ASSOCIATION**

The Electric Power Supply Association (“EPSA”)<sup>1</sup> hereby submits these Reply Comments to add to the record in response to Initial Comments submitted on the Advanced Notice of Proposed Rulemaking (“ANOPR”) issued by the Federal Energy Regulatory Commission (“FERC” or “Commission”) on July 15, 2021,<sup>2</sup> which poses questions on potential reforms to improve the electrical regional transmission planning, cost allocation, and generator interconnection processes. EPSA submitted Initial Comments on October 12, 2021. The instant comments are filed in accordance with the ANOPR’s call for Reply Comments and pursuant to the November 30, 2021 date set by the Commission’s September 3, 2021 Notice of Extension of Time.<sup>3</sup>

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<sup>1</sup> EPSA is the national trade association representing competitive power suppliers in the U.S. EPSA members provide reliable and competitively priced electricity from environmentally responsible facilities using a diverse mix of fuels and technologies. EPSA seeks to bring the benefits of competition to all power customers. This pleading represents the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue.

<sup>2</sup> *Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection*, Advanced Notice of Proposed Rulemaking, 176 FERC ¶ 61.024, (July 15, 2021) (“ANOPR”).

<sup>3</sup> *Id.*, Notice of Extension of Time, (September 3, 2021).

As EPSA underscores in its Initial Comments,<sup>4</sup> the Commission’s priority is to ensure just and reasonable, non-discriminatory rates while maintaining grid reliability as the generation resource mix changes. This includes ensuring that the system evolution occurs in an operationally sound manner based on realistic timelines and, critically, reasonable cost impacts to consumers in order to protect the reliability of the system at every point along this transition. EPSA urged that the Commission should not veer from its current policy of requiring beneficiaries to pay for transmission upgrades and suggested that a transmission “open season” may be beneficial in developing the grid of the future. Additionally, it is important to consider that standard or harmonized market elements or mechanisms may be necessary to ensure reliability across regions served by interregional transmission or implicated by interregional transmission planning approaches. Further, any new policies or reforms must address cost implications for consumers as changes are adopted to facilitate the evolution of the electricity system.

## **I. COMMENTS**

### **A. Consideration of Interregional Planning and Transmission Development May Require Harmonization of Market Design Elements or Mechanisms**

The issues and questions raised by the Commission and commenters in this proceeding are extensive, ranging from local concerns regarding interconnection and system upgrades to consideration of a planning overhaul that extends across regions of the country. Over 170 Initial Comments and extensive discussions at two recent

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<sup>4</sup> *Id.*, Comments of the Electric Power Supply Association, (October 12, 2021). Available at: [www.epsa.org](http://www.epsa.org).

conferences<sup>5</sup> have highlighted a host of concerns about possible exorbitant costs to ratepayers created by an extensive overhaul of the transmission planning system intended to build infrastructure to facilitate the development of a specific portfolio of future resources.

EPSA agrees with and highlights the many comments which raised concerns over attempting to build the system *in anticipation of* speculative projects.<sup>6</sup> Any reliance on generation development proposals in the interconnection queue as a basis for determining need in grid planning must be done methodically, basing upgrade or new transmission plans on projects that could reasonably be built because they have demonstrated site control, financial wherewithal, and are otherwise ready to proceed with development, as has been the approach since the inception of the organized markets.

In order to achieve these aims reliably and on a non-discriminatory basis, there may be a need to require certain consistencies in market design and mechanisms across markets to ensure that enhanced interregional planning effectively facilitates resource decisions and investments across regional markets. Harmonization of market rules across the regions will likely eventually be needed to ensure that energy flows and future development of needed resources are not distorted by potential disconnects between regional market rules. For example, scarcity pricing and capacity accreditation approaches such as Effective Load Carrying Capability (“ELCC”) are critical market

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<sup>5</sup> *Joint Federal-State Task Force on Electric Transmission*, Initial Meeting, Docket AD21-15-000, (November 11, 2021); *Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection*, Technical Conference, RM21-17-000, (November 15, 2021).

<sup>6</sup> See generally: Comments of Vistra Corp., Comments of the Pennsylvania Public Utility Commission, Joint Comments of the Industrial Customer Organizations, Comments of the American Public Power Association.

design elements addressing an evolving resource mix. Significant differences in how those rules operate within the regions could create perverse incentives if power can flow more freely between ISOs/RTOs and resources have more market participation options across the regions through an expanded interregional transmission system.

Regarding differences in scarcity pricing, there are currently significant differences between the level of scarcity prices between ISOs/RTOs and the criteria under which scarcity pricing is invoked. These differences could drive energy flows when scarcity pricing is widespread. For instance, imagine that one ISO/RTO is short of 30-minute reserves and has a higher scarcity price than a neighboring ISO/RTO that is short of 10-minute reserves. Energy flowing to the ISO/RTO short of 30-minute reserves simply due to differences in administrative pricing rules is inefficient and is counter to meeting reliability needs. The potential for this type of inefficiency will only grow if the ISOs/RTOs become more interconnected without complementary market harmonization.

Regarding ELCC, PJM points out and explains the need to employ this type of accreditation approach nationwide.<sup>7</sup> As different types of resources are increasingly added across the grid, ELCC levels reflect the impacts of those changes to system operations and capabilities. In order to preserve reliability, particularly in light of increasing concerns regarding extreme weather events, it is imperative that grid operators have an accurate valuation of the deliverable capacity that each resource –

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<sup>7</sup> Comments of PJM Interconnection, L.L.C., RM21-17-000, (October 12, 2021), p. 25. “PJM proposes that the Commission and NERC consider the usefulness of expanding the ELCC methodology on a nationwide basis. Specifically, PJM would support a Commission policy that encourages the adoption of an ELCC-based methodology for variable and limited duration resources, particularly in regions with a high penetration level of such resources. This approach would ensure that the capacity value of each resource is accurately measured so that load is reliably served over all hours of the year.”

and its overall system – can provide. In particular, a marginal-based ELCC is a critical market mechanism which offers a more granular window into the capacity value of each resource. Moreover, particularly if transmission planning is intended to facilitate the integration of resources which may serve multiple markets or serve a market external to its physical location, it will likely be crucial that rules for determining the capacity value of such resources are sufficiently harmonized. If all ISOs/RTOs use similar ELCC methods, resources will more likely sell capacity in the region where the resource adequacy value is highest. If the ISOs/RTOs use significantly different ELCC values, it is more likely that resources sell capacity based on differences in ELCC methods rather than actual resource adequacy value.

**B. Cost Impacts of any Revised or New Approaches to Transmission Planning and Development Must Take Cost into Account**

As the Commission contemplates facilitating a massive transmission buildout, it is important to consider the possible tremendous costs and logistical hurdles to doing so. As such, the Commission should ensure that cost considerations factor into any policy decisions. To aid in the mission to control costs, the Commission should continue to assess usage of the current transmission system and encourage the use of technological advances that improve how the current system performs. As an example, EPSA commends the Commission for examining how line ratings can be improved to support more efficient, transparent, and cost-effective utilization of the existing transmission system in its NOPR on *Managing Transmission Line Ratings*.<sup>8</sup> EPSA supports the Commission’s proposal to require transmission owners to

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<sup>8</sup> Notice of Proposed Rulemaking, *Managing Transmission Line Ratings*, Docket RM20-16-000, (November 19, 2020); See also, Comments of the Electric Power Supply Association, (Filed on March 22, 2021), Available at: [www.epsa.org](http://www.epsa.org).

share transmission line ratings and transmission line rating data and methodologies with their transmission provider(s) and, in regions served by an ISO/RTO, also with the market monitor(s) of that ISO/RTO – all of which will increase the efficiency and utilization of existing transmission lines.

Given the costs and logistical challenges of building new transmission, optimizing the existing network is essential. And yet, expansion and new build will be required. In order to plan for the most reliable and resilient system, all alternatives and options should be considered to resolve reliability constraints, resilience concerns, or to facilitate the addition of resources to the grid. This includes assessing generation as an alternative to transmission whenever feasible and as part of the broader regional and interregional planning.

In addition, drastic cost savings can be realized by connecting new resources using an existing interconnection location where an existing resource has retired. As Vistra notes: “The clean energy transition will involve generation resource retirements. As resources retire, resource-owned interconnection facilities and deliverability will be freed up.”<sup>9</sup> EPSA points to this example as one of the ways in which Commission policy can and should encourage the efficient use of existing infrastructure. As Vistra points out, shielding interconnection customers from the cost of network upgrades would eliminate the incentive to use existing infrastructure, and particularly sites of retiring fossil fuel units, efficiently.<sup>10</sup> The Pennsylvania Public Utility Commission (“PAPUC”) further adds that the participant funding model “creates incentives that enable efficient siting of generation projects and the building of economical generation” and that “the

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<sup>9</sup> Comments of Vistra Corp., RM21-17-000, (October 12, 2021), p. 9.

<sup>10</sup> *Id.*

generator interconnecting customer is the cost-causer who should pay for transmission system upgrades because the network upgrades would not be required “but for” its interconnection to the power grid.”<sup>11</sup> The PAPUC further notes that this method ensures that costs are assigned to the market participant that is best positioned to control such costs and benefit from them.<sup>12</sup> Accordingly, the Commission should retain the current practice of new generation paying for the transmission upgrades they require or cause. Continuing this policy yields myriad benefits and ensures that the evolution of the grid proceeds in the most efficient and cost-effective manner possible.

Importantly, the best tool that the Commission has to control cost remains the effective deployment of competitive forces. While competitive markets ultimately serve to bring needed, cost-effective generation to market, an underappreciated aspect of competitive markets comes in the resource development phase. Competitive forces pressure project developers to search for the most reasonable site to build their project, which helps to contain costs and lead to efficient interconnection to the grid. As the pace of resource mix changeover accelerates, building clean generation in the most cost-effective locations on the current grid creates the momentum needed to sustain the resource transition. Vistra explains the benefits that competitive development can provide to these projects:

An important part of the competition in the generation development market is competition for identifying sites that optimize on various dimensions including the quality of the renewable resource, the cost of any needed network upgrades, and other site-related cost or revenue factors. Assuming that the costs of needed network upgrades are fairly assigned to the generator, this competition leads to real cost savings for consumers and more efficient siting of generation assets.<sup>13</sup>

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<sup>11</sup> Comments of The Pennsylvania Public Utility Commission, RM21-17-000, (October 12, 2021), p.

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<sup>12</sup> *Id.*

<sup>13</sup> Comments of Vistra Corp., p 5.

As the aforementioned benefits flow through to both consumers and the grid as a whole, the Commission should ensure that the value of competition is utilized to move the grid's evolution forward in a reliable, cost-effective manner.

## **II. CONCLUSION**

EPSA respectfully requests that the Commission take these comments into account as it moves forward in this or any related transmission policy proceeding.

Respectfully submitted,

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