

## E&E TV ONPoint Interview with FERC Commissioner Marc Spitzer

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**Monica Trauzzi:** Hello and welcome to OnPoint. I'm Monica Trauzzi. Joining me today is Marc Spitzer, commissioner at the Federal Energy Regulatory Commission. Commissioner, thanks for coming on the show.

**Marc Spitzer:** My pleasure, thank you for having me.

**Monica Trauzzi:** Commissioner, bring us up to speed on where FERC stands in the process on its transmission and cost allocation role. There's been some criticism of how it was written, so where do you stand now in the process?

**Marc Spitzer:** Sure, well, in the process we have received filings for a rehearing and we're keeping an open mind and we're going to go through those and the rehearing is part of the process and we use those to evaluate what we did in the original order. In terms though of the merits of the order, which was a very large document, we feel Order 1000 brought order out of chaos. In the issue of cost allocation there was a measure in the U.S. Senate that would have provided for interconnection-wide cost allocation. And then on the other side of the spectrum there was a proposal to inhibit or limit how regions could impose the cost allocation methodologies on their own ratepayers. And what FERC did was entered a vacuum where there wasn't legal authority, there was no basic rule of law, so there was a vacuum that frustrated developers of generation, whether it be fossil generation or renewables. It stymied transmission developers and it hindered the ability of ratepayers to obtain energy at just and reasonable rates. And what FERC did, again, is to bring order out of that chaotic situation. I think we've gone down the middle of the fairway in between these two competing proposals. We left a lot of authority to the regions to devise their own plans and although we can always fine tune in the rehearing process, the sum and substance of the cost allocation, which all five commissioners at FERC agreed upon, the Republicans and the Democrats, we think is a very positive outcome for the ratepayers.

**Monica Trauzzi:** But many would still argue that you didn't go far enough in defining benefits. Once you go back and as you're going through this rehearing ...

**Marc Spitzer:** Right.

**Monica Trauzzi:** Process, are you going to further clarify the definition of benefits?

**Marc Spitzer:** Well, you know, I don't want to prejudge some of the fine tuning of some of the outcomes, but the principle of giving the regions the flexibility to determine how they do their most cost-effective and efficient transmission plan and accommodate the public policies, which we use the term public policy and that embraces federal and state laws and regulations, they're going to vary around the country. We have a very diverse country. That's a blessing, but a challenge and we felt, again unanimously, all five commissioners, that the best process involves one of leaving to the regions the flexibility to create transmission plans that incorporate public policies. And that flexibility, the process is fixed, but the results are going to vary by region because of that regional flexibility.

**Monica Trauzzi:** So, we recently had Sue Sheridan on the show and she works for the Coalition for Fair Transmission Policy and she felt that there was a lot of slippage between the rhetoric and the reality of the transmission and cost allocation rule. Do you believe that the rule could allow for the subsidization of long-distance lines?

**Marc Spitzer:** Again, it will depend on the region. I think one of the major principles is FERC, in order 1000, is not, repeat not allocating transmission costs to those who do not derive benefits. And we've also, in the rule, incorporated a decision from the Court of Appeals for the Seventh Circuit that provides that the allocation must be roughly commensurate of costs and benefits. And so we think those two principles give great support for the concept that we're not proposing to allocate costs unfairly. In some regions of the country it's entirely possible that along lines to bringing resources, whether they're fossil resources or renewable resources, to load to the benefit of ratepayers will provide for a broader cost allocation. In other regions perhaps you'd reach a different result, but we created a fair, transparent planning process that all the stakeholders will be able to provide input. It will vary by regions and I think that's a benefit for the ratepayers.

**Monica Trauzzi:** I want to switch gears for a moment. There's a lot of flux happening right now in terms of EPA's air rules. Do you believe that the pending regulations could potentially hurt the grid?

**Marc Spitzer:** Well, that was the subject of some recent hearings and we're obviously taking a look at that. We're very attentive to reliability. Congress gave FERC authority over reliability in Section 215 of the Federal Power Act. But to get back to Order 1000, it's very clear that the absence of a robust transmission grid not only imposes burdens upon ratepayers in terms of costs, but imposes a burden upon ratepayers in terms of reliability. Congress has recognized the need for more investment in transmission and it was the absence of law, the absence of governing rules that stymied investment in transmission. So we think Order 1000 will have a great ancillary benefit to the ratepayers in providing a basis for regions to plan for the reliability of their

regions and the reliability of the grid as a whole and provide for more investment, because investment abhors the regulatory chaos that was pre Order 1000. And we feel that by bringing order out of chaos we'll bring more investment and, therefore, more reliability to the grid.

**Monica Trauzzi:** But is the commission open to making changes to the rule as is being requested from many groups and throughout the country?

**Marc Spitzer:** We are always interested in getting feedback and making the order the best possible order that it could be. In terms of reading tea leaves, it's really, you know, hard to say and we're going to take a hard look at it. But the principle of-again, I feel we went down the middle of the fairway in terms of avoiding an extreme position one way or the other. The concept of transparency, the transparent of stakeholder processes incorporating state and federal public policies and the concept of having a process whereby the regions get to determine the most efficient and cost-effective cost allocation mechanism for their part of the country, we think are principles that have broad support and had broad support among those who filed comments in this docket.

**Monica Trauzzi:** OK, we'll end it there. Thank you for coming on the show.

**Marc Spitzer:** My pleasure.

**Monica Trauzzi:** And thanks for watching. We'll see you back here tomorrow.