

Electric Grid Reliability and Transmission Development

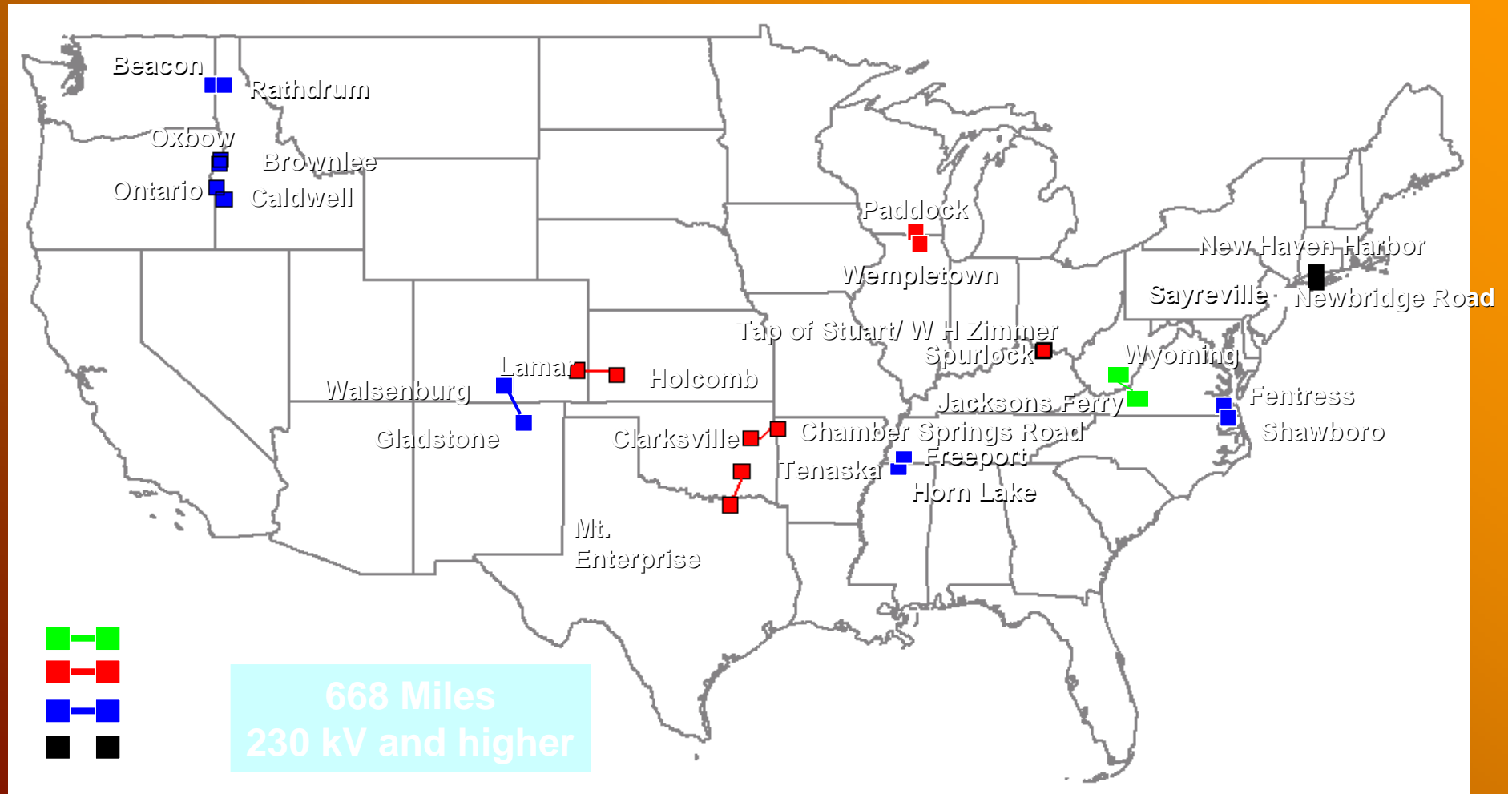


Commissioner Philip D. Moeller
Federal Energy Regulatory Commission
Sept. 7, 2007

1. GENERAL PERSPECTIVE

- Barriers to transmission development
 - Utility's generation versus transmission decisions
 - Cost recovery
 - Cost allocation
 - Siting issues
- Why do we need additional transmission?
 - Increases reliability
 - Improves the competitiveness of electric markets
 - Improves effectiveness of demand response
- Energy Policy Act of 2005 (EPAAct 2005)
- FERC's recent actions promoting transmission development

Since 2000, 14 transmission lines have been built that physically cross state borders



Sources: NERC Summer and Winter Assessments, WECC Existing Generation and Significant Additions and Changes to System Facilities Reports and FERC's Transmission Database

2. TRANSMISSION SITING

- Sec. 1221 of EPAct 2005 granted FERC backstop siting authority (FPA sec. 216)
- 11/06: Order No. 689, Regulations for Filing Applications for Permits to Site Interstate Electric Transmission Facilities (under FPA sec. 216(b))
 - Change to proposed rule: To address state concerns, FERC allows pre-filing to begin 12 months after an application is filed with a state
- 5/07: Order No. 689-A, rehearing order
- Court challenges and legislative proposals

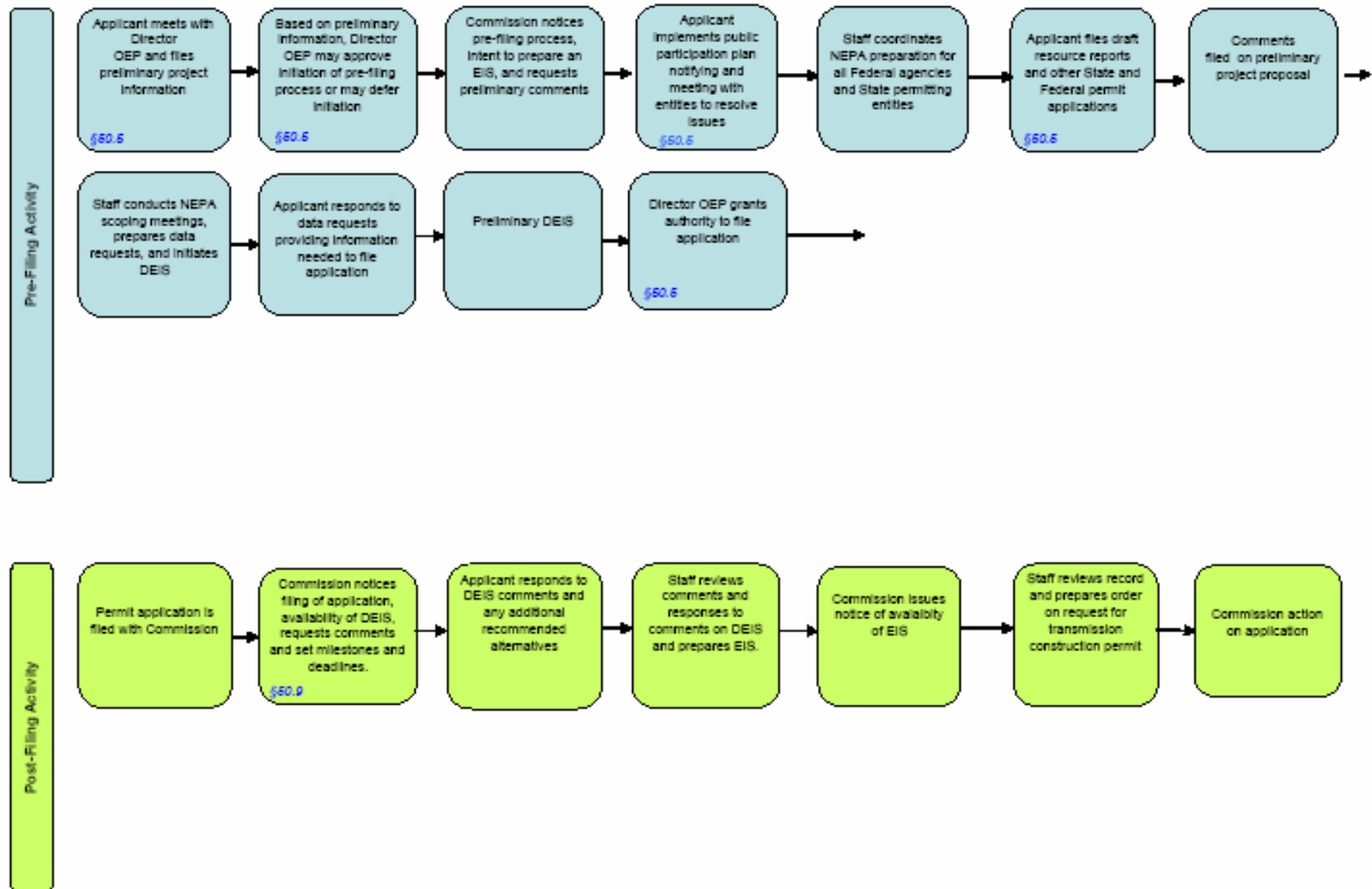
FERC's Transmission Siting Authority

- FERC is authorized to:
 - Issue construction permits only for facilities located in corridors designated by DOE
 - Act as lead agency for environmental analysis
 - Commission must find that proposed facilities meet specific statutory criteria



Permit Process for Transmission Facilities

- After DOE's corridor designation, applicants can request a permit for construction of transmission facilities.
- Pre-filing process
- Once application is filed, FERC will
 - Complete the environmental review process in consultation with affected state(s)
 - Coordinate all federal authorizations for the proposed facilities
 - Conduct a thorough evaluation of the record recognizing the input of the state(s)
 - Prepare an order on the merits
 - Decide on the application within one year as required by EPCA

Electric Transmission Construction Permit Process Order No. 689













3. TRANSMISSION RATE INCENTIVES

-  Order No. 679: Promoting Transmission Investment through Pricing Reform
-  FERC Orders on Incentives: case-by-case basis

Order No. 679:




- Pre-EPA 2005, FERC has set rates under FPA sec. 205 to attract investment
- 8/05: EPA 2005 enacted FPA sec. 219
- 7/06: Order No. 679
- 12/06: Order No. 679-A
- 4/07: Order No. 679-B
- Bottom Line: Case-by-case evaluation
 - Whether the project ensures reliability or reduces the cost of delivered power by reducing congestion?
 - Whether an applicant has met the nexus requirement, i.e., the applicant is required to demonstrate that the incentives it seeks will be tailored to address the demonstrable risks and challenges faced by the applicant in undertaking its project?

FERC'S Incentive Orders (Post EPA Act 2005)

-  AEP
-  Allegheny
-  Bangor Hydro
-  Nevada Hydro Company, Inc.*
-  Duquesne Light Company*
-  San Diego Gas & Electric*
-  The United Illuminating Company*
-  Trans-Allegheny Interstate Line Company*
-  Commonwealth Edison Company*
-  Baltimore Gas and Electric Company*

**Items pending before FERC*


4. OTHER TRANSMISSION-RELATED INITIATIVES?

-  Regional Transmission Planning under Order No. 890, Preventing Undue Discrimination and Preference in Transmission Service
-  Regional Transmission Organizations' and Independent System Operators' transmission planning processes and cost allocation proposals
-  Transmission for renewable resources

Regional Transmission Organizations and Independent System Operators



 State involvement

 Stakeholder negotiated cost allocation proposals, for example, PJM, ISO-NE, and SPP.

CONCLUDING REMARKS

- ⚡ This nation needs additional transmission infrastructure to provide customers with reliable service at a reasonable cost.
- ⚡ Transmission Infrastructure
 - ⚡ Increases reliability
 - ⚡ Increases competitiveness of markets
 - ⚡ Brings renewable power to the market
 - ⚡ Improves effectiveness of demand response
 - ⚡ Fosters economic development