

# United States Senate

WASHINGTON, DC 20510

June 24, 2022

The Honorable Richard Glick  
Chairman, Federal Energy Regulatory Commission  
888 First Street NE  
Washington, DC 20426

Dear Chairman Glick:

Thank you for your leadership in initiating proposed reforms to how we approach critical electric transmission system infrastructure. In the Infrastructure Investment and Jobs Act of 2021, Congress recognized the need to expand and modernize the transmission grid to ensure reliability, improve resilience against extreme weather and other threats, and deliver low-cost power supplies to American consumers. We appreciate the Commission's continued focus on these issues.

We write to urge the Commission to promptly move forward with reforms to generator interconnection funding practices, including ensuring that the costs of transmission system upgrades identified in response to an interconnection request are allocated in a just and reasonable manner. As the Commission knows well, many regions currently face serious backlogs in requests to interconnect new generation resources to the system. At the end of 2021, more than one terawatt of proposed generation projects were waiting to interconnect to the grid nationwide.<sup>1</sup> The slow pace of processing these interconnection requests is delaying or outright forcing the cancellation of new electricity generation projects: in the past decade, 23% of projects reached commercial operation, while 72% were withdrawn.<sup>2</sup>

This status quo is denying customers the electricity price benefits of new low-cost power supply options, hampering the ability of states and consumers to satisfy their energy demands and costing local (often rural) communities much needed economic development and other benefits that come from the construction of new generating resources. Resolving interconnection backlogs can reduce costs for American consumers while ensuring a more reliable grid.

The current practice in most Regional Transmission Organizations and Independent System Operators (RTOs/ISOs) of assigning all of the costs for transmission network upgrades identified in generator interconnection studies to the interconnection customer (sometimes called "Participant Funding") penalizes first movers and ultimately creates delays for projects looking

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<sup>1</sup> Lawrence Berkeley National Laboratory. April 2022. "Queued Up: Characteristics of Power Plants Seeking Transmission Interconnection" ("LBNL Study"). [Link to report](#)

<sup>2</sup> *Id.*

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to interconnect to the grid.<sup>3</sup> When a new project pays for upgrades that create new capacity in the transmission system, that new capacity can also benefit new generators behind them in the queue and existing users of the transmission system. The unpredictable and high costs of these upgrades can lead generation developers to submit speculative projects in the interconnection queue in order to discover the least-cost option. This causes numerous restudies for the remaining projects in the queue, causing a cycle of further delays and unneeded costs being passed onto ratepayers.

This practice has created an incentive for costly piecemeal identification and construction of large high-voltage long-distance transmission facilities outside of regional planning processes.<sup>4</sup> This undermines the ability of regional planning processes to identify the best and lowest-cost options for expanding the regional transmission network, increasing wholesale rates for transmission customers. Reforms to cost allocation for network upgrades can help ensure long-term regional transmission planning reforms like those under consideration by the Commission achieve their intended effect.

For these reasons, we urge the Commission to find the existing participant funding framework in RTOs/ISOs unjust and unreasonable, and to take steps to develop reforms that allocate transmission upgrade costs in a manner that better reflects the broader systemwide benefits those upgrades provide to all users of the grid. We would expect that such reforms would ensure that when network upgrades benefit other users, potentially including projects further down the queue or other transmission customers receiving identified benefits, an appropriate share of the costs would be allocated to those beneficiaries.

At the same time, such reforms should seek to maintain adequate price signals for proposed generation projects to minimize interconnection costs, and also reflect relevant regional differences among the RTOs/ISOs. Thus, we do not expect that redirecting all or most of the relevant upgrade costs to load would be a universally appropriate remedy. We anticipate that the just and reasonable solution will most often entail allocating at least some costs to both participants and load, in order to ensure that costs are allocated in a manner roughly commensurate with benefits.

We look forward to continuing to work with the Commission to ensure that American consumers are well-served by a reliable and resilient transmission system that provides access to the new low-cost energy resources they are demanding.

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<sup>3</sup> U.S. Department of Energy, Office of Policy, 2022. “Queued Up...But in Need of Transmission.” [Link to report](#)

<sup>4</sup> Transcript of the May 6, 2022 Federal State Joint Transmission Task Force, FERC Docket No. AD21-15-000, at 17:3-6 (Chairman Thomas); 19:1-16 (Commissioner Phillips); *see also* LBNL Study.

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Sincerely,



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John Hickenlooper  
United States Senator



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Angus S. King Jr.  
United States Senator

cc:

Commissioner Danly  
Commissioner Clements  
Commissioner Christie  
Commissioner Phillips