Congress of the United States

Washington, D.C. 20510

May 15, 2023

The Honorable Willie L. Phillips
Chairman
Federal Energy Regulatory Commission
888 First Street NE
Washington DC, 20426

Re: FERC Docket AD23-3, Establishing Interregional Transfer Capability Transmission Planning and Cost Allocation Requirements

Dear Chairman Phillips,

Thank you for your commitment to improving the reliability and efficiency of our nation's electric transmission infrastructure. We write to endorse minimum interregional transfer capability requirements that will enhance reliability and resilience and protect American electricity consumers from high energy prices. We appreciate that you and your colleagues have raised this proposal.

Time is of the essence. Recent extreme weather events have highlighted vulnerabilities in our nation's electric grids and demonstrate the immediate value of new interregional transmission. Over the longer term, interregional transmission will provide utilities and system operators with the flexibility needed to accommodate new resources.

Extreme weather leads consumers to use more power while simultaneously causing infrastructure failures, such as generator malfunctions and interruptions in fuel supplies. Power outages related to extreme weather have resulted in widespread economic damage and even loss of life. As the Commission notes in its extreme weather planning proposal, industry experts agree that extreme weather events are likely to become more severe and frequent in the future. The Commission has authority to mitigate these effects of extreme weather events.

Requiring minimum interregional transfer capabilities will reduce price spikes during extreme weather events. A recent study concluded that one gigawatt (GW) of new transfer capability between the Electric Reliability Council of Texas (ERCOT) and Tennessee Valley Authority (TVA) would have saved TVA-area consumers $95 million during Winter Storm Elliot. [1] That same interregional transmission would have saved Texas consumers nearly $1 billion during Winter Storm Uri in 2021.[2] These staggering savings suggest that the benefits of interregional transmission would far outweigh the costs to consumers.

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[1] American Council on Renewable Energy & Grid Strategies, LLC, The Value of Transmission During Winter Storm Elliot (Feb. 2023).
[2] Grid Strategies, LLC and American Council on Renewable Energy, Transmission Makes the Power System Resilient to Extreme Weather (Jul. 2021).

Yet transmission planners are overlooking these consumer benefits. Construction of interregional transmission projects that can deliver these consumer savings and reliability and resilience benefits has been declining. A 2022 Lawrence Berkeley National Laboratory report finds planners are likely undercounting benefits of interregional transmission because they are not properly considering these high-value periods.[3] The report notes that the value of interregional transmission is driven by extreme weather and inevitable market fluctuations due to infrastructure outages, fuel price volatility, forecast errors, and demand surges. Planning transmission based on an objective and comprehensive accounting of these benefits will be essential to protecting consumers against needlessly high power prices.

The Commission should act to remedy insufficient interregional planning processes. We commend the Commission for proposing reforms to regional transmission planning and cost allocation in Docket No. RM21-17. There, the Commission recognizes that narrow benefit-cost analyses lead to unjust and unreasonable rates. Transmission planners are overlooking valuable transmission investments, leading consumers to pay higher energy prices. We urge the Commission to apply these proposed findings about regional transmission to interregional transmission and remedy unjust and unreasonable rates by instituting minimum interregional transfer capability requirements.

Interregional transfer capability will also prepare our nation for long-term changes to our energy infrastructure. The Department of Energy (DOE) recently published a draft National Transmission Needs Study, which finds that increased interregional transmission is needed regardless of the future electric generation mix. The study emphasizes that interregional transmission investment will provide region-specific benefits. For instance, across the West, interregional transmission will improve resilience from wildfires and extreme heat and mitigate reliability threats due to the West's unique transmission topology. DOE repeatedly notes that current utility plans fall short of our current and projected needs.

The Commission must take the lead on this issue. Inconsistent and incompatible planning and cost allocation processes are hindering interregional transmission development. Strong national standards are needed to motivate transmission planners to work across regions and plan interregional transmission that will benefit consumers. The fragmented ownership of our nation's transmission infrastructure is not conducive to bottom-up solutions. We need a national approach.

We urge the Commission to direct transmission planners to meet minimum interregional transfer capabilities. A final rule on minimum interregional transfer capabilities should include a methodology for establishing minimum transfer capability requirements that will support grid reliability and protect ratepayers. The rule should include consideration of the full range of potential solutions in order to increase interregional transfer capabilities, including facilities proposed by utilities as well as by independent and merchant developers. The Commission should also ensure that planners account for grid-enhancing technologies, reconductoring, and other low-cost approaches to cost-effectively utilizing existing infrastructure to its maximum extent.

[3] Lawrence Berkeley National Laboratory, Empirical Estimates of Transmission Value Using Locational Marginal Prices (Aug. 2022).

Interregional transmission can provide myriad benefits for consumers. It strengthens grid reliability, enhances resilience, improves access to a diversity of generation resources, and lowers costs. Because it enables us to build the grid larger than the Rossby radius of deformation, the physical length scale of weather, it adds a unique line of defense against the sorts of extreme weather events which have taken renewable, fossil, and nuclear energy alike offline in recent years. Establishing minimum interregional transfer capability requirements is a no-regrets policy option that will strengthen our nation's critical infrastructure.

Thank you for your attention to this matter. We look forward to continuing to work with the Commission to enhance grid reliability while maintaining affordable electricity rates for consumers.

Sincerely,

John Hickenlooper
United States Senator

Scott Peters
Member of Congress

Cc:
Commissioner Danly
Commissioner Clements
Commissioner Christie