

Electric Transmission Policies

- The American Public Power Association (APPA) believes that new electric transmission infrastructure is needed, but rising transmission costs are a major concern for public power utilities. New transmission lines must be planned through transparent processes that focus on the needs of utilities serving customers.
- The Federal Energy Regulatory Commission (FERC) must be diligent in adopting and enforcing policies that ensure transmission costs paid by consumers are just and reasonable, as required by the Federal Power Act (FPA). Electricity customers should not be required to pay for transmission facilities from which they do not receive commensurate benefits.
- Some of the challenges involved in transmission planning, siting, and cost allocation could be mitigated if new transmission lines were jointly owned, with partial ownership by public power utilities where feasible, and FERC and Congress should pursue policies to promote public power joint ownership.
- To encourage the development of new transmission facilities, Congress and federal agencies should streamline the federal permitting and siting process, eliminate excessive regulatory barriers, and ensure more timely decisions from relevant federal agencies.

Background

When electricity is generated, it typically travels over high-voltage transmission lines from the generating unit to local electric distribution systems, and on to consumers. Just as cars traveling on the interstate highway system need to exit and travel on a system of smaller roads to reach their destinations, lower voltage electric distribution systems interconnect with the transmission systems in their regions to deliver electricity to end-use customers—industry, homes, and businesses.

FERC administers the FPA, the federal law governing the transmission of electricity. FERC regulates electric transmission rates and infrastructure (including rules governing the interconnection of generators to the transmission grid), and it also has authority to establish transmission planning rules. State and local governments generally have authority over the siting and construction of transmission lines, and they also regulate the electric distribution systems and the electric utilities that own and operate this infrastructure. This division of authority over the electric grid can at times create regulatory tension between states/localities and the federal government.

Over the last two decades, FERC has attempted to facilitate appropriate transmission planning and development through a series of orders aimed at addressing regional and interregional transmission planning and cost allocation (i.e., who pays for new transmission facilities), and the interconnection of new generators to the transmission grid.

In some regions, particularly those in which regional transmission organizations and independent system operators supervise transmission system operation and planning, transmission costs have risen rapidly over the past several years, imposing a significant burden on transmission customers, including many public power utilities. While there are legitimate reasons for many of these costs, such as accommodating new renewable generation and upgrading aging infrastructure, public power utilities have also raised concerns that the most cost-effective transmission lines to meet their customers' needs are not necessarily being planned and built.

Congressional and FERC Action

In May 2024, prompted by a rapidly evolving generation resource mix and the need to ensure a reliable and resilient grid, FERC issued rules on long-term regional transmission planning and improving generator interconnection. Congress has also focused on transmission issues, with several bills being introduced to promote interregional transmission development.

FERC Order No. 1920 requires each transmission planning region to engage in a long-term, forward-looking, comprehensive transmission planning process at least once every five years. These long-term plans must identify the regional transmission needs over the next 20 years, identify potential transmission facilities that meet those needs, measure the benefits of those transmission facilities, and evaluate whether to select any of those facilities in the regional transmission plan. The order also requires each region to propose a cost allocation methodology for the new long-term regional transmission facilities. Whether Order No. 1920 results in the most cost-effective new transmission facilities being built in the coming decade will depend on how transmission owners implement the order's complex provisions. Order No. 1920 indicated that FERC intends to address other important transmission planning policies, including cost containment mechanisms and joint ownership of transmission facilities, in the future.

In July 2023, FERC issued Order No. 2023, which modified its existing rules governing the process by which generators interconnect to the transmission system. The rapid evolution of the generation resource mix has strained FERC's existing generator interconnection framework in some regions, often complicated by the submission of many speculative interconnection requests.

Notably, Order No. 2023 replaces the "first come, first served" approach to generator interconnection with a "first ready, first served" approach, and requires transmission providers to study the impact of proposed interconnections in groups, or "clusters." FERC is now considering proposals from transmission owners to implement Order No. 2023. APPA is generally supportive of the reforms in Order No. 2023, particularly the new policies to reduce speculative interconnection requests.

The Infrastructure Investment and Jobs Act (IIJA)(P.L. 117-58) included revisions to the federal "backstop" siting provisions of the FPA, which gives FERC authority to site certain transmission lines when state authorities cannot or do not approve them. The IIJA also included \$2.5 billion to fund a new Department of Energy (DOE) Transmission Facilitation Program that will allow the department to support the development of certain new or upgraded high-voltage transmission lines by either serving as an anchor tenant, providing federal loans for a transmission project, or entering a public-private partnership to build or upgrade certain lines. The Inflation Reduction Act (IRA)(P.L. 117-169) also included several provisions to encourage the development of transmission infrastructure, including funding to build or modify high-voltage transmission lines in certain DOE-designated areas and funding for DOE to issue grants to transmission siting authorities, including states and local governments, for transmission project studies, stakeholder engagement, and costs associated with participation in federal and state regulatory proceedings. The IRA also includes funding for DOE to convene stakeholders and conduct analyses related to interregional transmission and offshore transmission development.

The 118th Congress has focused extensively on reforming the permitting process for energy infrastructure, with the leaders of relevant House and Senate committees introducing permitting reform bills. Broadly speaking, Republicans have primarily been interested in reforming the National Environmental Policy Act (NEPA) and judicial reforms that would streamline the federal permitting process for a variety of energy projects, while Democrats have been focused on reforms that would change how transmission lines are sited and paid for (cost allocation), with the goal of expanding the transmission system to accommodate increased renewables. One such bill, the Building Integrated Grid With Inter-Regional Energy Supply (BIG WIRES) Act (S. 2827/H.R. 5551), introduced by Senator John Hickenlooper (D-CO) and Representative Scott Peters (D-CA), would require each transmission planning region to be able to transfer at least 30 percent of its peak load to adjacent regions. APPA has concerns with the BIG WIRES Act, particularly with the mandatory nature of the bill and the lack of regional flexibility, as well as with the potential costs from additional transmission investments the bill would require. Relatedly, the bipartisan agreement to suspend the debt ceiling in June 2023 (H.R. 3746/P.L. 118-5) included a provision directing the North American Electric Reliability Corporation to study total current transfer capability between neighboring regions and make recommendations on additional transfer capability needed to strengthen reliability. The study must be completed by December 2, 2024.

APPA believes that further permitting reform legislation should focus on reforms that increase clarity and certainty in NEPA and other environmental laws to speed up the process for transmission and other energy infrastructure development, rather than changing cost allocation or giving the federal government more authority to site transmission lines. Further, APPA believes that FERC and DOE must be given sufficient time to exercise the expanded authorities and funding authorized in recent legislation before additional statutory changes are made.

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The American Public Power Association is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. We represent public power before the federal government and protect the interests of the more than 54 million people that public power utilities serve and the 96,000 people they employ.