UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Interregional Transfer Capability Study: Strengthening Reliability Through the Energy Transformation	**Docket No. AD25-4-000**

COMMENTS OF THE AMERICAN PUBLIC POWER ASSOCIATION AND THE LARGE PUBLIC POWER COUNCIL

The American Public Power Association ("APPA") and Large Public Power Council ("LPPC") hereby submit comments, in the format requested by the Commission's November 25, 2024, Notice, on the North American Electric Reliability Corporation's ("NERC") Interregional Transfer Capability Study ("ITC Study").

I. INTRODUCTION AND SUMMARY OF COMMENTS

We submit these comments to aid the Commission in preparing its report to Congress on conclusions that can be drawn from the ITC Study and recommendations, if any, for statutory changes, as required by the Fiscal Responsibility Act of 2023.[1] In summary, our comments identify three high-level conclusions:

1. The ITC Study provides substantial evidence that the need for, and benefits of, interregional transfer capability varies substantially around the country. Any uniform requirement—such as a minimum transfer capability between regions—would lead to inefficient investment in some areas and inadequate reliability in others. *See* Section C.2 below.

2. The ITC Study indicates that load-serving entities, regional transmission organizations/independent system operators ("RTO/ISOs"), and regional planning

[1] Fiscal Responsibility Act of 2023, Pub. L. No. 118-5, 137 Stat 10, sec. 322 (2023).

entities should evaluate the most economically prudent way to address the potential energy deficiencies that NERC has identified. By its own terms, the ITC Study is not a transmission planning study, nor does it recommend any new or upgraded transmission facilities. *See* Section B.3 below. Although it does recommend prudent additions to transfer capability between regions, the ITC Study concludes that increasing transfer capability is one of many options for addressing identified energy deficiencies. *See* Section D.6 below. Furthermore, the ITC Study does not evaluate whether any of its recommended transfer capability additions is economically prudent or more cost effective than alternate options. *See* Section B.3 below. In contrast to the ITC Study, regional planning processes can and will use economic data, evaluate regional policy priorities and project feasibility, and based on current and evolving data, evaluate the most cost-effective combination of resource additions, transmission enhancements, demand management, and other tools to maintain reliability.

3. The ITC Study does not identify a need for any changes to the Federal Power Act; nor does the ITC Study identify a need for any new reliability standards for meeting or maintaining transfer capability between regions. *See* Section G below.

II. INTEREST OF PUBLIC POWER UTILITIES

APPA is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. Public power utilities are in every state except Hawaii. They collectively serve over 54 million people in 49 states and five U.S. territories, and account for 15 percent of all sales of electric energy (kilowatt-hours) to end-use consumers. LPPC is an association of 29 of the nation's largest municipal and state-owned utilities, representing the larger, asset-owning members of the public power community and approximately 90 percent of the transmission

assets owned by public power. Public power utilities are load-serving entities, with the primary goal of providing the communities they serve with safe, reliable electric service at the lowest reasonable cost, consistent with good environmental stewardship. This orientation aligns the interests of the utilities with the long-term interests of the residents and businesses in their communities.

III. COMMENTS

B. Chapter 2: Overview of ITC Study Scope and Terminology

3. General Comments on the ITC Study Scope and Terminology.

APPA and LPPC generally support the scope and overall study methodology that NERC adopted in the ITC Study. Consistent with NERC's mandate and expertise, the "sole focus" of the ITC Study is "reliability, in the form of energy adequacy and operating reliability."[2] While there are many aspects of reliability, NERC's focus on energy adequacy—which it defines as "the ability of the bulk power system (BPS) to meet customer demand at all times"[3]—is the appropriate starting point for the analysis conducted in this study.

The limited scope of the ITC Study confirms that it cannot be used to justify any new or upgraded transmission facilities. Instead, the ITC Study can inform the resource and transmission plans of load-serving entities, RTO/ISOs, and regional planning entities. Those entities can evaluate and address the essential economic and planning issues that are affirmatively outside the scope of the ITC Study.

The ITC Study itself makes clear that it cannot be translated directly into project recommendations. First, the ITC Study "is not a planning study."[4] It "does not recommend any

[2] ITC Study at 11.

[3] *Id.*, at vii.

[4] *Id.*, at 11.

particular transmission or generation projects," nor does it even consider "[l]ocal solutions, such as additional resources in an energy-deficient [planning region]."[5]

Second, the ITC Study is a "point-in-time analysis."[6] The resource portfolios used for the analysis were "aligned with the 2023 [Long-Term Reliability Assessment] (LTRA),"[7] which was published in December 2023. The ITCS states clearly that "[c]hanges not reflected in the LTRA data, such as an announcement of delayed requirements, were not considered." NERC acknowledges that "[c]hanges to future resource additions, resource retirements, and/or transmission expansion plans have the potential to *significantly* alter the study results."[8] Given the significant new announcements for resource additions, delayed retirements, and newly planned transmission projects in 2024, NERC correctly urges policymakers and stakeholders to "first identify existing projects in the planning, permitting, or construction phases that could address some or all the transmission needs outlined in the ITC [Study]."[9]

Third, the ITC Study evaluated additions to transfer capability, *not* new transmission capacity. In defining its key term, transfer capability, NERC acknowledges that "while the transfer capability is a measured amount in megawatts ("MW"), it does not have a one-to-one correspondence with what new transmission facility (or facilities) could be added."[10]

Finally, the ITC Study explicitly does not consider economics. It's definition of "prudent additions" is limited to whether additional transfer capability would be expected to improve

[5] *Id.*

[6] *Id.*, at 12.

[7] *Id.*, at 75.

[8] *Id.* (emphasis added).

[9] *Id.*, at xix.

[10] *Id.*, at 9.

energy adequacy.[11] The study does "not provide economic justification for new and/or upgraded transmission facilities."[12]

Based on the scope of the ITC Study, NERC repeatedly exhorts policymakers to treat its findings as "directional, not prescriptive, guidance."[13] APPA and LPPC agree. The ITC Study is a valuable tool that can inform planners about potential regional and interregional solutions, but ultimate decisions about the best way to meet local needs in the most cost-effective way must remain with load-serving entities, RTO/ISOs, and regional planning entities that are working to plan and build generation and transmission needed to support load.

C. Transfer Capability Analysis (Part 1)

2. Chapter 4: Transfer Capability (Part 1) Study Results

NERC's study of existing transfer capability between regions confirms that the need for, and benefits of, interregional transfer capability varies substantially around the country. NERC summarizes the findings of Part 1 of the ITC Study as follows:[14]

- Transfer capability varies seasonally and under different system conditions that limit transmission loading – it cannot be represented by a single number.
- Transfer capability varies widely across North America, with total import capability varying between 1 percent and 92 percent of peak load.
- Observed transfer capabilities are generally higher in the West Coast, Great Lakes, and Mid-Atlantic areas, but relatively lower in the Mountain States, Great Plains, Southeast, and the Northeast regions. There is limited transfer capability between interconnections.

[11] *Id.*, at 10.

[12] *Id.*, at 11.

[13] *Id.*, at vii, xiv, xix; *see also* Filing Letter at 6, 21.

[14] *Id.*, at x.

These key findings support NERC's ultimate conclusion that "a one-size-fits-all requirement for a minimum amount of transfer capability may be inefficient and potentially ineffective."[15]

D. Recommendations for Prudent Additions to Transfer Capability (Part 2) and Recommendations to Meet and Maintain Transfer Capability (Part 3)

6. Chapter 10: Meeting and Maintaining Transfer Capability (Part 3)

As required by Congress, the ITC Study makes recommendations for how to meet and maintain total transfer capability between regions. But, as a preliminary matter, NERC correctly finds that "increased transfer capability is one of many options for addressing the identified energy deficiencies."[16] The ITC Study notes that other options can include (1) internal resource development (e.g., generation, storage); and (2) transmission enhancements; (3) demand side management; (4) demand shifting; (5) energy efficiency; (6) targeted demand response; and (7) enhanced storage development.[17]

Since the ITC Study does not consider economics, nor does it evaluate the implementation timelines for increasing transfer capability, the necessary conclusion is that increasing transfer capability may or may not be the most *cost effective* or *feasible* option for addressing energy deficiencies. NERC properly assigns responsibility for those decisions to "planners."[18] And even where increasing transfer capability is the best way to meet reliability needs, "planners need to perform detailed studies to select projects and implement enhancements that will not result in other reliability issues."[19] This planning activity is "crucial."[20]

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[15] *Id.*, at xvii; *see also id.* at xiii, xx, 2; Filing Letter at 3, 7.

[16] Filing Letter, at 19.

[17] ITC Study, at xvii; *see also id.* at 134.

[18] ITC Study, at 134.

[19] *Id.* at 134.

[20] *Id.*

APPA and LPPC strongly agree. Planners—consisting of load-serving entities, RTO/ISOs, and transmission planning regions—are best equipped to assess the costs and feasibility of the various options to address energy deficiencies. And, as the Commission's Order No. 1920 processes are implemented, transmission-owning members look forward to productive planning discussions that will consider planning horizons even longer than the ten-year horizon considered by the ITC Study.

G. Additional Comments Outside the Specific Report Sections

The ITC Study does not identify a need for any changes to the Federal Power Act. While the study acknowledges that "statutory changes could require entities to plan for recommended levels of transfer capability," it finds no basis for doing so because "a uniform minimum transfer capability requirement may not be necessary for some [regions], nor a sufficient mechanism for others to ensure energy adequacy."[21]

Given the significant variation in different regions of how much transfer capability exists and how much additional transfer capability would improve energy adequacy, any national mandate would be counterproductive and potentially trigger unintended consequences as to the most efficient combination of resources.

Nor does the ITC Study identify a present need for a reliability standard to establish a certain transfer capability.[22] Existing transmission planning standards, combined with the energy assurance standards currently in development, are sufficient to ensure that planners properly evaluate reliability needs and develop corrective action plans to address any potential deficiencies.

[21] *Id.*, at 136.

[22] *Id.*, at 137.

IV. CONCLUSION

APPA and LPPC appreciate the opportunity to comment on the ITC Study and urge the Commission to consider these comments as it prepares its report to Congress.

Respectfully submitted,

American Public Power Association

/s/ Latif M. Nurani
Desmarie M. Waterhouse
Latif M. Nurani
AMERICAN PUBLIC POWER ASSOCIATION
2451 Crystal Drive, Suite 1000
Arlington, VA 22202
(202) 467-2900
Email: dwaterhouse@publicpower.org
lnurani@publicpower.org

Large Public Power Council

/s/ Jonathan Schneider
Jonathan D. Schneider
STINSON LLP
1775 Pennsylvania Avenue NW
Suite 800
Washington, DC 20006
(202) 728-3034
jonathan.schneider@stinson.com