



- Long-term planning horizons,
- Appropriate, broad-based criteria for ascertaining the need for transmission,
- Conditions that obligate transmission owners to build planned facilities, and
- Equitable and efficient cost allocation principles that will encourage grid investment.

## **II.** **COMMUNICATIONS**

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## **III.** **DESCRIPTION OF WIRES**

WIRES was formed in late 2006 to encourage the needed expansion and upgrade of the nation's high-voltage electric transmission system. Also known as the "Working-group for Investment in Reliable and Economic Electric Systems," WIRES is a non-profit alliance of companies and organizations that (1) provides a forum within which transmission owners, operators, investors, and customers can work to promote a regulatory and investment climate that supports a robust transmission grid, and (2) works to ensure a uniformly high level of reliable service and economic efficiency through a portfolio of transmission solutions.<sup>2</sup> WIRES'

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<sup>2</sup> WIRES is the only organization solely dedicated to elevating the recognition and importance of electric transmission as a solution to the challenges facing the power industry and its customers. It was founded too late to participate in the entirety of this proceeding but some of its members, including National Grid USA, Trans-Elect

membership includes public utilities and transmitting utilities that own and operate transmission either on a stand-alone basis or within an integrated business structure as well as a regional consortium of companies that includes transmission owning utilities and cooperatives, and municipal utilities that are transmission-dependent.

#### **IV. BACKGROUND**

WIRES contends that, in regions of the country where the bulk power system is governed by regional transmission organizations (“RTOs”) and in those regions where RTOs do not exist, systematic, forward-looking, and transparent planning of transmission expansion and upgrades is essential. WIRES believes that regional planning is so crucial to strengthening the transmission system and to the equitable and efficient allocation of the costs of doing so that it has adopted better regional planning as one of its Founding Principles.<sup>3</sup> In pursuit of the principle of “efficient, collaborative regional planning and facilities siting processes,” WIRES has set forth the following statement on what regional planning should seek to accomplish:

WIRES supports planning transmission expansion and enhancements on an integrated regional basis that takes account of long-term needs and the interests of all stakeholders. In an open access environment, transmission planning processes must be highly transparent and must take a long term view of system conditions. They must provide certainty for investors, maintain reliability, identify efficient solutions to congestion issues, accommodate regional differences, and result in fair, timely, and economical transmission solutions.

The planning process must identify long-term transmission solutions, whether driven by reliability criteria, market efficiency objectives, or the service obligations of load-serving entities. The planning horizon must be long enough to avoid producing sub-optimal plans. The planning process should avoid “just in time transmission” or “catch-up” solutions that simply increase consumer costs, and it should consider future requirements such as the development of new types of advanced generation, generation retirements, the

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(now “Trans-Elect Development LLC”), and International Transmission Company (“ITC” or “ITC Holdings”), have filed comments previously. These comments may range beyond those of WIRES’ individual members and should therefore be attributed to WIRES only.

<sup>3</sup> WIRES’ Mission and Founding Principles are posted at [www.wiresgroup.com](http://www.wiresgroup.com)

development of low-voltage enhancements by load serving entities (“LSEs”) and increased generation in non-traditional areas. Non-transmission solutions such as demand response, as well as the siting of new central station and distributed generation, should be taken into account in the planning of transmission solutions.

The early involvement of state and provincial regulators and other agencies or policymakers with jurisdiction or expertise is critical to ensuring that issues which impact local jurisdictions are addressed. The effect of renewable portfolio standards, other generation or demand-side initiatives, cost recovery, inter-state issues, and project needs and alternatives should be considered and resolved. When plans involve serving local load, local transmission providers, LSE’s, and regional sub-groups often have a more direct connection to load serving needs, making solutions more readily available.

Effective transmission planning based on open and transparent procedures will (1) lead to wider recognition and acceptance of the need for expansions and upgrades and (2) thereby support the equitable sharing of the costs of those facilities as well as the timely recovery of those costs in rates. However, without predetermined rules for the allocation and recovery of costs at the federal and state levels, planning alone will not make permitting and constructing new facilities easier to achieve. Regional planning should therefore be underpinned by a framework for cost recovery for all types of projects. Case-by-case determinations introduce delay and uncertainty. Project participants, regulators, and other stakeholders must be able to understand the full economic and environmental impacts of proposed projects as a prerequisite to public support for construction initiatives.

## **V. COMMENTS ON THE PROPOSED RULE**

The elimination of undue discrimination in the allocation and use of transmission capacity and the advent of liquid and competitive wholesale power markets in all regions ultimately depend on the timely development of adequate transmission infrastructure. The criteria or processes that the Commission sets forth in this rulemaking will help determine whether the transmission infrastructure is adequate to ensure optimal benefits to consumers. It matters a great deal what kind of system the Commission aims to encourage, however. At a 2005 technical conference, the Chief Operating Officer of PJM posed this oft-quoted question to the Commission about what kind of transmission grid will sustain the expanding, multistate wholesale power market—

...should the transmission system merely be a facilitator for a model based on local generation? Or are we looking for a strong transmission system that, by its design, links distant generation to load in order to address both economics and reliability and accommodate an array of generation alternatives from which load can choose?<sup>4</sup>

Based on the last decade of federal policymaking, the Commission's clear answer is "the latter," and WIRES emphatically agrees. Yet, transmission investment, while increasing in sheer dollars and planned additions since 2001, is only barely keeping pace with the prospect of significant increases in generation capacity and market activity and is not yet close to compensating for the decline in investment during the 1980s and 1990s.<sup>5</sup> State-by-state or utility-by-utility planning of transmission and the practice of simply aggregating sub-regional plans could lead to serious weaknesses in the regional transmission highway that we think the Commission contemplates and places limitations on the liquidity and reliability of regional energy markets. In the final analysis, the availability of a robust integrated transmission network to handle the anticipated wave of new generators, the growth of clean but remote renewable resources, expanding energy markets, and increasing demand for power in the coming years will depend heavily on how effectively and contemporaneously transmission and non-transmission alternatives, like demand-

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<sup>4</sup> Remarks of Audrey Zibelman, PJM Interconnection LLC, filed in Docket Nos. AD05-05-000 and PL03-1-000, (April 21, 2005).

<sup>5</sup> The importance of increased transmission investment is highlighted in several recent studies. North American Electric Reliability Council, [2006 Long-Term Reliability Assessment](#) (October 2006) esp. at 7-8, 21-25. The August 2006 congestion study conducted for the U.S. Department of Energy, as a predicate to designating "National Interest Electric Transmission Corridors" pursuant to the Energy Policy Act of 2005 (adopting section 216 of the Federal Power Act). While not forward-looking in its anticipation of the economic and demographic developments, the study seeks to guide the planning and development of the grid as well as providing a basis for federal siting authority. U.S. Department of Energy, [National Electric Transmission Congestion Study \(August 2006\)](#). Recent critics of organized markets also point to inadequate transmission infrastructure, planning challenges, and the resulting congestion as reasons why those markets often fail to deliver consumer benefits. See National Electric Cooperative Association, [The Regional Transmission Organization Report Card: Wholesale Electricity Markets and RTO Performance Evaluation](#) (November 2006), at 86-116 ("NRECA"); ELCON, [Today's Organized Markets—A Step Toward Competition or An Exercise in Regulation?](#) (December 2006), at 3.

side management, are considered in the planning process and whether the broadest regional needs are kept in mind.

The Commission can provide planners and operators with guidance and perspective that ensure best practices and timely results. For that reason, WIRES applauds the Commission for including in its proposals to reform the OATT certain guiding principles for improving transmission planning. The Commission’s proposal affords flexibility for transmission providers and stakeholders to implement the eight elements of a successful planning process<sup>6</sup> in light of the physical, economic, and historical realities of each region. Indeed, planning models that have been developed across the country offer important lessons about which practices work best in producing stakeholder support, the most efficient investments in generation and transmission, timely expansion of the grid, the fewest operational and physical seams, and the greatest benefits to consumers. For example, the CapX 2020 project, a consortium of investor-owned utilities, cooperatives and municipal utilities and a founding member of WIRES, combines the load serving interests of the participating utilities, a 15 year planning horizon, regulatory reforms at the state level, and broad stakeholder support, with independent overview by the Midwest ISO to develop a long-term vision for grid expansion with a commitment to invest by the incumbent utilities. WIRES also recognizes the value of stakeholder-initiated processes such as those in the Western Electric Coordinating Council (“WECC”), or that produced the well-regarded Rocky Mountain Area Transmission Study (“RMATS”).

WIRES is skeptical of mandating one standardized planning format and concurs with the Commission that “[n]o single standard likely can be applied to all decisions and all upgrades” and that “[a]s a practical matter, many considerations go into the decision of whether, what, and

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<sup>6</sup> NOPR, at P 214.

when a project is undertaken,”<sup>7</sup> Planning protocols nevertheless vary widely. They offer different procedures, varying geographic scopes, rely on different assumptions, provide varying levels of pricing and other information to stakeholders, measure congestion and the costs and benefits of specific projects according to different metrics, and benchmark the need for reliability and economic enhancements differently. WIRES believes that the differences among planning approaches inhibit transmission development, could make regulatory oversight of planning increasingly difficult or inefficient, and will create serious challenges for transmission owners and developers, especially those operating in more than one state or region, in the areas of participation and compliance. Because regional planning must become more institutionalized both to satisfy the Nation’s infrastructure needs and to fulfill the Commission’s immediate open access goals in this proceeding, the Commission should extract from and improve upon the best practices of existing regional planning processes to develop a set of principles that can be more broadly applied to curb discrimination, inefficiency, and lack of information in all regions.

WIRES believes that better planning protocols can help achieve the overall objectives of open access which this proceeding seeks to enhance, while respecting existing procedures to the extent feasible. The critical objectives of all good planning that WIRES endorses are:

- Open and transparent planning procedures;
- Long-term planning horizons;
- Broad-based criteria for assessing a project’s need including both reliability and economic considerations as well as efficiency and environmental benefits;
- Clear conditions under which a transmission owner will commit to build the planned facilities; and
- Provision for the fair and efficient allocation of costs of planned facilities.

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<sup>7</sup> *PJM Interconnection LLC*, 117 FERC ¶61,218., at P 22. (2006)

WIRES will support a Final Rule that, in the OATT or elsewhere, aims at achieving these goals and measures of performance for all regional planning processes. There is no shortage of record support in this docket for a strong approach in the area of planning.

A. Open and Transparent Procedures

WIRES believes that new transmission development is facilitated to the extent that all market participants have access to historical and projected information about congestion over a sufficiently long planning horizon. In a process where the development of non-wires options like additional generating capacity and demand response must be simultaneously taken into account, where transmission providers also own generation, and where transmission expansions or upgrades could impact the long-term value of generation assets, the planning process must be highly transparent. In exchange for that requisite openness and public education about the importance of a strong transmission network, the Commission and states should collaborate in ensuring that projects conforming to a regional plan receive a reasonably expeditious and equitable treatment with respect to siting and cost recovery and the Commission should ensure state involvement in that regard. Finally, the Commission should recognize that the independent administration of the regional transmission planning process is “consistent with or superior to” a planning process administered by individual transmission owners.<sup>8</sup>

B. Long-Term Planning Horizon

This is another area where the Commission may feasibly prescribe adherence to more forward-looking processes that anticipate the needs for development in today’s evolving and dynamic power markets. Recent experience demonstrates that, except for generator

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<sup>8</sup> Such a third party could also manage confidential information to ensure that such sensitivities do not unfairly prejudice the planning process.

interconnection, the planning, permitting, and construction of transmission projects is a lengthy and costly process. Particularly with regard to long-distance high-voltage facilities, the construction of needed transmission poses considerable siting and permitting challenges, often depending on multiple jurisdictions with competing interests. Establishing planning horizons that are shorter than transmission lead times may create “gaps” where the identification of a reliability need to which transmission may be the best solution occurs too late to head off the identified reliability violation. This often requires the region to resort to stopgap measures, such as reliability must run contracts, which can be expensive to customers, undermine markets, and act as an incentive to delay difficult-to-site transmission upgrades even after they have been identified in the planning process as the optimal solution. Planning entities in many regions, such as CapX 2020 and PJM, are attempting to address this problem by establishing a fifteen-year planning horizon that will accommodate large-scale projects that are needed for reliability and to support regional transactions.<sup>9</sup> WIRES, therefore, respectfully urges the Commission to continue to encourage longer planning horizons and to ensure that reliability standards do not supersede planning horizons longer than ten years where such practices are adopted by particular regions.

WIRES nevertheless recognizes that the longer the planning cycle, the more speculative projections of economic, demographic, and operational conditions can become. This is due in large part to the lack of specific data about generator siting and retirement plans. While in

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<sup>9</sup> See *PJM Interconnection LLC*, 115 FERC ¶ 61,079 at P.87 (2006) (“Lastly, we strongly encourage PJM to continue its efforts in reforming its regional transmission planning process in order to better coordinate RPM with RTEP, and to provide incentives for construction of bulk lines that serve as a backbone of the transmission system. Although we believe that forward procurement provides a much better solution to RTEP integration than the current generation interconnection procedures, which are subject to high levels of project withdrawals, generation and transmission planning processes must be better coordinated. In its answer, PJM stated that the first component of transmission reform, extending the planning horizon for reliability baseline additions from the current five years to as much as fifteen years (depending on the project), has already been approved by the PJM Reliability Committee and incorporated in the RTEP process beginning January 1, 2006.”).

competitive markets such information is understandably proprietary, the lack of such data is represents a challenge to the planning process.<sup>10</sup> Although valid data and assumptions necessarily become more attenuated into the future, it is incumbent upon planners to develop the necessary statistical and other tools that enable planners and the Commission to understand the probable location and development generation and emerging patterns of congestion.

New fuel resources that are site-specific, such as generation tied to areas with great wind potential or coal mine-mouth areas can be identified well in advance. The development and even the appropriate aggregation of those resources can be facilitated through well-planned transmission expansions. If planning is merely reactive to short-term developments, scale economics could be lost and beneficial access to clean and economical resources will assuredly be delayed. Because it anticipates additional stresses will be placed on the transmission grid in many regions, WIRES foresees the critical importance of active and continuous planning. Congestion must be continually reassessed and developments not contemplated by planners or the stakeholders in the first instance must be accommodated. In light of the long siting and construction times required for major transmission projects and the biases against transmission solutions that are therefore inherent in short planning horizons, a long planning horizon (perhaps as much as 15 years) is not only practical for regional systems but necessary..

C. Broad Criteria to Demonstrate Need

Transmission planning is most useful when it addresses the full array of transmission needs. Congress in the Energy Policy Act of 2005 (“EPAct”) has recognized the importance of transmission infrastructure not just for reliability but for a wide variety of customer needs

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<sup>10</sup> See, e.g., filing of *PJM Interconnection LLC*, [Reliability Pricing Model], August 31, 2005, in Docket Nos. ER05-1410-000 and EL05-148-000.

including economic efficiency. For example, new section 216 of the Federal Power Act provides that national interest electric transmission corridor designations should be based on a variety of factors including economic growth and end-user markets, diversity of supply, and national security needs. Moreover, new sections 215 (d)(2) and 219 of the Federal Power Act, also enacted in 2005, make clear that the Commission must address service reliability issues in conjunction with economic considerations, such as the impact reliability standards have on competition or the application of incentives to spur investment to reduce congestion costs as well as to improve reliability. In WIRES view, Congress thereby signaled that grid expansion must not occur in a vacuum or through the prism of a single customer need (such as reliability) but that transmission needs should be assessed in a manner that takes into account a wide variety of customer benefits.. WIRES takes from these directives, as well as from the recent emergence of new investment and technology opportunities (such as the proposed development of wind resources across the country), a clear message that transmission planning must be forward-looking, geographically broad, and structured to account for the wide variety of customer benefits associated with transmission.

Among the past planning approaches that have actually inhibited transmission development is the over-reliance on the distinction between reliability and economic projects attempted in some RTO planning processes. Because projects arguably built for reliability purposes serve a pressing public need, projects whose primary purpose is to reduce congestion and the cost of energy to loads are often given low priority and in some planning processes parties seem content to limit planning to what is needed to meet minimum reliability requirements. However, the distinction between reliability and economic benefits of transmission does not hold up in practice. “Reliability-based investments always allow

reductions in generation redispatch costs that also would be expected to reduce market-clearing prices; and economic-based investments always provide reliability benefits. The distinction is made in the continuing hope that the market will build economic upgrades, but experience throughout the world indicates that this is more a hope than a reality.”<sup>11</sup> The often endless debate over how the benefits of particular transmission projects ought to affect regulatory treatment merely serves to ensure that important projects that can deliver a variety of benefits to consumers over time are delayed or not built at all. The Commission should move instead to encourage the planning and development of upgrades that offer benefits customers regardless of what particular type of benefits they are.

To make determinations of need based on broad criteria, an appropriate grid plan should be based on an integrated view of all alternatives, including demand response and distributed generation. The interests of certainty and expedition are also served by anticipating environmental and stakeholder concerns to the extent possible. The Commission should therefore prescribe in the OATT the conditions under which a transmission provider will be required to build to serve the economic and reliability goals enshrined in the plan, once that transmission provider is assured of cost recovery and siting authority. In the end, regional planning should achieve a balanced and prudent approach to development, neither stranding capital nor encouraging highly speculative projects.

D. Commitments to Build

Well-formulated and supported regional plans must be implemented. Absent such follow-through, the Commission will not see the expected benefits of its proposed fair and open

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<sup>11</sup> NRECA, at 90.

regional planning process. There nevertheless seems to be great debate over the so-called obligation to build. On the one hand, many parties have asserted that, absent a formal tariff obligation to build all projects agreed to in the regional plan, transmission providers will not build such projects. On the other hand, many utilities raise legitimate concerns that an open ended obligation to build projects identified in regional plans could put them in an untenable position if there is no assurance of recovery of the costs of such projects or if siting approval is withheld. WIRES respectfully suggests that it is time to shift the debate and talk about “appropriately tailored commitments to build.”

This commitment would be founded on the reasonable premise that any regional plan that is the product of a fair and open process that takes into account a wide variety of customer needs are most likely to get widespread support from transmission providers, customers, and the relevant regulatory authorities. This commitment to build would also be conditioned on the availability of a mechanism for recovering the costs of plan implementation. If the means of recovery are understood before, or made part of, adoption of a regional plan, neither regulators nor transmission owners should have second thoughts about translating the plan into additions to the transmission network. Transmission improvements should not be deferred based on factors extraneous to the plan or beyond the control of the transmission owner. For this same reason, the commitment to build would also be conditioned on receipt of necessary siting and permitting authority.

By shifting the debate away from open-ended obligations to build to more appropriately conditioned commitments to build, the Commission can ensure that the regional planning is not a futile exercise or a recipe for failure but actually leads to the construction of needed infrastructure. WIRES would submit that the provisions embodied in Schedule 3.09(a)

“Planning and Expansion – Participating Transmission Owner Rights and Obligations” of the ISO-NE Transmission Operating Agreement<sup>12</sup> should offer a workable model for structuring such a commitment generically in this proceeding.

E. Efficient Decisions on Cost Responsibility

After a regional planning process has come to grips with the dimensions of the need for more transmission, the uncertainties associated with load forecasting, and the economics of eliminating congestion, the inescapable planning issue remaining is always “who pays?” WIRES does not recommend a single cost allocation methodology, although it recognizes that the kinds of major system expansions and upgrades that the Commission and the Congress wish to encourage will almost invariably benefit all users of an integrated regional system in terms of reliability and rates. Overall, regional plans should incorporate analyses of transmission uses over time, take account of the impacts of advanced technologies and the impact of rate base or RTO environments, and make a judgment about how costs and beneficiaries align. Whatever studies are done or factors considered, an explicit cost allocation approach is a necessary precondition for ratification of any effective and equitable regional plan for project development.

It is important to stress that, given the current need for infrastructure in this country and the number of transmission projects that can be expected to be identified in a regional plan, any expectation that parties can haggle over how to allocate the costs of each transmission project would be unreasonable and counterproductive. While cost allocation debates generally have been a major source of delay and regulatory uncertainty for individual transmission projects, the

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<sup>12</sup> This agreement can found at this address: [http://www.iso-ne.com/regulatory/toa/er06-1181\\_toa-composite\\_6-29-06.pdf](http://www.iso-ne.com/regulatory/toa/er06-1181_toa-composite_6-29-06.pdf).

gridlock caused by multiplying such debates by the numbers of projects that will be considered in a regional planning process would be unconscionable. For example, the New England regional system plan for 2006 lists over 250 individual transmission projects.<sup>13</sup> According to the February 2006 report on PJM's regional transmission expansion plan (at page 5), "[t]o date, the RTEP upgrades recommended by PJM and approved by the PJM Board has numbered in excess of 700."<sup>14</sup> Similarly, the December 2006 draft of the Midwest ISO's regional transmission expansion plan (at page 1) provides that "MTEP 06 has identifies 438 projects comprised of 747 planned or proposed facility additions or enhancements representing an investment of \$3.8 billion through 2011."<sup>15</sup> Given the literally hundreds of new transmission projects that have been identified in existing regional planning processes and that can be expected to be identified under new regional planning processes developed under the final rule in this proceeding, case-by-case consideration of cost allocation would be patently unworkable.

The Commission should therefore require that, as part of compliance filings detailing the relevant planning processes and implementation of those regional plans, transmission owners explain how they intend to allocate the costs of planned projects and treat transmission customers comparably, consistent with overall Commission policy and efficient grid administration. Requiring transmission owners to explain cost allocation principles they intend to apply to transmission projects identified in their regional planning processes will aid the Commission in determining whether the regional planning processes mandated by the final rule will actually result in needed transmission construction and will head off the intractable debates

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<sup>13</sup> See [http://www.iso-ne.com/trans/rsp/2006/oct06\\_iso\\_ne\\_project\\_listing\\_final\\_122106.xls](http://www.iso-ne.com/trans/rsp/2006/oct06_iso_ne_project_listing_final_122106.xls).

<sup>14</sup> See <http://www.pjm.com/planning/downloads/20060410-rtep-report.pdf>

<sup>15</sup> See [http://www.midwestiso.org/publish/Document/3c9065\\_10e9e96031d\\_-7c430a48324a/MTEP06\\_Report\\_1206\\_draft.pdf?action=download&property=Attachment](http://www.midwestiso.org/publish/Document/3c9065_10e9e96031d_-7c430a48324a/MTEP06_Report_1206_draft.pdf?action=download&property=Attachment)

on cost allocation that would result if the cost allocation of each project had to be decided on a case-by-case basis.

**V.**  
**CONCLUSION**

For the foregoing reasons, WIRES respectfully requests that the Commission take action to improve regional planning in all regions of the country in order to strengthen the transmission grid and thereby improve the efficiency, reliability, and economic sustainability of the bulk power system.

Respectfully submitted,

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