

FERC transmission NOPR sees new round of comments

Stakeholders share messages for FERC in public statements

FERC's transmission planning notice of proposed rulemaking (NOPR) saw dozens of filings last week as the proceeding reached another comment deadline, with multiple stakeholders announcing publicly the content, meaning, and goals of their submissions. The goals of the proceeding include finding ways the various ISO/RTOs can get generation projects including renewables connected to the transmission grid faster and more efficiently – and sort out who should have to pay for transmission needed for these projects.

With improved regional planning and greater competition, the approximately \$25 billion spent annually on the electric transmission system could go much further in producing benefits for consumers and facilitating the transition to a decarbonized electric system, the Maryland Office of People's Counsel (OPC) said last Tuesday in a statement about its own filing. Better planning will improve electric reliability, resiliency, and the long-term efficiency of the transmission system, it added.

“Existing planning for investing in the transmission system is driven by the financial interests of incumbent utility transmission owners, is inefficient, and lacks transparency,” said Maryland People's Counsel David Lapp in prepared remarks. “The solution is a strong, empowered, and truly independent regional planner with meaningful public participation in all phases of transmission project development. FERC's proposal is a big step in the right direction.”

Maryland's utilities are part of PJM and FERC allowed a loophole through which PJM's transmission owners can control which transmission projects are part of PJM's planning process, the OPC said. That allowance caused a proliferation of utility-designated, self-approved “local” transmission projects, the OPC's filing reportedly said.

Spending on utility self-approved transmission projects ballooned and is four times greater than projects planned through PJM's regional process. At the same time, hundreds of renewable energy projects are waiting to connect to the

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system, facing barriers that will cause some projects to not be developed and making it more difficult and costly for Maryland to achieve its clean energy goals, it added.

In many respects, FERC's proposed new regulations on regional planning will improve the current situation and facilitate the development of renewable energy, largely by establishing long-term planning requirements that account for the benefits of a more robust system, OPC said. Such planning should account for Maryland's ambitious decarbonization policies.

OPC's comments were filed jointly with the District of Columbia (DC) Office of People's Counsel and pointed out that transmission costs have more than doubled in the past decade. Cost estimates for decarbonizing the electric system to achieve carbon neutrality by 2050 are in the range of \$2-4 trillion, the OPC said.

The extraordinary costs of building a carbon-neutral system can be mitigated through robust competition for building and owning transmission system enhancements, it added. Where competitive solicitations have been used, the evidence shows substantial cost savings, ranging from 15-60%, according to studies cited in OPC's filing, but utilities have avoided competition through the loophole for utility self-designated "local" projects.

Unfortunately, FERC's proposed rulemaking moves backward on competition by enabling utilities to avoid competition even for regionally planned projects, the OPC said.

"FERC's proposal heads in the right direction on long-term planning, but the wrong direction on competition for building out the transmission system," Lapp said. "The proposal yields to the financial self-interest of utility transmission owners, allowing them greater ability to avoid competitive procurements, and thus rewards the same players who have perverted regional planning and competition."

Monitoring Analytics, as the independent market monitor (IMM) for PJM, agrees with FERC that a consistent approach to transmission planning is important, but also believes the application of consistent principles to very different market designs and physical infrastructure will potentially produce very different rules for different markets and non-market areas, the monitor said.

"We have not examined the detailed results of the transmission planning process throughout the US whether in organized markets or not," it added. "Many of the design flaws that motivated this NOPR are not present in PJM," such as "it is not true in PJM that investments associated with interconnections have been disproportionately large.

"PJM's recently proposed changes to the interconnection process will significantly improve the efficiency and effectiveness

Abbreviations

Glossary of abbreviations

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of the interconnection process and the interaction between interconnection requirements and the RTEP [regional transmission expansion plan] planning process.” Issues in the interconnection process have many sources, but one that is not usually identified is that developers add speculative projects to the queue to give themselves low-cost options, but this creates delays and added costs for others when they are withdrawn, the monitor said.

“It would be a mistake to let such projects affect long term transmission planning. PJM’s proposed changes to the interconnection process directly address these incentives. PJM directly accounts for the interaction between the interconnection process and the RTEP process in the PJM planning process, as explained by PJM in their comments,” it added.

IMM: PJM already there

PJM’s process meets FERC’s proposed requirements, the monitor said. “The conclusion that about two thirds of the total transmission investment in PJM went to resolving local needs is an artifact of the fact that transmission owners have reclassified transmission projects in order to avoid competition to build transmission.

“A consistent, comprehensive approach to requiring competition for transmission projects is an essential part of long-term regional transmission planning and in PJM, would ensure that all such transmission projects are managed within the RTEP process.”

FERC identified the failure to assess longer-term transmission needs as a problem with existing transmission planning processes but PJM does engage in long-term regional transmission planning, though the RTO’s process could be improved, it added. “The PJM RTEP process currently looks 15 years ahead. That period could be extended to 20 years as proposed by the commission, while recognizing that as the period grows longer, uncertainty increases significantly and reduces the value of the results.

“The planning process should look as far ahead as there is reasonable data to support it but recognize that the range of possible outcomes becomes much larger the longer the look ahead period. The planning process should be both long term and flexible. The planners must have the ability and the requirement to change plans as reality changes,” the monitor said.

FERC’s “proposed rule to reform the transmission planning process is a good first step, but to be effective and meet the clean energy boom that’s around the corner, FERC must put more prescriptive rules in place for transmission planning,” said Solar Energy Industries Assn (SEIA) VP of State & Regulatory Affairs Sean Gallagher in prepared remarks Thursday. “While

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flexibility is helpful in some instances, FERC's proposed rules are too permissive and don't require utilities to incorporate the full range of factors affecting their transmission plans.

"Without bold policies, we will be missing out on a major opportunity to adequately prepare for surging clean energy demand," he added.

"SEIA recommended a number of changes to the proposed rule, including requirements for transmission providers to take into consideration factors that drive clean energy supply and demand. This could include state, municipal, and corporate clean energy goals, power plant closure announcements, interconnection requests that are nearly complete, and other items that would directly affect clean energy growth.

"In addition, SEIA recommended that transmission planning scenarios extend to 40 years, which would better reflect the full range of long-term benefits transmission facilities and lines can provide to the grid and surrounding communities over the lifetime of these assets.

"And finally, FERC proposed a number of items that could be considered when evaluating systemwide transmission benefits. We urge FERC to adopt all twelve of those benefits and recommend measuring emission reductions as a benefit. Climate change is an existential threat to all American communities and extreme weather remains one of the biggest threats to electric reliability."

ETCC targets 100-kV up

The Electricity Transmission Competition Coalition (ETCC), a group of over 80 diverse consumer organizations, called on FERC Wednesday to require transmission competition for projects that are 100 kV or larger, and fulfill its mandate to provide affordable and reliable energy to homes and businesses. In its comments to FERC, the coalition reiterated the need for a competitively bid transmission process to help lower costs for consumers – calling it an effective anti-inflation policy, the group said in a press release Wednesday.

The ETCC filing said FERC's proposal would fail to provide adequate consumer protection against unjust, unreasonable, and unduly discriminatory transmission rates, the group said. Competition has been proven to lower costs and increase innovation and FERC is abandoning its mandate and turning its back on the solution to the problems it seeks to address, it added.

FERC does not have the legal authority to rewrite Order 1000, and the proposed changes to the order, including the reinstatement of a ROFR are therefore illegal and beyond FERC's authority, the group said. In addition to these numerous legal deficiencies,

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FERC failed in the fundamental test of proving that its proposal is just, reasonable, and not unduly discriminatory or preferential.

“If FERC chooses to reject competition, it is choosing to abandon its mandate to protect consumers and instead support the incumbent monopoly utilities who oppose competition in order to protect and enhance their profitability,” said ETCC Chair Paul Cicio in prepared remarks.

Electricity transmission competition has been shown to lower costs by as much as 40% and in an era of soaring electricity price inflation, it is essential that transmission projects that are 100 kV or larger are competitively bid, the group said.

ACORE weighs in

American Council on Renewable Energy (ACORE) urged FERC to move expeditiously toward a final rule that improves the regional transmission planning process, it said Wednesday in a separate statement about its own comments filing. The group believes a massive expansion of the transmission system will be essential to support the significant growth in renewable resources expected as a result of the Inflation Reduction Act that was signed into law the day before (PMT, [Aug-22](#)).

“A 21st century economy needs a 21st century grid,” said ACORE CEO Gregory Wetstone in prepared remarks. He commended FERC, “for proposing to require long-term, scenario-based transmission planning, and for identifying a wider array of transmission benefits.

“As we stated in our comments, FERC can also make improvements in its final rule by using a minimum set of benefits for both transmission planning and cost allocation, implementing a more efficient portfolio-based approach, assuring that all drivers of transmission are incorporated, and requiring the inclusion of a broader group of grid-enhancing technologies.

“These measures are vital for improving system resilience, keeping costs low for consumers, and delivering the clean power that Americans deserve. ACORE continues to urge the commission to expeditiously finalize this rule with these improvements and initiate additional rulemaking procedures to help upgrade our transmission infrastructure and move the country forward on its path to a clean energy future,” he added.

Large group sends letter

A group of over 30 organizations called the Macro Grid Initiative sent a letter to FERC last Tuesday in support of a strong transmission planning rule that helps strengthen the nation’s transmission network, the group said in a press release highlighting the comment deadline. The organizations that signed the letter included utilities; consumers;

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NGOs; think tanks; labor groups; national trade associations; equipment providers; clean energy buyers; transmission developers, builders, and operators; independent power producers; and environmental organizations, it added.

“We believe that expanding and upgrading the nation’s transmission network will deliver jobs and economic development, a cleaner environment, and lower costs for consumers,” the letter said. “The diversity of the signatories reflects the fast-growing and widespread recognition of the importance of a strong planning rule to ensure that the nation’s transmission system can support future needs and that the commission must lead its establishment.”

“Better transmission planning will help deliver the low-cost, clean, and reliable energy American businesses and consumers are demanding,” said Macro Grid Initiative Director Barbara Tyran in prepared remarks. The initiative “applauds FERC for its leadership in this rulemaking process.”

The group is a joint effort of ACORE and Americans for a Clean Energy Grid and seeks to expand and upgrade the nation’s transmission network to deliver job growth and economic development, a cleaner environment, and lower costs for consumers, the group said.

PJM price growth reaches new peak in 1H 2022

PJM’s wholesale electric energy market produced competitive results during the first six months (1H) of 2022, according to the “2022 Quarterly State of the Market Report for PJM: January through June,” released Aug 10 by Monitoring Analytics, the independent market monitor for the RTO. The report included analysis of market structure, participant behavior, and market performance for each of PJM’s 13 state markets and the District of Columbia.

“Our analysis concludes that the results of the PJM energy market were competitive in the first six months of 2022,” said market monitor Joseph Bowring in prepared remarks.

Energy prices increased significantly in the first six months of the year and the real-time, load-weighted average LMP grew 121.3% from \$30.62/MWh to \$67.77/MWh during 1H. The price level was the third highest real-time load-weighted average LMP for the first six months of a year, while the price increase of \$37.15/MWh and the percent price increase of 121.3% were the largest increases in load-weighted average prices for the first six months of a year since the creation of PJM markets in 1999.

Of the \$37.15/MWh increase, 46.9% was a direct result of

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higher fuel and emission costs, the IMM said. Both coal and natural gas prices were higher in the first six months of 2022 compared to 2021, although fuel prices varied by time-period and area. Coal prices, and gas prices in the eastern part of PJM doubled. The real-time hourly average load in the first six months of 2022, increased by 1.9% from the first six months of 2021, from 85,958 MWh to 87,616 MWh.

The total price of wholesale power grew from \$56.52/MWh in the first six months of 2021 to \$95.93/MWh in the first six months of 2022, an increase of 69.7%. Energy, capacity, and transmission charges are the three largest components of the total price of wholesale power, comprising 98.1% of the total price per MWh in the first six months of 2022.

Starting in the third quarter of 2019, the cost of transmission per MWh of wholesale power has been higher than the cost of capacity, it added.

Energy prices in PJM in the first six months of 2022 were set, on average, by units operating at or close to their short-run marginal costs, although this was not always the case, the IMM said. This is evidence of generally competitive behavior and competitive market outcomes, although high markups for some marginal units did affect prices.

In the first six months of 2022, generation from coal units decreased 6.4%, and generation from natural gas units grew 5.2% compared to the first six months of 2021.

Net revenue is a key measure of overall market performance as well as a measure of the incentive to invest in generation to serve PJM markets, the IMM said, and theoretical net revenues from the energy market grew for all unit types in the first six months of 2022 compared to the first six months of 2021. Theoretical energy net revenues increased by 138% for a new combustion turbine, 127% for a new combined cycle, 87% for a new coal unit, and 117% for a new nuclear plant, it added.

Total energy uplift charges increased by \$2.8 million, or 3.6%, in the first six months of 2022 compared to the first six months of 2021, from \$79.3 million to \$82.1 million.

Total congestion increased by \$791.9 million or 223.7%, from \$354 million in the first six months of 2021 to \$1,145.9 million in the first six months of 2022. But only 31.5% of total congestion paid by customers for the 2021/2022 planning period was returned to customers through the ARR and self-scheduled FTR revenues offset, the lowest offset since ARRs were implemented.

The goal of the FTR market design should be to ensure that customers have the rights to 100% of the congestion that customers pay, the IMM said. The report was made available

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Gas futures add 34.4¢

as storage creeps up: The NYMEX September (expires August 29) natural gas futures contract price yesterday settled up 34.4¢ at \$9.680/MMBtu amid near-term expectations for soaring prices in Europe to boost winter weather prices and market tightness in the US, according to analyst Jackson Mueller. The near-month trading ranged from a low of \$9.158 to a high of \$9.982. The EIA issued its weekly natural gas storage report for the week ending Friday, Aug 12 with a net gain of 18 Bcf in storage compared to expectations of a 42-Bcf net injection into underground storage. The EIA's estimated working gas in storage of 2,519 Bcf was 296 Bcf less than last year, 367 Bcf below the five-year average of 2,886 Bcf, and within the five-year historical range. The six-to-10-day and eight-to-14-day weather outlooks called for most of the US to see growing warmer-than-normal temperatures, except for a mix of normal and cooler-than-normal temperatures in the South and growing up the Mississippi River Valley, he added.

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