

**BEFORE
THE OHIO POWER SITING BOARD**

In the Matter of the Ohio Power Siting)
Board's Report to the General Assembly) Case No. 21-796-EL-UNC
Regarding the Power Transmission System.)

**COMMENTS
OF
THE OHIO MANUFACTURERS' ASSOCIATION ENERGY GROUP**

I. INTRODUCTION

Pursuant to R.C. 4906.105, the Ohio Power Siting Board (Board) is required to submit a report (hereinafter, Transmission Report) to the General Assembly as to “whether the current requirements for the planning of the power transmission system and associated facilities investment in [Ohio] are cost effective and in the interest of consumers.” The Transmission Report is due to the General Assembly no later than December 1, 2021.¹

On July 14, 2021, the Board issued an Entry directing stakeholders to file comments on the requirements of the Transmission Report by August 4, 2021. The Entry further stated that the Transmission Report may include recommendations for legislative changes, including: changes to the definition of a “major utility facility”; soundness of criteria for an accelerated certificate application; transparency of the certification process; whether alternative projects and bids were considered; and whether a project was considered in the context of the regional transmission planning process of PJM Interconnection, LLC (PJM).²

In accordance with the Board's July 14, 2021 Entry, the Ohio Manufacturers' Association

¹ Entry at ¶ 1 (July 14, 2021).

² *Id.* at ¶ 2.

Energy Group (OMAEG) hereby submits the following comments to promote cost effectiveness and transparency in Ohio’s transmission planning process.

II. COMMENTS

A. “Unfettered” Supplemental Transmission Investment in Ohio Disadvantages Ohio Manufacturers and is Not Part of the Regional Transmission Planning Process.

Electrical system transmission costs represent a substantial portion of manufacturers’ bills in Ohio, and these costs are continuing to increase. For instance, over the past six years, the AEP transmission zone has seen a 130% increase in Network Integration Transmission Service (NITS) charges, which, along with Transmission Enhancement Charges (TEC), make up the bulk of a customer’s transmission obligation.³ The increase in NITS charges across the Ohio transmission zones over the past six years are shown in Figure 1 below.⁴

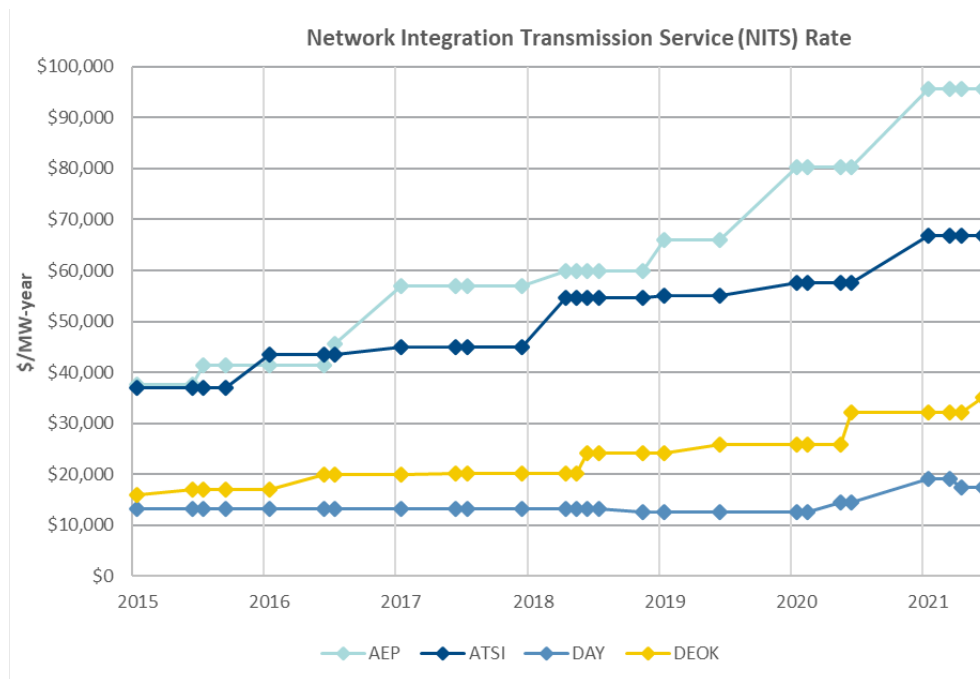


Figure 1. NITS Charges in Ohio Since 2015

³ Data Compiled from PJM Data Miner 2.

⁴ *Id.*

Furthermore, the Public Utilities Commission of Ohio's (PUCO) Ohio Federal Energy Advocate (Ohio FEA) filed comments in a Federal Energy Regulatory Commission (FERC) proceeding regarding incentives for transmission owners. The comments stated, in pertinent part, that:

In Ohio, \$355 million was spent on baseline and supplemental transmission projects in 2010. In 2018 and 2019 in Ohio, the level of transmission investment ballooned to \$2.4 billion and \$1.9 billion, respectively. This trend is not abating even with the health emergency of last year. Ohio's 2020 transmission project investment totaled approximately \$1.12 billion. Approximately 97.6 percent of that represents supplemental projects.⁵

Notably, supplemental projects are not required through PJM's Regional Transmission Expansion Plan (RTEP). Per PJM, RTEP "identifies transmission system additions and improvements needed to keep electricity flowing to 51 million people throughout 13 states and the District of Columbia. Studies are conducted that test the transmission system against mandatory national standards and PJM regional standards. These studies look 15 years into the future to identify transmission overloads, voltage limitations and other reliability standards violations."⁶

Transmission as a component of a customer's bill now outweighs the PJM capacity costs. For the 2022/2023 delivery year, the transmission component of each zone in Ohio will cost more on a dollar per mega-watt basis than capacity.⁷ In part, this is because capacity is determined by market forces, whereas transmission is non-competitive.

Unfortunately, there is very little action that manufacturers can currently take to mitigate these costs. Unlike capacity, which manufacturers can generally procure as a pass-through product from their Competitive Retail Electric Supply (CRES) provider, most manufacturers in Ohio are

⁵ Comments of the PUCO Ohio FEA at 6, Docket No. RM20-10-000 (June 25, 2021).

⁶ PJM – Regional Transmission Expansion Plan.

⁷ 2022/2023 Base Residual Auction – RTO Capacity Price is \$50/MW-day, DEOK Price is \$71.69/MW-day.

billed on their 12 monthly demand rather than the 1-CP (coincident peak), which is the main driver of transmission cost allocation. Thus, actions including curtailment and investment in on-site generation fail to reduce transmission costs, despite providing benefits to the transmission system.

The aim of this Transmission Report is summarized nicely by the Ohio FEA; that is, to “target necessary transmission investment needed for system reliability and generation rather than continued *unfettered* transmission investment through supplemental projects in PJM.”⁸ (Emphasis added). Targeted transmission investment is essential for Ohio manufacturers to remain competitive.

B. Significant Transmission Investment Costs are Not Defined as a “Major Utility Facility” and Ohio Law Currently Does Not Provide Transparency into These Investments.

Before construction can begin on any major utility facility within Ohio, a certificate of environmental compatibility and public need must be obtained from the Board. The Ohio Revised Code defines a major utility facility as an electric transmission line and associated facilities of a design capacity of 100 kilovolts (kV) or more.⁹

However, transmission projects falling under this 100 kV requirement are financially significant. According to PJM’s 2020 RTEP Report, approved baseline projects with a design capacity less than 100 kV cost more than the total of approved 345 kV projects as well as the total of approved 500 kV projects over the past four years.¹⁰ Additionally, the 2020 RTEP Report states that “2020 continues to reflect the shifting dynamics driving transmission

⁸ Comments of the PUCO Ohio FEA at 3, Docket No. RM20-10-000 (June 25, 2021).

⁹ R.C. 4906.01(B)(1)(b).

¹⁰ PJM Key 2020 RTEP Report Graphics & Information.

expansion...specifically] new large-scale transmission projects (345 kV and above) have become more uncommon as RTO load growth has fallen below one percent.”¹¹

In Ohio, approximately 31% of total transmission system upgrades (this includes both required upgrades through the RTEP process as well as supplemental upgrades) involve projects that are less than 100 kV.¹² The average cost of one of these projects is \$29.9 million, only \$2.3 million less on average than projects with a design capacity above 100 kV.¹³ Furthermore, 100% of these projects were deemed “supplemental,” meaning that they were not required through PJM’s RTEP process.

In sum, a significant percentage of both transmission projects and total investment dollars are tied up in transmission projects at the 69 kV design capacity rating. Providing the Board jurisdiction over these projects will allow for greater transparency of transmission investment within Ohio.

C. The Board Should Consider Additional Criteria for a Transmission Project Certification Application.

In the July 14, 2021 Entry, the Board requested that stakeholders provide input as to whether the following criteria should apply, if applicable, to the certification of a transmission project application:¹⁴

(1) That alternative transmission projects were considered;

(2) That the project was competitively bid or compared to the results of a competitive bid;

¹¹ PJM 2020 Regional Transmission Expansion Plan, Section 1, Page 5.

¹² Compiled from PJM 2020 Ohio State Infrastructure Report.

¹³ *Id.*

¹⁴ Entry ¶ 2 (July 14, 2021).

- (3) That the project has been considered in the context of the utility's larger transmission plan;
- (4) That the project has been considered in the context of the RTEP process of PJM;
- (5) That the project could not have been deferred or redesigned to achieve the same operational result at lower overall cost;
- (6) and that the project has provided historical information for an existing transmission project or information for a planned or proposed project.

OMAEG believes that additional oversight of supplemental transmission investment is necessary and supports the addition of required criteria in the certification process to further this end.

The Transmission Report to the General Assembly should also prioritize establishing whether supplemental transmission projects have quantified their purported improvements to system reliability. Additionally, the Transmission Report should evaluate whether non-wire alternatives, including customer-sited non-wire alternatives, could achieve similar system reliability improvements. However, the Board should take care to ensure that these criteria do not become mere checkboxes.

III. CONCLUSION

As described in the preceding comments, supplemental transmission investment has ballooned in recent years. The PUCO's own Federal Energy Advocate has called this level of investment, "unfettered"¹⁵ and has noted that the investments are not targeted towards improving system reliability. This must change to protect the competitiveness of Ohio manufacturing. If

¹⁵ Comments of the PUCO Ohio FEA at 4, Docket No. RM20-10-000 (June 25, 2021).

transmission is to remain non-market-based, then the Board should take increased action to scrutinize the legitimacy, need, and cost/benefit ratio to Ohio customers who fund these supplemental transmission projects.

For the foregoing reasons, OMAEG respectfully requests that the Board's Transmission Report to the General Assembly provide comprehensive detail on:

- the lack of transparency in transmission investments in Ohio,
- the fact that significant transmission investments are not part of the transmission planning process,
- a requirement that transmission investments be shown to be in the interest of customers by reducing transmission costs or improving transmission system reliability, and
- the extent to which transmission project applications consider non-wire alternatives, including customer-sited non-wire alternatives and competitively-bid wire and non-wire alternatives.

Respectfully submitted,

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CERTIFICATE OF SERVICE

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Summary: Comments on the Ohio Power Siting Board's Transmission Report to the General Assembly electronically filed by Mrs. Kimberly W. Bojko on behalf of OMA Energy Group