

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Joint Federal-State Task Force)	Docket No. AD21-15-000
on Electric Transmission)	

**COMMENTS
OF THE PUBLIC UTILITIES COMMISSION OF OHIO’S
OFFICE OF THE FEDERAL ENERGY ADVOCATE**

The Federal Energy Regulatory Commission (“FERC” or the “Commission”), in conjunction with the National Association of Regulatory Utility Commissioners (“NARUC”), established a Joint Federal-State Task Force on Electric Transmission (“Joint Task Force”) on June 17, 2021, comprised of all FERC Commissioners and 10 state commissioners, nominated by NARUC and affirmed by FERC. The Joint Task Force seeks to foster state-federal cooperation and coordination in transmission infrastructure development. The onset of renewable energy resources is paving a road for radical changes to the national electric grid and parties see a need to determine how to plan and pay for new transmission infrastructure and navigate shared federal-state regulatory authority and processes.

On February 16, 2022, the Joint Task Force held its second meeting. The Public Utilities Commission of Ohio’s Office of the Federal Energy Advocate (“Ohio FEA”) supports the Joint Task Force’s undertaking and offers the following in response to FERC’s request.

I. BACKGROUND AND INTRODUCTION

On July 15, 2021, the Commission issued an Advance Notice of Proposed Rulemaking (“ANOPR”) under Section 205 of the Federal Power Act (“FPA”) presenting potential reforms to the electric regional transmission planning and cost allocation and generator interconnection processes. As FERC Chairman Richard Glick observed, it is the first effort at major transmission reform in a decade and a proposal to move away from piecemeal transmission development in favor of longer-term regional transmission planning. The ANOPR also encompasses opportunities to rethink cost allocation for regional transmission network upgrades and whether enhanced transmission planning oversight is needed. In October, the Ohio FEA submitted comments in general support of transmission planning reform but with caveats to retain elements of the existing system which we find to be just and reasonable. Of primary interest to the Ohio FEA is preservation of cost allocation principles that have guided transmission development to date.

The Commission held its first Joint Task Force meeting in November and has announced plans for a third meeting in May. These comments, however, are restricted to the topics outlined by the Commission after the second meeting, in February.

II. COMMENTS

A. Topic 1: Discussion of Specific Categories and Types of Transmission Benefits that Transmission Providers Should Consider for the Purposes of Transmission Planning and Cost Allocation

The Commission enumerated three categories of benefits for transmission planning -- reliability, economics, and public policy – and asks whether the categories should be expanded or amended. The Ohio FEA supports retaining the existing categories as well as the idea that transmission projects need not be siloed to a single purpose.

As Chairman Glick said at the Joint Task Force meeting in February, “in terms of the silo approach, it might have made some sense in the past. But I think it's making less sense as we go forward, in large part as has already been mentioned a couple of times, that their projects don't just provide benefits in one area.” Commissioners Mark Christie, Allison Clements and Willie Phillips also noted that single-purpose transmission projects may no longer be the most efficient way to plan for the future of the grid.

“They might provide other benefits from economic needs or other benefits including resilience,” Chairman Glick said. “I think there's this idea that we can just plan for and then allocate the cost for transmission based on one particular set of benefits (that is) probably is a little bit outdated, and I think doesn't mix with reality.” While the Ohio FEA sees the potential for multi-driver projects, some circumstances may remain best addressed with a single-purpose project. We recommend that the Commission remains open to both possibilities.

Commissioner Christie raised the prospect initially posed by market monitor David Patton for a different kind of transmission planning approach. Patton proposed that

FERC should direct the RTO/ISOs to engage, to create inter-regional plans with each neighboring RTO/ISOs for at least a minimal transfer capacity between them. Jointly, RTO/ISOs could serve reliability needs in weather emergencies or events which increase import needs in one or more regions that can be addressed by others on the system. The Ohio FEA joins others at the conference who spoke in support of the concept but wonders how it might play out. As discussed more fully below, cost causation principles are hotly debated within RTO/ISOs, and we can't imagine that they would be less divisive between them.

In a 2014 filing with the Commission, PJM Interconnection, LLC ("PJM") proposed to modify its Operating Agreement and Open Access Transmission Tariff to "allow greater flexibility to develop projects that could include a combination of reliability, economic, and public policy components to ensure system reliability."¹ The Multi-Driver cost allocation methodology allowed for a localized project to be "boosted" into regional cost allocation due to of a public policy driver being added. The "boost" put such projects into the category of those which benefit the entire RTO, the costs of which are partially recovered through postage-stamp cost socialization.

The Ohio FEA argued that the effect of such a change would be to decrease costs for the elements of the project that are not public policy drivers and spread costs to regions of the RTO which would derive no benefit from them. We reiterate our

¹ See PUCO Comments Docket No. 93-7000-EL-FAD, Available at: <http://dis.puc.state.oh.us/TiffToPdf/A1001001A14J03B42953D01090.pdf>

opposition to any proposal that allows for cost socialization for transmission projects that would not exist but for the policy preferences of one state.

B. Topic 2: Discussion of Cost Allocation Principles, Methodologies, and Decision Processes for the Purposes of Transmission Planning and Cost Allocation

The Commission asks whether current cost allocation methodologies used by transmission providers allocate costs roughly commensurate with estimated benefits. The Ohio FEA argues that the cost allocation processes for transmission project drivers in PJM are correctly appropriated and should remain unchanged.

Chairman Glick spoke in favor of moving to a portfolio approach. “And there's always, you know, why am I going to sign off on it if the state next to me doesn't, isn't paying their fair share? So that's why again, going back to the human element issue, I think that's why I think, I personally think the portfolio approach makes a lot of sense,” he said. A portfolio approach to cost allocation, as employed by RTO/ISOs such as MISO in their MVP process and SPP in their Balanced Portfolio process, involves identifying a portfolio of transmission projects and allocating the costs regionally using a postage-stamp methodology.² The Ohio FEA has opposed the postage-stamp methodology for electric transmission cost allocation as it is tantamount to cost socialization. Cost socialization blurs the distinction between costs and benefits to spread costs across a region and is inequitable to customers who do not directly or meaningfully benefit from a transmission expansion project.

² Durish Cook, Amanda. 2021. *MISO Dusts off MVP Cost Allocation for Long-range Tx Plan*. RTO Insider. Page 26.

The existing transmission infrastructure in PJM is robust, negating the need for a portfolio of high voltage transmission projects to “unlock” renewable energy development. Furthermore, the infrastructure and geography of the PJM footprint differs from the rest of the country. The current renewable resources in PJM are not as distant from load centers as they are in the plains of MISO. The Ohio FEA believes that the regional flexibility of transmission planning and cost allocation should be maintained. We agree with North Carolina Commissioner Kimberly Duffley in her comments that “Portfolio projects may work for one region, but may not work for all regions, and we need to recognize those regional differences.”

C. PJM’s Existing Framework Aligns Costs with Beneficiaries

The Commission also seeks comment as to what benefits would be considered adequate for states to agree to finance transmission enhancements to deliver such benefits. The Ohio FEA believes that transmission project cost allocation methods should strictly adhere to the current FERC-approved cost causation and beneficiary pays principles previously established through years of litigation to ensure just and reasonable rates in PJM. On numerous occasions over the past decade, the PUCO has been on record advocating for the beneficiary-pays approach to cost-recovery via the solutions-based, distribution factor analysis (“DFAX”) methodology as it pertains to PJM’s high-capacity transmission expansion projects.³ The DFAX-based, beneficiary-pays methodology

³ See PUCO Comments *Regarding The Attachment H Transmission Owners’ Stakeholder Process Cost Allocation Proposal*, Docket No. 93-7000-EL-FAD, available at: <http://dis.puc.state.oh.us/TiffToPdf/A1001001A12H01B54410I04038.pdf> (August 1, 2012).

measures who benefits from any major modification to the transmission system and assigns costs roughly commensurate to those benefits. The Ohio FEA avers that while FERC may be considering other cost allocation processes, the DFAX methodology is the most fair and accurate way to align the costs of transmission projects with the beneficiaries.

For regional transmission projects to ensure reliability, the Ohio FEA understands that costs need to be spread to those who benefit from the reliability upgrades. However, it should be demonstrated using a DFAX model that all customers in the region benefit to a relatively equal degree. Customers that receive negligible or negative benefits from transmission projects must be protected from costs associated with these projects. We concur with Commissioner Christie that “it's going to be hard to find incremental benefits for someone in Indiana or Michigan for a line built to serve Virginia's RPS.”

Transmission for projects that are not needed for reliability or market efficiency can utilize PJM's state agreement approach (“SAA”). PJM included the SAA transmission planning mechanism as part of its Order No. 1000 compliance filing, pursuant to which a state or states can request that PJM study a project designed to address public policy requirements identified by a state(s). Appropriately, under the SAA, a state that sponsors a project assumes the responsibility for bearing the cost of that project, thereby insulating nonparticipating jurisdictions from bearing the costs of state policy decisions unless they themselves volunteer to do so.

The SAA was the product of extended negotiations among PJM stakeholders and PJM states and should be respected by FERC. The Organization of PJM States, Inc.

(OPSI) filed comments in support of the SAA, with eleven jurisdictions each encouraging FERC to adopt the SAA, in part because it “ensures that transmission costs will correspond closely with state-identified public policy benefits, thereby eliminating concerns about both free ridership and cross-state cost shifting for public policy projects.”⁴ The first SAA Study Agreement, between PJM and New Jersey, was accepted in February 2021. There will surely be learnings along the way as the process is implemented for the first time, but time must be given to allow the approach to transpire. Now is not the time to undo the hard work and progress that has already been made in incorporating state policy goals into transmission planning in the PJM region.

D. States’ Role in Cost Allocation

Commissioner Christie asked if state regulators should have a consent role in RTO cost allocation methodology. His question comes after the ANOPR query about whether transmission development needs to be monitored in a more stringent way, given the dramatic increase in transmission projects and costs, especially in PJM. In some cases, state regulators learn about projects only after they’ve been approved by an RTO and development has begun. The Ohio FEA supports full transparency about transmission planning but hesitates to say state consent should be mandated. As the Joint Task Force continues its work, we will consider whether such a move is necessary.

⁴ Motion to Intervene and Comments of the Organization of PJM States, Inc. in FERC Docket No. ER13-198.

III. CONCLUSION

The Ohio FEA knows that much work lies ahead in updating the transmission planning process for the first time in more than a decade. The Commission is taking on big questions that surely will affect the grid's cost, efficiency, and reliability for decades to come. But not all elements of the existing system should be abandoned to incorporate new approaches. The Commission is committed through statute to a wholesale electric system that is just and reasonable, for now and for the future. The Ohio FEA shares that commitment while taking a curated approach for how to meet it.

Respectfully submitted,

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**On Behalf of The Public Utilities
Commission of Ohio**

Dated: April 1, 2022

CERTIFICATE OF SERVICE

I hereby certify that I have on this date caused a copy of the foregoing document to be served on each person included on the official service list maintained for this proceeding by the Commission's Secretary, by electronic mail or such other means as a party may have requested, in accordance with Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.2010. Dated this the 1st day of April 2022, at Columbus, Ohio.

/s/ Thomas G. Lindgren

Thomas G. Lindgren

Assistant Attorney General

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Summary: Comments of Federal Energy Advocate under AD21-15-000
electronically filed by Mrs. Kimberly M. Naeder on behalf of Ohio Federal Energy
Advocate