

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Building for the Future Through Electric Regional)
Transmission Planning and Cost Allocation and) Docket No. RM21-17-000
Generator Interconnection)

I. INTRODUCTION

The Clean Coalition respectfully submits these reply comments on electrical regional transmission planning and cost allocation. It is our perspective that the Commission should take this opportunity to ensure that transmission buildout is viewed as **one** of a plethora of solutions rather than the end all be all. As the nation works to decarbonize the electric grid, a significant amount of new transmission will be required, which, while important, should not take away from the value of distributed generation and distribution-level solutions — such as Community Microgrids — tailored to specific communities. In addition to local resilience and reliability benefits, strategically sited DER can reduce the strain on the transmission system, lessening inefficiencies that come with long distance transmission of electricity, minimizing congestion and lessening the amount of capital that needs to be spent on operations and maintenance (“O&M”). In California, for every dollar invested in transmission, the ratepayers end up spending around \$9 throughout the 40-50 year lifetime of the project when factoring in O&M. With this new stakeholder proceeding, FERC has an opportunity to better balance local and regional markets through mandating an accurate allocation of transmission costs based solely on the amount of energy a ratepayer uses from the transmission grid rather than total energy consumption and greater transparency in the design/planning process for transmission projects. Clean Coalition recommends that the Commission:

- Require Transmission Access Charges be allocated to ratepayers based on a Transmission Energy Downflow solution, metering the charge at the transmission-distribution substation rather than at the customer meter.
- Eliminate self-approved transmission projects, adding increasing transparency and accountability to the process.

- Approve SEIA’s recommendations for expanding the transmission planning process to optimize the use of renewable resources.

II. DESCRIPTION OF PARTY

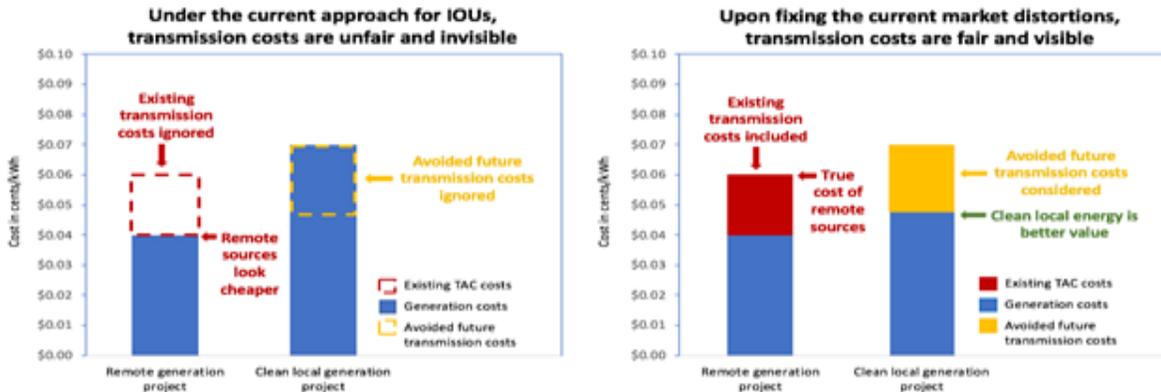
The Clean Coalition is a nonprofit organization whose mission is to accelerate the transition to renewable energy and a modern grid through technical, policy, and project development expertise. The Clean Coalition drives policy innovation to remove barriers to procurement and interconnection of distributed energy resources (“DER”) — such as local renewables, advanced inverters, demand response, and energy storage — and we establish market mechanisms that realize the full potential of integrating these solutions. The Clean Coalition also collaborates with utilities and municipalities to create near-term deployment opportunities that prove the technical and financial viability of local renewables and other DER. In this case, the Clean Coalition speaks primarily from our policy experience in California, since that is where much of our work takes place, but we also have experience across a range of other states, including Utah, Colorado, and New York.

III. COMMENTS

a. The Commission should focus on properly assessing Transmission Access Charges, which artificially depress the true value of DER.

In investor-owned utility (“IOU”) territories in California, Transmission Access Charges (“TAC”) are currently assessed at the customer meter, meaning on all energy. However, DER, do not use the transmission system; as such, they should not be charged for use of that system. The result is that DER are incorrectly assessed TAC and are undervalued for reduced strain on the transmission system.

In the 2020 updates to the Avoided Cost Calculator, the California Public Utilities Commission acknowledged the role that DER, Community Microgrids, and other non-wires alternatives (NWA) can play in avoiding future transmission costs, estimating a 2.5¢ per kilowatt-hour (kWh) savings on projects that avoid future transmission infrastructure. When also accounting for the 2¢/kWh that TAC steal from DER, we can see in the figure below how much the value of DER is depressed in the state.



Existing transmission costs in California, assessed as TAC and currently averaging 2¢/kWh, should be added to the cost of remote generation that requires use of the transmission grid to get energy from where it is generated to where it is used, which is almost always on the distribution grid where people live and work. Future transmission investments, currently averaging 2.5¢/kWh in the evenings, can be avoided via dispatchable local generation, and that value should reduce the evaluated cost of local generation. When correctly considering ratepayer impacts of transmission costs, dispatchable local generation provides an average of 4.5¢/kWh of better value to ratepayers than is currently assumed in the majority of instances.

A more careful study of the regional markets reveals that TAC exist in other markets – also assessed at the customer meter – but for example, in ERCOT territory, TAC is bundled with distribution investment charges, which makes it tough to separate and identify a specific cost easily.¹ Thus, TAC should be assessed at transmission-distribution substations rather than at customer meters. As part of amending the Transmission Planning Process, FERC should take the opportunity to unlock the true value of DER by prioritizing this issue and ensuring that TAC are assessed correctly at transmission-distribution substations, as is now done in non-PTO service territories in California. Distributed Generation has the potential to reduce each of the four major drivers of transmission buildout: reliability, peak load, policy and economics.²

b. FERC should eliminate self-approved transmission projects.

Currently, transmission projects not built for the purpose of capacity expansion are not subject to FERC Order 890, requiring no external review by either CAISO or FERC.

¹ <https://electricityplans.com/texas/tdu-delivery-charges/>; “Transmission Distribution Delivery Charges.

² http://www.aiso.com/InitiativeDocuments/CleanCoalitionPresentation-ReviewTransmissionAccessChargeStructure-Sept25_2017.pdf

Unfortunately, this allows Investor-Owned Utilities in California to self-approve huge transmission projects — with mandated double-digit rates of return — without any oversight. Between 2016 and 2019 of the \$7.5 billion spent on transmission projects in California, \$4.5 billion, or 60%, was self-approved. When broken down by utility, that number becomes even more staggering. PG&E, which spends the most out of the three major IOUs, used the self-approval process to build more than 80% of the transmission projects deployed in its service territory. Without any accountability, it is difficult to imagine that all of these projects were done with the long-term interests of the ratepayers and the state in mind.³ PG&E's rates have increased by 37% since 2013, an increase that has been driven primarily by transmission and wildfire related spending. Future transmission-related expenditures will only lead to steeper rate increases, to the detriment of the ratepayers. **All utility spending** on infrastructure should be scrutinized to verify: 1) the spending will benefit the ratepayers, 2) capital is being spent on the most cost-effective solution, and 3) the primary purpose for the project is not a profit margin.

c. Clean Coalition agrees with SEIA's recommendations to expand the Transmission Planning Process

The transmission system was designed to transport energy from centrally based coal and natural gas-fired power plants. As we expand the transmission system to manage the decentralized grid of the 21st century, it is essential to make it easier to deploy energy storage, hybrid resources, and emerging technologies to improve the management of the grid. This requires streamlined interconnection, easy access to deploy resources, and open access to markets. We agree with the suggestions SEIA makes on expansion and pre-expansion improvements.

I. CONCLUSION

The Clean Coalition appreciates the opportunity to submit these reply comments and urges the Commission to fix the existing market distortion caused by the inaccurate allocation of Transmission Access Charges, eliminate the use of self-approved transmission projects, and make it easier to deploy energy storage and other hybrid resources.

/s/ BEN SCHWARTZ

³ Utility Costs and Affordability of the Grid of the Future, released by the CPUC in May 2021, page 41

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