



High Plains Regional Transmission Summit: *Coordinating Transmission Projects Across State/RTO Lines*

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Who is ITC?



- ◆ ITC is the first and only fully independent transmission company in the U.S.
- ◆ ITC is the eighth largest transmission-owning company in the U.S.
- ◆ Transmission systems in Michigan's lower peninsula and portions of Iowa, Minnesota, Illinois and Missouri
 - Serves combined peak load in excess of 25,000 megawatts (MW)
 - Approximately 15,000 transmission line miles
- ◆ Also actively seeking opportunities to build, own, operate and maintain transmission in Kansas, Oklahoma and Texas



Not One Inch of Regional Transmission



- ◆ In 1996 FERC issued the landmark Order 888 that sought to create generation competition and required transmission owners to provide non-discriminatory access to the grid.
- ◆ In 1999 FERC issued Order 2000 which required utilities to submit a proposal for how they would participate in a regional transmission organization (RTO).
- ◆ These two orders went a long way toward establishing a non-discriminatory market; however, they stopped short of being fully effective.
- ◆ Despite all of the attention to the concept of regional transmission and RTOs, not one inch of truly regional transmission has been built since that time.
- ◆ What is impeding regional transmission?



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Impediments to Regional Transmission



- ◆ Parochialism
- ◆ State-by-state regulation
- ◆ Lack of collective industry vision
- ◆ Influence of market participants
- ◆ Fallacy of generation vs. transmission debate
- ◆ Local opposition / NIMBY challenges
- ◆ Disagreement as to who should pay for regional projects
- ◆ Voluntary nature of RTO membership / influence of members and stakeholders on regional planning within RTO

All of these issues are interrelated and stem from the lack of a national energy policy that addresses regional planning, cost allocation and siting.



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Energy Policy Vision



- ◆ To begin, this country needs a national energy policy vision that will guide decisions on the planning of our future energy delivery system.
- ◆ This would provide the foundation upon which energy policy would be based (e.g., national RES, carbon pricing, etc.).
- ◆ An energy policy vision is an important input specifically as it relates to regional planning.
 - Would provide a framework for defining inter-state and inter-regional coordination efforts



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Regional Planning

- ◆ Current planning processes do not support regional transmission
 - Each RTO or planning authority plans within its defined region
 - Regional planning efforts amongst the RTOs have had limited success and results
 - Planning processes lead to the lowest common denominator
- ◆ Should be a transparent, mandatory, independent planning process
 - Stakeholder input is critically important, but planning entities should have independent, decision-making authority, free from market influence
 - FERC should have authority to remedy inconsistencies between the various regional plans and to make modifications to ensure a workable and coherent interconnection-wide plan.
- ◆ In order to appropriately plan the system for large regional projects, a holistic approach must be taken and an independent planning authority must be formed
 - Must report to the FERC to give FERC clear authority and ensure consistency
 - Must have sufficient scope and configuration
 - Must have a membership determined by geography, not by utility desires
- ◆ To make the planning process independent, it must be funded through a separate assessment and not reliant on voluntary contributions from market participants



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Regional Differences in Cost Allocation



- ◆ Different RTOs have sought and received distinct cost allocation methods for similar projects.
 - MISO: allocates only 20% of the cost of regional projects over the MISO region
 - PJM: allocates the cost for projects 500kV and above on a postage stamp basis
 - US Court of Appeals for the Seventh Circuit remanded FERC's regional rate within PJM for reconsideration
 - SPP: cost allocation in place for certain projects, while other regional economic projects must be participant or self-funded
- ◆ The lack of cost allocation and differing cost allocation rules for different project drivers (e.g., reliability vs. economic) are blocking rational transmission planning and construction.
- ◆ The costs of regional transmission projects should be collected from the entire region served by that project via postage stamp rates.



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Developing a Regional Infrastructure

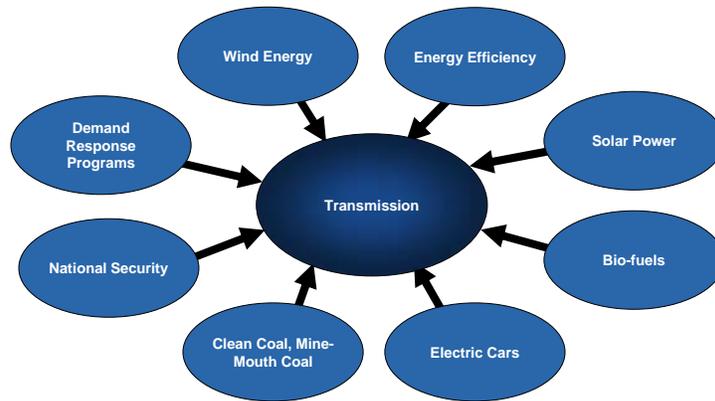


- ◆ Development of a Regional Infrastructure will facilitate the realization of benefits
 - Integration of renewable resources
 - Improvements in transmission reliability
 - Lower overall system costs through adjusted production cost savings, fewer line losses
 - Reduction in congestion, allowing for greater access to energy markets
- ◆ Political leadership is necessary to bring a regional infrastructure to fruition
 - Transmission industry must evolve from the status quo of state regulatory jurisdiction to one which embodies a regional or national scope



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Transmission as a Facilitator



Transmission is at the center of the energy debate; it is the critical link to many of the energy policy visions.



The Trillion Dollar Question



The Trillion Dollar Question



- ◆ According to some estimates, the U.S. will require \$1 trillion dollars to rebuild the energy infrastructure (generation, transmission and distribution)
- ◆ If you had \$1 trillion, what would you do?
 - Would you perpetuate the current inefficient and imbalanced system?
 - Or, would you take a fresh look at how to make the best use of resources?

