



July 30, 2009

The Honorable Harry Reid
Office of the Majority Leader
S – 221, The Capitol
Washington, DC 20515

Dear Majority Leader Reid:

The National Commission on Energy Policy (NCEP) is a bipartisan group of top energy experts from industry, government, labor, academia, and environmental and consumer groups. We have developed recommendations to address the nation's leading energy challenges including energy security and climate change. We understand that electricity transmission is an integral component of each of these issues, and are encouraged by the significant attention dedicated to transmission policies in this Congress. In particular, we appreciate your own contributions to this important subject.

NCEP understands the importance of electricity transmission to achieving our nation's economic, environmental, and national security goals. We know that much has changed in the nation and the electric industry over the decades that have passed since the enactment of the original Federal Power Act in the 1930s. While that law has been resilient and important for the development of the nation's electric system for the benefit of Americans, it warrants careful changes to assure that transmission can be added in ways that reflect the regional nature of power markets and domestic energy resources.

Fortunately, the debate surrounding transmission planning and expansion has shifted dramatically in the past few years. There is growing consensus among a wide range of stakeholders that modernizing the nation's transmission grid is critical to enhancing reliability of service and enabling the deployment of low-carbon electricity generation. At the same time, it is important to ensure that all potentially cost-effective alternatives and complements to new transmission lines are fully addressed in publicly-accessible planning processes, and that siting decisions take full account of environmental values and constraints.

We applaud the efforts of Senator Bingaman and the Energy and Natural Resources Committee for their thoughtful and comprehensive approach to transmission provisions, as included in the Committee's bipartisan energy legislation. We support the provisions included in this Senate proposal, intended to improve regional or interconnection-wide transmission planning for high-priority national transmission projects, including such high-voltage lines necessary to connect valuable renewable energy resources to demand centers. We also support the bill's list of purposes and goals for which enhancements to the nation's interstate

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transmission system should be planned and supported by customers. These include: support for the development of new renewable energy generation capacity; opportunities for reduced emissions from regional power production; cost savings resulting from reduced transmission congestion, enhanced opportunities for intraregional and interregional electricity trades, reduced line losses, generation resource-sharing, and enhanced fuel diversity; reliability benefits, including satisfying reliability standards and guidelines for resource adequacy and system security; diversification of risk relating to events affecting fuel supply or generating resources in a particular region; enhancement of competition in electricity markets and mitigation of market power; the ability to co-locate facilities on existing rights-of-way; competing land use priorities, including land protected under Federal or State law; the contribution of demand side management (including energy efficiency and demand response), energy storage, distributed generation resources, and smart grid investments; and other purposes.

As the legislation progresses in this Congress, we propose that the existing provisions be strengthened in the following ways to further solidify broad support for improved transmission policy.

Regional transmission planning: NCEP supports a continued commitment to regional and—where appropriate—interconnection-wide transmission planning. Existing regional planning efforts will greatly benefit from the promulgation of clear planning principles from the Federal Energy Regulatory Commission (FERC). Such planning principles should aim to balance the nation’s economic, energy security, and environmental goals, including development of renewable energy and location-constrained resources and support for the nation’s goals for assuring broad access to the benefits of renewable energy production. We support the Senate provisions that direct FERC to promulgate regional planning principles incorporating stated policy goals for high-priority national transmission projects and to support and coordinate existing planning efforts.

Siting high-priority national transmission projects: In our 2004 recommendations, NCEP acknowledged the growing energy interdependence of US states and regions, and consequently, the need to balance local impacts with regional and national economic, environmental, and security goals. In this context, the Commission believes that federal involvement can be productive in advancing the siting of critical infrastructure that has been stalemated by local or state disputes. FERC backstop authority can be a valuable incentive to encourage state resolution of conflicts that undermine the broader national interest. We also believe that effective regional transmission planning efforts, combined with best practices for consultation and communication with local constituencies, can help to address potential conflicts over transmission siting. We do not agree with proposals to distinguish, for those and related purposes, between the Western and Eastern Interconnects.

Cost Allocation for high-priority national transmission projects: We strongly support the development of clear and consistent cost allocation methodologies, including those that allocate the cost of new high-priority national transmission projects across the broad regions within an interconnection which provide and gain access to the near-term and long-term benefits of domestic, low-carbon resources. We propose that cost allocation rules adopted by FERC should be grounded in clear principles, including the following:

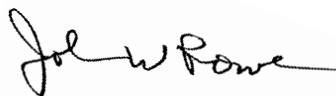
1. Project costs should be allocated regionally, including over multiple regions within an interconnection, according to the range and distribution of benefits provided.
2. Recognizing that precision in determining cost and benefit allocations is often impossible, investment costs should be distributed equitably based on FERC's assessment of the near- and long-term benefits of the project facility.
3. The benefits of project facilities should include not only the traditional goals for transmission (e.g., system reliability, lower cost energy production, congestion relief), but the full range of benefits as noted above, including strategic benefits (e.g., ability to provide development opportunities for and access to domestic low-carbon resources; fuel diversity; environmental goals such as carbon emissions reductions and compliance with state and federal environmental standards; market power mitigation; mitigation of market volatility), as well societal benefits of reduced vulnerability to extreme outages and catastrophic events.
4. FERC should give substantial deference to consensus-based cost-allocation recommendations of regional planning entities.

The enactment of effective transmission provisions is necessary to modernize our electricity grid and achieve our nation's economic, environmental, and security goals. We support the pending legislation reported by the Energy and Natural Resources Committee and believe that our recommendations can help to further resolve the issues that have prevented the progress of high-priority national transmission projects during recent years.

Sincerely,



William K. Reilly
NCEP Co-Chair



John W. Rowe
NCEP Co-Chair



Susan Tierney
NCEP Co-Chair

cc: The Honorable Jeff Bingaman
The Honorable Lisa Murkowski