



Mind the Regulatory Gap

How to Enhance Local Transmission Oversight

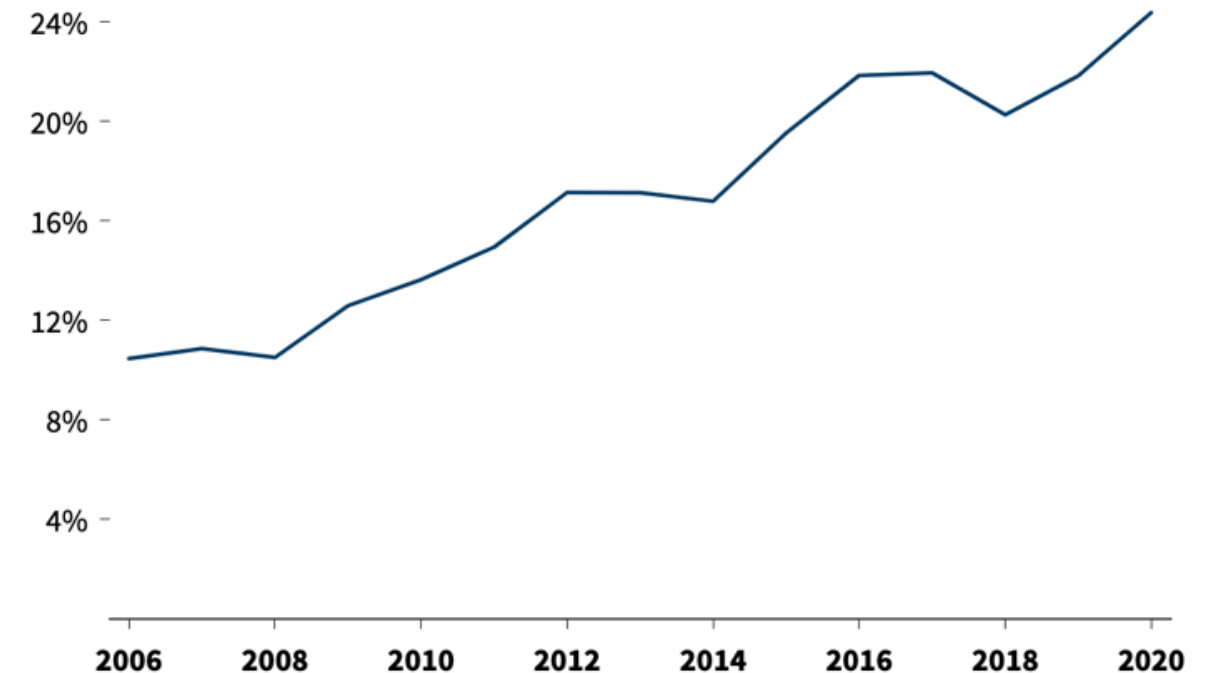
Claire Wayner

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Consumer bills for transmission are rising rapidly

- Transmission and distribution costs now make up 24% of customer bills, compared to 10% in 2005
- Transmission spending hit an all-time high in 2023¹

Portion of Residential Bill Spend on Transmission & Distribution

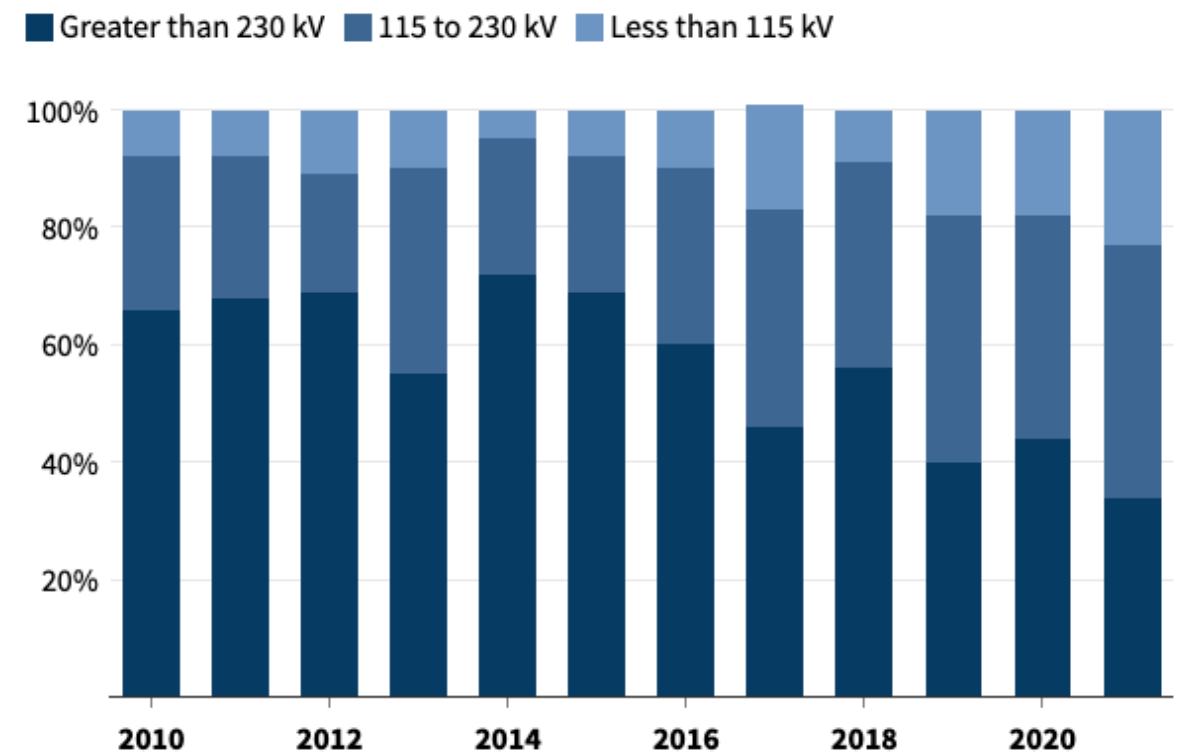


Source: RMI Utility Transition Hub

But the US has seen fewer dollars spent on high-voltage transmission

- The percent of spending on high-voltage (>230 kV) projects has declined from 72% in 2014 to 34% in 2021²
- The US added an average of 350 miles/year of transmission in the early 2020s, compared to 1700 miles/year in the early 2010s¹
- 90% of recent transmission spend has been on lower-voltage reliability upgrades³

Share of US Transmission Spend by Voltage



Source: FERC State of the Markets 2021 report

² State of the Markets 2021, Federal Energy Regulatory Commission, April 21, 2022, <https://www.ferc.gov/media/report-2021-state-markets>

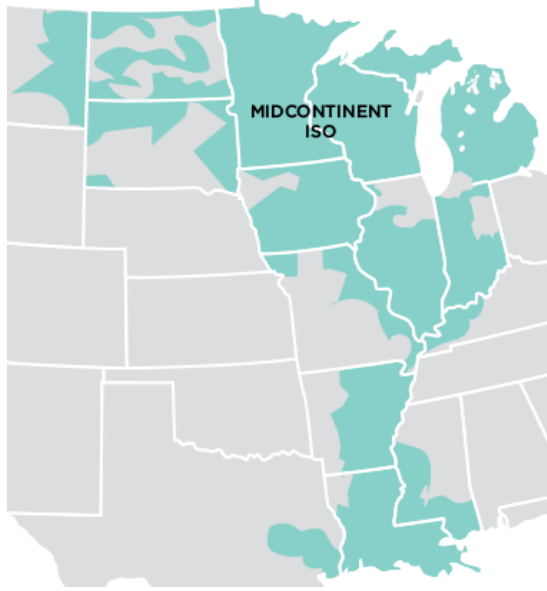
³ Johannes Pfeifenberger, "Ensuring Cost Effective Transmission in Support of a Clean Energy Transition," presentation to New England States Committee on Electricity, The Brattle Group, August 9, 2024, <https://www.brattle.com/wp-content/uploads/2024/08/Ensuring-Cost-Effective-Transmission-in-Support-of-a-Clean-Energy-Transmission.pdf>

Local transmission investments have increased in recent years across the country

- **Local transmission** refers to projects that are planned and built by a single utility to meet needs within that utility's footprint
- **Regional transmission** refers to projects that are planned at the regional level by regional planning entities and may span multiple utilities' footprints



Mid-Atlantic (PJM): Spending on local projects increased 26x (2009-2023)



New England (ISO-NE): Spending on local projects increased 8x (2016-2023)



Midwest (MISO): Portion of spend on local projects increased from 54% (2017) to 78% (2022)

California (CAISO): 63% of spend was on local projects (2018-2022)



A regulatory gap enables local transmission to escape oversight



Local project proposed



Regional Planning Entity

- The RTO says local projects are outside its planning purview
- It may do a basic no-harm analysis, but no meaningful review of the project



State PUC

- Since FERC has ratemaking authority, the PUC has little oversight power over rates
- Though the state may require an integrated resource plan or a certificate of public convenience and necessity in some cases, these do not enable the PUC to ensure prudence



Local project built



FERC

- FERC formula rate cases assume prudence and do not examine costs at the project level
- The burden of proof to show imprudence rests on stakeholders, who rarely have access to the necessary information

Action must be taken at the regional, federal, and state levels to close the gap

Geographic Level	Proposed Change
Regional	Implement regional-first planning
	Standardize local project definitions and tracking
	Strengthen state input and influence at the regional level
Federal	Reform the formula rate process
	Establish an independent transmission monitor (ITM)
	Explore performance-based regulation (PBR) for transmission
State	Leverage and expand certificate of public convenience and necessity (CPCN) authority
	Offer expedited cost recovery for local projects that have undergone a robust regional review
	Update integrate resource plans (IRPs) to incorporate transmission
	Create and fully leverage electric transmission authorities
	Grow regulatory staff capacity and expertise



Thank you!

Claire Wayner
cwayner@rmi.org