



Federal Energy Regulatory Commission  
July 19, 2012  
Open Commission Meeting  
Staff Presentation  
Item E-4

"Good morning, Mr. Chairman and Commissioners. E-4 is a draft Proposed Policy Statement on the Allocation of Capacity on New Merchant Transmission Projects and New Cost-Based, Participant-Funded Transmission Projects. In addition to those of us seated at the table, other key members of the team are here, including Brian Bak from OEPI and Jennifer Deal from OEMR.

The Commission's policies regarding the allocation of capacity on merchant and other nontraditional transmission projects have evolved in recent years. In its evaluation of those projects, the Commission has sought to provide potential customers adequate opportunities to obtain transmission service in a manner consistent with open access principles, while also providing transmission developers adequate certainty to assist with financing their projects. For merchant transmission projects, for example, the Commission has allowed developers to solicit interest through bilateral negotiations for a portion of their projects' capacity, requiring the remainder of the available capacity to be offered through an open season. Under this policy, the Commission has granted individual requests to allocate up to 75 percent of a project's capacity to such anchor customers.

The Commission held a technical conference in March 2011, and a workshop in February 2012, to gather input regarding the Commission's policies governing capacity allocation on these types of new transmission projects. Based on the input received, and the Commission's own experience evaluating new merchant transmission projects, the draft proposed policy statement clarifies and refines the Commission's capacity allocation policies in a manner that offers developers the ability to bilaterally negotiate directly with potential customers, while ensuring transparency in the capacity allocation process.

Under the proposed capacity allocation policy, a developer of a new merchant transmission project or a new nonincumbent, cost-based, participant-funded transmission project would be authorized to allocate up to 100 percent of the project's capacity through bilateral negotiations if the developer broadly solicits interest in the project from potential customers and submits to the Commission a report describing the developer's approach for allocating capacity. The flexibility proposed under this policy is complemented by the emphasis on additional detail in reports describing the developer's capacity allocation approach. The draft proposed policy statement describes guidelines for a broad solicitation of interest and identifies the type of information that should be included in such a report, such as the criteria used for distinguishing customers and an explanation of decisions on customer selection.

Under the proposed policy statement, the Commission would continue its case-by-case approach for reviewing requests by incumbent transmission providers for cost-based, participant-funded transmission projects, because an incumbent transmission developer's OATT processes will in most instances be sufficient to allocate capacity on new transmission facilities. Nevertheless, the Commission would continue to entertain on a case-by-case basis requests for waiver of any OATT requirements that may be needed for innovative transmission development that is just, reasonable, and not unduly discriminatory.

The proposed policy statement provides an opportunity for interested parties to provide comments on these proposals. Comments would be due in 60 days.

This concludes our presentation, and we are happy to take any questions you may have."