

Statement for FERC Technical Conference

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As the United States moves to obtain more of its energy from the wind and the sun, a dramatic expansion of the transmission grid is by far the most efficient way to incorporate these resources. Clean Line believes that its long-haul, high voltage, direct current (HVDC), overhead lines can move renewable power from the highest quality resources to major load centers far more economically than the development of new generation located in areas with less favorable conditions.

- The 4 HVDC projects that Clean Line has under active development will export renewable resources from high-wind, lower-load areas to areas much better able to manage the infusion of the full measure of the energy produced:¹
 - Efficiently delivering 3-cent, high-capacity factor wind resources into market areas where renewable energy can more than compete with existing generation resources.
- HVDC lines are “different” than traditional AC lines, and FERC needs to offer greater flexibility in several areas.
- These projects present a very complex 3-actor problem.
 - HVDC makes best sense for extremely long distances (over 400 miles),
 - Bringing together generators on the “windward” side, and
 - Load-serving entities (markets) on the sinking side,
- The solution to the multi-variable problem will be accomplished through very long and capital-intensive transmission lines (and associated converter stations).
- At Clean Line, we are putting very high dollars at risk to successfully integrate the best wind resource in the world, with load centers and markets.
- As we go about our business, one of the complications we face is that of counter-party credit.
 - Many of the developers of renewable resources do not possess balance sheets sufficient to collateralize the long-term contracts that the HVDC owners will need to finance their projects.
 - We also work to ensure proper alignment of incentives with multiple parties: customers/shippers (both generators and load-serving entities), as well as owners, and stakeholder communities.

To help deal with these and owner issues, FERC should allow HVDC project developers and owners to partner with any entity, even if such entity or its affiliates purchased capacity on the line.

¹ Centennial West Clean Line LLC, Plains and Eastern Clean Line LLC, Rock Island Clean Line LLC, and Grain Belt Express Clean Line LLC.

- As a protection against possible affiliate abuse should such partnering occur, in such instances, FERC could ensure that “most favored nation” status exists for non-equity owner customers of HVDC projects.
 - That is, if project affiliates negotiate a rate during the anchor tenant process, that rate should be made available to all anchor tenants.
 - This protection will allow the project developer the flexibility to offer equity ownership in the project to entities interested in obtaining capacity on the project line.
 - It might also be possible to deal with the credit collateralization issue through project structures that bring the renewable resource owners into the structure: all under a single tent, so to speak.

In addition, during the development period of the HVDC line, FERC should ensure that all RTOs/ISOs have sufficiently robust interconnection queue processes so that projects do not face barriers to entry, and can move along expeditiously.

- At the present time, merchant transmission projects are somewhat akin to the square peg attempting to fit into the RTOs’ round holes.
 - Oftentimes an HVDC project must attempt to look like a generator to fit into the generation interconnection queue, and be able to meet milestones, and conform to parameters, that do not technically apply to a transmission line project.
 - This issue presents itself at both ends of an HVDC project, the “windward,” gathering side, and the resource delivery side.
 - In addition, the existing queues are plagued by “queue squatting” problems since financial requirements to stay in most queues do not weed out the marginal projects.
- All Clean Line asks in this area is that there is a rigorous queue process
 - With no “free passes” for anyone in the queue; and
 - A process for HVDC interconnection that fits the requirements and timeframes unique to merchant transmission projects. HVDC projects are unlike the traditional “reliability” or “economic” project categories being used to study transmission project viability and integration. One possibility might be to define a new category for HVDC projects, creating a new queue within RTOs.

FERC must also act to ensure that merchant Transmission Providers are able to procure necessary Ancillary Services from interconnected RTOs/ISOs. Clearly, wholesale customers have this protection, but it isn’t entirely clear whether Transmission Providers have similar rights to purchase.

The biggest issue we currently face is siting our projects.

- Siting transmission lines has traditionally been a matter for the states.
 - Respectful of that precedent, Clean Line is working diligently within each effected state’s legal and regulatory parameters.

- That said, it is often the case that State laws and administrative codes can present barriers to development due to the inability to “fit” regional projects like ours into the existing regulatory framework.
 - For example, requirements that local/state utility-customers be “served” by the project as the hurdle to get the merchant line sited in a given state may inhibit (prevent) siting of beneficial regional projects.
 - Our Plains and Eastern Clean Line project experienced this directly in Arkansas recently. To quote the Arkansas PSC Order,

[t]he Commission is not opposed to independent transmission construction and, in fact, strongly supports the improvement of the transmission system in this state as a means to lower energy costs for Arkansas ratepayers. As the Parties all acknowledge, the issue of certification of a transmission-only public utility is one of first impression in this State. Thus, the Commission’s decision is based on that fact that it cannot grant public utility status to Clean Line based on the information about its current business plan and present lack of plans to serve customers in Arkansas. [APSC Docket 10-041-U, Order #9, p. 11]

As a consequence, it’s clear that State processes are sometimes not designed for multi-state regional projects like ours, and may prove insufficient to the task. Therefore, we are pursuing both federal and state approvals for our projects: although, getting the Department of Energy to exercise its Section 1222 authorities has proven to be a bit of a challenge, as well.