



Federal Energy Regulatory Commission
May 19, 2011
Open Commission Meeting
Staff Presentation
Item E-9

"The document before you is a draft Notice of Inquiry on Promoting Transmission Investment Through Pricing Reform. The Energy Policy Action of 2005 added a new Section 219 to the Federal Power Act, which required the Commission, through a rulemaking process, to establish incentive rate treatments for electric transmission facilities that benefit consumers by ensuring reliability and reducing the cost of delivered power by reducing transmission congestion, while continuing to ensure that rates are just and reasonable under sections 205 and 206 of the Federal Power Act.

In July, 2006, the Commission issued Order No. 679, identifying several specific incentives that applicants could request and the Commission would consider on a case-by-case basis. Since the issuance of Order No. 679, the Commission has received over 75 applications for rate incentives, reflecting an estimated \$50 billion in proposed transmission investment.

In the five years since Order No. 679 was issued, there have been significant changes in the electric power industry, including development of the Order No. 890 transmission planning process, the adoption of mandatory and enforceable reliability standards, increasing diversity of the generation fleet and new investment in smart grid technologies.

In this draft NOI the Commission seeks comments on a range of issues associated with the application of its incentive policies. We are seeking comments to determine whether the current regulations and policies on transmission incentives appropriately encourage the development of transmission infrastructure consistent with the Commission's statutory obligations. Comments on the NOI will be due 60 days from publication in the Federal Register."