



July 21, 2011

Commissioner John R. Norris

FEDERAL ENERGY REGULATORY COMMISSION

STATEMENT

Docket Nos. RM10-23-000

Item No. E-6

Statement of Commissioner John R. Norris on Transmission Planning and Cost Allocation

"Thank you to the large team of FERC staff that put so much time and effort into this Final Rule, as well as to the numerous entities that filed thoughtful comments on the Notice of Proposed Rulemaking.

In working on this Final Rule, I'm reminded of the familiar proverb - "He who fails to plan, plans to fail." But even with this proverb in mind, the nearly 200 comments we received reveal a wide variety of opinions, not just with regard to how transmission planning and cost allocation should be conducted and what should be in transmission plans, but whether we really need to plan much at all, or decide who pays for what is planned.

I am 100 percent convinced that the reforms to transmission planning and cost allocation practices in this Final Rule are necessary to ensure just and reasonable rates. We certainly don't have 100 percent of the answers, but today we are taking action to move America forward in building a modern electrical energy system that can serve the needs of consumers, industry and our economy. That is exactly what we should be doing.

Earlier this year I worked with my staff to develop a vision and mission statement that would guide our work. That mission charges us to work everyday to help retool and rebuild our energy machine so that we transition to a sustainable energy system in the most efficient way possible. I believe that is what we are doing today with this Final Rule, and that is why I am proud to vote for it.

There are five hallmarks of our actions today that deserve to be emphasized.

(1) Reliability. For America to be competitive in a global economy, we need to have a transmission grid that efficiently interconnects customers with energy sources. That grid must be well designed and planned. We aren't looking for a transmission system that is bulletproof or "gold-plated", as some have suggested; rather, we want a system that is solid and stable. In this high-tech world, we are highly dependent on stable electricity flows, and the bulk transmission system is key to ensuring those stable flows.

We also have to recognize that our current transmission system, the largest machine in the world, is aging and was never built or designed to do what we are asking it to do today. The electric utility industry has done a tremendous job maintaining and adapting the transmission infrastructure we have today to meet the needs of consumers and the economy the best it can. But I am reminded of my time on the farm where we could sometimes hold a piece of machinery together for a long time with some baling wire. This is becoming ever more difficult to do with an increasingly old transmission grid - the average age of our substation transformers is over 42 years, and we have poles and cross beams out there that are nearly 100 years old. We're depending on these aging assets to keep the grid in balance in sub-second time increments.

The additional steps we take today with respect to transmission planning and cost allocation lay a strong foundation for updating the grid and transitioning to a modern, reliable and efficient transmission system.

(2) Renewable Resources. We have abundant wind, solar, geothermal, hydroelectric, and other renewable sources of energy across this country. As technology advances and the overall costs for harnessing these zero-energy cost



resources decline dramatically, they represent an incredible opportunity to reduce our dependence on foreign sources of fuel and dramatically lower harmful emissions from burning fossil fuel. We would be foolish not to plan a transmission system that maximizes this opportunity and capitalizes on the benefits of renewable resources.

Moreover, over 30 states and the District of Columbia, along with numerous cities and local communities, have recognized the benefits of renewable power and enacted some form of renewable energy mandate or goal. The Final Rule calls for the consideration in local and regional transmission planning processes of transmission needs driven by public policy requirements, such as state and local renewable energy policies. This requirement will provide an opportunity to achieve the goals that the states and local authorities have set for lower emissions, demand side resources and renewable energy. That's a good thing.

(3) Competition. From the Energy Policy Acts of 1992 and 2005, to FERC Order Nos. 888, 890 and 2000, not to mention the many orders and rulings in between, both Congress and FERC have charted a course in this country for competition in the electric sector. The innovations and efficiencies that have and will result from competition will benefit consumers and our economy going forward. Competition, though, is dependent upon access to markets, and a robust and highly interconnected transmission grid provides a critical platform to allow access to markets.

The provisions in today's Final Rule with respect to regional and interregional transmission planning and cost allocation will help further achieve the goal of planning and constructing a robust and highly interconnected transmission system. Moreover, our reforms to rights of first refusal in federal tariffs provide for competition in the design, building and ownership of regional transmission facilities, which will allow a new wave of capital and innovation to flow into transmission.

(4) Regional Choice and Flexibility. A critical hallmark of today's Final Rule is the flexibility we have provided to public utility transmission providers to choose, in consultation with their stakeholders, the specific planning process and the method of allocating transmission costs that best serves each individual region, within the broad principles of cost causation and beneficiary pays.

(5) Efficiency and Transparency. Last but certainly not least, like Order No. 890 before it, today's Final Rule, at its core, strives to provide maximum transparency in transmission planning practices and cost allocation. This will allow regions, including public utility transmission providers and their stakeholders, to identify the transmission facilities that are in their view cost-effective and efficient solutions to their transmission needs. This transparency will empower states, communities and consumers to understand the options that are available for addressing our future energy challenges and allow them to meet their energy goals in an efficient and cost-effective manner.

As we look ahead to compliance with the Final Rule, I recognize that "the devil is in the details". This Final Rule is the beginning of a new effort to plan and construct a cost-effective and efficient electricity system. The success of the effort started here will be largely determined through the compliance process. I understand that this will be a complex process, and want to stress the need for everyone - including the Commission and public utility transmission providers - to commit to engage in that compliance process and follow through on this effort.

Author Alan Lakein once wrote: "Planning is bringing the future into the present so that you can do something about it now". Today's Final Rule is indeed an effort to bring the future into the present, so we can do something about it now. It is sensible to begin today to plan and construct a robust transmission grid that is cost-effective and efficient, and that benefits consumers, the economy and the environment by enabling the country to access our vast domestic energy resources. I'm extremely proud we are taking this sensible step, and I strongly support this Final Rule."