

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**Competitive Transmission Development)
Technical Conference)**

Docket No. AD16-18-000

**OPENING REMARKS OF SHARON K. SEGNER ON BEHALF OF
LSP TRANSMISSION HOLDINGS, LLC**

LSP Transmission Holdings, LLC (“LS Power”) appreciates the opportunity to participate on Panel 1 and 3 of the Competitive Transmission Development Technical Conference. As an active non-incumbent developer awarded competitive projects from coast to coast, LS Power brings a unique perspective on the successes and challenges of competitive transmission development under Order No. 1000. LS Power is actively participating in the planning processes and competitive solicitations, as available, in the majority, if not all, of the regional transmission organization (“RTO”) regions and non-RTO regions.

In implementing Order No. 1000, the Commission allowed each region to devise its own competitive selection process. Indeed, across the country, many different competitive models now exist: a competitive solicitation process in CAISO, sponsorship models in PJM, ISO-NE and NYISO, a hybrid competitive solicitation-sponsorship model in SPP with point based scoring and ‘bonus point opportunities,’ a competitive process in MISO with point-based scoring but on limited projects, and an avoided cost model in most non-RTO regions. There has been a learning curve in each region for the new competitive models. One thing is clear, however: in all of the regions, there are highly qualified participants ready to bring ratepayers value, if given the opportunity. The pre-Order No. 1000 fears of unqualified, “two men and a laptop” participants have not come true; in every region of the country, formidable energy companies stand ready to compete. This result of the qualification process is a key Order No. 1000 success story. Now

that the Commission has overseen highly-successful qualification processes, the Commission is now well-positioned to revisit ways to ensure that the evaluation criteria for competitive solutions focus on what is important to ratepayers, just and reasonable rates.

Many critics, primarily those whose historical business model is changing, will say that the Commission's policies of the past two years have not worked and, therefore, the solution is to go back to the status quo or to further limit the number of competitive projects. Broad proclamations that Order No. 1000 isn't working are not grounded in the facts. In many areas, it is too early for such statements, as ISO-NE, MISO, NCTG, NYISO, SERTP, and West Connect have yet to complete an Order No. 1000 competitive process. FRCC started an Order No. 1000 competitive process before an incumbent transmission owner was allowed to remove its project when two competitors proposed replacement projects. SPP has only completed one such competitive process.

PJM and CAISO have been leading the way in implementation of Order No. 1000, and there has been significant innovation in those markets, particularly related to cost containment. The Commission would be well-served to focus on expanding the number of competitive windows, specifically related to opening up more regional projects for competitive bidding, including MISO's Baseline Reliability Projects and expanding the scope of MISO's Market Efficiency Projects, to name a few. While it is laudable that the Commission approved "regional differences" in the various regional compliance filings, in doing so the Commission granted broad exceptions to the competitive bidding process in the Order No. 1000 compliance process and, therefore, we continue to see a glaring lack of Order No. 1000 windows in many regions of the country, nearly five years after Order No. 1000's issuance.

The role of cost containment in the selection process is especially important as it relates to economic or market efficiency projects. In this instance, the project is being approved solely in regards to economic benefits measured relative to its costs. As the project is not otherwise necessary, cost and associated cost containment should be the decisive factor in the evaluation. Market efficiency project selection would be an excellent starting point, but not finishing point, for Commission policy development in 2016 as the Commission tackles how and where cost containment should impact the selection process.

LS Power does not support efforts to standardize cost containment and innovative rate structures. Cost containment proposals will vary from project to project, as projects vary in their development risk. Likewise, cost containment proposals will vary from developer to developer, as developers vary in the type of commercial risk that they are willing to bear. It can be expected that, over time, as the details associated with the cost containment proposals being offered by competing developers in the different regions come to light through the project selection processes, the terms being offered by developers to address certain types of risks, and the contract language associated with such terms, will naturally become more standardized. Nonetheless, at this point in time, when the nature and scope of cost containment proposals are still evolving, the Commission should not take any action that could or would squelch or discourage creativity and competition in the formulation of new types of cost containment proposals that could bring significant benefit to ratepayers. At this point, qualified developers should decide what cost items are included or exempt from their cost containment proposals and its terms and conditions, not the regions. Once these terms and conditions are finalized with the selecting region, these binding terms and conditions should be integral aspects of the entity's ultimate FERC rate case.

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing document upon each person listed on the official service lists maintained by the Secretary of the Commission in the above-captioned proceedings.

Dated this 22st day of June, 2016.

/s/ Michael R. Engleman
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