

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Competitive Transmission Development
Technical Conference

Docket No. AD16-18-000

**Written Statement of Noman Williams
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Mr. Chairman, Commissioners, and Staff, thank you for the opportunity to provide GridLiance's views and recommendations based on our experience with the Order No. 1000 competitive transmission development process. GridLiance is an independent transmission-only company focused on addressing Public and Cooperative Power's unmet local reliability needs and desire for RTO transmission investment opportunities. Our operating companies Mid-Atlantic MCN LLC, Midcontinent MCN LLC, and South Central MCN LLC all intend to compete to construct transmission projects in PJM, MISO, and SPP, respectively. We also have a Transco that will be operating in ERCOT by 2017.

As I'm sure we can all agree, the goal of the competitive transmission development process should be to maximize value for ratepayers. To reach that goal, the competitive transmission development process, like any procurement process, must rely upon transparency, integrity, and a practicable and reasonable cost of participation compared to the potential gains of winning. Companies that participate in the process must be confident that they will be treated fairly when applying to be a selected developer and when bidding on a project. By promoting competition through transparent solicitations, evaluations, and award decisions, RTOs will build trust with stakeholders and develop healthy developer pools that will perpetuate the cycle of robust competition that delivers the best value to ratepayers.

Recent RTO RFPs have demonstrated that competitive transmission processes have the potential to provide tremendous ratepayer benefits. We gathered information from public sources and provided that

summary in our written comments. In short, we know that for at least the most recent competitive projects, ratepayers will enjoy savings of from 25% to 60% over the estimated costs had the incumbent built the project without competition. However, in our experience, current RTO rules allow the RTOs (or their designated evaluators) too much arbitrary discretion to disregard qualified low-cost bids and select higher cost options – with no corresponding benefits to ratepayers. These and other barriers to full participation in the RTO competitive bidding processes need to be eliminated. Absent opportunities to compete on a level playing field, competitive entrants like GridLiance will likely stop participating, undermining FERC's objectives in Order No. 1000.

In regions where competitive RFP processes are used, we would submit the following procedural reforms are in order to ensure these processes deliver maximum ratepayer benefits.

First, cost and associated binding cost containment mechanisms should be the deciding factors in the bid evaluation process. A process that selects pre-qualified transmission developers who submit technically compliant proposals based on the lowest evaluated cost and commitments to be bound contractually to a well-defined cost containment mechanism provides the best value for ratepayers and transfers financial risks from ratepayers to transmission company shareholders. Further, cost-capped bids that are price competitive with non-cost-capped bids provide maximum consumer protection against unknown and potentially significant cost overruns and should be given greatest weight in the overall bid selection process. To make cost cap or cost containment proposals easier to compare, RTOs should also consider providing standard templates that incorporate standard ROEs, debt costs, and O&M percentages. Like with the standard generator interconnection agreement, FERC could expedite and optimize cost containment templates by setting federal standards.

This is crucial because some existing RTO competitive processes (like MISO and SPP) do not assure that the “best-value” proposal is being selected because they use a comparative analysis where cost is one of several evaluation factors and the possible points for cost are small compared to other factors. As a result, in

some instances, RTOs have chosen higher cost bids or bids with no cost caps and they have provided no explanation of why the chosen project provides more ratepayer value over another lower cost, or cost-capped, option that was available.

Second, RFPs should incorporate as much as possible in the prequalification process and limit the bid itself to the actual engineering/design/cost aspects of the project such that bid proposals are scored only on project-specific criteria that was not addressed in the prequalification process. Once qualified to participate, all developers should be deemed acceptable and the bid evaluations should focus on the lowest cost, technically acceptable proposal based on project specifics. This would greatly streamline the RFP evaluation process, lower the RTO's evaluation costs, and free up limited RTO resources to potentially enable more near-term projects to be available for competitive solicitation. This would also greatly lower the cost for developers and encourage more participation.

Third, the Commission Should Adopt a Set of Uniform Best Practices for RTO Competitive Solicitation Processes. FERC should issue a Policy Statement articulating certain key principles it will follow when determining whether there can be a rebuttable presumption that the rate outcomes from a given RTO solicitation are just and reasonable. With FERC's encouragement, broad RTO-wide adoption of a set of commission-enumerated RFP best practices would not only bring needed improvements to the existing RTO competitive solicitation processes, but would also have the additional salutary effect of instilling needed confidence in the process and further encouraging more participation. These best practices should include, at a minimum:

- Clear, measurable evaluation and scoring criteria that put all prospective developers on notice of all requirements of the RFP in advance of the proposal submission deadline and that are faithfully followed by evaluators.

- A selection process that uses a low-cost / technically acceptable selection method to provide the best value for ratepayers.
- Standardized criteria explaining how binding cost containment bid proposals must be described, including any exceptions, how regions should evaluate such proposals, and how the mechanism will ultimately be enforced so that RFP respondents cannot hide behind gimmicks and schemes that mask the true cost to ratepayers and such proposals are evaluated fairly and consistently.

A more detailed description of our proposal for a set of Uniform Best Practices is included with GridLiance's Pre-Conference comments.

Thank you for the opportunity to participate in today's conference. I look forward to your questions.