

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

Competitive Transmission Development  
Technical Conference

Docket No. AD16-18-000

Introductory Comments of Duke-American Transmission Company

The competitive transmission development era fostered by Order No. 1000 is underway in the California ISO, PJM, SPP and now MISO. While it is early in the development of these sponsorship and competitive bidding processes, certain trends should be highlighted.

First, new developers and development partnerships have emerged to compete for projects that were heretofore reserved for local utilities. These developers are assuming unprecedented risk in capital deployment by submitting project proposals and bids that require significant resource commitments earlier in the project development life-cycle without the certainty of FERC-approved incentives and rate treatments.

Second, competitive proposals involving constrained timeframes, unique engineering solutions and efficient land acquisition strategies require complex contracting and procurement strategies. Developers rely on many of the same construction firms, environmental consultants and engineering firms to develop proposals. Competition for limited resources introduces another layer of risk, and presents opportunities and challenges for those involved.

Third, many of the competitive proposal evaluations and comparative analyses conducted by RTOs/ISOs have resulted in controversial determinations, raising questions about the transparency and subjectivity of the administration of these processes. Confidence in the RTO/ISO evaluation process is of utmost importance if developers are to continue putting development capital at risk and competing for development opportunities. DATC believes it would add greater certainty for developers and more value to customers to expand the role of the Independent Market Monitor (IMM) or another independent entity in each region to include responsibilities for process improvement, competitive proposal evaluation and, ultimately, “variance analysis” in situations where there are cost and schedule overruns for an awarded competitive transmission project. At a minimum, the Commission should direct the IMM, or another independent entity, to audit the RTO evaluation process at the

conclusion of each competitive transmission development process. From DATC's perspective, truly independent evaluation is the only way to ensure competitive processes are fair, consistent and transparent.

Finally, and one of the key reasons for convening this two-day technical conference, cost containment mechanisms have become prevalent in competitive solicitations. As cost has become a primary selection factor in these solicitations, cost containment appears to be the new normal. Cost containment was not a consideration when the Commission issued Order No. 679 in 2006, or its Policy Statement on transmission incentives in 2012, so there is a great deal of uncertainty about the utilization and Commission approval of transmission incentives as competitive transmission development processes are being implemented.

One such example of this uncertainty is that the Commission has required developers to delay seeking certain rate treatments and incentives – such as abandoned plant and inclusion of CWIP in rates – until the developer has been awarded a project. However, developers are required to include in their project proposals the rate treatments and incentives they assume will receive approval prior to actually knowing whether these incentives will be granted by the Commission. Moreover, it is uncertain whether a developer would be able to opt out of building a project if the Commission denied rate treatments and incentives that were included in the developer's project proposal.

DATC advocates for the Commission to provide additional guidance, such as through issuing a Policy Statement, to provide much-needed clarity with respect to cost containment provisions and the use of incentives and rate treatments for competitive transmission projects. Without greater clarity, DATC believes there is the risk that fewer developers will participate in competitive processes because of the uncertainty and risk, thereby stifling the Commission's broader Order No. 1000 policy goal of encouraging competition among developers for the right to construct certain transmission projects to ensure they are built in an efficient and cost-effective manner.

Respectfully submitted,

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