

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

Competitive Transmission Development)	
Technical Conference)	Docket No. AD16-18-000
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)	

**Prepared Statement of John Lucas,
GM – Transmission Policy and Services,
Southern Company Services, Inc., on behalf of
The SERTP Sponsors**

June 22, 2016

I. Introduction

My name is John Lucas, and I am the General Manager of Transmission Policy and Services for Southern Company Services, Inc. I appreciate the Federal Energy Regulatory Commission (“Commission”) providing me this opportunity to participate in Panel 5: Regional Transmission Planning and Other Transmission Development Issues at this technical conference. I am here on behalf of the SERTP Sponsors, and my comments represent their high-level feedback to the issues raised in this proceeding as well as providing an overview of the SERTP Sponsors’ implementation of Order No. 1000 to-date.

By way of background, the Southeastern Regional Transmission Planning Process (“SERTP”) is the largest transmission planning region (in terms of miles of transmission – over 80,000 circuit miles) in the Eastern Interconnection and is one of the largest in terms of load (having a combined peak load of more than 124,000 MWs). The SERTP is located within fourteen (14) states, roughly spanning over 600 miles north to south and 1,100 miles east to west. The SERTP Sponsors consist of four jurisdictional utilities and six non-jurisdictional utilities and

encompasses nine (9) NERC Balancing Authority Areas (BAAs). In addition to Southern Company's retail operating companies (*i.e.*, Alabama Power Company, Georgia Power Company, Gulf Power Company, and Mississippi Power Company), the SERTP Sponsors are: Duke Energy Carolinas, LLC and Duke Energy Progress, Inc.; Louisville Gas and Electric Company and Kentucky Utilities Company; Ohio Valley Electric Corporation, including its wholly owned subsidiary Indiana-Kentucky Electric Corporation; Associated Electric Cooperative Inc.; Dalton Utilities; Georgia Transmission Corporation; the Municipal Electric Authority of Georgia; PowerSouth Energy Cooperative; and the Tennessee Valley Authority.

II. The SERTP Sponsors' Initial Implementation of Order No. 1000's Requirements Demonstrates the Effectiveness of Their Bottom-Up, Transmission Planning Processes

The SERTP Sponsors' experience to-date demonstrates the effectiveness of their underlying transmission planning processes. The SERTP Sponsors have long had effective transmission planning processes that have resulted in a robust transmission grid, as demonstrated by the above facts that the SERTP has the most circuit miles of transmission in the Eastern Interconnection even though it is not the largest in terms of load. Looking forward, the SERTP Sponsors' transmission planning processes continue to work well, with the SERTP Sponsors planning to invest approximately \$2.5 billion in new transmission over the next 10 years.¹

Prior to the adoption of Order No. 1000, Commission Staff informally responded to such evidence of the robust transmission grid by acknowledging the level of transmission investment in the Southeast but questioned how the Commission was to know whether the most efficient and cost effective transmission solutions are being identified in the Southeast. While the SERTP Sponsors at that time responded by referencing their high level of reliability and their provision

¹ See SERTP, "Regional Transmission Plan & Input Assumptions Overview," at p. 22 (December 2015) (available at: <http://southeasternrtp.com/docs/general/2015/2015%20SERTP%20Regional%20Transmission%20Plan%20-%20Input%20Assumptions.pdf>).

of firm, physical transmission service to long-term transmission customers, the SERTP Sponsors are pleased to report that the initial implementation of Order No. 1000 does, in fact, demonstrate that their bottom-up planning processes are working effectively and identifying appropriate transmission solutions.

In this regard, Order No. 1000 was adopted in an effort by the Commission to identify more “efficient and cost effective” transmission solutions. *E.g.*, Order No. 1000, P 59. For a region such as the SERTP that utilizes a bottom-up transmission planning process, the Order No. 1000 regional and inter-regional transmission planning processes is only likely to identify such a more efficient or cost effective transmission solution if something of significance were missed in those underlying bottom-up planning processes. The initial cycle of the SERTP’s implementation of Order No. 1000’s regional requirements demonstrates that nothing of significance was missed. This result is not surprising given the strength of the SERTP’s bottom-up planning processes that identify transmission solutions so as to provide firm, “physical” transmission service to reliably and economically integrate the results of their underlying integrated resource planning (“IRP”) processes and the long-term firm commitments made under their open access transmission tariffs. Furthermore, the SERTP Sponsors have a long history of engaging in coordinated transmission planning efforts.

Specifically with regard to the initial cycle of the SERTP’s implementation of Order No. 1000’s regional planning requirements, in accordance with that Order’s affirmative regional planning requirements, the SERTP Sponsors’ regional analyses of their coordinated regional models affirmed that the transmission projects they had identified “are effective in addressing the

transmission needs within the SERTP region.”² As part of their affirmative regional transmission planning analyses for that planning cycle, the SERTP Sponsors identified nine (9) new regional transmission project alternatives, but none were determined to be a more efficient or cost effective means to address the transmission needs of the SERTP region.³ In addition to their affirmative planning analyses, there were no projects submitted through the competitive transmission development process that the SERTP Sponsors adopted as a part of their Order No. 1000 planning processes.

Therefore, in addition to the data that establishes the robust nature and continued investment in the SERTP transmission grid, the SERTP Sponsors’ regional transmission planning processes adopted to comply with Order No. 1000 demonstrate that the SERTP Sponsors’ bottom-up planning processes have been effective in identifying appropriate transmission solutions to address system needs.

III. To the Extent that a Transmission Planning Region May Have Encountered Issues in Implementing Its Order No. 1000 Planning Processes, a Region-Specific Remedy Should be Pursued

Many regional transmission planning processes have only completed their first Order No. 1000 planning cycle, while the interregional coordination processes have not yet completed a single transmission planning cycle. Therefore, it is premature to contemplate any nation-wide revisions to Order No. 1000. To the extent that a region or a specific interregional seam is facing difficulties in their implementation of Order No. 1000’s requirements, a region-specific (or interregional-seam specific) remedy should be pursued. It is far too premature to consider national, sweeping changes to Order No. 1000 based on region-specific situations.

² See SERTP, “Regional Transmission Planning Analyses,” at p.6 (December 2015) (available at: <http://southeasternrtp.com/docs/general/2015/2015%20Regional%20Transmission%20Planning%20Analyses%20Summary.pdf>)

³ *Id.*, at pp. 7-27.

Furthermore, many of the issues raised in the Supplemental Notice, particularly in connection with Panels 1-3, address rates and cost recovery for regional projects, which are subjects that Order No. 1000 compliance is not required to address. Indeed, the issues raised are not transmission planning matters but instead involve transmission development issues where certain regions have *voluntarily* adopted competitive bidding, cost recovery, and cost containment measures. For example, Panel 1 concerns cost containment provisions, but Order No. 1000 specifically held that cost containment issues are beyond the scope of that rulemaking.⁴ Likewise, Panels 2 and 3 concern rate and transmission incentive issues, when Order No. 1000 specifically held that issues of cost recovery are also beyond the scope of that order.⁵ The fact that these issues are beyond the scope of Order No. 1000 demonstrates that these are region-specific issues that have risen solely because of the particular manner in which those regions have selected to implement Order No. 1000. That is, such matters are only issues for regions that have adopted competitive bidding models and voluntarily addressed cost recovery.

Therefore, while the SERTP Sponsors fully support Commission efforts to facilitate a region's ability to address specific challenges that they might be facing, the matters under consideration in this proceeding are not generic Order No. 1000 issues lending themselves to nation-wide, generic remedies. Instead, the issues raised only have meaning and relevance within the context of the specific regions actually facing those challenges.

⁴ See, e.g., Order No. 1000-A, at P 625 (holding that “this proceeding is not the appropriate forum for addressing the transmission cost containment issues raised by petitioners”).

⁵ With regard to cost recovery, the Commission held that it is beyond the scope of the Order No. 1000 rulemaking but that regions could adopt cost recovery provisions in their compliance filings. See Order No. 1000-A, at P 616 (“While we will not address cost recovery in this proceeding, we note that cost recovery may be considered as part of a region’s stakeholder process in developing a cost allocation method or methods to comply with Order No. 1000.”) This holding further demonstrates that cost recovery issues are necessarily region-specific in nature.

IV. Interregional Transmission Planning Projects Will be Developed In Accordance with Market Forces

While Panel 4 is to address the interregional coordination issues raised in the Supplemental Notice issued in this proceeding on May 10, 2016, some SERTP Sponsors emphasize that those Order No. 1000 interregional processes have not yet completed their initial planning cycle, and it is thus premature for the Commission to take generic, nation-wide action on these topics. Moreover, some SERTP Sponsors' experience is that interregional transmission projects occur when there are willing buyers and sellers of power engaging in interregional transactions who are willing to make the long-term firm commitments necessary to fund such transmission projects. Absent such economics, interregional projects are generally not cost-justified or otherwise appropriate. Accordingly, any perceived lack of interregional projects for the SERTP seams is not due to short-comings in existing transmission planning processes but is due to the underlying economics not justifying the relatively high costs normally associated with an interregional transmission project. For example, when Order No. 1000 was initially enacted, there was a belief by many that expansive, interregional transmission projects were needed to integrate Midwestern wind generation to the Atlantic seaboard. Today, this sentiment has waned, as load projections have decreased and locally available, "clean" generation (particular solar generation) has become more economic.⁶

⁶ The SERTP Sponsors recognize that there remain some long-standing issues associated with certain interregional seams, but those interregional seams had such issues prior to the issuance of Order No. 1000 and the problems raised are region-specific. See *Northern Indiana Pub. Serv. Co. v MISO and PJM*, 155 FERC ¶ 61,058 (2016).

IV. Summary

The SERTP Sponsors' initial implementation of their regional transmission planning processes demonstrates that the SERTP's bottom-up transmission planning processes are working effectively and are identifying appropriate transmission solutions to meet identified transmission needs. With regard to the specific issues raised in this proceeding, the Order No. 1000 regional transmission planning and interregional coordination processes are in their initial stages of implementation, and additional time is needed to allow those processes to mature before generic, nation-wide revisions should be pursued. Reinforcing this conclusion is that the issues raised in this proceeding largely involve voluntarily adopted competitive bid processes, cost containment measures, and rate recovery issues that are either not required by Order No. 1000 or are expressly beyond the scope of Order No. 1000. To the extent that a certain region might be experiencing issues with such voluntarily adopted measures, then region-specific measures should be pursued. Lastly, some SERTP Sponsors' experience with regard to interregional transmission projects is that they are constructed when justified by the economics, and any perceived lack of such projects for the SERTP's interregional seams is not due to any failures in transmission planning or coordination processes but is due to the lack of willing buyers and sellers to enter into the long-term firm commitments necessary for such projections to come to fruition.