

Acting Chairman Wellinghoff makes case for giving commission authority on transmission siting

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Transcript

Monica Trauzzi: Welcome to the show. I'm Monica Trauzzi. With us today is acting chairman of the Federal Energy Regulatory Commission, Jon Wellinghoff. Chairman Wellinghoff, it's good to have you on the show.

Jon Wellinghoff: It's good to be here, thank you Monica.

Monica Trauzzi: There's a big debate happening right now in Congress and among state regulators over how much authority FERC should be given on transmission siting. And in a recent hearing Senate Energy and Natural Resources Committee Ranking Member Senator Murkowski said she was concerned about giving FERC a job that the states, working collaboratively, could do better. Why should FERC be granted this authority and is this a situation where the states really could do a better job?

Jon Wellinghoff: Well, I think actually in that same hearing Senator Dorgan put his finger on it. What we're trying to do ultimately is accomplish the job and the job is ultimately to take location constrained renewable resources that are distant from load centers and move them to those load centers in an efficient, effective way, but do that using as little federal authority as possible. I think that's the challenge. So we all agree and I would be the first one to agree we can't steamroll the states. We cannot go over their authority. We need to involve them and incorporate their ideas and their concerns as much as possible. But, on the other hand, if you have an interstate transmission line that's set up for a national public purpose that is getting renewables developed, because we certainly need to develop them from an environmental, from an economic, and from a security standpoint, and we have one state standing in the way, we need to have some way to overcome that. So I think we need to look at how to put that in a prospective so that the federal government, if necessary, could step in, but only will do so as a last resort.

Monica Trauzzi: And this poses a really big challenge because a lot of these projects are being held up because there are various stakeholders involved. So, how do you get to that point of deciding how much to weigh in from the states and when the federal government needs to come in and say, "No, we're doing this."

Jon Wellinghoff: Well, it's a very delicate balance and Senator Reid has a bill introduced that I think strikes out balance very well. It, in essence, gives the state entities the initial planning authority. If they don't accomplish that planning authority over a period of time, I think it's a year or perhaps two years, then the federal government, the FERC can step in and backstop that federal planning authority. Similarly with siting, the siting, under the bill, there's some alternative given to developers in siting and they can go through the

state processes but, if need be, they can come to the federal government and get the siting done. So I think that bill, hopefully, tries to strike that balance that allows the states the optimum level of involvement and authority, but yet ensures that the projects will get done if they need to get done.

Monica Trauzzi: Is there a sense that the state regulators are beginning to change their views or at these modify their stance on federal authority at this point?

Jon Wellinghoff: I believe so. I had Commissioner Clark from North Dakota testifying with me on the second panel in the hearing that we had the day before Senator Bingaman. And it was pretty clear to me that, to the extent that this would be very narrowly structured around the issue of renewable energy delivery, that the states would be much more accepting. In other words, they're not wanting to stand in the way of what would be a national policy to move renewables to load centers. They certainly, I think, would support that goal. They just don't want other underlying state and regional planning effort to be overtaken by the federal government and I would agree with them and we're not trying to intrude in that. We're trying to narrow the goal, ensure it meets a national policy and ensure that the states are involved as much as possible, even in that national policy process.

Monica Trauzzi: And does Senator Reid's bill do that?

Jon Wellinghoff: Yes, I think it does.

Monica Trauzzi: The Fourth U.S. Circuit Court of Appeals recently ruled that FERC overstepped its congressional mandate in asserting federal authority over transmission line siting. How big of a setback is that ruling as you try to increase capacity and influence the siting debate? And does that ruling sort of push Congress to act quickly on this?

Jon Wellinghoff: I think it does push Congress to act quickly. I think what it does is it much limits our authority that they gave us in 2005 to the extent that that provision, and that was for primarily congestion corridors for transmission. It wasn't primarily for renewables like Senator Reid's bill was and I want to distinguish between the two. But for what that bill was set to do, I think the 4th Circuit's decision has significantly limited so our ability to act under that particular piece of legislation.

Monica Trauzzi: Switching gears to the smart grid, \$11 billion in stimulus money go into the smart grid. How should that money be distributed? Specifically, how do we start using this money and how much more are we going to need?

Jon Wellinghoff: Well, one way we need to start distributing it is to look at the planning function and moving forward there. And there's 80 million of the total amount. It's a very small amount that was given to DOE and FERC to look at how we can look at planning in the country for the smart grid. The second part of it is putting in more of sensing equipment, more intelligent communication equipment on the grid and I was at a meeting

yesterday evening with Secretary Chu where he was indicating that that's exactly what he would like to do. In fact, directed his staff to start looking at dispersing money for putting in what are called phase monitoring units throughout the grid. And those phase monitoring units allow you to monitor the frequency on the grid and know much better how the grid is operating. And to give you an example, this country has about 170 of those units in place currently for the entire grid. China has 600 in place. So we're even very far behind China in that regard and I think Secretary Chu recognizes that and I think that's one place where the money for the smart grid is going to start flowing pretty quickly.

Monica Trauzzi: And one thing that's come up recently is that there's an absence of standards and policies relating to the smart grid. There's also a lack of cohesive terminology. There are some questions about what to call the various components and this is something that Energy Secretary Chu has highlighted in the past. What is FERC doing to resolve this and how quickly are we going to be overcoming this challenge?

Jon Wellinghoff: Well, I think there is a lack of understanding in what the smart grid means. FERC is currently looking at providing some direction for that. And I think in the next couple of days, actually very soon, you'll see the potential of some specific documents that could come out of FERC that could provide more direction for the evolution of standards for the smart grid and for defining what the smart grid is intended to do.

Monica Trauzzi: Are projects being held because of this lack of standards?

Jon Wellinghoff: I don't believe so. I think the people that are out there developing projects and developing products and technology for the smart grid are generally aware of what are some of the commonly held protocols and commonly held various aspects of what the standards will look like. In other words, it's not like we don't know if the standards are going to be black or white. People do know that there are areas that we're starting to move in. So I think people can key on that, but what you're going to see out of FERC will help them even more and this is coming very soon.

Monica Trauzzi: So, the U.S. clearly has many transmission siting and grid issues to overcome over the next few years. At the same time, the president also has some pretty big, aggressive goals for renewable energy production. I mean he wants to double this in the next three years. Are we going to find ourselves in a situation where we're able to produce all this renewable energy, but we don't have a system in which we can get it dispersed throughout the country?

Jon Wellinghoff: Well, we already have that problem today. We have over 300 gigawatts, and to put that in perspective, 300 gigawatts of energy is about one third of the total generation capability in this entire country. We have 300 gigawatts of wind energy that's currently sitting in the queue to get on the grid that really can't get on the grid because we can't do the studies fast enough and we can't develop the transmission fast enough to get that wind energy into the system.

Monica Trauzzi: So, does it make sense then to set these aggressive goals of doubling our renewable energy production in three years if we can't necessarily support it?

Jon Wellinghoff: Well, I think it does because then it will set another aggressive goal, and that is to put the infrastructure in place to support it. And I think that's what you're seeing start in the administration. You saw Secretary Salazar yesterday come out with his renewal energy zones in the federal lands in the West and looking at how we can get transmission to those. And so I think there's a concerted effort among administration agencies to move forward with that infrastructure that we need to make this happen.

Monica Trauzzi: Final question here. You're considered to be the leading candidate to replace Commissioner Kelleher who officially is resigning from FERC tomorrow. Clearly, there are many big challenges ahead and big debates for you to engage in. Is this a job that you want and what indications have you gotten from the White House as to when they may be making a formal announcement?

Jon Wellinghoff: It certainly would be an honor and it is a challenge that I would welcome and my understanding is we're moving along in that direction. I have not heard any final word as of yet, but I have at least heard that there's nothing negative in the vetting process that's occurring. So no bad news and hopefully we'll hear some good news soon.

Monica Trauzzi: OK, we'll end it right there on that note. Thank you for coming on the show.

Jon Wellinghoff: Thank you Monica, I appreciate it.

Monica Trauzzi: And thanks for watching. We'll see you back here tomorrow.

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