



NEWS RELEASE

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FERC Opens Inquiry on Improvements to Electric Transmission Incentives Policy

The Federal Energy Regulatory Commission (FERC) is seeking comments on possible improvements to its electric transmission incentives policy to ensure that it appropriately encourages the development of the infrastructure needed to ensure grid reliability and reduce congestion to reduce the cost of power for consumers.

The Energy Policy Act of 2005 amended the Federal Power Act (FPA) to add Section 219, which directs FERC to use transmission incentives to help ensure reliability and reduce the cost of delivered power by reducing transmission congestion. In July 2006, FERC implemented FPA Section 219 by issuing Order No. 679, which established a number of incentive rate treatments, including return on equity (ROE) adders to compensate for the risks and challenges faced by a specific project, for forming a transmission-only company, or for joining a regional transmission organization or independent system operator. Order No. 679 also established several risk-reducing incentives, such as allowing the use of hypothetical capital structures and inclusion of 100 percent of prudently incurred costs of abandoned plant in rate base. Since issuing Order No. 679, the Commission has acted on 109 incentive applications for more than \$80 billion in anticipated construction costs.

In 2012, FERC issued a policy statement that provided additional guidance on how the Commission would interpret certain aspects of the regulations adopted in Order No. 679.

Today's NOI recognizes that nearly 13 years have passed since the issuance of Order No. 679. Since then, there have been a number of significant developments in how transmission is planned, developed, operated, and maintained. In light of developments in the transmission sector and the experience gained over that time, the Commission believes it is prudent to seek comment on whether and how to improve FERC's current transmission incentives policy. Specifically, today's NOI examines whether incentives should continue to be granted based on a project's risks and challenges or should be based on the benefits that a project provide. Examples of other topics addressed in the NOI include: consideration of incentives based upon measurable criteria for economic efficiency and reliability benefits, providing incentives for improvements to existing transmission facilities, considering the costs and benefits of projects in awarding incentives, and determining whether to review incentive applications on a case-specific or standardized basis.

In addition, today's NOI also seeks comment on various ROE incentives, including how they interact with the base ROE and other transmission incentives. Finally, the NOI seeks input about possible metrics for evaluating the effectiveness of incentives.

Initial comments on the NOI are due 90 days after publication in the *Federal Register*; reply comments are due 30 days after that.

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