



Federal Energy Regulatory Commission
March 21, 2019
Open Commission Meeting
Staff Presentation
Item E-1

Good morning Mr. Chairman and Commissioners.

Item E-1 is a draft Notice of Inquiry that seeks comment on the scope and implementation of the Commission's electric transmission incentives regulations and policy pursuant to section 219 of the Federal Power Act.

As part of the Energy Policy Act of 2005, Congress enacted Section 219, which directed the Commission to use transmission incentives to help ensure reliability and reduce the cost of delivered power by reducing transmission congestion. Nearly 13 years have passed since the Commission promulgated rules to implement that directive by issuing Order Nos. 679 and 679-A, and nearly seven years have passed since the Commission provided guidance upon aspects of those rules in a 2012 policy statement.

The draft NOI requests stakeholder comment on a wide range of issues related to the Commission's transmission incentives policy. For instance, the draft NOI asks whether transmission incentives, rather than being based on the risks and challenges of a proposed transmission project, instead should be based on a project's benefits. It also examines whether transmission incentives could better encourage enhancements to existing facilities, and asks how evolving transmission technologies could be more thoughtfully considered in the context of the Commission's transmission incentives policy.

With respect to transmission incentives that are adders to return on equity, or ROE, the draft NOI examines the requirements for, the level of, and the design of these incentives, as well as their relationship to the calculation of base ROEs. With respect

to non-ROE adder, risk-reducing transmission incentives, the draft NOI examines the design and value of some of these incentives, and whether there may be other potential risk reducing transmission incentives.

The draft NOI also examines how the Commission should approach granting incentives, including whether some incentives should be granted on a generic basis rather than the current case-by-case approach; whether there should be more analysis of the combinations of incentives and levels of any ROE adders; and whether additional structure and guidance regarding the Commission's approach should be added to the evaluation process.

Initial Comments are due **90** days, and reply comments are due **120** days, after the date of publication in the *Federal Register*. Thank you. This concludes our presentation. We would be happy to address any questions that you may have after the ROE NOI team describes that related NOI.