

# **FERC Order No. 1000:**

**Benefits and challenges**

**A POWERFUL PARTNERSHIP**

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**DATC**  
DUKE American Transmission Co.™

When President Dwight D. Eisenhower signed the Federal-Aid Highway Act of 1956, the vision for the interstate system was clear—create a more efficient way for motorists to travel long distances through a network of high-capacity, high-speed motorways. Since its inception, the interstate highway network has evolved to continue to meet changing transportation needs.

Like the interstate highway system, much of the nation’s electric transmission system also was built in the 1950s, 1960s and 1970s. However, when the electric transmission system was built it was not designed to facilitate cross-country

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movement of electricity, rather it was designed to transfer electricity from local generators to local customers. Today, we continue to expect more and more from the transmission grid without the appropriate investment to ensure reliability is job one —especially in the wake of super storms, polar vortices and aging transmission infrastructure.

Agreement on national priorities in Washington is as difficult as permitting high-voltage transmission projects. But agreement on both is essential. The

## About DATC

**Duke-American Transmission Co. was founded in 2011 to leverage the full suite of experience of our companies to plan, design, build and own reliable and cost-efficient transmission solutions across North America. From conception and design of a transmission solution to the construction, operation and maintenance, DATC offers its deep experience to serve the North American power sector.**

Federal Regulatory Energy Commission’s Order No. 1000 regulatory proceeding holds the promise of development of regional and interregional transmission projects that will serve customers in a reliable, cost-effective and sustainable way.

## Benefits: Evolution of the grid and creation of value

At the foundation of the FERC’s Order No. 1000 is the overarching policy principle that we should only invest in transmission that makes our grid more reliable and more efficient, and we should plan in the most cost-effective manner possible. While utilities and generators alike frequently agree on the first two points, a third point raises complex issues around cost allocation and regional planning. This puts Order No. 1000 at the tip of the spear to resolve controversial issues that will determine who gets to build what parts of the 21st century grid.

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Among the benefits of Order No. 1000, DATC views two that will be key to the development of necessary transmission: 1) enhanced inter-regional planning and cost allocation and 2) the introduction of competition in the development of regionally cost-shared transmission projects.

### **Inter-regional planning and cost allocation**

Regional transmission organizations were created to help ensure, among other things, that utilities had non-discriminatory access to transmission. The North American transmission system includes

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several regions such as RTOs that administer the transmission grid on a regional basis. However, the boundaries between these regional grids are somewhat arbitrary. As a result, inter-regional boundaries often create a unique set of challenges, including congestion and reliability. Prior to Order No. 1000, the process for proposing inter-regional projects was not always clear, and not all neighboring regions had a method for allocating the costs for these types of projects. This presented a big challenge when addressing transmission issues that impacted customers in multiple regions.

Enhancing inter-regional planning coordination and providing more clarity and certainty related

to inter-regional planning and cost allocation will help transmission developers address needs of customers.

### **Regional differences: Sponsorship and competitive bidding**

Order No. 1000 directs utilities to develop transmission solutions that are efficient and economical for customers in a particular region. This policy supporting regional differences recognizes that transmission, while highly regulated everywhere, is planned and developed differently by region.

Increasing competition in the regional transmission development marketplace will give developers an incentive to invest in planning creative solutions to address transmission needs. Through Order No. 1000, non-incumbent developers, including partnerships between incumbent utilities and non-incumbent

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transmission developers, will have an opportunity to plan, construct and own transmission — cooperatively. Eliminating federal rights of first refusal for regionally cost-shared projects will

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lead to the most cost-effective and efficient transmission projects being developed, which benefits customers.

Regions are adopting two main approaches to implementing Order No. 1000's requirements to allow competition for certain transmission projects: sponsorship and competitive bidding. Under the sponsorship approach, when a transmission need is identified, eligible developers propose solutions that the region evaluates using FERC-approved metrics. The region then selects the preferred solution, and the developer that proposed the project would construct, own and operate that project. With competitive bidding, projects are identified through the regional planning process and certain projects, such as those that receive regional cost sharing, are open to competition among qualified developers. Developers of these projects are selected by the region through a competitive bidding process using FERC-approved criteria.

Though DATC supports the sponsorship approach because it creates an incentive for developers to focus on creative planning rather than developing bids, we believe developers with strong track records in planning, permitting, building and operating transmission infrastructure, such as DATC, will be successful under either approach.

## **Challenges to implementation**

One challenge in implementing Order No. 1000 has to do with inter-regional coordination when

projects span or provide benefits in multiple regions with different types of competitive processes for selecting developers (e.g., sponsorship and competitive bidding), or when projects are located across states with and without right of first refusal laws. These situations create challenges in coordinating the development process. For example, under a sponsorship

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approach, a solution and a developer are selected at the same time. However, under a competitive bidding approach, the solution is identified in the regional plan, and the developer may not be selected until a year or more later.

In addition, a regional or inter-regional transmission project could cross several states, some with state ROFR laws and others without. As regional and inter-regional Order No. 1000 compliance plans are being implemented, FERC should ensure that clear rules are in place outlining how differing regional competitive processes will be coordinated for inter-regional projects, and how regions will select developers for projects located across states both with and without ROFR laws. A lack of clear rules could result in inefficiencies and disqualification of projects that address customer

needs. Such uncertainty could result in developers not participating in competitive processes.

FERC must ensure that competitive processes provide a level playing field for incumbent transmission owners and non-incumbent developers, otherwise its policy goals of introducing competition – ensuring projects are built in the most cost-effective and efficient manner – will not be achieved.

## **Duke-American Transmission Co.'s perspective**

DATC was created to develop transmission projects that transcend local, state and traditional utility service territories in regions with competitive markets. Our companies believe that we can leverage our collective complementary strengths through the DATC partnership, and also by collaborating with utilities and transmission planners alike.

DATC sees Order No. 1000 through the lens of both incumbent transmission owners and a non-incumbent developer pursuing transmission development opportunities across the country. Through this joint perspective, DATC sees two

main benefits provided by Order No. 1000: introduction of competition in the development of regionally cost-shared transmission projects, and enhanced inter-regional planning and cost allocation.

***Nationally, we need to take a longer-term look at the country's transmission grid and build for tomorrow's transmission needs today.***

In spite of the challenges encountered thus far in implementing Order No. 1000, DATC is supportive of FERC's overall efforts. Enabling non-incumbent developers to compete for these projects and making it more clear how to pursue the development of inter-regional projects will lead to the most cost-effective and efficient solutions to address the needs of transmission customers. Nationally, we need to take a longer-term look at the country's transmission grid and build for tomorrow's transmission needs today. Order No. 1000 is a step in the right direction — toward an evolved, modern, high-capacity interstate transmission system.

## **Looking for a transmission partner?**

**DATC is a transmission life cycle expert — a proven leader in transmission planning, regulatory review, construction and operation. To learn how DATC can help you achieve your transmission goals, contact DATC Vice President Paul Jett at [pjett@datc.com](mailto:pjett@datc.com) or 262-832-8664.**

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