

May 9, 2018

The Honorable Fred Upton
Chairman, Subcommittee on Energy
House Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Bobby Rush
Ranking Member, Subcommittee on Energy
House Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Upton and Ranking Member Rush:

As one of the nation's leading independent transmission developers, GridLiance applauds you for convening this week's hearing on the state of electric transmission infrastructure, including the challenges associated with the planning and construction of new transmission lines, among other issues. A portfolio company of Blackstone Energy Partners, GridLiance's differentiated business model is to work with electric cooperatives, municipal utilities, irrigation districts, and joint action agencies to help them plan for the future, invest with them or for them in electric transmission infrastructure, and implement strategies that meet their ownership, capital investment, and operational goals.

We appreciate the opportunity to provide the following views on the state of competition for new transmission construction introduced by the Federal Energy Regulatory Commission (FERC)'s landmark Order No. 1000, including aspects where implementation of FERC's competitive transmission reforms can and should be improved.

As discussed in your staff's memorandum of May 8, 2018, Order No. 1000 was an effort to introduce market concepts to transmission development. This effort is vital to ensuring that transmission investment decisions are as efficient as possible. Competitive forces have proven phenomenally successful in the electric generation sector, and if unleashed for electric transmission these forces can produce similarly impressive results. However, despite FERC's best intentions, the scope of transmission competition to date has been severely limited during implementation, forcing American households and businesses to overspend for transmission projects. Although the Commission appropriately sought to optimize transmission additions through the planning requirements of Order No. 1000, the misguided desire to avoid a competitive mandate has led to an explosion of local transmission additions being constructed outside the regional planning processes in an effort by incumbents to avoid those very competitive forces that will produce more efficient infrastructure. Likewise, exploitation of exceptions to competition, whether included in Order No. 1000 initially or added through compliance filings, have further limited the value of ratepayers' transmission expansion dollars. These exceptions have now limited competition to a tiny fraction of new transmission spend in most RTOs. For these reasons, the needed transmission system buildout occurring today is increasingly being sub-optimized at customers' expense.

As the Subcommittee seeks to understand how it can ensure that the grid continues to respond to the rapidly changing conditions in the industry, we believe it is important to keep in mind three fundamental principles:

1. It is critical for FERC to acknowledge that in expanding and modernizing the U.S. electric transmission network as necessary to meet resilience needs, competition can play a key role in delivering greater resilience benefits for fewer customer dollars. Competitive forces introduced by Order No. 1000 have proven to be an effective means of ensuring that the cost of new transmission construction required to meet ongoing grid resilience and reliability challenges are minimized for customers, without short-changing grid reliability. Where the competitive principles of Order No. 1000 have not been employed, ratepayers pay higher rates for transmission. For example:
 - Competition has led to proposals from companies containing cost caps that shift the cost risk for new transmission from ratepayers to project developers, more technically innovative solutions to adding transmission capacity, and reliability and construction quality comparable to incumbents.
 - Contrary to claims from the rule's detractors, the costs to administer Order No. 1000 proposal windows are relatively low, especially compared to the documented savings for customers.
2. Adequate transmission solutions can create an electric grid that is more resilient to a wider variety of disruptive events. But simply rebuilding the electric grid of the last century through the guise of "asset management" or end of life criteria without analyzing whether that grid provides the resiliency resources for a new century, leaves grid planners and the Commission with transmission infrastructure that may not meet optimal or desired needs of consumers, and most importantly leaves ratepayers bearing the consequences of uneconomic decisions.
3. Getting the rules right on transmission development also requires that capitalized transmission owner "local" or "maintenance" projects that upgrade capacity, change voltage, or increase a line rating are developed and constructed through a FERC-approved open, coordinated, and transparent local or regional planning process. GridLiance applies the same standard to its planned capital maintenance program.

Thank you again for your consideration of these important topics. We look forward to continuing to work with the Subcommittee on these issues moving forward.

Sincerely yours,



Calvin Crowder
President and CEO, GridLiance