

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**Building for the Future Through Electric
Regional Transmission Planning and Cost
Allocation and Generator Interconnection**

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Docket No. RM21-17-000

COMMENTS OF POTOMAC ECONOMICS, LTD.

Pursuant to the above-captioned Rulemaking initiated by the Federal Energy Regulatory Commission (the “Commission”), Potomac Economics hereby submits these reply comments.¹ The Commission is exploring improvements in the transmission planning processes, including improved monitoring and transparency of these processes. Potomac Economics filed initial comments on the ANOPR on October 12, 2021, supporting among other things the Commission’s proposal to enhance transmission oversight. Potomac Economics submits these comments in response to some parties’ initial comments in this proceeding opposing the development of independent transmission monitoring.

I. REPLY COMMENTS

In arguing against a requirement for independent transmission monitoring, most commenters relied on a limited number of comments that we address separately below. Most of these

¹ Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection, Docket No. RM21-17-000, July 15, 2021. (Hereinafter, “ANOPR”).

arguments apply only to RTO areas. Commenters were generally supportive of independent transmission monitoring in non-RTO areas.

1. Duplication with Current RTO/ISO Processes

Some commenters argue that it would be redundant and duplicative for an ITM perform the same planning studies and analyses as the RTO. Additionally, some of the RTOs with independent market monitors note that these monitors already engage in monitoring transmission issues and provide transparency to regulators through direct engagement and reporting.² This arguments are based on a flawed notion of the scope of the ITM and the current IMMs.

First, reasonable and effective monitoring does not require complete duplication. As is the case in for market monitoring, effective monitoring involve expert review of the inputs and outputs of the process. In some cases, it may be valuable to run a sensitivity case(s) to determine the effects of a particular assumption. We often, for example, re-run MISOs day-ahead or real-time market models, but these cases are selective and are not duplicative with the RTOs planning activities.

Second, while market monitors do monitor transmission issues in the operating horizon, our scope is generally limited in the planning horizon. Although there may be a small overlap between the two, it is not accurate to argue that the current market monitoring scope includes the ITM scope proposed by the Commission.

2. Costs of Establishing ITMs

A number of the RTO/ISO's express concerns about the costs of implementing an ITM, both related to the direct costs of an ITM and indirect costs of presumed delays in the planning processes and delayed project identifications assumed to occur due to the ITM activities and

² See the Comments of Midcontinent Independent System Operator ("MISO") and the New York Independent System Operator ("NYISO").

involvement in the planning processes. For example, the NYISO argued that an ITM would “would necessarily be expensive” and require that a “A new organization... hire qualified personnel and incur other costs in order to replicate, assume, and/or oversee functions that are currently performed by RTOs...and additional costs and burdens would arise from the unavoidable inefficiencies of adding another layer of review, and additional study iterations, to existing RTO/ISO planning processes. ITMs could make these processes less efficient and thereby prolong the identification, evaluation and ultimately buildout of needed transmission.”³

These arguments are not reasonable and should be rejected by the Commission. First, the scope and staffing needs for an ITM is far smaller than for an independent market monitor that must monitor and much wider array of markets, outcomes, and issues than the ITM. Second, even small improvements resulting from the independent review and scrutiny of an ITM would cover its costs many times over. MISO’s transmission costs are likely to far exceed \$2 billion this year. As the IMM in MISO, we’ve identified operational improvements that we estimate would lower congestion costs by more than 10 percent. On the planning side, the costs of transmission investments made in recent years have resulted in costs that are multiples of this amount. Hence, even marginal improvements in the planning outcomes and investments, and in the resulting utilization of the network (e.g., that would lower costs less than 1 percent), would more than cover the costs of the ITM. Finally, there is no reason that ITM would any material time or inefficiency to the planning process. The planning processes are typically slow processes with multiple rounds of input and feedback with stakeholders. It would not be challenging for the RTOs to establish processes to coordinate and collaborate with the ITM throughout to

³ NYISO comments at p. 50. ISO New England made similar arguments.

process to receive feedback and recommendations to continue to complete the planning processes in a timely manner.

3. Independence and Transparency

Most of the RTO/ISOs also commented that as the administrator of the planning processes, they are already fully independent and that the processes are carried out with sufficient transparency. As we indicated in our initial comments, however, we believe that these processes are subject to concerns bias and efficiency. The transmission planning processes will have substantial economic implications for different classes of customers. RTOs have relatively strong incentives to satisfy its customers, particularly its Transmission Owners, given that RTO membership is voluntary, and that membership is generally decided by the Transmission Owners. Therefore, an ITM can provide a valuable check on the decisions and assumptions made by the RTO in the planning process and provide additional transparency for the market participants.

For example, as the Market Monitoring Unit for the New York ISO, we issue reports that evaluate and comment on the results of its Comprehensive Planning process that evaluates future reliability needs for generation. Such reports comment on the insights that can be gleaned from the planning results, discuss the market implications of the results, and identify recommended improvements in the planning analysis and assumptions. A comparable review in the transmission planning area would provide similar value and additional transparency to the transmission planning process. Such transparency and evaluation will become even more beneficial as the RTOs work to incorporate new technologies and options in the planning analysis, such as grid-enhancing technologies, dynamic transmission ratings, and transmission reconfiguration options. Incorporating these things in the planning studies will be essential for producing accurate estimates of transmission needs and benefits.

II. CONCLUSION

We strongly believe independent monitoring of the transmission planning processes will increase transparency and improve the processes for planning transmission, both within RTO/ISOs and in non-RTO/ISO areas. Importantly, these benefits will be achieved at a cost that is likely to be far less than the value the benefits.

This concludes our reply comments.

Respectfully submitted,

/s/ David B. Patton

David Patton
President
Potomac Economics, Ltd.

CERTIFICATE OF SERVICE

I hereby certify that I have this day e-served a copy of this document upon all parties listed on the official service list compiled by the Secretary in the above-captioned proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated this 11th day of November 2021 in Fairfax, VA.

/s/ David B. Patton
