A Consumer-First Framework for Transmission Reform

Market principles for a more reliable, affordable, and accountable grid

As members or affiliates of right-of-center organizations, we stand for public policy that upholds competitive markets and limited, effective government. Transmission should be for the benefit of the consumer, not solely for any energy generation source or transmission developer or provider. Our current electric transmission system is the result of decades of poorly designed regulations and political fights over competing energy resources. A consumer-centered approach that would optimize the buildout of new transmission lines and allow competition from non-wire alternatives such as local or on-site generation of all stripes, storage, demand response, grid-enhancing technologies, and microgrids should be adopted. All transmission buildouts should deliver reliable power that meets our nation's growing needs at the lowest possible cost to end users. The benefits in terms of affordability and reliability of transmission investments must outweigh the costs, and those benefits should not include social, environmental, or other superfluous public policy objectives.

The following principles apply to electric transmission policy, which requires extensive reform to unleash American energy supplies to improve affordability and enhance reliability. Transmission empowers competitive markets by enabling broad trade between power plants and consumers. Today's policies are not well-suited to replace aging transmission infrastructure cost-effectively or leverage innovative grid technologies, let alone to expand the transmission system to meet rising electric demand growth and accommodate turnover in the generation fleet.

Transmission is one of the most inefficiently regulated forms of infrastructure in the United States. Regulatory flaws reward inefficient projects, underdevelop efficient projects, and underutilize existing infrastructure. This has caused escalating transmission costs to consumers, while the gap between transmission need and infrastructure capacity widens.

We have derived five main principles to guide center-right transmission policy toward an abundant energy future. They are:

1. **Prioritize expansion and upgrades of the existing transmission system.** The quickest and least-cost methods of expanding the transmission system are often upgrades to existing infrastructure. However, the cost-of-service regulatory model discourages transmission owners from pursuing upgrades voluntarily or solutions beyond in-kind replacements. Cost-of-service regulation should better align incentives that do not favor any energy source over another and ensure "good utility practices" when it comes to the adoption of advanced transmission technologies and more efficient management of seams between regional transmission systems.

2. **Remove barriers to greenfield transmission under the merchant transmission model.** This model is economically advantageous given its use of voluntary planning and cost allocation. However, it faces high regulatory barriers, where it is routinely usurped by mandatory planning processes or deemed ineligible for compensation to provide key grid services.

3. **Refine mandatory transmission planning and cost allocation practices, where necessary, to follow economic principles.** The majority of greenfield transmission expansion will inevitably occur under mandatory planning and cost allocation processes run by utilities or regional transmission organizations

(RTOs). The most economical manner to plan such projects is through robust cost-benefit and scenario analyses, planning horizons appropriate for long-lived infrastructure, allocating costs based on the beneficiary pays principle, and putting transmission needs or solutions out for competitive bid. Developers should have a reasonable expectation that beneficial transmission lines can be deployed. This should include ensuring that developers have a credible means of proposing lines and that regulators will evaluate them based on neutral criteria; and that if selected, costs will be borne only by those who benefit, and only to the degree they benefit.

4. **Streamline transmission permitting and siting.** Priority improvements should be made at the state and local levels while protecting private property rights. These include tying permitting decisions to evidence of demonstrable harm (not speculation), improving information on project costs and benefits (including out of state), maintaining fairness across business models, and instituting appeals processes to vindicate the liberty of parties seeking redress on restrictive permitting and siting decisions. Any national changes to interstate transmission siting should only use federal backstop authority as a last resort.

5. **Improve transmission governance.** Greater transmission system transparency and accountability are needed across the country, but especially outside RTOs. Expanding the role of independent institutions, such as an Independent Transmission Monitor, to coordinate, audit, and assess transmission system operations and planning is warranted. Closing the holes in governance frameworks, such as the federal-state gap over local transmission projects, is imperative for cost containment.

A well-functioning transmission system is critical to providing electricity to households and businesses across the country. Yet, upgrading existing infrastructure, voluntary transmission expansion, and permitting new lines is notably difficult. By instilling market discipline and enhancing transparency, policy reforms should enable the private sector to ensure grid reliability at the lowest possible cost.

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