



## **Designation of National Interest Electric Transmission Bottlenecks (NIETB) Summary of Comments 01/31/2005**

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The US Department of Energy (DOE) issued a *Federal Register* Notice of Inquiry [FR doc. 04-16724] on July 22, 2004, which solicited comments related to the Designation of National Interest Transmission Bottlenecks (NIETB). The 60-day comment period ended on September 21, 2004. Forty-seven comments were received in response to the Notice of Inquiry.

The comments are summarized below by topic. The summary is intended to express the principal themes of the comments without attributing views to specific commenters. The exact text of the comments is available at [www.electricity.doe.gov/bottlenecks](http://www.electricity.doe.gov/bottlenecks).

Note: Only the comments pertaining specifically to the NIETB *process* are included in this summary. Some comments proposed actual bottlenecks for NIETB designation. These comments may be addressed by DOE if a process for such designations is established.

### **General**

The majority of commenters applauded DOE for focusing attention on major transmission constraints and expressed support for DOE efforts to ease them. Some commenters however, opposed action by DOE, stating that it is the role of market participants to address and mitigate bottlenecks. One commenter specifically stated that the responsibility for addressing bottlenecks that have national security implications lies with the North American Electric Reliability Council (NERC) and transmission owners, not DOE.

Many commenters advised DOE to be cautious in its approach to the designation of NIETBs, and offered suggestions, observations, or concerns:

## NIETB Process Considerations

1. DOE should acknowledge that it has no authority to take direct action to mitigate transmission bottlenecks or to direct others to do so, regardless of how important the bottlenecks may be.
2. Ensure that DOE adds value rather than adding an extra unnecessary step or complication in the regulatory process.
3. DOE should clearly communicate its goals, priorities and projected activities, and clarify what it will and will not do.
4. Any action DOE takes should be transparent.
5. DOE should ensure that participants understand how DOE intends to support and enhance existing planning and siting processes.
6. DOE should not undertake an independent assessment of transmission constraints (e.g., by means of modeling or transmission planning).
7. DOE should not undertake to audit or assume an oversight role over others' transmission planning processes.
8. DOE should work cooperatively with state, local, federal regulators, independent system operators (ISOs), and regional transmission operators (RTOs).
9. DOE should engage Native America tribes in its dialogue concerning transmission constraints.
10. DOE should make use of NERC's technical expertise.
11. DOE's process should not favor one alternative over another, but should provide for consideration of the full range of options for mitigating major transmission constraints.
12. DOE should consider organizing regional conferences to focus on creative ways to resolve obstacles to easing transmission constraints.
13. DOE should take into account that the US grid is connected to Canada and Mexico.

Commenters raised several important questions regarding the process. They asked what benefits NIETB designation would entail, and how such designation would:

1. Reconcile local interests with regional or national interests.
2. Address regional differences.
3. Handle confidential and critical energy infrastructure information.

Commenters pointed out potential adverse consequences of the NIETB designation process for DOE to consider. These include:

1. The process could lead to market distortions, as could inappropriate designations.
2. NIETB designation could result in reduced availability of low cost electricity for some parties.
3. NIETB designation could result in higher cost of electricity for some parties.

## DOE Role in an NIETB Process

Most commenters agreed that DOE could play a constructive role in the identification and mitigation of major bottlenecks. The extent of the role envisioned for DOE varied, however. A

frequently-expressed view was that DOE should build upon the work of others, first by identifying and calling attention to major bottlenecks, and then by working as a coordinator, with particular attention to requests for assistance from parties involved in projects facing siting complications and delays. One commenter suggested that DOE work with the Federal Energy Regulatory Commission (FERC) and state public utility commissions to make funds available to address and mitigate bottlenecks.

### **Nomination and the Identification of Bottlenecks**

Many commenters stressed the importance of stakeholder-based regional transmission planning as the foundation for identifying major bottlenecks, and asserted on that basis that DOE should not act unilaterally to identify bottlenecks. Further, many held that DOE should not duplicate existing planning processes as done by transmission owners and coordinated by RTOs, ISOs, or regional reliability councils (RRCs). Some commenters suggest that DOE should refrain from identifying a constraint as an NIETB unless some stakeholder or regional entity nominates the constraint for such designation and provides appropriate supporting information and analysis. Other stakeholders urged DOE to retain the option of designating a bottleneck as an NIETB on its own initiative, assuming appropriate supporting information is available.

For regions without RTOs or where available data may be insufficient to identify major bottlenecks, the commenters suggest that DOE should:

1. Rely on the RRCs, as alternatives to RTOs.
2. Require submission of supporting data for all nominations.
3. Create incentives to ensure that nominations are based on some regional planning process.
4. Monitor differences in reliability and prices to as a possible basis for designation of NIETBs.
5. Work with FERC

### **Designation of Bottlenecks**

Most commenters agreed that DOE should make the bottleneck designation itself. Some, however, suggested that DOE should propose candidate NIETBs for public comment before it makes final designations.

### **Suggested Criteria for Designation**

Commenters provided some perspectives on specific criteria that could be used to designate bottlenecks. These comments are outlined below.

Usage of Term “Bottleneck”:

1. Some commenters consider the term “bottleneck” to be misleading because it implies that the problem to be addressed has a specific geographic location.

2. As an alternative, a transmission “constraint,” for example, could be “any condition that limits the flow of power across a network.” A constraint can occur at a specific interface in a network, or it may be more widespread, across a subregion of the network.

General Considerations:

1. The Electricity Advisory Board’s suggested criteria are too broad and could lead to state-federal conflict.
2. Typically, the significance of a given constraint fluctuates over time. This means that an NIETB would have to be shown to be a major and recurrent obstacle to desirable power flows across the network.
3. It is not economic to make all congestion go away.
4. Treat economic benefits and reliability benefits as co-equal criteria.
5. Transmission links built initially or primarily for economic purposes are likely to provide reliability benefits over time, as regional economic growth occurs.
6. Some commenters questioned the practicality of considering “national security” as an independent criterion for the identification and designation of NIETBs.
7. The criteria could be improved by adding an interstate commerce consideration.
8. The bottleneck identification process should be repeated every few years because new bottlenecks are likely to appear as the system evolves over time.

Threshold Criteria:

1. Set clear threshold tests, e.g., proposed projects 345kV or larger, 50 miles or longer, or crossing the U.S. - Canada border etc.
2. Projects facing unusual siting problems or delays.

Reliability criteria:

1. Use NERC and RRC definitions for reliability and reliability-related standards.
2. Use NERC or RRC criteria to gauge significance of reliability impacts.
3. Select projects that would avert or reduce the likelihood of a NERC planning criteria violation.

Economic criteria:

1. Using economic criteria may pit one region against another. Although increased electricity trade usually results in net economic benefits in the form of lower overall electricity prices, the benefits are not uniformly distributed. In some cases increased trade bids up wholesale electricity prices in the exporting region, while reducing wholesale prices in the importing region.

National security criteria:

1. If designations are made based on national security as a criterion it could advertise the area as a target for malicious action.
2. Although any given line is not necessarily important to national security, maintaining a reliable and economically productive grid is essential to national security.

## **Post Designation Activities/Mitigation of NIETBs**

Once the designations have been finalized, commenters suggested the following possible actions for DOE to take to monitor the status of bottlenecks:

1. DOE should work with FERC and NERC to clarify RTO and RRC responsibilities for resolving NIETBs.
2. DOE should defer to an RTO or RRC until it is clear that that entity can't move ahead due to some obstacle.
3. DOE should allow or work with others to create opportunities for market participants to mitigate designated NIETBs.
4. DOE should work with RTOs and RRCs to provide periodic status reports on steps taken to mitigate designated NIETBs.
5. Designation status should be amended if the regional planning process suggests so.

## **DOE Role in General Transmission Area**

The commenters identified several areas related to the NIETB designation process where DOE could provide useful assistance, leadership or funding. These suggestions are listed below.

1. DOE should support and encourage regional transmission planning that engages all stakeholders.
2. DOE could serve as a clearinghouse for information by providing links to regional transmission studies on a DOE website.
3. DOE should consider supporting the development of a national information system on real time line ratings.
4. DOE should work with market participants, regulators, and relevant regional organizations to identify and overcome barriers to better regional transmission planning.
5. DOE should work with market participants and regulators to identify and overcome barriers to transmission investment, such as conflicts of interest, siting-related obstacles, and the need for assured cost-recovery.
6. DOE should encourage the formation of stand-alone transmission companies.
7. DOE should support analyses to:
  - a. Make participant funding workable;
  - b. Improve metrics for valuing contributions to increased reliability;
  - c. Identify best practices in regional and inter-regional transmission planning and support broader application of them;
  - d. Determine improvements to data availability and quality needed to enhance regional planning;
  - e. Develop a sound long-term basis for the future expansion of the transmission system.
8. DOE should continue or expand its RD&D programs related to improving transmission technology and grid management tools.