



**Electricity
Transmission
Competition
Coalition**

May 23, 2022

The Honorable James Lankford
Senate Committee on Energy and Natural Resources
316 Hart Senate Office Building
Washington, DC 20510

Re: Oklahoma Sets Example for the Country on Electricity Transmission Competition – An Anti-Inflation Policy

Dear Senator Lankford,

The Southwest Power Pool (SPP) recently [approved](#) NextEra Energy Transmission (NEET) Southwest's bid to construct a transmission project in Oklahoma through a competitive process that will save Oklahoma ratepayers \$22 million dollars. In your capacity as a member of the Senate Committee on Energy and Natural Resources, we urge you to help make transmission competition a national policy as was intended under FERC Order 1000.

NEET Southwest's winning \$55 million bid came in at 29 percent less than the closest bid of \$77 million.¹ For comparison, bids went as high as \$97 million. In the absence of competition, the cost difference between the winning bid and the average bid would be even higher, given incumbent utilities' tendency to have higher cost estimates. According to the SPP panel, NEET Southwest's proposal had the best cost cap guarantees and tighter caps on the annual transmission rate revenue requirement.

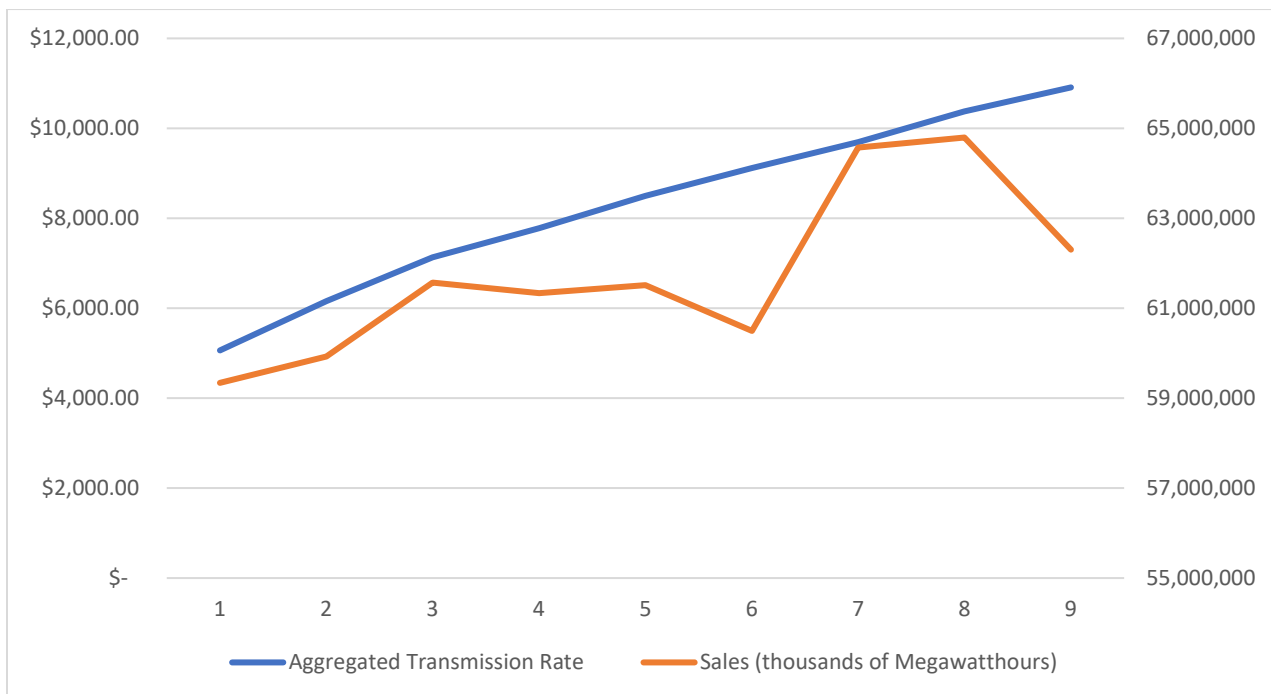
The selection marks the fourth time SPP has used competitive solicitations in its transmission planning process. However, this Oklahoma success story could be the last of its kind as a recent proposal by the Federal Energy Regulatory Commission (FERC) would effectively kill the competitive bidding process. The notice of proposed rulemaking (NOPR) that was issued on April 21, 2022 would shield incumbent monopolies from competition by rolling back the competition provisions in FERC Order 1000. Instead of siding with households and businesses that are already facing rising inflation and energy costs, FERC is backing the utilities who consistently raise rates despite decreasing or flat demand for electricity.

¹ Tom Kleckner, "SPP Board of Directors/Members Committee Briefs: Oct. 26, 2021," RTO Insider, Nov. 1, 2021. <https://www.rtoinsider.com/articles/28966-spp-board-directors-mc-102621>.

In Oklahoma, electricity transmission rates for customers have increased substantially over the last decade, outpacing demand (see fig. 1). Nationwide, from 2014 to 2020, RTO/ISO transmission costs increased by \$74.9 billion, or 79 percent, while electricity demand was flat (see fig. 2). Nationwide demand was 3.76 billion MWh in 2014 and 3.72 billion MWh in 2020². Across the country, consumers are being exploited by incumbent electric utilities that have circumvented FERC Order 1000 that was supposed to usher in an era of competition. Studies show that only about 3 percent of electric transmission projects are competitively bid.³

As the US becomes increasingly electrified, transmission competition is especially important given the projected record spending on transmission that could be required. According to a study by Princeton the U.S. may need to spend \$2.1 trillion by 2050 to build out the transmission grid.⁴ Studies have shown that competition can reduce the cost of transmission projects by 20-30 percent. Therefore, a 25 percent savings could save consumers an estimated \$525 billion.

FIGURE 1: Growth in Aggregated Regional Transmission Rate vs. Demand⁵



² Electricity, U.S. Energy Information Administration, <https://www.eia.gov/electricity/>

³ Brattle Group: Cost Savings Offered by Competition in Electric Transmission, https://www.brattle.com/wp-content/uploads/2021/05/16726_cost_savings_offered_by_competition_in_electric_transmission.pdf

⁴ NET-ZERO AMERICA: Potential Pathways, Infrastructure, and Impacts, Princeton University, <https://netzeroamerica.princeton.edu/?explorer=year&state=national&table=2020&limit=200>

⁵ US Energy Information Administration

FIGURE 2: Comparison of Transmission Investment by Region 2014 – 2020 (\$ millions)⁶

Year	CAISO	FRCC	ISO-NE	MISO	NYISO	PJM	SERC	SPP	WECC	Yearly Total
2014	\$7,964	\$1,646	\$6,347	\$15,373	\$22,896	\$20,373	\$7,504	\$6,015	\$7,044	\$95,163
2015	\$11,533	\$2,228	\$7,043	\$17,187	\$23,858	\$24,957	\$8,007	\$6,622	\$7,395	\$108,831
2016	\$13,015	\$2,472	\$7,665	\$20,072	\$24,303	\$29,554	\$8,616	\$7,265	\$7,859	\$120,821
2017	\$15,137	\$2,700	\$8,259	\$22,846	\$25,645	\$33,877	\$9,003	\$7,832	\$8,227	\$133,526
2018	\$15,594	\$2,851	\$8,823	\$25,197	\$26,660	\$37,542	\$10,067	\$8,508	\$8,543	\$143,784
2019	\$16,217	\$3,030	\$9,545	\$27,206	\$27,740	\$42,319	\$10,834	\$8,931	\$8,950	\$154,773
2020	\$17,481	\$3,115	\$10,269	\$30,532	\$29,796	\$48,799	\$11,568	\$9,292	\$9,240	\$170,092
Grand Total	\$96,941	\$18,042	\$57,950	\$158,414	\$180,899	\$237,421	\$65,600	\$54,465	\$57,257	\$926,989

Incumbent electric utilities oppose transmission competition and would have you believe that electricity electrons stop at a state’s border. The vast majority of transmission projects involve interstate commerce and that is why changes to FERC’s regulations are needed to ensure that consumers benefit from competition and lower costs.

We urge you to become a champion for transmission competition. Open competition in electricity transmission planning is the best mechanism to lower costs for consumers, drive innovation, and promote greater energy efficiency to achieve our nation’s carbon reduction goals. Thank you in advance for protecting consumers from monopoly power and higher costs.

Sincerely,

Paul N. Cicio

Paul N. Cicio

Chairman, Electricity Transmission Competition Coalition

<https://electricitytransmissioncompetitioncoalition.org/>

MEMBERS OF THE ELECTRICITY TRANSMISSION COALITON

Alliance of Western Energy Consumers (AWEC)

⁶ S&P Global Market Intelligence Regulatory Research Associates Regulatory Focus: An Overview of Transmission Ratemaking in the U.S. – 2021 Update

Ag Processing
Aluminum Association
American Chemistry Council
American Forest & Paper Association
American Foundry Society
American Iron and Steel Institute
Ardagh Group
Arglass Yamamura
Arkansas Electric Energy Consumers, Inc.
Arkansas Forest and Paper Council
Association of Businesses Advocating for Tariff Equity
CalPortland Company
Can Manufacturers Institute
Carolina Industrial Group for Fair Utility Rates
Carolina Utility Customers Association, Inc.
Century Aluminum
Chemistry Council of New Jersey
Chemical Industry Council of Illinois
Coalition of MISO Transmission Customers
Commercial Metals Company
Council of Industrial Boilers Organization
Delaware Energy Users Group
Digital Realty
Domtar Corporation
Eramet Marietta Inc.
Ford Motor Company
Formosa Plastics Corporation, USA
Foundry Association of Michigan
Glass Packaging Institute
Illinois Industrial Energy Consumers
Indiana Cast Metals Association
Indiana Industrial Energy Consumers
Industrial Energy Consumers of America
Industrial Energy Consumers of Pennsylvania
Industrial Energy Users-Ohio
Industrial Minerals Association-North America
Iowa Business Energy Coalition
Iowa Industrial Energy Group, Inc.
Iron Mining Association of Minnesota
Lehigh Hanson, Inc.
LS Power Development, LLC
Maine Industrial Energy Consumer Group
Marathon Petroleum Company
Maryland Office of People's Counsel
Messer Americas

Metalcasters of Minnesota
Michigan Chemistry Council
Midwest Food Products Association
Minnesota Large Industrial Group
Multiple Intervenors, NY
National Council of Textile Organizations
National Retail Federation
NextEra Energy
North Carolina Manufacturers Alliance
NovoHydrogen
Office of the People's Counsel for the District of Columbia
Ohio Cast Metals Association
Ohio Energy Group
Ohio Manufacturers' Association
Oklahoma Industrial Energy Consumers
Olin Corporation
Owens-Illinois
Pennsylvania Energy Consumer Alliance
PJM Industrial Customer Coalition
Portland Cement Association
Public Citizen, Inc.
R Street
Resale Power Group of Iowa
Retail Industry Leaders Association
Riceland Foods, Inc.
Rio Tinto
Steel Manufacturers Association
Texas Cast Metals Association
Vallourec STAR LP
Vinyl Institute
Virginia Manufacturers Association
West Virginia Energy Users Group
Wisconsin Cast Metals Association
Wisconsin Industrial Energy Group