ELECTRIC TRANSMISSION CUSTOMER PROTECTION ACT

The Electric Transmission Customer Protection Act would ensure that when the Federal Energy Regulatory Commission (FERC) defines benefits for the purpose of distributing the costs of electric transmission facilities, it does so in a way consistent with the "just and reasonable" standard of the Federal Power Act, ensuring that consumers are not forced to pay for new transmission lines for which they receive no direct or meaningful benefit.

Background:

On June, 17, 2010, FERC released a Notice of Proposed Rulemaking titled "Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities." The proposed rule, expected to be finalized this spring, would require regions to develop transmission plans and cost allocation methods that consider the benefits of new transmission facilities, including reliability, economics, and complying with state or federal laws or regulations.

What the Electric Transmission Customer Protection Act would do:

The Electric Transmission Customer Protection Act states that no rate or charge may be determined to be just and reasonable unless the charge is "reasonably proportionate to measurable economic or reliability benefits projected, as determined by the Commission [FERC]." This clarification adheres to FERC's traditional cost allocation method, which is to assign costs based on what is just and reasonable and according to the cost causation principle.

Why this legislation is necessary:

FERC's proposed rule broadly defines benefits to include meeting public policy goals, which could result in consumers in one state or region being charged for transmission from which they receive no direct benefit. This is evidenced by the language of the rule itself, as well as FERC's recent approval of a plan by the Midwest ISO (Independent Transmission System Operator) that would create a new category of transmission projects, called "multi value projects," that will be evaluated to determine if the projects support a public policy requirement, such as a renewable energy standard (RES).

Allocating costs for projects that do not provide a direct benefit across a region is simply taxing consumers to subsidize projects that cannot be fully funded by private investment, utilities and the ratepayers benefitting from a particular project.