



**UNITED STATES OF AMERICA
BEFORE THE DEPARTMENT OF ENERGY
OFFICE OF ELECTRICITY**

**COMMENTS OF ITC HOLDINGS ON DOE TRIENNIAL CONGESTION
STUDY**

I. INTRODUCTION

ITC Holdings Corp. (“ITC”) invests in the electricity transmission grid to improve reliability, expand access to markets, lower the costs of delivered energy and allow new generating resources to interconnect to its transmission systems. The largest independent electricity transmission company in the country, ITC operates in Michigan’s Lower Peninsula and portions of Iowa, Minnesota, Illinois, Missouri, Kansas, and Oklahoma. ITC also focuses on new areas where significant transmission system improvements are needed through ITC Grid Development and its subsidiaries.

II. COMMENTS

Policy Recommendations

ITC supports DOE’s efforts to conduct a national review of electric system congestion through its triennial congestion study. While the nation’s Regional Transmission Organizations (“RTOs”) and Independent System Operators (“ISOs”), along with the Federal Energy Regulatory Commission (“FERC”), have undertaken efforts to plan their respective portions of the United States bulk power system to identify and relieve transmission constraints to promote the more economic delivery of energy, congestion costs borne by consumers continue to be present a serious concern. For example, as identified in the Midcontinent Independent System Operator’s (“MISO’s”) 2017 Independent Market Monitor (“IMM”) report, “[a]lthough system-wide energy prices rose slightly, prices often varied substantially throughout MISO, reflecting congestion on the MISO transmission network. The value of real-time congestion

increased by 7.2 percent to \$1.5 billion...” Similarly, the PJM Interconnection, L.L.C. (“PJM”) August, 2018 Quarterly State of the Market Report notes that PJM experienced more congestion in the first six months of 2018 than in all of 2017 combined, driven both by high generator fuel costs during periods of extreme cold in January 2018 and by the need to utilize expensive, oil-fired peaking generation due to outages caused by transmission upgrades conducted in its footprint.

As these and other ISO/RTO reports demonstrate, current upward trends in congestion are driven by a lack of sufficiently robust transmission capacity necessary to promote a more economic deployment of generation resources. In addition to harming consumers through the inability of system operators to deliver low cost energy, transmission constraints that drive congestion are also likely to indicate broader system issues, including: inability to meet state or federal public policy goals, increased capacity prices, and/or potential resilience and national security concerns in the event of extreme weather or emergency. In this context, DOE’s analysis provides a useful avenue for policymakers and industry to evaluate system constraints through a national lens otherwise unavailable through local and regional transmission planning analyses. The report also offers an opportunity to evaluate congestion trends over time by comparing current results with data from previous studies.

Finally, the triennial report supports DOE’s authority to designate national interest electric transmission corridors. The Federal Power Act provides DOE with broad and flexible authority in this area, as DOE can designate corridors based on a range of factors including: economic development, energy diversity, and national defense and homeland security. The full list of factors is provided below.

- The economic vitality and development of the corridor, or the end markets served by the corridor, may be constrained by lack of adequate or reasonably priced electricity;
- Economic growth in the corridor, or the end markets served by the corridor, may be jeopardized by reliance on limited sources of energy; and

- A diversification of supply is warranted;
- The energy independence of the United States would be served by the designation;
- The designation would be in the interest of national energy policy; and
- The designation would enhance national defense and homeland security.

Following the completion of the upcoming triennial report, DOE should consider using its authority to designate a national network of transmission corridors focused on relieving congestion, increasing resource diversity, and increasing overall system resilience, among other factors. DOE could also contemplate establishing corridors that are proposed by individual applicants; however, this should not preclude DOE using its authority to establish a broad network of corridors using the national lens provided by the study. Once a network of national corridors is established, ITC encourages DOE to work proactively with utilities, ISOs/RTOs, federal, state and local governments, and energy consumers to advance transmission projects that address these issues in the designated areas.

Comments on Data Sources and Metrics

In the past, DOE has relied primarily on data gleaned from state of the market reports conducted by RTOs and ISOs to examine congestion in these areas. ITC believes these reports continue to offer an appropriate starting point for DOE's analysis. ITC offers the following additional data sources and metrics to supplement DOE's report:

- DOE should examine capacity price differentials within an RTO as an indication of insufficient transmission capacity to promote economic outcomes. Capacity price reductions and avoided capacity costs are a clear benefit of transmission expansion and should also be evaluated in forward looking congestion studies.

- For the MISO region, DOE should examine the recent Regional Transmission Overlay Study (“RTOS”),¹ which provides a broad view of transmission issues in the MISO footprint.
- DOE should pay close attention to the size and delays in generation interconnection queues, particularly MISO and the Southwest Power Pool (“SPP”), as an indication of a lack of sufficient transmission capacity to promote economic outcomes. Many of these delays are due to the burdensome study processes and cost allocations needed to identify extensive transmission network upgrades which must be funded by developers in the absence of sufficient existing transmission infrastructure. Delays in interconnection queues may also present resource diversity and resilience concerns.
- An inability of market participants to receive financial hedges can be a strong indication of transmission congestion. Candidate hedge nominations are often deemed infeasible during initial analysis. There is a strong correlation between this infeasibility and insufficient transmission capacity.
- FERC Order No. 844² requires that RTOs report uplift costs. Uplift is caused by inefficiencies in markets that could often be addressed with additional transmission.

Finally, ITC notes the paucity of available data from previous reports on whether economic outcomes are being achieved in non-RTO regions. This is unsurprising given the absence of organized markets in these regions. At the same time, the dearth of data emerging from vast swaths of the U.S. highlights a clear benefit of RTO formation and expansion – namely, transparency, and the ability to assess congestion and pursue more economic outcomes through economic dispatch and a regional transmission planning process. DOE may wish to opine on this discrepancy in the 2019 report.

¹ The MISO RTOS is available as Section 8.4 of the 2017 MISO Transmission Expansion Plan, <https://cdn.misoenergy.org/MTEP17%20Full%20Report106032.pdf>.

² 163 FERC ¶ 61,041 (2018).

Respectfully submitted,

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