



Update: Senate Energy and Natural Resources Committee Holds Hearing on Electrical Power Transmission

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The Senate Energy and Natural Resources Committee on Thursday, March 12, 2009 held a hearing to discuss two pending transmission bills. The Committee discussed: the Clean Renewable Energy and Economic Development Act, introduced by Senator Reid (“Reid Bill”) on March 5th and a draft bill released by Senator Bingaman. The bills are directed towards transmission siting and planning as amendments to the Federal Power Act which was initially established under the Energy Policy Act of 2005 to facilitate and streamline the siting of electric facilities. The bills have substantial overlap. Both bills grant siting authority over high-voltage lines to the Federal Energy Regulatory Commission (the “FERC”); call for a coordinated effort on behalf of multiple stakeholders to create transmission plans and appropriate cost allocation plans to be approved by the FERC; and provide for the opportunity for the FERC to step-in with the input of stakeholders if the planning entities fail to develop a plan or cost allocation method within one year. The bills, however, differ in one key respect – designation of renewable energy zones. The heart of the issue appears to be the best way to limit electrons generated from coal from flowing on the lines.

The Reid Bill attempts to limit coal electrons by requiring the transmission provider for a grid project under a Project Plan to certify to the FERC that at least 75% of the transmission capacity of the project is available to renewable energy, with an exception if there is a reliability issue. *See*, Clean Renewable Energy and Economic Development Act §404(k)(1). It appears that the Bingaman Bill attempts to limit coal electrons by requiring consideration of reduced emissions and enhanced fuel diversity in the planning guidelines for high-priority national transmission lines.

The Reid Bill represents a concept that has been undertaken at the State and

regional levels. In line with the concept behind the Western Renewable Energy Zones project and the Competitive Renewable Energy Zones project in Texas, the Reid Bill requires the President to designate certain geographical areas as national renewable energy zones. To qualify as national renewable energy zone, the area must have the potential to generate in excess of 1 gigawatt of electricity and have insufficient electric transmission capacity to achieve this potential. *See*, Clean Renewable Energy and Economic Development Act § 402.

In contrast, the Bingaman Bill provides for planning to be “guided by the goal of maximizing the net benefits of the electricity system, taking into consideration (i) support for the development of new renewable generation capacity, including renewable generation located distant from load centers.” Additional elements for consideration in planning processes include opportunities for reduced emissions from regional power production; cost savings from reduced transmission congestion, enhanced opportunities for intraregional and interregional electricity trades, reduced line losses, or generation resource-sharing; enhanced fuel diversity; reliability benefits; diversification of risk relating to events affecting fuel supply or generating sources in a particular region; competition in electricity markets; ability to collocate facilities on existing rights-of-way; and competing land use priorities. Although different in this respect, both bills effectively open the dialogue to address the barriers to connecting renewable energy projects to the grid.

Among others, the Senate Energy and Natural Resources Committee heard testimony from Senator Reid, Senator Dorgan, Representative Clark and FERC Acting Chairman Wellinghoff who advocated for federal siting authority similar to FERC’s siting authority for natural gas pipelines. Senator Bingaman asserted his intention to include a transmission siting provision in the energy bill which he intends to introduce and mark-up the week March 30th. What is clear at this point is that the bills open a much needed dialogue to address the need for additional and upgraded transmission capacity across North America.



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