



## **FERC Considers Whether There Is a Place for Competitively Awarded Transmission Projects to Receive ROE Incentives**

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FERC denied NEET West's ROE incentive, finding that it had not provided adequate support for its request. FERC noted that one of its concerns was whether it "strike[s] the appropriate balance between the risk assumed by NEET West and the risk assumed by ratepayers," since it would "shift to ratepayers cost increases in the form of a potential premium on the ROE" if the ROE "is determined to be below a specified level."<sup>4</sup> However, FERC clarified that its denial of NEET West's requested conditional ROE was limited to the specific facts of this case, observing that the request "highlights broader policy considerations related to the potential benefits of cost containment proposals in the context of competitive transmission development."<sup>5</sup>

Thus, FERC announced its intention to convene a technical conference to explore these issues. One issue it will look at is whether and how risks associated with cost containment proposals relate to FERC's policies on transmission rate incentives,<sup>6</sup> including whether a proposed project faces risks and challenges not already accounted for in an applicant's base ROE or addressed through risk-reducing incentives.<sup>7</sup> Another issue for exploration is "whether and how voluntarily assuming" the type of risk NEET West took in this case fits with the minimization of risk envisioned in FERC's transmission policy statement.<sup>8</sup> This technical conference has not yet been scheduled.

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<sup>1</sup> *NextEra Energy Transmission West, LLC*, 154 FERC ¶ 61,009 (2016) (*NEET West*).

<sup>2</sup> *Promoting Transmission Investment through Pricing Reform*, Order No. 679, FERC Stats. & Regs. ¶ 31,222 (2006), *order on reh'g*, Order No. 679-A, FERC Stats. & Regs. ¶ 31,236, *order on reh'g*, Order No. 679-B, 119 FERC ¶ 61,062 (2007).

<sup>3</sup> *NEET West* at P 40.

<sup>4</sup> *Id.* at P 75.

<sup>5</sup> *Id.* at P 76.

<sup>6</sup> *Id.* at P 77.

<sup>7</sup> *Id.*

<sup>8</sup> *See Promoting Transmission Investment Through Pricing Reform*, 141 FERC ¶ 61,129 (2012).

## Categories

Energy Regulation, Markets & Enforcement

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