



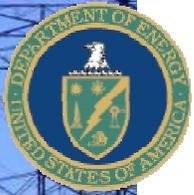
U.S. Department of Energy

Office of Electricity Delivery and Energy Reliability

DRAFT

Southwest Area
National Interest Electric
Transmission Corridor

David Meyer
June 2007



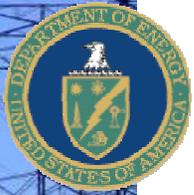
Background to Energy Policy Act of 2005

- **A robust transmission grid is the “superhighway” network needed to deliver reliable, low-cost electricity to consumers. It is vital to the Nation’s economic health and welfare.**
- **We have seen persistent underinvestment in the transmission sector, relative to demand growth, since the 1980s.**
- **Such underinvestment leads to higher electricity prices, dependence on a limited range of generation fuels and suppliers, and greater risk of blackouts.**
- **Electricity markets are now regional (multistate) in size. Transmission networks must be planned, developed, and operated on a regional scale.**
- **Much new generation capacity will be sited distant from cities, increasing the need for transmission capacity.**

Transmission-Related Provisions in Energy Policy Act of 2005

- **Mandates compliance with federally-approved reliability standards.**
- **Requires states to consider adopting policy directing utilities to strengthen demand response programs.**
- **Requires DOE to set efficiency standards for wider range of consumer products.**
- **Requires FERC to provide financial incentives for new transmission investment.**
- **Requires DOE to publish a national study every three years on transmission congestion.**
- **Authorizes DOE to designate appropriate areas as National Corridors if it finds that consumers are being adversely affected by transmission constraints or congestion.**





Effects of National Corridor Designation

Designation would:

- **Signify that the federal government has concluded that a transmission congestion problem exists in the area and requires timely solution.**
- **Enable the Federal Energy Regulatory Commission, under certain conditions, to approve siting and construction of transmission facilities within the Corridor.**



Conditions for Possible Exercise of Siting Authority by FERC

Per EPC Act, FERC may exercise jurisdiction to site a transmission project if:

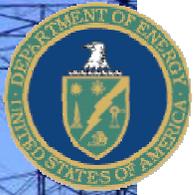
- **The state does not have the authority to site the project.**
- **The state does not have the authority to consider interstate benefits associated with the project.**
- **The applicant does not qualify for a state permit because it does not serve end-use customers in the state.**
- **The state has withheld approval of the project for more than one year.**
- **The state has conditioned its approval such that the project would not significantly reduce congestion or be economically feasible.**



Effects of National Corridor Designation (cont.)

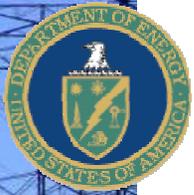
Note: Designation would:

- **Not determine how the affected area's congestion problem(s) should be resolved.**
- **Not propose, direct, or order anyone to do anything.**
- **Not endorse particular transmission projects.**
- **Not circumvent compliance with any existing federal environmental requirements concerning transmission or other facilities.**

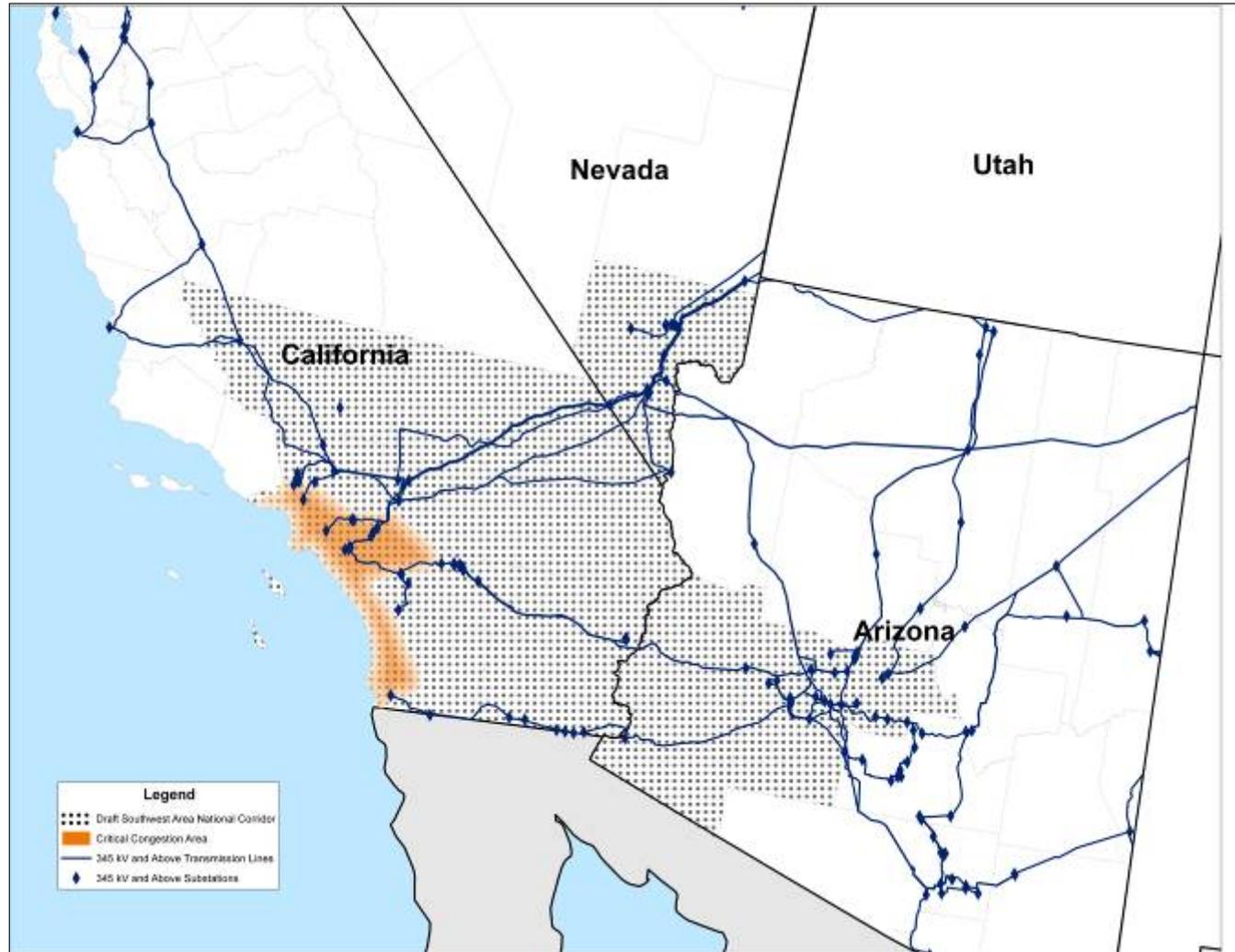


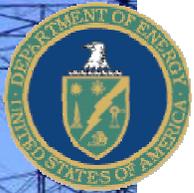
Purpose of Today's Meeting

- **We are not here to debate the merits of the Energy Policy Act of 2005.**
- **We are not here to debate the merits of proposed transmission projects, or of non-transmission solutions to congestion problems.**
- **We wish to hear your views about whether designation of a National Corridor in this general area is appropriate, and if so, where its boundaries should be drawn.**



Draft Southwest Area National Corridor



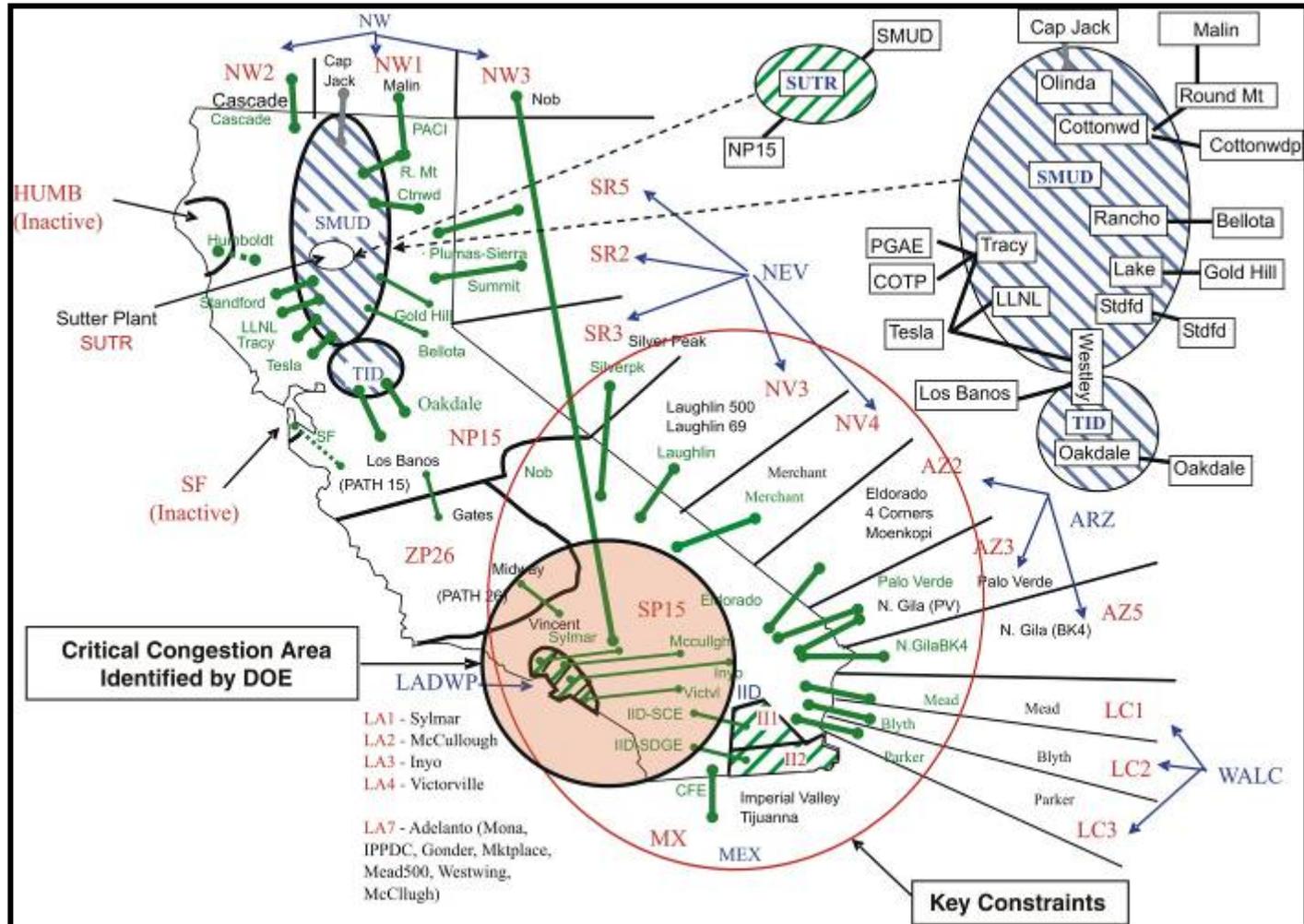


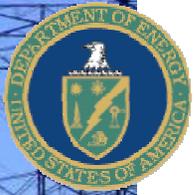
Major Points re Corridor Map

- **Additional transmission lines are not the only solution to congestion problems.**
- **Other options:**
 - Site more generation close to cities. (Challenges: Air quality problems, water requirements, limited range of fuel choices, high electricity production costs. Many existing plants in congested areas are aging and near retirement, making this strategy more difficult.)**
 - Strengthen energy efficiency and demand- response programs. (Challenges: Uncertainties re timing and scope of effects; requires strong support and coordination among state officials, local officials, and utilities; may require coordination among several states.)**
- **DOE's designation does not indicate that transmission is the preferred option – those decisions remain with the States, regional planning entities and in some possible situations, FERC.**
- **Some combination of all options is likely to be needed.**
- **Timely decisions and effective actions are needed.**



Transmission Congestion in Southern California



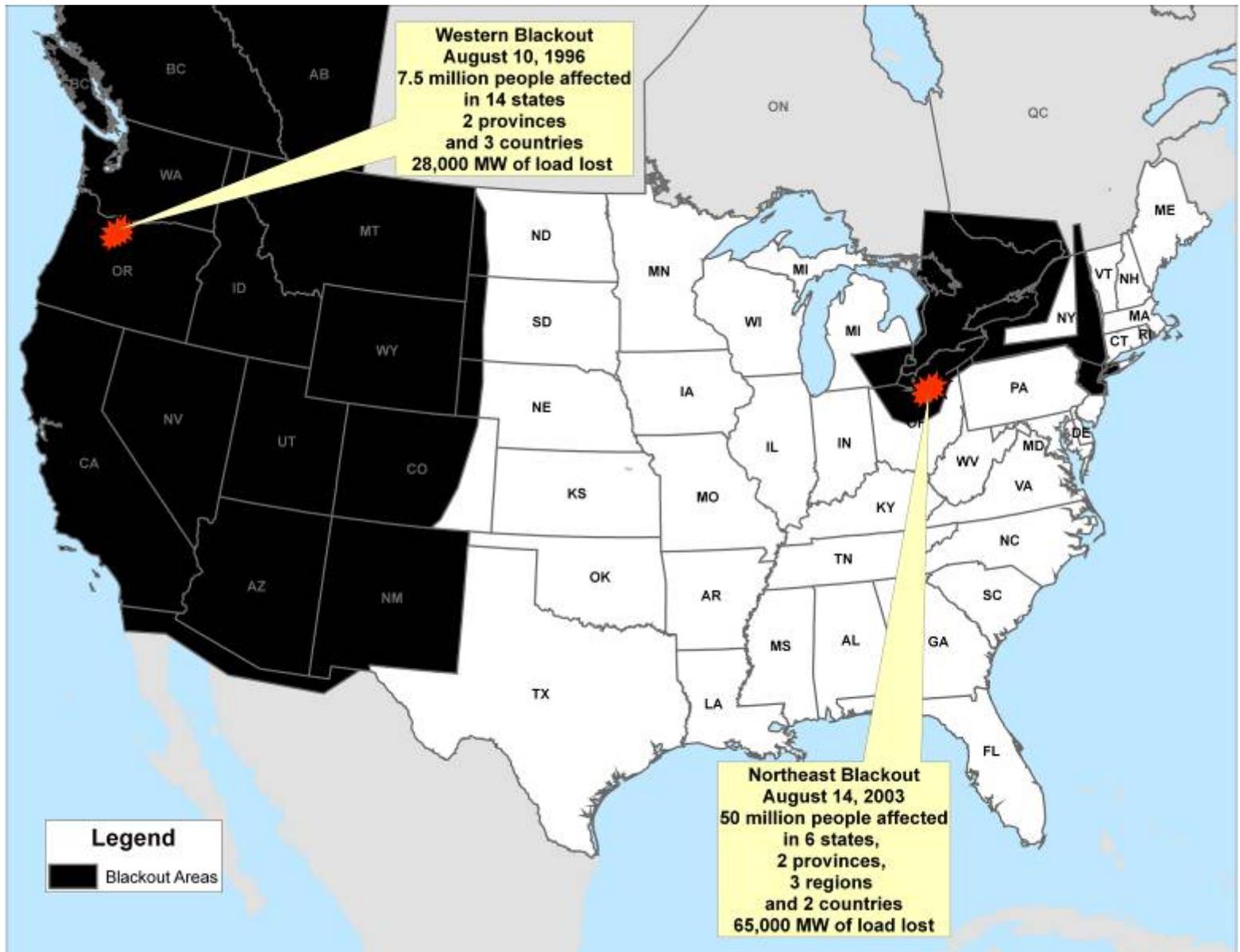


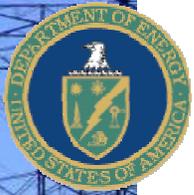
Duration of National Corridors

- **Development of transmission capacity – or of generation or demand-related alternatives – takes several years or more.**
- **A National Corridor, if designated, should remain in place for a substantial period and should not be rescinded at short notice.**
- **DOE proposes an initial term for a National Corridor of 12 years, although it may specify some other period in a particular case.**
- **Designations could be renewed, modified, or rescinded by DOE after notice and consideration of public comments.**



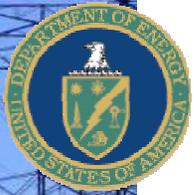
Blackout Risk is Real





Conclusions

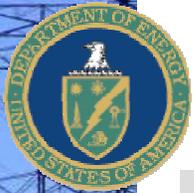
- **Transmission congestion is a major regional problem in the Southwest, and will grow worse without sustained attention and appropriate actions.**
- **By designating a National Corridor, DOE would NOT prescribe solutions.**
- **Designation of a National Corridor would not necessarily lead to federal preemption of state jurisdiction.**



Next Steps for DOE

- **After close of the 60-day comment period on July 6, 2007, DOE staff will review all comments and provide recommendations to the Secretary concerning possible designations.**
- **If a final designation is issued, there would be an automatic 30-day period for possible reconsideration by DOE.**





We Welcome Your Comments

- **Provide oral comments at DOE's public meetings**
- **Questions? Call or write David Meyer, 202-586-1411, or David.Meyer@hq.doe.gov**
- **Full documentation concerning the draft National Corridors is available at <http://nietc.anl.gov>**
- **File written comments concerning the draft National Corridors with DOE at <http://nietc.anl.gov>**
- **Written comments must be received by July 6, 2007**