Harvard Electricity Policy Group
Merchant Transmission

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What are the problems we are solving?

- Fragmented grid ownership and operation
- Insufficient system investment
- Byzantine siting and certification processes
- Local opposition to new construction
- Inconsistent state and federal policies
- Lack of confidence in the industry
Definitions

- Merchant transmission
  - Transmission financed by owner
  - Recovery through FTR’s
- Rate-based transmission
  - Transmission financed by owner
  - Recovery is through regulated tariff

Forms of Grid Investment

- Grid deepening investments
- New AC investments
- New DC investments
Merchant transmission is not the solution

- Markets are immature and imperfect
- System is stochastic
- Fragmented ownership and pricing treatment will result in operating inefficiencies and litigation
- Transmission investments are lumpy
- Siting and investment challenges will increase

Practical Solutions

- Encourage consolidation through regulation that supports participation in Regional Transmission Organizations or Independent Transmission Companies
- Develop planning and siting laws and processes that provide certainty and finality
- Develop regulatory pricing policies that encourage efficient investment in and operation of the grid