



Overseer's Undercurrent: Top-Down Transmission Won't Get Support August 11, 2006

A lot of money is going into the ground. But unless we get away from top-down transmission planning, even the best projects might be grounded.

It's not just here in the U.S. A new Standard & Poor's research report says that grid spending "is on the upswing around the world," with plans for billions of pounds, euros, and local-denomination dollars in new transmission construction spanning the globe.

S&P's data from North America are not new. The ratings agency relies on a vintage-2003 survey by the Edison Electric Institute to forecast more than \$6 billion in grid expansion and upgrades in 2006. Still, the EEI study shows a stark reversal of actual spending trends, from a dearth of about \$2.5 billion in 1999 to more than \$4 billion in 2003, with projections for a total expenditure of \$28.5 billion in the 2004-08 period.

The majority of this spending, EEI reported, "will support the integration of new generation additions through network upgrades, improve transfer capability between regions, improve grid reliability, and enhance local, regional and inter-regional markets."

That's certainly in keeping with the intent of federal policy makers, who purposely wrote into the Energy Policy Act of 2005 several provisions to encourage more transmission infrastructure via incentive ratemaking, federal siting "backstop" authority, and a Department of Energy effort to identify "National Interest Energy Corridors" (Circuit, May 26, 2006).

Another element of the federal push for steel in the ground was released this week in the form of DOE's National Electric Transmission Congestion Study. That report identified areas of critical congestion in Southern California and along the New York-to-Virginia megalopolis corridor (see story at page 12). Lesser but still-problematic areas of concern were noted in the San Francisco Bay Area, in Phoenix-Tucson, in Seattle-Portland, and through New England to Boston.

We know those are not the only areas of particular concern here in California. There are well-documented transmission constraints preventing access to potential wind resources in the Tehachapi Mountains and promising geothermal developments in the Imperial Valley - not to mention the perceived need for long-distance electron superhighways from Wyoming, Arizona, and New Mexico for the purpose of selling energy from many and disparate sources into California.

For all these reasons, state policy makers are also on board the transmission bandwagon, beating the bass drums of support.

The reaction from media and environmental groups, as previously noted here, is to treat all of these developments with suspicion and/or outright hostility. The DOE congestion study, for instance, was immediately blasted in newspaper reports as a forerunner to the energy corridors process, which is presumed to be a stalking horse for federal exercise of eminent domain over private lands and state-level decisions.

My view is that it is part of the filtering process - a necessary step in the determination of the best and most appropriate places to invest that \$6 billion per year in capital - and maybe even decide that high-voltage lines are not the best solution to the congestion problems in certain areas.

Few news reports quoted the portion of the DOE study that said that "congestion solutions will be based on a thorough review of generation, transmission, distribution and demand-side options." Nor did many antitransmission activists acknowledge that such decisions would necessarily be judged according to analysis of load growth, energy prices, and land-use patterns done in consultation with experts and stakeholders - or so DOE promises.

Still, I have to point out a glaring omission in most of the industry discussions about the new transmission imperative.

Look over the agendas for any one of the dozen upcoming conferences and seminars that will deal with transmission, reliability, and infrastructure. You'll find on the panels plenty of utilities, stand-alone transmission companies, ISO/RTOs, and regulatory agencies. The money houses, bankers, and credit raters are all well represented. They'll be talking about financial risk and regulatory risk, maybe even the risk of betting on the wrong generation resources. You can safely predict a plethora of PowerPoint presentations on structuring deals and limited partnerships.

Rarely do any of these programs talk about what it really takes to successfully build a transmission line or upgrade project (or power plant, for that matter): 1) consensus that the project is needed and is the best solution to whatever problem you are trying to solve, and 2) involvement of the communities and individuals that will be most affected by the construction or development.

And still developers wonder why their multibillion-dollar deal gets scuttled by a handful of homeowners who will use every tool at their disposal - and the almost-assured support of local news reporters - to fight the project, agency by agency, permit by permit, and lot by lot, if necessary.

Recently, I learned about a new idea, maybe even a new paradigm, that offers hope for getting beyond this kind of obstructionist gridlock.

It's called the Utility Search Conference™, a proprietary concept developed by the Star Group, LLC, of Albuquerque, New Mexico. The firm's Web site describes it as "a specialized type of search conference in which approximately 64 participants who are residents, community leaders, and utility employees all work together to create a favorable outcome concerning a major utility project" (see stargroupconsulting.com/services).

While it seems odd to me that someone would try to essentially patent a process for community involvement in planning and decision making, here we are in the modern world.

What's important is that this is a process, and a fairly rigorous one at that, to collaborate with affected communities, rather than cramming something down their throats. It involves talking about projects or plans long before they are cemented in an application to a permitting agency, identifying people who might actually understand the need for and benefits of the proposal, and listening to the concerns raised with the intent of resolving those issues before they give way to adamant opposition.

Bill Moye, president of Star Group, described the process as very different from the usual "community open house" staged by utilities or energy companies trying to bring a predetermined project into a neighborhood. "My ideal meeting is to be in a room with 64 people, all talking about the issues, and I'm the only one that's paid to be there," Moye said - not entirely joking.

Moye's group has had success with some local utility distribution projects in New Mexico and is currently working on a bigger project in Vermont. He admitted that the intense community involvement process might not be ideal for major interstate projects, such as the proposed Frontier transmission line or the national energy corridors.

But the underlying concept is worth exploring. Some of these transmission lines really do need to be built, but many might be avoided with smaller-scale solutions. In either event, it will be less painful and costly in the long run if those most affected by the projects are given meaningful opportunities for involvement as early as possible.

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