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NEWS RELEASE

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TRANSMISSION COST REVIEW: MORE OVERSIGHT NEEDED FOR SUPPLEMENTAL TRANSMISSION PROJECTS

COLUMBUS, OH: Transmission rates across the PJM Interconnection (PJM) territory have increased dramatically from 2011 to 2017, in some areas by more than 475 percent. These findings are part of a review released today by American Municipal Power, Inc. (AMP), which also documents a troubling lack of oversight of supplemental electric transmission projects.

“Investing in transmission infrastructure to ensure a resilient power grid is a legitimate undertaking, and one that AMP and its members support,” said AMP President and CEO Marc Gerken. “But we’re seeing a troubling increase in projects that lack rigorous independent oversight, along with a steep increase in transmission costs for energy customers. Consumers must have the ability to verify that transmission owners are engaging in cost-effective and efficient grid upgrades and expansion that take into account the future needs of a rapidly evolving industry.”

There are two types of transmission projects within PJM, the regional transmission organization that coordinates the electric transmission grid for the portion of the country AMP members are located. “Baseline” transmission projects address reliability concerns, and those baseline projects undergo a thorough open and transparent review and scrutiny by PJM and are ultimately approved by the Federal Energy Regulatory Commission (FERC).

“Supplemental” transmission projects are changes to the transmission system that are not required to satisfy reliability, operational performance or economic criteria. Supplemental transmission projects do not receive the same rigorous review by PJM, even though the costs for these projects are also passed on to consumers. This lack of true oversight means it’s nearly impossible for energy consumers—who ultimately bear the costs of these projects—to verify that they’re getting their money’s worth.

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In his review, Ken Rose, a nationally-recognized expert in the structure, regulation and economics of U.S. energy markets, found that transmission projects are on the rise across PJM. From May 2011 through May 2017, the annual revenue requirement (the actual cost for transmission owners to provide transmission service plus a return on their capital investment) for transmission enhancement projects increased by 294.5 percent. He also found that through 2012 there was approximately \$21.3 billion of PJM in-service or planned baseline and network upgrades compared to \$6.8 billion in supplemental transmission projects. Since 2012, there have been approximately \$12.7 billion in supplemental projects compared to \$11.6 billion of PJM in-service or planned baseline and network upgrades. This means there were more transmission projects proposed without any true oversight than within the established PJM planning process. With the exception of 2016, the amount of supplemental transmission projects has steadily increased each year.

“There is a shift from baseline projects to supplemental projects as revenue requirements and transmission rates have gone up, a lot – way beyond the levels of inflations.” said Dr. Ken Rose. “Basically, if you continue to have a process where it is fairly easy for the regulated entity to pass project costs through, there is going to be an incentive to continue pursuing supplemental projects.”

AMP’s members have reported similar significant increases in transmission charges over the past eight years. Gerken said that in four of AMP members’ transmission zones, annual revenue requirements have increased by a range of 99 percent to 214 percent over this period.

“Our members are seeing their transmission rates skyrocket,” Gerken said. “We need to be able to tell them why this is happening.” Gerken said that there has been little to no opportunity to review and provide written comments before project plans are finalized. “Without appropriate oversight and transparency, consumers have no way to tell if these supplemental transmission projects are prudent.”

See Rose’s review [here](#).

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ABOUT AMP:

American Municipal Power, Inc. is the nonprofit wholesale power supplier and services provider for 135 member municipal electric systems in the states of Ohio, Pennsylvania, Michigan, Virginia, Kentucky, West Virginia, Indiana, Maryland and Delaware. Combined, these public utilities serve more than 650,000 customers. AMP members receive their power supply from a diversified resource mix that includes wholesale power purchases through AMP and the open market and energy produced at AMP and member-owned generating facilities utilizing fossil fuel, hydroelectric, solar, wind and other renewable resources. For additional information, visit AMP’s website at www.amppartners.org.