Competition in Transmission

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Transmission Component Of Retail Electricity Bills Is Increasingly Significant

• Transmission costs charged to residential customers of PSNH increased by 374% over the past 11 years
• Distribution costs increased by only 73%
• As a result, transmission now accounts for 25% of residential customer delivery costs, up from 11% in 2005
• The results are similar for other consumer classes and other New Hampshire utilities
Causes Of The RNS Rate Increase

• Substantial new investment to integrate new transmission facilities and upgrade existing aging facilities;
• High equity returns applied to net investments;
• Generous incentive payments; and
• Large cost overruns.
New England Trans Cost Is Highest
Transmission Cost Overruns

• From 2004 through 2008 ranged from 30% to 408% of estimated cost

• 2007 through 2012
  – 69% of the surveyed projects had in-service costs that exceeded planned costs by an average of 29%,
  – 8% had zero expected cost overruns, and
  – 23% had expected in-service costs that were less than planned estimated costs by an average of 21%.
Implementing Competition

- Well established in energy markets that competition results in lower costs
- FERC Order 1000 directs competition in transmission
- ISO-NE should develop robust guidelines to facilitate competitive solicitation and evaluation process
  - More streamlined guidelines could be used for near-term needs
- **Cost Containment** in bids is critical component to avoid cost overruns