UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

North American Electric Reliability Corporation	**)**	**Docket No. AD25-4-000**

REPLY COMMENTS OF THE NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

On November 19, 2024, the North American Electric Reliability Corporation ("NERC") filed an Interregional Transfer Capability Study ("ITCS") (the "ITCS Filing")[1] with the Federal Energy Regulatory Commission ("Commission"), as directed by Congress in the Fiscal Responsibility Act of 2023 (the "Fiscal Responsibility Act").[2] Comments were due on February 25, 2025. NERC respectfully submits the following reply to clarify certain matters raised in comments on the ITCS. NERC appreciates the opportunity to submit these reply comments, and requests that the Commission accept this reply to enhance and clarify the record.[3]

I. EXECUTIVE SUMMARY

Transmission assessments such as the ITCS are crucial to mitigating risks to BPS reliability. The ITCS was a first-of-its kind assessment of transmission transfer capability under a common set of assumptions, and thus a crucial input in development of a modern, reliable, grid. As recognized in several comments throughout this proceeding, the ITCS focused on transfer capability in accordance with the congressional directive, while acknowledging that other processes and pending projects may also help support reliability. The ITCS was not designed to be a transmission plan or blueprint. Rather, the ITCS demonstrated a significant opportunity to

[1] *N. Am. Elec. Reliability Corp. Interregional Transfer Capability Study as Directed in the Fiscal Responsibility Act of 2023*, Docket No. AD25-4-000 (Nov. 19, 2024) [hereinafter ITCS Filing].

[2] Fiscal Responsibility Act of 2023, Pub. L. No. 118-5, § 322, 137 Stat. 10 (2023) [hereinafter Fiscal Responsibility Act].

[3] NERC requests leave to submit this reply and waiver of Commission rules to the extent applicable, pursuant to Rule 213(a) of the Commission's Rules of Practice and Procedure. 18 C.F.R. § 385.213(a).

improve the use of surplus resources when they are available during extreme weather events and showed how interregional transmission can help maximize the use of local resources. Further, the ITCS highlighted the continuing importance of integrated transmission and resource planning, as increasing transmission capability without surplus available energy would be inefficient. In other words, transmission capacity without a source and a sink would be just a wire, rather than transfer capability.

NERC respectfully submits these comments to support a clear and complete record. First, NERC reiterates the ITCS focus on prudent recommendations to enhance transfer capability to demonstrably strengthen BPS reliability. NERC defined "prudence" for the purposes of the ITCS solely through the lens of reserve optimization – other important factors traditionally considered in assessing prudence such as evaluation of alternatives and economics were beyond the scope of this assessment. As NERC and several commenters recognized, the ITCS is intended as an initial material step in examining how additional transfer capability could, in addition to other mechanisms, support reliability. Second, NERC clarifies how it appropriately scoped the ITCS in response to congressional directives, and applied just, reasonable, and non-discriminatory study assumptions. Third, NERC recognizes the extensive stakeholder engagement across the U.S. that was fundamental to development of the ITCS.

II. REPLY COMMENTS

a. Congress directed the ITCS as the first step to examine transfer capability in support of a reliable BPS

In 2023, Congress directed the ITCS as an initial step in examining transfer capability to support BPS Reliability. The Fiscal Responsibility Act directed that the Electric Reliability Organization ("ERO") study current total transfer capability and potential prudent additions. Congress then assigned the Commission the role of evaluating comments on the ITCS in a public

notice and comment proceeding to then, "submit a report on its conclusions to Congress and include recommendations, if any, for statutory changes."[4]

As a result, the ITCS identified locations between transmission planning regions where enhanced transfer capability would strengthen grid reliability. The ITCS focused on transfer capability in accordance with the congressional directive, while acknowledging the benefits that other processes and pending projects may contribute. As reflected in the ITCS and discussed with stakeholders during NERC's engagement process, NERC intended to support Commission and policymaker analysis as well as stakeholders performing wide-area analyses such as those described in ERCOT's comments.[5] Thus, the ITCS effectively provides foundational insights for further discussions and decisions on measures to support a more reliable, modern, grid.

b. <u>The ITCS appropriately focused on the prudence of its recommendations in the context of potential improvements to BPS reliability</u>

The Fiscal Responsibility Act directed NERC to provide recommendations for prudent additions to transfer capability "that would demonstrably strengthen reliability."[6] Pursuant to this obligation and NERC's role as the ERO, the ITCS focused on the prudence of its recommendations in the context of their anticipated impact on BPS reliability. The ITCS purposefully excluded economic assessments, project specific recommendations, transmission expansion analysis, operational mitigation, and capacity expansion planning. Consistent with the Fiscal Responsibility Act, NERC deferred to the Commission, other policymakers, and stakeholders on next steps.[7]

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4 Fiscal Responsibility Act, *supra* note 2.

5 *See, e.g.*, Comments of Electric Reliability Council of Texas, Inc. ("ERCOT"), Docket No. AD25-4-000 (Feb. 25, 2025).

6 Fiscal Responsibility Act, *supra* note 2. *See also*, ITCS Filing, at Section II(b) (discussing the prudence of ITCS findings).

7 *Id.* (providing at Fiscal Responsibility Act, section (c) that, "Not later than 12 months after the end of the public comment period in subsection (b), the Federal Energy Regulatory Commission shall submit a report on its conclusions to Congress and include recommendations, if any, for statutory changes.").

Several commenters, such as Edison Electric Institute ("EEI"), National Rural Electric Cooperative Association ("NRECA"), and the Northeastern States[8] supported the ITCS as an initial material step examining how additional transfer capability could, together with other mechanisms, support BPS reliability.[9] The ITCS is envisioned as a tool for further study, discussion, and decisions on solutions to improve resilience. EEI provided, "NERC is to be commended—not just for completing the Study in both a thorough and timely fashion but also for appropriately framing the application thereof in a manner consistent with Congress's intent."[10]

c. <u>The scope of the ITCS was tailored to the directive assigned in the Fiscal Responsibility Act</u>

Congress directed NERC to study the adequacy of interregional transfer capability.[11] Congress did not direct a transmission planning study or development of a transmission plan. Moreover, the legislation provided that the study should evaluate "transfer capability, between each pair of neighboring transmission planning regions…." and did not require time consuming neighbor of neighbor analysis.[12] The Fiscal Responsibility Act deliberately left next steps to the Commission, policy makers, transmission planners, and other stakeholders as stated above.

It would have exceeded the scope of the Fiscal Responsibility Act, if the ITCS had been expanded as the Eastern Interconnection Planning Collaborative ("EIPC") suggested in its comments, by adding credit for transmission projects and plans.[13] Including transmission plans or

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[8] Comments of the Northeast States, Docket No. AD25-4-000 (Feb. 25, 2025).

[9] Comments of National Rural Electric Cooperative Association, Docket No. AD25-4-000, p. 6 (Feb. 25, 2025).

[10] Comments of the Edison Electric Institute Regarding the North American Electric Reliability Corporation's Interregional Transfer Capability Study, Docket No. AD25-4-000, at p. 7 (Feb. 25, 2025)

[11] Fiscal Responsibility Act, *supra* note 2.

[12] Neighbor of neighbor analysis intends to encompass those beyond immediately neighboring transmission planning regions.

[13] *Compare e.g.,* Eastern Interconnection Planning Collaborative ("EIPC") Comments on the NERC Interregional Transfer Capability Study and Recommendations for Next Steps, Docket No. AD25-4-000 (Feb. 25, 2025); Comments of the Midcontinent Independent System Operator ("MISO") on the NERC Interregional Transfer Capability Study (ITCS), Docket No. AD25-4-000 (Feb. 25, 2025); *with* Comments of the New York Independent System Operator, Inc., Docket No. AD25-4-000 (Feb. 25, 2025).

cost allocation in the ITCS would go beyond assessing "current" transfer capability, and could also enter into the Commission's directed responsibility to evaluate whether the ITCS and comments submitted give rise to recommendations for regulatory action. While such transmission planning analysis was outside the scope of the ITCS, however, NERC continues to highlight issues such as transmission plans, cost analysis, and economic benefits are important considerations as policymakers evaluate the opportunities identified in the ITCS.

NERC continues to urge policymakers and industry to take into consideration issues such as those raised in the docket by EIPC, as well as comments on the potential impacts of market mechanisms such as those as highlighted by ERCOT.[14] Further, the ITCS noted that another area for further study is the evaluation of transfer capability between neighbor of neighbors, to evaluate those reliability benefits and geographic diversity. The ITCS recognized that connections such as ERCOT to SERC-SE represent opportunities to mitigate the resource saturation effects observed with immediately neighboring regions.[15] Neighbor of neighbors analysis would have expanded the scope of the ITCS significantly and required approximately twice as much time. In acknowledgement of its scope and time limitations, the ITCS dedicated a Chapter to areas for future work that will help refine the understanding of transfer capability and its role in strengthening grid reliability.

Finally, congress directed that the ITCS include, "[r]ecommendations to meet and maintain total transfer capability together with such recommended prudent additions …."[16] Contrary to Invenergy's comment,[17] it was therefore within NERC's scope to determine whether to

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[14] Comments of the Electric Reliability Council of Texas, Inc. ("ERCOT"), Docket No. AD25-4-000, at p. 4 (Feb. 25, 2025) (raising, for example, that "As NERC recognizes, local generation can also address energy adequacy concerns, and the Texas Energy Fund (TEF) is proving to be an effective tool to add generation to the ERCOT system in a fraction of the time constructing interregional transmission would require." At p. 2.).

[15] ITCS Filing, at ITCS Report, Chapter 11 (Future Work).

[16] Fiscal Responsibility Act, *supra* note 2.

[17] *See* Comments of Invenergy Transmission LLC, Docket No. AD25-4-000, at p. 10 (Feb. 25, 2025).

recommend a minimum transfer capability requirement. It was similarly appropriate for the ITCS to opine as to why its recommended regional approach (endorsed in several comments) would be a prudent means to enhance transfer capability. As stated by EEI, "NERC's findings in relation to transfer capability disparities are well-grounded in the reality that regions experience adequacy issues for different reasons and during different extreme weather conditions."[18]

d. The ITCS applied just, reasonable, and non-discriminatory assumptions

The ITCS described its assumptions and steps to ensure consistent, just, reasonable, non-arbitrary, and nondiscriminatory analysis.[19] NERC explained that ITCS results were dependent on the base cases and modeling assumptions used therein. The ITCS did not attempt to optimize dispatch or topology to maximize transfer capability, just as it also was designed to avoid underestimating transfer capability. The ITCS used these assumptions and steps to avoid the appearance of artificially constrained transfer capability and ensure that NERC calculated independent and unbiased findings supported by consistent data.[20]

Certain comments in this proceeding, however, argued for alternate assumptions such as credits given for transmission plans (EIPC and MISO),[21] or anticipated generation mix changes (Invenergy).[22] Other parties sought use of more local data as opposed to 2023 Long Term Reliability Assessment ("LTRA") data or disputed the use of 2023 vs 2024 data.[23] Finally, FRCC disputed lack of credit for mothballed generation facilities.[24] As explained immediately below,

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18 *See* EEI Comments, at p. 8. *See also*, NRECA Comments, at p. 7.
19 *See, e.g.*, ITCS Filing, at Section II(a) and Appendix A, at Chapter 3.
20 ITCS Filing, at p. 13.
21 EPIC Comments and MISO Comments, *supra* note 13.
22 Invenergy Comments, at p. 19.
23 *See, e.g.*, Comments by the Florida Reliability Coordinating Council, Inc. ("FRCC") Interregional Transfer Capability Study, Docket No. AD25-4-000 (Jan. 23, 2025), and Comments of the SERTP and SCRTP Sponsors, Docket No. AD25-4-000 (Feb. 25, 2025).
24 FRCC, at p. 3.

these alternate assumptions would have been inconsistent with the scope of the ITCS or could result in inconsistent analysis across regions.

(i) <u>The ITCS recognized the importance of transmission plans and potential changes to the generation resource mix</u>

As stated above, the ITCS was required to calculate "[c]urrent total transfer capability."[25] Therefore, NERC excluded matters such as 2033 transmission planning to ensure that the ITCS leveraged existing capability, to then determine how much capability would be reasonably anticipated as needed in 10 years. NERC's recommendations would not have changed even if the ITCS evaluated transmission plans because such plans are pending and would not provide an assessment of current transfer capability. Nevertheless, the ITCS carefully acknowledged the impact that transmission plans / resource mix changes may have on transfer capability and encouraged that policymakers and other stakeholders take such factors into consideration in determining next steps. *See also* Section II.b. above. The ITCS stated, "NERC acknowledges that transmission projects in planning, permitting, or construction phases may reduce some needs identified…."[26]

(ii) <u>It was just and reasonable for the ITCS to rely on 2023 Long-Term Reliability Assessment data</u>

To conduct a consistent, just, non-arbitrary, and non-discriminatory study, it was necessary that the ITCS use a point-in-time data source.[27] NERC's use of the 2023 LTRA data ensured that the study relied on the same vintage data across North America, and thereby just and reasonable comparison of potential opportunities for enhanced transfer capability across the U.S. NERC also prepared a 2033 Replace Retirements Scenario using the 2023 LTRA as reflected in Appendix E

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25 Fiscal Responsibility Act, *supra* note 2.
26 ITCS Filing, at Appendix A, at p. viii.
27 ITCS Filing, at Appendix A, at Chapter 5.

of the ITCS. In addition, while 2024 LTRA data was not an option in 2023 due to timing driven by the congressional deadline, NERC plans to continue interregional transfer capability analysis for future LTRAs. Those future studies would capture adjustments to load and resource forecasts.[28]

Separately, with regard to FRCC seeking credit for mothballed units,[29] the steam turbine units described in those comments were listed in the FRCC 2023 LTRA submission as confirmed for retirement as well as providing potential winter capability only through 2027-2028. For these reasons, it was reasonable to exclude these from the ITCS 2033 energy analysis.[30]

e. <u>NERC consulted extensively with transmitting utilities and other stakeholders throughout development of the ITCS</u>

Congress required that NERC prepare the ITCS "in consultation with each regional entity…and each transmitting utility…that has facilities interconnected with a transmitting utility in a neighboring transmission planning region…."[31] This directive was a perfect fit with the model under section 215 of the Federal Power Act as well as NERC's vibrant exchange of ideas among stakeholders. As a result, from the beginning of ITCS development, NERC rolled out the extensive stakeholder engagement plan detailed in NERC's ITCS Filing. The ITCS consultation process included, for example:[32]

- 14 Advisory Group public meetings (with Advisory Group members selected to ensure regional diversity);

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[28] Further, with regard to Order No. 1000 regions and the questions raised by Invenergy in its comments at p. 12, the ITCS divided Order No. 1000 regions into segments to avoid masking impactful regional differences. As acknowledged by Invenergy, the ITCS included analysis according to Order No. 1000 regions to ensure that the Commission and stakeholders still had this information for consideration. If NERC had relied on Order No. 1000 regions, it could have missed regional impacts such as: (i) regional weather impacts such as in MISO-S and MISO-C; and (ii) transmission constraints such as those that contributed to load shed during Winter Storm Uri, including in MISO-S and SPP-S.

[29] FRCC Filing, at p. 3.

[30] FRCC also misunderstood the use of solar energy production hours. The change requested would have had a minimal impact on study results. NERC used solar profiles from the National Renewable Energy Laboratory.

[31] Fiscal Responsibility Act, *supra* note 2.

[32] *See* ITCS Filing, at Section III and Appendices B-D.

- Three Advisory Group surveys;
- Requests for Advisory Group comments on each key project deliverable in draft form before public postings released in stages for a careful, slow, and digestible roll-out;
- Three letters directly soliciting that all transmitting utilities provide feedback;
- Presentations at the public NERC Board of Trustees meetings; and
- Over 100 industry and trade group meetings.

This stakeholder consultation process was invaluable as NERC completed the ITCS. The high level of stakeholder understanding of the complex study, as evidenced by diverse comments in this proceeding, is a testament to such consultation and engagement. The majority of commenters acknowledged the breadth and importance of consultation.

The ITC Companies stated, for example, that, "ITC strongly supports the design of NERC's study process, which appropriately incorporated extensive, diverse industry stakeholder feedback to ensure a comprehensive assessment of interregional transfer capability considerations and to achieve its congressionally directed objectives."[33] DOE similarly stated that, "NERC's work, and stakeholder engagement, led to results from the ITCS that demonstrate the reliability benefits to be gained by increasing transfer capability between regions."[34]

NERC's ITCS outreach included consulting with transmitting utilities and other stakeholders in the Southeastern region of the U.S., contrary to SERTP/SCRTP comments.[35] As reflected in the ITCS filing, the following consultation occurred for the part 2 analysis:[36]

- The process for part 2 analysis was discussed at public Advisory Group meetings starting the first quarter of 2024;

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33 Comments of International Transmission Company d/b/a ITC*Transmission*, Michigan Electric Transmission Company, LLC, ITC Midwest LLC), and ITC Great Plains, LLC (collectively, "ITC" or "ITC Companies"), Docket No. AD25-4-000 (Feb. 25, 2025).

34 DOE Comments, at p. 1.

35 SERTP/SCRTP Comments, at p. 9.

36 *See* ITCS Filing, at Section III and Appendices B-D.

- Preliminary results under part 2 analysis were discussed with the Advisory Group in August of 2024;
- The draft part 2 analysis was shared publicly in September 2024; and
- Letters were sent to all U.S. transmitting utilities for feedback on part 2 and part 3 analysis in September and November 2024, respectively.

To ensure a clear record, NERC highlights that the Advisory Group included two representatives from the Southeastern U.S., as reflected in the filed roster, and consideration of comments posted on NERC's ITCS webpage.[37]

Moreover, NERC and the SERC Reliability Corporation ("SERC"), as Regional Entity for that area, presented the part 2 analysis and its recommendations to entities within the SERC region on October 2, 2024.[38] This presentation provided another avenue for consultation as the ITCS was reaching its final stages ahead of the congressional deadline.

NERC is committed to continuing to consult and coordinate with stakeholders on transfer capability analysis. This month, on March 12-13, for example, NERC conducted discussions at NERC's Reliability and Security Technical Committee to coordinate on: (i) the latest interregional transfer capability analysis; and (ii) how NERC plans to incorporate transfer capability analysis into the LTRA.[39] NERC takes this opportunity to reiterate its appreciation for past and continuing stakeholder feedback as it has helped ensure that the ITCS and future transfer capability analysis provides a solid foundation for the Commission and other stakeholders to evaluate opportunities to enhance reliability of the BPS.

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[37] *See* ITCS Filing, at Appendix D.

[38] The following states are completely or partially within the SERC footprint: Alabama, Florida, Georgia, Mississippi, North Carolina, and South Carolina. The SERC footprint also includes portions of Arkansas, Illinois, Iowa, Kentucky, Louisiana, Missouri, Oklahoma, Tennessee, Texas, and Virginia.

[39] *See, e.g.*, Reliability and Security Technical Committee ("RSTC") Agenda dated March 12, 2025, https://www.nerc.com/comm/RSTC/AgendaHighlightsandMinutes/RSTC_Agenda_20250312.pdf (ITCS Accelerated Retirements Scenario Study); and RSTC Agenda dated March 13, 2025, https://www.nerc.com/comm/RSTC/AgendaHighlightsandMinutes/RSTC_Info_Session_Agenda_20250313.pdf (Implementing Enhancements in NERC's Long-Term Reliability Assessments).

III. CONCLUSION

Wherefore, for the foregoing reasons, NERC respectfully requests that the Commission accept these reply comments to support a clear and complete record.

Respectfully submitted,

/s/ Candice Castaneda

Candice Castaneda
Senior Counsel
North American Electric Reliability Corporation
1401 H St. NW, Suite 410
Washington, DC 20005
(202) 400-3000
candice.castaneda@nerc.net

Counsel for the North American Electric Reliability Corporation

Date: March 25, 2025

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing document upon all parties listed on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 25th day of March, 2025.

/s/ Candice Castaneda

Candice Castaneda
Counsel for the North American Electric Reliability Corporation