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NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

Announcement

Third ITCS Document Recommends Technically Prudent Additions to Bolster Transfer Capability

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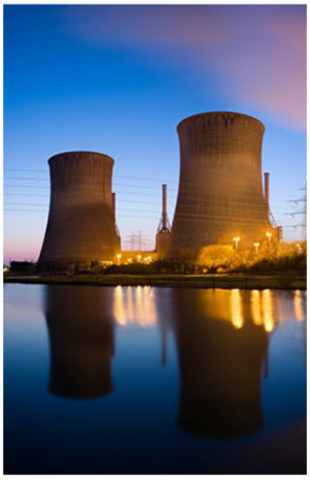
Washington, D.C. – With the transformation of the North American electric industry – changing resource mix, extreme weather complexity, and threat landscape — interregional energy transfers play an increasingly pivotal role in maintaining reliability. More than ever, a strong, flexible, and resilient transmission system is essential for grid reliability.

To address this change, Congress directed NERC to conduct the Interregional Transfer Capability Study (ITCS) in the Fiscal Responsibility Act of 2023. The ITCS demonstrates a significant opportunity to optimize reserve use during extreme weather events and shows how transmission can maximize the use of local resources, including storage and demand response. Further, the ITCS highlights the continuing importance of wide-area resource evaluation, as increasing transfer capability without surplus energy from neighboring areas would be ineffective.

This third document in NERC's ITCS project – *Prudent Additions Recommendations (Part 2) and Meet and Maintain Recommendations (Part 3)* – provides an energy margin analysis and resulting recommendations for increases to the transfer capability between Transmission Planning Regions (TPRs) to improve energy adequacy during extreme weather events. Further, the report recommends how to meet and maintain transfer capability as enhanced by these technically prudent additions.

"Transmission is a critical piece of North America's reliability strategy, but it is only part of the solution. The ITCS emphasizes a balanced approach—one that identifies the unique needs of each region and determines where targeted and meaningful investments can make a real difference in ensuring reliability and resilience," said John Moura, NERC's director of Reliability Assessments and Performance Analysis. NERC's focus is to ensure the bulk power system is prepared for tomorrow's challenges without taking a one-size-fits-all approach."

The ITCS provides foundational insights for enhancing transfer capability and strengthening reliability. While transmission upgrades alone will not fully address all



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risks, a diverse and flexible approach allows tailored solutions specific to each TPR's vulnerabilities, risk tolerance, economics, and policies. The study encourages that a broader set of solutions should be considered and emphasizes the need for local resources, energy efficiency, demand-side, and storage solutions. Key findings include:

- Transmission limitations and the potential for energy inadequacy were identified in all 12 weather years studied. Enhancing specific transmission interfaces could reduce the likelihood of energy deficits during extreme conditions.

- The import capability needed during extreme conditions varied significantly across the country, indicating that a one-size-fits-all requirement may be ineffective. An additional 35 GW of transfer capability is recommended across the United States as a vehicle to strengthen energy adequacy under extreme conditions.

- Some identified transmission needs could be alleviated by projects already in the planning, permitting, or construction phases. If completed, these projects could mitigate several risks highlighted by the ITCS, reinforcing their importance for grid resilience.

- Higher than expected retirements (without replacement capacity) would lead to increased energy deficiencies and potentially more transfer capability needed than recommended in this study.

- Interregional transmission connections could help distribute resources more effectively. However, there are numerous barriers to realizing these benefits in a timely fashion.

This document will be merged with two previous documents – the *ITCS Overview of Study Need and Approach* and the *ITCS Part 1 – Transfer Capability Analysis* – to form the completed ITCS that will be filed with the Federal Energy Regulatory Commission no later than December 2, as directed by Congress, followed by a FERC public comment period.

Due to the interconnected nature of the bulk power system, NERC is extending the study beyond the congressional mandate to identify and make recommendations to transfer capabilities from the United States to Canada and among Canadian provinces. The Canadian analysis is expected to be published in the first quarter of 2025.

More information about the ITCS, including scoping documents, updates and stakeholder engagement, can be found on NERC's ITCS web page.

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Electricity is a key component of the fabric of modern society and NERC, as the Electric Reliability Organization, serves to strengthen that fabric. The vision for the ERO Enterprise, which is comprised of NERC and the six Regional Entities, is a highly reliable and secure North American bulk power system. Our mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid.