



**Testimony of Todd Fridley
Vice President, Transource Energy
Before the House Energy and Environment Committee
Oppose HB 2623
February 12, 2016**

Chairman Hedke and members of the committee, good morning; my name is Todd Fridley and I represent the positions of Great Plains Energy which includes our operating utility KCP&L and our transmission business in Transource Energy. I appreciate the opportunity today to offer our position and some relevant facts that should provide clarity for your consideration of House Bill 2623.

Position

First, let me simply state that we do not believe there is any need for legislative action in Kansas as suggested by Bill No. 2623. We support the implementation of federal policy governing the new competitive transmission marketplace whereby improved transmission solutions, lower costs to customers and improved delivery of wind renewables will be realized. Bill 2623 directly conflicts with existing federal policy and rules, creates additional barriers to new transmission developers, is a deterrent for an open competitive transmission market, will limit new transmission solutions for new wind development and is altogether unnecessary for the purposes of serving the customer.

Established Transmission Market Rules

The electric industry has undergone dramatic change over the last decade and now exists with additional regional functions that affect the way we plan, build and operate the generation and transmission portion of our business. The Southwest Power Pool (SPP), as the established Regional Transmission Organizations (RTO), plans and directs the building of transmission projects necessary to meet federal policy mandates set forth by the Federal Energy Regulatory Commission (FERC). For example transmission is now planned on a region-wide basis in order to capture energy market efficiencies, grid reliability and the

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integration of renewables such as wind resources – to name just a few of the benefits. The SPP region includes the entire states of Kansas, Nebraska, Oklahoma and portions of Arkansas, Missouri, Louisiana, New Mexico, Texas, Iowa, Wyoming, North Dakota, South Dakota, Minnesota and Montana. In recent years, FERC recognized that all regions of the country could benefit from region-wide planning, regional cost sharing and a more competitive transmission marketplace. On July 21, 2011 FERC issued Order 1000 that, among other things, established regional planning and cost allocation as well as a competitive transmission marketplace for projects that were regionally funded. We support these industry changes and believe them foundational in delivering more effective transmission solutions, driving lower costs to customers and providing much needed transmission solutions for wind renewables.

In order to comply with FERC Order 1000, SPP has developed a competitive selection process for regionally funded transmission projects – for which SPP includes transmission projects 100kV and above. To address financial and operational concerns with new entrants building, owning and operating transmission, FERC Order 1000 directed regions to establish non-discriminatory, non-preferential qualification criteria for new developers to meet in order to participate in the competitive transmission marketplace. SPP has established such criteria therefore establishing processes to afford an open market for building, owning and operating transmission projects 100kV and above within the SPP region.

In terms of siting and routing activities for transmission—roles that the States have traditionally maintained—FERC was clear in Order 1000 that local governance by the States was to remain a function of the States and therefore Order 1000 did not alter or disturb these State roles.

Flaws of Proposed Bill 2623

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Unfair Market Rules:

Bill 2623 would wrongly establish exclusive rights for only the incumbent utilities to build new 100 kV to 200 kV transmission lines in Kansas, and is in direct opposition of our federal regulatory rules and policy for open, competitive transmission markets. It creates additional barriers for new competition. It enables unnecessary and preferential treatments to incumbents for the 100 kV to 200 kV transmission market and produces an uneven competitive playing field. SPP along with all the other regions of the U.S. has implemented the directives of FERC's Order 1000 which governs the establishment of a robust competitive market. Bill 2623 is not good policy and is unwarranted as additional state law that would prevaricates existing regulations that govern the transmission market.

FERC Jurisdiction & Transmission Markets:

FERC's chief responsibility is to govern the rates, terms and conditions for transmission. FERC recognized that more benefits to customers could be realized through taking a more regional approach to transmission and through establishing a more open and competitive market. With Order 1000 in July 2011, FERC established the rules that all regions in the US must comply with in order to deliver on those objectives. SPP along with all other regions in the US has met the Order 1000 requirements through establishing a) regional transmission planning, b) regional transmission cost allocation and c) an open and competitive transmission market. FERC directed, in SPP's case, that all new transmission above 100 kV must be established through the competitive process – meaning that if a new line in the region is built at a voltage level 100 kV and above, it is available to be pursued or bid upon by all qualified entities.

Bill 2623 fundamentally is in direct opposition to those established rules and procedures and effectively eliminates the potential benefits to customers that a more open competitive transmission market provides.

Competitive Barriers Increase Costs

In a fully competitive market it is expected that prices will lower as additional competition helps drive down delivered project costs – which ultimately helps to reduce costs to our customers. We have already seen such examples occurring across the US. In the



Northeast and West areas of the country, competitive transmission project selections have clearly driven down the ultimate cost to customers. Competitive barriers created by Bill 2623 will diminish competition and could result in increased costs for projects for which customers from all states of the SPP region are funding.

Here in the Heartland where wind is a clear and abundant resource of energy, it is absolutely imperative to deliver cost-effective transmission projects to get much needed wind resources to the market.

We strongly urge that Kansas not become a State that promotes or supports barriers to competition for regional transmission projects. Doing so would effectively create potentially higher costs to not only our customers in the State of Kansas but also other State's customers.

Limit New Solutions for Wind Renewables

Experience tells us that effective transmission solutions help wind projects reach the market. While there are projects underway to help relieve today's congestion, additional transmission is going to be needed to fully take advantage of Kansas' rich wind resources. By limiting who can build such new transmission it will limit creative solutions, reduce competitively priced transmission investments. It creates an impediment to Kansas' goal of increasing its energy exports, limits the investment in Kansas wind resources and does not allow for competition that will keep costs low for customers.

Operational & Reliability Concerns

Concerning operational issues, there are a number of misapprehensions about the way a new developer will be able to manage transmission assets that I also want to address. Some claim that non-incumbent developers will not be capable of proper operation and maintenance the transmission system. Again, FERC addressed this issue in the qualification portion of Order 1000 and required regions to establish criteria that new entrants must meet in order to participate in the competitive marketplace. SPP has established qualifications metrics and evaluations that are required for new developers in order to be able to build, own and operate transmission in the SPP region. More importantly, within the proposal/bid

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framework for SPP's approved process, independent evaluators will determine each entities ability to sustain critical operational and maintenance activities of transmission facilities so that appropriate project award decisions can be upheld.

For the operational concerns raised by some, the provisions of Bill 2623 do not pass any form of reasonability test in that it allows new developers to build, own and operate transmission above 200kV but irrationally creates an incumbent-only exclusion for building, owning and operating 100kV to 200kV facilities. This rationale also effectively makes the 230 kV and 345 kV systems purportedly "less important" for reliability since it concedes that those voltages can be built by others. In fact, it is well established that these higher voltage lines are much more critical to the overall reliability of our electric power system as they carry the bulk of the energy from generators to load centers. Given these facts, Bill 2623 makes no sense and is again indicative of a discriminatory barrier for baseless reasons.

In addition, there are certain mandatory and enforceable standards that govern all owners and operators of transmission assets for the planning, operation and maintenance functions. FERC maintains the jurisdiction for transmission grid reliability through mandatory standards in which significant monetary penalties can be levied against violators of such standards. All new developers who will own and operate transmission facilities will also be held to these same federal reliability standards. Consequently, any apprehension that new developers will be substandard in their management of their transmission asset is simply unfounded.

Emergency Repairs

For emergency repairs and storm situations, there have also been unwarranted fears that new developers will not be able to perform repair services as well as incumbents who would be perceived as having local labor ready-in-waiting for emergency repair activities.

Transmission Impact to Reliability

While transmission lines in the 100 kV to 200 kV level have the potential for creating outages to customers they typically do not create significant customer outages due to the design and



redundancy of the transmission system. For the KCP&L system, as an example, customer outages due to the 100kV and above transmission account for approximately 1% of the total customer outage impact during a calendar year. As we in the electric industry are well aware, the distribution system bears the majority of reliability impacts to customers.

Repair Response

For needed line repairs, most utilities do not maintain permanent transmission line crews as part of their labor force due to the cyclical nature of transmission build-outs and repairs. Rather, the practice is to establish contracts with transmission line construction companies who perform construction and maintenance activities and are best suited to assemble optimized crews from a wide span of local and regional labor forces to provide construction, maintenance and emergency repair services. Developers will contract in a similar fashion with these same firms and thus have access to similar transmission construction, maintenance and emergency repair services that any incumbent utility does today.

Conclusion

In conclusion legislative action through Bill 2623 should not be considered:

- It circumvents existing federal policy and rules for an open and non-discriminatory transmission market;
- imposes additional and unfair barriers for non-incumbent developers and also existing utilities that do not currently own and operate 100 kV to 200 kV transmission assets;
- creates the potential for increased costs to customers across multiple states;
- limits transmission solutions for getting wind renewables to market; And
- is unwarranted for its proposed protections for customer reliability.