

**UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY**

Notice of Inquiry Regarding Considerations)
For Transmission Congestion Study and)
Designation of National Interest Electric)
Transmission Corridors)

COMMENTS OF THE CANADIAN ELECTRICITY ASSOCIATION

Pursuant to the Notice of Inquiry (“Notice”) issued by the U.S. Department of Energy (“DOE” or “Department”) on February 2, 2006, the Canadian Electricity Association (“CEA”) submits the following comments addressing the proposed electricity transmission congestion study and issues relating to the designation of National Interest Electric Transmission Corridors (“NIETCs”).¹

Background

The Department’s Notice seeks comments concerning its plans for an electricity transmission congestion study and possible designation of NIETCs, as required by section 1221 of the Energy Policy Act of 2005. Section 1221 requires that the Secretary of Energy conduct a nationwide study of electric transmission congestion, in consultation with “affected states and any appropriate regional entity,” and to issue a report in which the Secretary may designate “any geographic area experiencing electric energy transmission capacity constraints or congestion that adversely affects consumers as a national interest electric transmission corridor.” In this study, the Department “expects to present an inventory of geographic areas of the Eastern and Western Interconnects that have important existing or projected needs related to the electricity

¹ The Canadian Electricity Association is the national forum and voice of the electricity business in Canada. Its membership accounts for most of Canada’s installed generating capacity and transmission capacity.

transmission infrastructure.” These corridors will be identified as generalized paths between locations, rather than specific routes.

On July 22, 2004, the Department of Energy had issued a notice of inquiry on the designation of NIETBs. At that time, CEA submitted comments that emphasized the international nature of the North American transmission grid and the benefits of including cross-border bottlenecks in all Department considerations. CEA further stressed the value of cross-border cooperation in determining methods for alleviating these bottlenecks to benefit the electricity security of the North American grid. The Department notes in its February 2, 2006, Notice that it has “considered the comments received via the [July 2004] notice and workshop.”

The focus of the Notice is on the identification of “national” transmission corridors. However, the transmission grid in the United States does not stop at the Canadian border. As CEA explained in its comments on the July 2004 Notice, the grid is North American in scope. At that time, CEA stated: “Given the interconnected nature of the transmission system and the extent of U.S./Canadian electricity trade, the reliability of the transmission grid and the efficiency of electricity markets cannot be properly addressed without the full engagement of and cooperation of both U.S. and Canadian entities. Only a bi-national approach to addressing transmission bottlenecks will ensure a reliable transmission grid and robust electricity markets.” CEA continues to believe that a North American approach should be incorporated into both the development of an electricity transmission congestion study and the consideration of NIETCs, as reflected in the comments, below.

DOE's Transmission Congestion Study and NIETC Criteria Should Reflect the International Nature of the North American Grid

In conducting its transmission congestion study, the Department intends to identify geographic areas where transmission congestion is significant and where additions to transmission capacity could lessen the potential adverse effects of such congestion. In terms of designating NIETCs, DOE offers eight draft criteria and seeks comment on the criteria and whether certain considerations or criteria are more important than others.

In terms of the congestion study, CEA believes that interconnections across the Canada-U.S. border should be assessed, as recognized by the DOE in its National Transmission Grid Study (May 2002, page 20):

[S]olving the problem of transmission constraints within the United States will also require cooperation with Canada. Many scheduled power transactions within the U.S., particularly east-to-west transactions within the Eastern Interconnection, flow over transmission lines located in Canada before reaching loads in the U.S. This is a particular problem at points in the upper Midwest where the transmission systems of the two countries interconnect. These unintended flows (or "loop flows") often require transmission service curtailments in the U.S.

There are major interties in 5 geographic regions across the continent – British Columbia with the Pacific Northwest, the Prairies with the Midwest, Ontario with the Great Lakes States, Quebec with the Northeast, and the Maritimes with New England. CEA members and their U.S. counterparts regularly work together to address these cross-border constraints. Notwithstanding such efforts, however, constraints that are reflected to the border and within large regional markets will continue to inhibit further electricity trading and possibly compromise reliability.

Several examples exist of supply potentially available to constrained regions that cannot move because of transmission congestion. For example, the constraints in the Pacific Northwest limit the opportunities for cross-border trade between these jurisdictions. Constraints within the

Northwest and Northeast regions constrain economic flows beyond the border. Enhanced transmission capacity between New Brunswick and Maine as well as between Manitoba and the Midwest ISO will allow for increased transfers to/from constrained regions in the U.S. Identifying such constraints in DOE's transmission congestion study could facilitate the deployment of appropriate measures to address those constraints, thereby helping to secure a reliable and efficient North American transmission grid in the future.

CEA believes that the criteria developed to evaluate geographic areas as candidates for NIETCs should also take into account the international nature of the transmission grid and the benefits of cross-border solutions to transmission constraints. An effective North American transmission grid allows for enhanced reliability and a diverse energy supply mix in the U.S. Reflecting the international nature of the transmission grid, CEA believes that the criteria for designating NIETCs could be expanded to include "international" considerations. Considering transmission constraints in a bi-national fashion will help to ensure a reliable and efficient transmission grid.

In light of this proposal that grid solutions should be examined from an international perspective, CEA would like to comment specifically on Draft Criterion 4, which suggests that NIETC designation be based on actions that will "enhance the energy independence of the United States." One of the identified metrics would examine how the proposed NIETC would "reduce dependence on energy imports." CEA believes that this approach could have the effect of reducing energy trade between the U.S. and Canada, a move that could undermine both the reliability and the economic efficiency of the North American bulk-power system. To ensure a strong and robust transmission grid, criteria for designating NIETCs should look to measures that will enhance cross-border electricity trade between our two countries.

Conclusion

The integration between Canada and the United States will only increase as energy demand and trade continue to grow, thereby further taxing the North American grid. Given the interconnected nature of the transmission system and the extent of U.S./Canadian electricity trade, the reliability of the transmission grid and the efficiency of electricity markets cannot be properly addressed without the full engagement of and cooperation of both U.S. and Canadian entities. Only a bi-national approach to addressing transmission bottlenecks will ensure a reliable transmission grid and robust electricity markets.

Respectfully Submitted March 6, 2006