Competition Reduces Costs to Consumers: ATC Agrees

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Executive Summary

Permitting competition in electric transmission is vastly superior to the creation of a state ROFR law. Competitively-developed projects result in 37% *savings* to ratepayers while similar, non-competitive projects *increase* costs to ratepayers by 18%. A competitive system is therefore much more beneficial to consumers than the government grant of monopoly a ROFR law would create. Furthermore, the recent *Report* commissioned by ATC fails to show that ATC is the least-cost developer of transmission lines because it considers only the scenario where ATC is competing against a *new developer*, rather than the much more common situation in which ATC competes against other incumbent utilities. This latter scenario is the one which ATC needs to contend with, but which would, if successfully demonstrated, show that a ROFR law is redundant—if ATC is the least-cost developer, then they have nothing to fear from competition.

Introduction

In 2023 the Wisconsin legislature proposed **Assembly Bill 470** (AB470) with the intent of providing incumbent electric transmission facility owners the

> "*right to construct, own, and maintain a transmission facility that has been approved for construction in the Midwest independent system operator's transmission plan and that connects to transmission facilities owned by that incumbent transmission facility owner*."[1]

This bill would have granted incumbent transmission facility owners a right of first refusal (**ROFR**) and thereby precluded projects from what would have otherwise been a competitive bidding process, provided the incumbent declared their intent to develop the project within 90 days of the project's approval.

This bill, and others like it, attempt to extend the monopoly privileges of electric transmission companies to the only area of regional transmission where competition exists.[2] The rationale for eliminating competition via the creation of a state ROFR law rests on the assertion that a ROFR law reduces the overall cost to Wisconsin ratepayers—an assertion that defies intuition, economic theory, and all empirical evidence.

The fact of the matter is: competition results in lower overall costs for both Wisconsin, and regional, ratepayers. The evidence to-date shows that competitively developed transmission projects result in a 37% cost savings for consumers while similar, non-competitively developed projects result in cost increases of 18%.

ATC's Pro-ROFR Argument

On October 30th, 2024, Wisconsin transmission company, the American Transmission Company (ATC), published a commissioned report called "*Expert Report on the Revenue Requirement Impact on ATC's Existing Wisconsin Network Customers from Constructing and Operating a*

[1] *AB 470, Sec. 3g*, 2023-2024 Legislature, Reg. Sess. (Wis. 2023). https://docs.legis.wisconsin.gov/2023/related/proposals/ab470.pdf#page=1

[2] Projects subject to competition according to MISO rules are: (1) MVPs where estimated costs are >$20 million and voltage is >100kV and; (2) MEPs where estimated costs are >$5 million and voltage is >345kV.

Hypothetical New Transmission Line Under MISO Cost Allocation Procedures" (**Report**).[3] The Report's conclusion that competition ought to be prohibited by the creation of a state ROFR law is as follows:

> "The allocation of existing O&M and Other Expenses to the new project which are then recovered from a wider base of customers, leads to an overall reduction in costs for ATC's existing Wisconsin network customers. This contrasts to the scenarios for a new developer with a single project where all expenses must be included in the revenue requirements of that one transmission line and not allocated from an existing Attachment O applicable to existing Wisconsin network customers."[4]

This conclusion is based on extremely narrow and unreasonable assumptions. Principally, the Report only considers scenarios where ATC is competing against a *new* developer, when every competitive project proposed by MISO to-date has consisted of competing *incumbent* developers as well as new companies. Secondarily, the Report considers only O&M and Other Expenses and assumes that a new developer would not be able to share these costs throughout the region because they have no *existing* Attachment O—the FERC-approved tariff for cost allocation.

With respect to the first assumption, even if it were true that ATC had a cost-savings advantage compared to new transmission developers, it would not prove that a ROFR law is beneficial to Wisconsin ratepayers. Since competitively developed transmission projects have, on average, more than four incumbent and new developers placing bids on a given project, ATC must show that their development costs are *always* superior to that of competing incumbents. Even if ATC is the superior developer for a majority of projects, that still does not warrant the creation of a ROFR law since a rival's cost savings from a single competitively developed project could exceed that of ATC's. On the other hand, if ATC managed to show that it is *always* the superior developer, then a ROFR law still isn't necessary—they would have the winning bid for every project anyway. And this should be the expected case given ATC's knowledge of Wisconsin and its own transmission system. That it would not have such a presumption would entail ATC believing that it is not a truly cost competitive transmission owner.

As for the assumption that new developers cannot share their O&M and Other Expenses throughout the region, this fails on two grounds: First, (1) when a new developer wins the bid for a project they become an incumbent and would acquire an Attachment O after their first year of operation and would then be able to share those costs regionally; Second, (2) even if a new developer did not have an Attachment O from which to reference, O&M and Other Expenses are calculated by the new developer anyway. Calculating future expenses is an essential component of *every* business plan that is required to assess its viability. The entrepreneur uses personal and market data to estimate a project's future cash flows in every period and only proceeds with the plan if the discounted future cash flows are positive. ATC and others understand this fact very well since they constantly engage in this sort of prospective planning. In other words, for a new developer to win the competition must incorporate its best estimate of what its competitors are doing in their Attachment O and then aggressively bid accordingly.

Finally, if ATC's Report is to be taken seriously, they ought to have considered the cost savings guarantees that are frequently made by developers in competitive projects, and which are entirely

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[3] ATC. (2024). *Expert Report on the Revenue Requirement Impact on ATC's Existing Wisconsin Network Customers*. https://www.wispolitics.com/wp-content/uploads/2024/12/241220ATC.pdf.
[4] *Ibid.*, (p. 7-8).

absent from non-competitive projects. Namely, competitive bids, in addition to lower project implementation costs, frequently include the following guarantees:

- Cost Caps
- Time Guarantees
- Annual Transmission Revenue Caps
- Return on Equity Caps
- Alternative Blends of Equity and Debt Financing

Competition Reduces Overall Costs to Consumers[5]

The evidence in support of competition reducing overall costs to consumers is overwhelming. The table below shows that competitively-bid projects in the MISO region resulted in overall costs 37% less than the highest bids placed, and 52% less than MISO's estimates.

MISO Competitive EHV Projects

MTEP Year	Project	Bids	# of Bidders	Winner	Winning Bid	Highest Bid	MISO's Cost Estimate	Status	Final Cost	Ratepayer Savings
2015	Duff Coleman	11	11	*Republic*	$ 50,000,000	$ 59,000,000	---	*Complete*	$ 53,848,417	-9%
2017	Hartburg Sabine	12	9	*NextEra*	$ 115,000,000	$ 134,000,000	---	*Cancelled by ROFR*	---	-14%
2021	Hiple to IN/MI Border	7	3	*Republic*	$ 77,000,000	$ 125,000,000	$ 254,000,000	*In-Progress*	---	-38%
2021	Fairport to Denny to IA/MO Border	9	4	*ATXI*	$ 84,000,000	$ 154,000,000	$ 161,000,000	*In-Progress*	---	-45%
2021	Deadend (WI) - Tremval	1	1	*DPC*	$ 8,400,000	$ 13,800,000	$ 13,800,000	*In-Progress*	---	-39%
2021	IA/IL Border to Ipava	1	1	*ATXI*	$ 19,800,000	$ 25,700,000	$ 25,700,000	*In-Progress*	---	-23%
2021	Denny - Zachary - Thomas Hill - Maywood	6	4	*ATXI*	$ 273,000,000	$ 486,000,000	$ 500,000,000	*In-Progress*	---	-44%
	Total # of Projects	**Avg Bids/Project**	**Avg Bidders/Project**		**Sum of Winning Bids**	**Sum of Highest Bids**	**Savings Compared to MISO Estimates**			**Total Ratepayer Savings**
	6	**7**	**4.71**		**$ 627,200,000**	**$ 997,500,000**	**-52%**			**-37%**

On the other hand, the table below shows that similar multi-value projects (**MVP**) *not* subject to the competitive process resulted in costs that were 18% higher than MISO's original estimates. Furthermore, the table shows that the two MVP projects developed by ATC both exceeded MISO's original cost estimates, while one even exceeded MISO's revised cost increase. The second project, Badger-Coulee & CHC, is 30% over MISO's original estimate and quickly approaching the revised figure.

[5] Results of the competitions and the non-compete projects can be found at MISO Competitive Transmission Administration website.

MISO non-Competitive MVP Projects										
MTEP Year	Project	State	Estimated In-Service Date	Owner		Adjusted Cost	Innitial Cost	Status	Final Cost	Ratepayer Savings
2011	Brookings - Twin Cities	MN/SD	2015	*CAPX*		$ 738,000,000	$ 738,000,000	*Complete*	$ 670,000,000	-9%
2013	Michigan Thumb Loop Expansion	MI	2015	*ITC*		$ 563,000,000	$ 510,000,000	*Complete*	$ 504,000,000	-1%
2014	Pleasant Prairie - Zion Energy Center	WI	2013	*ATC*		$ 30,000,000	$ 29,000,000	*Complete*	$ 36,000,000	24%
2014	Fargo - Sandburg - Oak Grove	IL	2018	*ATXI*		$ 237,000,000	$ 199,000,000	*Complete*	$ 201,000,000	1%
2015	Lakefield Jct - Webster	MN/IA	2018	*ITC-M*		$ 654,000,000	$ 550,000,000	*Complete*	$ 692,000,000	26%
2015	Winco - Hazleton	IA	2019	*Basin*		$ 571,000,000	$ 469,000,000	*Complete*	$ 564,000,000	20%
2016	Zachary - Maywood	MO	2019	*Ameren*		$ 137,000,000	$ 113,000,000	*Complete*	$ 172,000,000	52%
2016	Maywood - Austin	MO/IL	2017	*Ameren*		$ 501,000,000	$ 432,000,000	*Complete*	$ 723,000,000	67%
2016	Sidney - Rising	IL	2016	*ATXI*		$ 94,000,000	$ 83,000,000	*Complete*	$ 88,000,000	6%
2017	Big Stone - Brookings	SD	2017	*CAPX*		$ 263,000,000	$ 227,000,000	*Complete*	$ 123,000,000	-46%
2017	Ottumwa - Zachary	IA/MO	2019	*ITC-M*		$ 186,000,000	$ 152,000,000	*Complete*	$ 221,000,000	45%
2018	Badger - Coulee & Cardinal - Hickory Creek	WI, WI/IA	2018, 2025	*ATC*		$ 1,073,000,000	$ 798,000,000	*Partially Complete*	$ 1,034,000,000	30%
2018	Austin - Pena	IL	2017	*ATXI*		$ 115,000,000	$ 99,000,000	*Complete*	$ 135,000,000	36%
2018	Pana - Sugar Creek	IL/IN	2020	*ATXI*		$ 388,000,000	$ 318,000,000	*Complete*	$ 408,000,000	28%
2018	Reynolds - Greentown	IN	2018	*NIPSCO*		$ 299,000,000	$ 245,000,000	*Complete*	$ 348,000,000	42%
2019	Big Stone South - Ellendale	ND/SD	2019	*OTP*		$ 403,000,000	$ 331,000,000	*Complete*	$ 247,000,000	-25%
2019	Reynolds - Hiple	IN	2018	*NIPSCO*		$ 322,000,000	$ 271,000,000	*Complete*	$ 405,000,000	49%
	Total # of Projects					Sum of Highest Bids	Sum of Innitial Costs		Sum of Final Costs	Total Ratepayer Savings
	17					$ 6,574,000,000	$ 5,564,000,000		$ 6,571,000,000	18%

Crucially, the fact that a ROFR law increases costs to consumers while giving undue preference to incumbents is precisely the reason for the Federal Energy Regulatory Commission's (**FERC**) Order 1000[6] and was a frequent talking point made by ATC in their testimonies and Protests/Comments filed with FERC.

When FERC initially asked for comments regarding the proposed Order 1000, ATC came out in support of the Order, arguing that the Commission should allow competitive reforms:

> "The Commission should allow regions to propose revisions to their respective regional planning processes that would insure that the processes themselves do not foster or continue undue preference or discrimination."[7]

For example, on March 20th 2012, in testimony delivered to the Minnesota Senate Energy, Utilities and Telecommunications Committee, ATC made the following remarks regarding Senate File 1815—Minnesota's then pending ROFR law:

> "Senate File 1815, unfortunately, would stifle competition in the development and construction of electric transmission facilities leading to higher costs for electricity users in Minnesota. Unquestionably the competitive free market system in America has benefited businesses and consumers for decades. This same competitive spirit will only benefit Minnesota electricity users when applied to the development, construction, ownership and maintenance of electric transmission facilities."[8]

Again, in December 2012, ATC submitted comments supporting the elimination of a federal ROFR, saying:

> "The ROFR is thus a disincentive to robust participation in the transmission planning process and leaving it intact would leave intact anticompetitive practices that undermine the

[6] The FERC recently reviewed provisions of Order 1000 and continues to endorse competition for regionally cost shared transmission projects.
[7] ATC. (Sep, 2010). *Accession #: 20100929-5329, Docket No. RM10-23-000.*
[8] ATC. (Mar, 2012). *Memorandum to Minnesota Senate Energy, Utilities and Telecommunications Committee.*

> identification and evaluation of more efficient or cost-effective solutions to regional transmission needs. Unchanged, the ROFR leads to rates that are unjust and unreasonable…"[9]

While ATC had been a longtime opponent of federal and state ROFR laws in other states, their recent remarks on the issue of a Wisconsin ROFR law are decidedly inconsistent. The reason for this change in position is *not* due to changes in economic theory or any substantial evidence, but rather because ATC did not succeed in becoming an incumbent utility in those states where it fought for entry. Now, ATC and other utilities find it in their economic interest to deny to others the privilege they once demanded for themselves.

In light of the evidence of cost savings due to competition and ATC's public comments of support for a free, competitive transmission industry, ATC's recent support for a Wisconsin ROFR law may seem curious. Why would a longtime proponent of free, competitive bidding suddenly have a change of heart if not for good reason?

The chart below answers that question completely and unambiguously.

This year, MISO has announced a total of 7 competitive transmission projects, two of which are located at least partially in Wisconsin. All together, the 7 projects are estimated to cost more than $6.5 billion, and the two Wisconsin-based projects are estimated at a cost of nearly $1.8 billion.

Upcoming Competitive MISO Projects

Short Name	State	Full Project Name	Project Description	Facilities in Project	Opening Bid Date	Bidding Deadline	MISO Estimated Cost	Expected In-Service Date
RIKY	KY	Reid EHV - Indiana/Kentucky State Line	1 new 345 kV transmission line	1	1/31/25	5/1/25	$ 73,600,000	2032
WISE	WI	Wisconsin Southeastern Project	4 new 345 kV transmission lines; 4 new 345 kV substations	8	2/13/25	7/28/25	$ 568,300,000	2033
BECI	WI	Bell Center – Columbia – Illinois/Wisconsin State Line	3 new 765 kV transmission lines	3	2/27/25	8/11/25	$ 1,209,300,000	2034
WIIL	IL	Woodford County – Illinois/Indiana State Line	2 new 765 kV transmission lines; 1 new 765 kV substation	3	7/25/25	1/6/26	$ 984,600,000	2034
STIW	IA/IL	Sub T – Iowa/Illinois State Line – Woodford County	2 new 765 kV transmission lines	2	8/8/25	1/20/26	$ 940,100,000	2034
MARS	IA	Marshalltown – Lehigh – Sub T – Montezuma – East Adair	2 new 345 kV transmission lines; 2 new 765 kV transmission lines	4	11/25/25	5/11/26	$ 1,498,200,000	2032-2034
EASL	IA	East Adair – Minnesota/Iowa State Line – Arbor Hill – York Avenue	2 new 345 kV transmission lines; 1 new 765 kV transmission line; 1 new 765 kV substation	4	12/11/25	5/27/26	$ 1,226,300,000	2034
		Total # of Projects		**Total # of Facilities**			**Total Estimated Cost**	**Total Estimated Cost of WI Projects**
		7		**25**			**$ 6,500,400,000**	**$ 1,777,600,000**

Given that 27% of all competitive transmission projects by value are taking place here in Wisconsin in 2025, ATC has a clear economic incentive to prevent potential competitors from winning these transmission projects via the passing of a state ROFR law.

[9] ATC. (Dec, 2012). *Accession #: 20121210-5254, Docket No. ER13-187-000.*

Conclusion

A law affording a right of first refusal to electric transmission companies in Wisconsin would not benefit consumers. Non-competitively developed MISO projects have a record of going seriously over budget by a rate of 18%. Competitive projects, on the other hand, have a record of saving consumers money at a rate of 37%. The reason for these cost savings is because bidders self-impose project implementation caps, revenue restrictions and other cost containment strategies in order to earn the right to develop, own and maintain competitive projects.

The fact that competing utilities incorporate these cost containment strategies into their bids indicates that the potential profit from these large, risky and sometimes ground-breaking transmission projects is still so substantial that developers are willing to develop them despite these restrictions.

In the absence of competition, there is no reason and, indeed, no requirement, for ATC or any other incumbent transmission developer to offer creative and cost-saving mechanisms. If, indeed, ATC is the least-cost developer of transmission infrastructure in the state, then they have nothing to fear from competition other than the prospect of earning less profit than they would in a 100% monopoly industry. If a diminution in potential profits is ATC's concern, then it makes little sense from a consumer's perspective why the state should be looking after the interests of a single utility company and not the interests of its citizens as a whole.