

ELECTRIC from the publisher of POWER DAILY TRANSMISSION WEEK

National Grid believes independence is key to driving efficiency in transmission business

National Grid USA sees "massive opportunities" in the United States due to the "catastrophically low levels of investment," a senior executive said.

The United States invests only as much as the United Kingdom per year in transmission despite the huge difference in the size of the grid, National Grid USA Senior Vice President Nick Winser told *Electric Transmission Week* in an interview last week.

That disparity in the level of investment creates an opportunity for National Grid, Winser said.

"Our whole business model is to make transmission cheaper," he explained. "The United States has needs, and we have skills."

The two key elements in National Grid's business model, as Winser described them, are the ownership and management of transmission as an independent business and increasing transmission throughput on existing rights of way to drive down costs.

Management of a transmission owner's assets by an RTO provides only a "veneer of independence," Winser said. Real independence of transmission ownership and management, such as provided by an independent transmission company with the right range of functions, is necessary to provide the incentives to improve efficiency and reduce congestion, he said.

National Grid believes that FERC should permit ITCs to perform many RTO functions. Winser said that FERC's decision on the division of responsibilities between Midwest ISO and GridAmerica "is a sensible split; it leaves the RTO to run markets."

National Grid is GridAmerica's managing member and has committed to invest \$500 million in the ITC, which could include the acquisition of the other members' transmission assets.

He noted that acquisition of transmission assets by passive outside investors, such as the recent purchase of DTE Energy's transmission system by private investment firms Kravis Kohlberg Roberts and Trimaran Capital Partners, is not a preferred solution. These investors, he commented, "bring independence only, but no other skills [to transmission]."

National Grid supports the consolidation of existing transmission ownership and hopes to be part of this process. "We're talking to a lot of companies about transactions," he said.

The biggest challenge to National Grid's business plan, he said, would be a decision by integrated utilities not to sell off their transmission assets.

Winser stated that under the United Kingdom's performance-based rate scheme, National Grid has delivered real reductions in energy delivery costs there of around 40%. This was accomplished through a more intense utilization of existing assets; no additional right of way acquisitions were required.

He said that the company has brought this same focus on maximizing throughput to the United States. "It's about a mindset," he explained, "not just new technology." National Grid recognizes that because of the difficulty of siting new lines, it is quickest and cheapest to use existing rights of way. Winser said his company focuses on the deployment of an array of new technologies and new techniques.

He described the efforts National Grid gives to maximize the power flowing through its existing lines, including dynamic line rating techniques and surveying line conditions by helicopter.

Winser said that National Grid has used Sumitomo gap conductors in the United Kingdom, but not so far in the United States. These conductors increase throughput 30%, he said, but are also more expensive and harder to string.

Getting investment in the grid

National Grid generally supports FERC's proposed transmission pricing policy, Winser said, which rewards RTO formation, asset divestiture and infrastructure investment (*ETW* 2/10, 1/20).

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He said the policy offers great benefits through its encouragement of independence in transmission and removal of conflicts of interests possible in locational marginal pricing systems.

"It's about a mindset, not just new technology."

— Nick Winser
Senior Vice President
National Grid USA

However, Winser said the policy may not go far enough. Incentive policies such as this should do more, he argued, and lead to real, tangible benefits for end-use customers. He suggested three major results a pricing policy should achieve: a drive for independence, a drive for consolidation of facilities, and Day One tangible benefits for customers. Winser did caution that too much in the way of incentives is not preferable because ultimately customers end up having to pay for them.

Asked whether or not the proposed pricing policy offers enough incentive to spark a renaissance of transmission investment, Winser said, "Only time will tell."

National Grid believes there is a "niche" role for DC merchant transmission projects to link markets, and Winser added that the company is engaged in merchant transmission projects in the United Kingdom and Australia. He cautioned, however, that there are some serious policy issues ("a can of worms") to consider related to merchant links within a regulated market and merchant links in parallel with regulated interconnections.

National Grid working on Central-East options

National Grid's recent study of transmission constraints in the Northeast identified reinforcements needed for the Central-East interface between New York's Mohawk Valley and Capital zones in the company's Niagara Mohawk service territory (ETW, 1/13).

Winser said that National Grid is studying the problem and discussing it with the New York Public Service Commission and market participants. "We are determined to tackle this vigorously if it is the economic thing to do," he said. He stated that the company has not settled on any options yet, and also noted that the issue of how the upgrades are paid for will be key.

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