



The Daily Dish

Raising the Price of Climate Policy

DOUGLAS HOLTZ-EAKIN | AUGUST 31, 2022

The Biden Administration continues its baffling, no-price-is-too-high approach to climate policy. Need solar panels? Make sure that tariffs raise the price. Want to build renewable electricity generation? Be sure to employ the most expensive labor possible. Interested in moving buyers into electric vehicles? Impose enough domestic content restrictions to ensure that there are very few affordable choices. Now we can add another error to the list. Need a national grid? Make sure there is no competition for construction contracts and raise the cost.

That's the bottom line of Fred Ashton's [FERC Dims the Lights on Competition](#). This is more than chump change. AAF [research](#) estimated that it would require \$300-\$500 billion to construct new transmission facilities to meet the 2035 target for a zero emissions electricity sector. The Brattle Group's analysis showed that competition can bring down those costs by something on the order of 40 percent. That is real savings being forgone.

The issue at hand is a "right of first refusal" in constructing transmission lines. With a right of first refusal, a utility can simply decide to build the facility itself and not have it subject to a competitive bid. The key moment is: "In 2011, the Federal Energy Regulatory Commission (FERC) [issued](#) Order 1000, a rule designed to increase regional transmission development, limit monopoly power of incumbent firms, and promote competition. The order mandated that 'public utility transmission providers must remove from Commission-approved tariffs and agreements a federal right of first refusal [ROFR] for a transmission facility selected in a regional transmission plan for the purposes of cost allocation.'"

Sounds great. Unfortunately, it did not work. Using a variety of policies that work within state boundaries - and, thus, are not bound by FERC's *regional* transmission rules - monopoly power was preserved or restored. Seemingly, the correct next step would be for FERC to exhaust its authorities to combat these practices and get better competition.

Instead, FERC is proposing to roll back Order 1000. As Ashton puts it: “Should the proposed rule become final, the federal ROFR would be reinstated with the condition that the incumbent transmission owners agree to a joint ownership structure with a nonincumbent partner. Such a change would likely limit competition.”

The administration claims that climate is the most important policy area. But its actions consistently let other priorities take precedence.