

Transmission Competition Saves Time and Money

What's going on?

1. This year, utilities including Ameren, Entergy, and Xcel, petitioned the Federal Energy Regulatory Commission (FERC) to halt transmission competition, claiming that competition slows transmission development by 16-20 months.
2. Utilities are advocating for Right of First Refusal (ROFR) laws at state legislatures, which give incumbent utilities “first dibs” at projects, regardless of whether or not their proposal is fastest or lowest-cost.

Separating Fact from Fiction

Industry analysts are finding that competition gets transmission built more quickly *and* that the cost of those competitive (non-utility) transmission projects is lower.

1. A recent study found that **Minnesota's ROFR law added \$180 million a year to residents' electric bills.**¹
2. Competitive transmission projects are about **30% less expensive** than comparable incumbent utility projects.²
3. A Brattle Group report found, “If competition could be expanded to a third of total transmission investments, **estimated customer benefits would be \$6-9 billion over just five years.**”³
4. 98% of transmission miles built between 2016-2024 were built by incumbent transmission developers.⁴

State agencies in Illinois, Iowa, Kansas, and Montana are opposing the utilities' bid to remove transmission competition.

¹ *The Economic Impacts of Right of First Refusal (ROFR) Legislation*, Pelican Institute For Public Policy, P 7.

<https://pelicanpolicy.org/reports/the-economic-impacts-of-right-of-first-refusal-rofr-legislation/>

² *Need for Speed: An Analysis of Speed to Market and Cost Results of Competitive Transmission*, R Street Institute.

https://www.rstreet.org/commentary/need-for-speed-an-analysis-of-speed-to-market-and-cost-results-of-competitive-transmission/?_sp=46b0e291-a6ff-4be0-9a00-604e8cb526e6.1784312816268

³ *Cost Savings Offered by Competition in Electric Transmission*, The Brattle Group, Figure 4, p 13.

https://www.brattle.com/wp-content/uploads/2021/05/16726_cost_savings_offered_by_competition_in_electric_transmission.pdf

⁴ Draft National Transmission Needs Study 2026, Department of Energy, p 32. <https://www.energy.gov/oe/national-transmission-needs-study>

Median days for transmission planning and deployment across regions

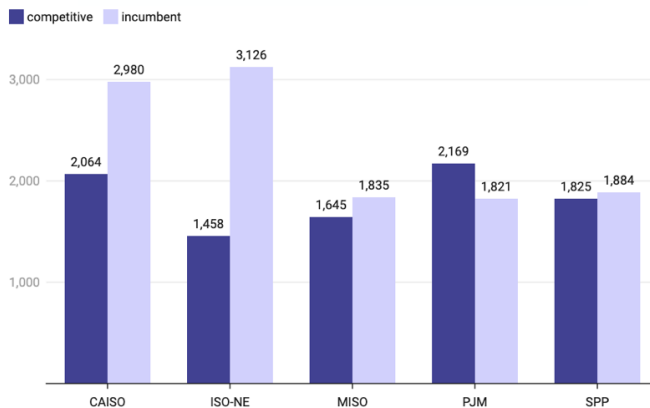


Chart: Ethan Howland/Utility Dive • Source: R Street Institute • Get the data • Created with Datawrapper

States with active ROFR laws:

AL, IN, IA, MI, MN, MS, MT, ND, OK, SD

States with ROFR laws struck down: IA, TX

What is transmission competition?

Transmission competition is like asking for multiple contractors to bid on a home improvement project. In this case, a regional transmission coordinator will choose which proposals move forward based on several factors, including a cost benefit analysis.

Why are utilities interested in Right of First Refusal (ROFR)?

Imagine if only one contractor was allowed to bid on every home improvement project in their area. Utilities say they can bring transmission online faster because a competitive

selection process takes time. But industry experts at R Street found that even including project selection times, competitive projects come to market faster in most grid planning regions.⁵

Do states permit incumbent utilities to build transmission?

Yes, several states have ROFR laws that stymie competitive transmission. If a utility gets dibs on transmission projects, that can mean that lower-cost and faster options never get considered.

There are questions about the legality of state ROFR laws (e.g. Iowa's ROFR law was found to violate the state constitution; Texas's ROFR law was found to violate the U.S. Constitution).⁶ Some states, like Minnesota, are also considering repealing their ROFR laws.

Conclusion

Competition is good for consumers, and the numbers show that transmission planning and construction also provide enhanced consumer benefit. Savings can come from reducing construction costs, but allowing faster development of new transmission lines also has the added benefit of interconnecting low-cost energy resources sooner.

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⁵ *Need for Speed: An Analysis of Speed to Market and Cost Results of Competitive Transmission Part 2*, R Street Institute. [Need for Speed: An Analysis of Speed to Market and Cost Results of Competitive Transmission Part 2](#)

⁶ States in the MISO Footprint with Right of First Refusal. [https://cdn.misoenergy.org/State or Local Rights of First Refusal514796.pdf](https://cdn.misoenergy.org/State%20or%20Local%20Rights%20of%20First%20Refusal514796.pdf)

