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NEW TRANSMISSION COST PROPOSAL COULD PUT FUTURE OF MIDWEST WIND DEVELOPMENT ON SHAKY GROUND

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The Midwest Independent System Operator (Midwest ISO) has released a new draft proposal for allocating costs for electricity transmission lines in the Midwest. The proposal comes after more than a year of negotiation among transmission owners, state regulators, utilities, generation developers, power marketers, environmental organizations and other stakeholders. While the Midwest ISO proposal purports to support Midwest wind development and public policy, there were still strong concerns expressed by a number of wind industry stakeholders.

“We appreciate all the hard work of the Midwest ISO and the many stakeholders who have come to the table and spent a considerable amount of time crafting the Midwest ISO proposal. However, actual improvement in cost allocation to support wind development in the region—or lack thereof—is in the details, and too many of those details are still very troubling,” said Beth Soholt, Executive Director of Wind on the Wires (WOW). “Wind developers are fully prepared to pay their fair share to bring wind power to market, but without access to the grid and transmission costs that are competitive with other regions, they may be forced to pack up their turbines and move out of the Midwest.”

As the Midwest ISO considers how to allocate the costs for new transmission lines, the economic development, jobs, and tax revenue that wind development brings to communities could well hang in the balance. Midwest wind power will also play an important role in making the nation more energy independent and secure, yet limited capacity on the existing transmission grid and uncertainty over the economics of expanding the grid has sharply curtailed development of the Midwest's emerging wind power industry.

An informal survey of Wind on the Wires member wind developers revealed that companies will be forced to take a hard look at development plans in the Midwest if the Midwest ISO fails to adopt a favorable cost allocation policy.

“If transmission costs become too expensive, it will make Midwest renewable energy less competitive versus other areas of the country, and send a signal to the market to develop projects in more competitive areas,” said Joe De Vito, Chairman of RES-Americas and Board Chairman for Wind on the Wires. “If they get this wrong, a lot of the jobs, economic development and other advantages of wind energy may well go elsewhere.”

The new draft proposal from the Midwest ISO fails to address many of the original concerns relating to wind power, which were outlined in a series of letters over the past year. The concerns include transmission costs for new wind development that create a competitive disadvantage for the Midwest as compared to other regions of the country, and lack of a clear transition process between the old cost allocation method and new method for emerging wind energy projects.

In addition to the economic concerns, the eventual success or failure of the renewable energy goals outlined by the regional Midwest Governors' Agreement and in individual states could hinge on how the issue of transmission costs is eventually settled.