

INTERIM STUDY PROPOSAL 2025-072

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A Bill

HOUSE BILL 1813

By: Representative Gramlich
By: Senator M. Johnson

Filed with: House Committee on Insurance and Commerce
pursuant to A.C.A. §10-3-217.

For An Act To Be Entitled

AN ACT TO ADOPT THE FAIR AND EFFICIENT TRANSMISSION
COMPACT; AND FOR OTHER PURPOSES.

Subtitle

TO ADOPT THE FAIR AND EFFICIENT
TRANSMISSION COMPACT.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code Title 23, Chapter 3, is amended to add an
additional subchapter to read as follows:

Subchapter 8 – Fair and Efficient Transmission Compact

23-3-801. Text of compact.

The Fair and Efficient Transmission Compact is enacted into law and
entered into by this state with all states legally joining therein and in the
form substantially as follows:

FAIR AND EFFICIENT TRANSMISSION COMPACT

Article 1 – Statement of Purpose, Findings and Declaration of Policy

The intent of the Fair and Efficient Transmission Compact ("Compact") is to
lower the cost of construction of new high-voltage transmission
infrastructure and facilitate the expansion of transmission capacity through

1 cost-effective transmission planning, siting and construction.

2 The mid-South region is experiencing rapid growth in energy demand as
3 business and industry of all types seek to build, expand and relocate to
4 areas that have an abundance of affordable and reliable energy resources.
5 This economic growth benefits citizens by creating jobs, increasing local
6 revenues, and supporting new business opportunities.

7 To ensure that the states in the mid-South region participate in this
8 transformative economy, the parties to this Compact understand that new
9 transmission capacity must be added to the grid and will pursue measures
10 necessary to attract infrastructure investments to advance innovation, use of
11 improved technology and enhance our national security.

12 A robust, multi-state, regional transmission system provides a range of
13 benefits for citizens and consumers, including access to all types of
14 generation resources, economic development activity, and enhanced grid
15 resiliency in the face of multiple threats. However, certain policies and
16 regulatory inaction have hampered the ability to modernize and expand
17 transmission assets in the mid-South region.

18 By entering into this Compact, the participating states affirm that policies
19 that encourage and allow for a competitive transmission construction bidding
20 process is in the public interest and in the best interest of electric
21 ratepayers and the electric marketplace. While the independence and special
22 needs of each state are to be recognized and safeguarded, today's regional
23 and interregional transmission needs require cooperative action among states
24 to avoid the application of discriminatory, anti-competitive policies and
25 allow different companies to compete for the opportunity to construct new
26 transmission infrastructure.

27 Article 2 – Definitions

28 Compact – An interstate legal agreement or document between the states
29 of Arkansas, Louisiana, Mississippi and Texas

30 Electric Transmission – The process of moving bulk electricity from
31 power generation stations to where it is consumed by end-use customers.
32 Infrastructure involved includes high-voltage power lines, substations,
33 transformers and associated equipment.

34 Grid-Enhancing Technologies (GETs) – The use of advanced
35 transmission technologies and analytical tools to maximize the use of
36

1 electricity across the existing (and future) high voltage transmission system
2 that include dynamic flow rating sensors, power flow control devices,
3 advanced conductors, and improved viability of inverter-based generation
4 availability.

5 Load – Shall refer to any device, system, or process that demands
6 electricity to perform a specific task.

7 Long Range Transmission Planning – This is an open, structured effort
8 to expand the transmission system in a multi-state, regional and
9 interregional area to meet the economic development opportunities, generation
10 interconnection requests, base line reliability requirements and resiliency
11 with improved economic and operational characteristics of the transmission
12 system.

13 MISO - Midcontinent Independent System Operator is an independent, not-
14 for-profit, member-based regional transmission organization (RTO) in the
15 central portion of the United States from Canada to the Gulf of Mexico and is
16 responsible for keeping the power flowing across its geographic region
17 reliably and cost effectively.

18 MISO South – A subregion of MISO that includes parts of the states of
19 Arkansas, Louisiana, Mississippi and Texas.

20 Open Bidding Process – A process to allow competitive bidding by
21 different qualified entities to design, construct, and own new transmission
22 projects to expand the existing transmission system.

23 Regional Transmission Organizations (RTO) - This is an independent,
24 organization that manages the transmission of electricity across multiple
25 states. RTOs are responsible for ensuring the reliability of the power
26 supply and balance between supply (usually generation) and demand (load
27 connected to the transmission system).

28 State Regulatory Entities – The present state or local authorized
29 regulatory entities (public utility commissions or city council) providing an
30 oversight and policy direction for utilities within a state or local area
31 which are authorized by the various state constitutions and laws.

32 SPP – Southwest Power Pool is a regional transmission
33 organization (RTO) in the central, southwest and northwestern parts of the
34 United States; a nonprofit corporation mandated by the Federal Energy
35 Regulatory Commission to ensure the reliable supply of power, adequate
36 transmission infrastructure and competitive wholesale electric prices on the

1 behalf of its members.

3 Article 3 – Council Established

4 There is hereby created an agency of the party states to be known as the Fair
5 and Efficient Transmission Council (“Council”) to administer the Compact.

6 The Council shall commence operations upon adoption of the Compact by at
7 least three of the party states in the mid-South region. The Council shall
8 be composed of delegations from each party state that has adopted the
9 Compact. Each delegation shall be composed of three representatives from
10 each state, one of whom shall be appointed or designated in each party state
11 to represent the Governor, the State Senate, and the State House of
12 Representatives, respectively. One Council representative shall be appointed
13 by the Governor. One Council representative shall be appointed by the
14 presiding officer of each chamber of the General Assembly, or in such other
15 manner as the General Assembly may provide. Each Council representative
16 shall be designated or appointed in accordance with the law of the state
17 which he or she represents and serving and subject to removal in accordance
18 with such law. Any member of the Council may provide for the discharge of
19 his or her duties and the performance of his or her functions thereon (either
20 for the duration of his membership or for any lesser period) by a deputy or
21 assistant, if the laws of his state make specific provision for this
22 assignment of these responsibilities. This assignment of a deputy or
23 assistant shall be sent to the Executive Director or Chairman of the Council
24 in writing prior to the event or meeting where the deputy or assistant will
25 represent the Council representative.

26 Each member of the Council shall be entitled to one vote each. No action of
27 the Council shall be binding unless taken at a meeting at which a majority of
28 all party states are represented and unless a majority of the total number of
29 votes on the Council are cast in favor thereof.

30 The Council shall appoint an Executive Director who will serve at its
31 pleasure and who shall act as the Secretary. The Executive Director, with
32 the approval of the Council, shall appoint and discharge such personnel as
33 may be necessary for the performance of the Council’s activities. This
34 Council shall meet at least once a year. The Council, with the assistance of
35 the Executive Director, will develop Bylaws to assist in the activities
36 associated with its operation.

Article 4 – The Council

The Council shall not be construed to displace the regulatory responsibilities of the existing relevant electric rate regulatory authorities. The Council shall prepare and keep current guidelines for fair and efficient transmission construction that support an open bidding process for new transmission facilities. These guidelines shall be developed within one year of the creation of the Council.

The Council shall elect, from among its members, a Chairman, a Chairman-Elect, and a Treasurer. Elections shall be annual. The Chairman-Elect shall succeed to the office of Chairman for the year following his service as Chairman-Elect. For purposes of the election and service of officers of the Council, the year shall be deemed to commence at the conclusion of the annual meeting of the Council and terminate at the conclusion of the next annual meeting thereof.

The Council annually will prepare a report for the Governor, the respective Public Service Commission or Public Utility Commission (Commission), such as the Arkansas Public Service Commission, and the General Assembly of each party state. This report will cover the activities of the Council. This report will also provide guidance to the party states by recommending changes, if any, to the rules and laws regulating the siting, permitting, certification, and construction of new or existing high-voltage transmission infrastructure according to the principles of the Compact.

Article 5 – Principles of Fair and Efficient Transmission Construction

States that enter into and become a party to the Compact shall consider the following principles and recommend policies, if any, that allow for a competitive, fair and efficient transmission market to flourish in the mid-South region:

1. Energy Agnostic. State statutes, regulations, ordinances and policies should not discriminate against any particular energy resource, energy generation method or procured energy type. Technology agnostic energy policies ensure that energy sources are chosen based on cost and reliability. State policies must reflect an openness to using a variety of energy resources, rather than a limit to a single type of energy.

2. Transmission Project Cost Allocation. The cost of new transmission

1 projects should be allocated holistically to all entities, that cause these
2 costs and that directly benefit, in a manner that is roughly commensurate
3 with, and proportional to, the costs caused and benefits received by those
4 projects. The cost allocation should be as granular and accurate as possible
5 while avoiding the targeting of specific industries. Costs should not be
6 assigned to parties that receive negligible or negative benefits.

7 3. Application of Interstate Compact. This agreement will be
8 submitted to and reviewed by each state legislative body for approval. Once
9 the Compact is approved, the Compact shall apply to all states equally
10 regardless of the time of adoption compared to the establishment of the
11 Compact. States will have equal representation, equal authority and equal
12 protection in the adoption and execution of a competitive bidding framework
13 and process.

14 4. Uniform Siting and Certification of Transmission Projects. This
15 Compact shall consider establishment of two separate processes for siting and
16 certification of transmission projects. The states participating in this
17 Compact may develop a uniform siting process and/or separate certification
18 standards as a condition of joining the Compact. Participating states may
19 adopt the mutually agreed upon processes for siting and certification of new
20 transmission projects, especially when demonstrated efficiencies can be
21 achieved. These processes must define a clear start date and define the party
22 responsible for initiating the process start date. The use of this uniform
23 siting and certification process may be used to minimize the time needed for
24 approval in additional states, once the first state has provided its approval
25 for interregional transmission projects. The member states' processes for
26 siting, certification, and permitting should provide a clear understanding
27 for relevant stakeholders.

28 5. Valuing Grid-Enhancing Technologies. Grid-enhancing technologies
29 (GETs) have been demonstrated to provide economic, operational and
30 reliability benefits and can be a timelier and/or cost-effective solution as
31 compared to new transmission line development. The Council is encouraged to
32 recognize the benefits of utilizing GETs for improvement of transmission
33 facilities, enhancement of grid performance and expansion of existing
34 transmission line capacity. States adopting the Compact should streamline
35 permitting and regulatory reviews for utilization of GETs. Furthermore,
36 member states of the Compact should provide for the assurance that GETs

1 receive fair monetary valuation in any transmission developer's competitive
2 bid.

3 6. Competitive Construction Bid Process. This Compact intends to
4 promote intrastate and interstate transmission development and enhancement
5 and embrace the minimization of costs using an open bidding process. The
6 open bidding process should consider benefits to ratepayers including but not
7 limited to ensuring reliability, ratepayer cost savings, maximizing grid
8 efficiency, reducing grid congestion, and mitigating against grid stressing
9 events. The states participating in the Compact shall consider and adopt
10 into this Compact a process for the administration and oversight of the bid
11 opening and selection process. The participants in this Compact may choose
12 to allow MISO to administer an open competitive bid selection process for the
13 construction of certain transmission projects. The present MISO process for
14 projects identified through Long Range Transmission Planning allow for
15 competitive bid processes for proposed new transmission projects. The
16 information on these MISO processes can be found in the Competitive
17 Transmission Process in Business Practice Manual BP-027 and Minimum Project
18 Requirements for Competitive Transmission Projects BP-029 both dated
19 1/25/2025.

20 7. Waiver for Existing Transmission Infrastructure. Existing
21 transmission infrastructure that has previously been permitted by states
22 participating in the Compact should not be required to obtain new permits for
23 the purpose of upgrading, maintenance or renovation activities. Transmission
24 projects permitted to be constructed but delayed due to actions and matters
25 beyond the control of the developer should not be forced to engage in the
26 permitting process if the original permits were obtained within a previous
27 10-year period. States participating in this Compact may take action to
28 remove permitting barriers at applicable state agencies and regional bodies.

30 Article 6 - Construction and Severability

31 This Compact shall be liberally construed so as to effectuate the purposes
32 thereof. The provisions of this Compact shall be severable and if any
33 phrase, clause, sentence or provision of this Compact is declared to be
34 contrary to the constitution of any state or of the United States, or the
35 application thereof to any government, agency, person or circumstance is held
36 invalid, the validity of the remainder of this Compact and the applicability

1 thereof to any government, agency, person or circumstance shall not be
2 affected thereby. If this Compact shall be held contrary to the constitution
3 of any state participating therein, the Compact shall remain in full force
4 and effect as to the state affected as to all severable matters.

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6 Article 7 – Finances

7 The costs associated with the Council’s administration and operational
8 activities will be supported by an equal assessment to each state represented
9 on the Council. The Council will maintain adequate records to support the
10 expenses of operating this Council. No contracts with the Council will be
11 entered into or expenses incurred to support the Council’s activities without
12 a majority affirmative vote of its members.

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14 23-3-802. Administration of Fair and Efficient Transmission Compact –
15 Rules.

16 (a) The various states party to the Fair and Efficient Transmission
17 Compact will rely on their respective Public Service Commission or Public
18 Utility Commission (Commission), such as the Arkansas Public Service
19 Commission, to administer the compact. A state’s Commission will be the
20 compact administrator for that state, unless administration of the compact
21 causes conflicts with existing laws, rules, or authorities that govern the
22 function and conduct of the Commission. In such case, a state may assign
23 responsibility to administer the compact to another agency capable of such
24 responsibility.

25 (b) A Commission may adopt rules that are consistent with the compact
26 necessary to implement this subchapter and are consistent with the principles
27 in Article 5 of the compact.

28 (c) A Commission is not required to adopt the rules of the Fair and
29 Efficient Transmission Council for the rules of the Fair and Efficient
30 Transmission Council to be effective in this state.

31 (d) For the purposes of the member state’s ability to reject a rule
32 under Article 4 of the compact, a state may delegate its authority in this
33 provision to its Legislature, General Assembly, or a duly authorized and
34 recognized Legislative Council or Committee thereof.

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36 */s/Gramlich*

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Referred requested by the Arkansas House of Representatives

Prepared by: ANS/AMS