On May 6, 2022, the U.S. Department of Energy (“DOE”) issued a Notice of Intent and Request for Information (“Notice”) regarding establishment of a Transmission Facilitation Program (“TFP”) to support the construction of electric power transmission lines and related facilities. As part of the Infrastructure Investment and Jobs Act, DOE may borrow up to $2.5 billion to carry out the TFP. According to a May 10, 2022 announcement from DOE, “[t]he TFP is an innovative revolving fund program that will provide Federal support to overcome the financial hurdles to large-scale new transmission lines and upgrade existing transmission as well as the connection of microgrids in select States and U.S. territories.”

The TFP will assist with the construction of new and upgraded high-capacity transmission lines through three financing tools for eligible projects: capacity
contracts, loans from DOE, and participation by DOE in public-private partnerships. Eligible projects are generally defined in the Notice as a project “(a) to construct a new or replace an existing eligible electric power transmission line; (b) to increase the transmission capacity of an existing eligible electric power transmission line; or (c) to connect an isolated microgrid to an existing transmission, transportation, or telecommunications infrastructure corridor located in Alaska, Hawaii, or a territory of the United States.” Beyond this general definition, the applicant seeking to carry out the project must also certify that the project meets certain eligibility criteria. DOE will then assess whether the given project may receive TFP support based on the application information outlined in the Notice.

DOE proposes to conduct an initial solicitation in 2022 for capacity contracts for eligible projects that will begin commercial operation no later than December 31, 2027. Here, DOE may purchase the right to use transmission capacity of up to 50 percent of the total proposed transmission capacity of the transmission line from an eligible project for up to 40 years. The goal of this financing tool is to “provide certainty to developers, operators, and marketers that customer revenue will be sufficient to justify the construction of a transmission line that meets current and future needs.”

DOE indicates in the Notice that it anticipates seeking applications for all forms of support from the TFP, including DOE loans and public-private partnerships (in addition to capacity contracts) in early 2023. For the DOE loans, DOE may make loans for the costs of carrying out an eligible project and the interest rate will be fixed by DOE, accounting for market yields on outstanding marketable obligations of the United States of comparable maturities as of the date of the loan. For public-private partnerships, DOE may enter into public-private partnerships in which DOE will partner with an eligible entity in “designing, developing, constructing, operating, maintaining, or owning an eligible project.” The Notice also requests comment on certain elements of the TFP in addition to other related topics such as how to ensure skilled workforce availability. Comments must be provided by June 13, 2022. DOE is offering a public webinar to provide additional information on May 26, 2022.

As we noted in Utility Dive’s article on the release of the Notice, market watchers will be looking to see if the tools available in the TFP will be sufficient to provide developers and investors the certainty needed to turn more potential transmission projects into viable, financeable ones.

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