



Join us the second Thursday of every month for a series of "brown bag" seminars, sponsored by the National Renewable Energy Laboratory and the U.S. Department of Energy (DOE). Each seminar is held at NREL's Washington office with a videoconference link to Golden, Colorado. Topics focus on new and innovative renewable energy and energy analysis strategies, models, and technologies.



## Will Rate-of-Return Adders Increase Transmission Investment?

An analytical seminar presented by DOE and NREL's Energy Analysis Office (EAO)

**Thomas P. Lyon**, Dow Chair of Sustainable Science, Technology, and Commerce  
University of Michigan

**Thursday, December 8, 2005**

**Noon – 1 p.m. (in Washington, D.C. - bring your lunch)**

**10 – 11 a.m. (videoconference in Golden, Colo.)**

It is widely recognized that the U.S. electric transmission system was not designed to support large-scale intraregional trading, and that transmission expansion is likely to have substantial social payoffs. It is also widely understood that vertically integrated electric companies may have incentives to increase transmission congestion, which means that the best way to induce increased investment in transmission has been difficult to ascertain. The Federal Energy Regulatory Commission (FERC) has issued decisions in recent cases suggesting it supports an incentive scheme that increases the allowed rate of return for transmission investments. Such increases are sometimes referred to as rate-of-return "adders." In this presentation, Thomas Lyon (with the University of Michigan) will discuss analysis of the use of nodal pricing of electricity and the use of financial transmission rights (FTRs) as a means of inducing optimal transmission investment. Additionally, he will outline how his work evaluates the use of incentive regulation to assess the likely performance of adders as a means of increasing transmission investment. He also will discuss analysis that suggests that rate-of-return adders for transmission investment are a problematic incentive tool, and may very well fail to increase transmission investment.



**Thomas P. Lyon**

**Thomas P. Lyon** holds the Dow Chair of Sustainable Science, Technology, and Commerce at the University of Michigan; and is a codirector of the Erb Institute for Global Sustainable Enterprise. Professor Lyon earned his bachelor's degree at Princeton University and his doctorate at Stanford University. Prior to coming to Michigan, he was on the faculty of the Kelley School of Business at Indiana University. He has been a visiting professor at the University of Chicago and at the University of Bonn, and a Fulbright Scholar at the Scuola Sant'Anna in Pisa, Italy. Professor Lyon also serves on the editorial board of the *Journal of Regulatory Economics*.

### Golden, Colo., information

1617 Cole Blvd., Golden, Colorado  
Building 15, Conference Room 375

Please contact Lynne Fenn at [lynne\\_fenn@nrel.gov](mailto:lynne_fenn@nrel.gov) or 303-384-7439

### Washington, D.C., information

901 D Street SW (also the Aerospace Building, 370 L'Enfant Promenade), adjacent to the Forrestal Building

Please contact Wanda Addison, of Midwest Research Institute (MRI), at [wanda\\_addison@nrel.gov](mailto:wanda_addison@nrel.gov) or 202-646-5278

If you are interested in participating in the seminar via conference call, please contact Wanda Addison, of MRI, at [wanda\\_addison@nrel.gov](mailto:wanda_addison@nrel.gov) or 202-646-5278 for instructions.

