Competitive Bidding of New Transmission Projects Deliver Results: Dispelling Common Misconceptions

At a historic time when massive amounts of capital and megaprojects must be constructed on accelerated timeframes, the open market will provide the best solutions for timely, reliable, cost-effective grid buildout

Myth #1: *Competition prolongs both the transmission planning process and development without clearly delivering cost savings or more innovative delivery.*

Reality Check: **Well-designed competitive bidding processes deliver timely, reliable and lower cost infrastructure.**

- Recent RTO/ISO solicitations in SPP and CAISO show competition has not delayed delivery.[1]
- Incumbent utility reports to the contrary, there is no evidence that incumbent utilities can move Order 1000-bid greenfield projects any faster than competitive developers.
    - Example: A project that was not competitively bid: In Nebraska, the "R-Plan" 345kV project has yet to be complete, projected energization at the end of 2027, despite being approved in 2013 – a 14-year lead time. Conversely, the competitively bid Wolf Creek – Blackberry 345kV and Minco – Pleasant Valley – Draper 345kV projects were approved in 2021 and 2022, respectively and energized in 2025—4- and 3-year lead times, respectively.
- Transmission planning and project scoping take time with or without competitive processes. Robust planning and scoping processes, like those used in competitive processes, reduce in-service delays.
- Competition increases schedule accountability whereas bidders often offer firm schedule guarantees with financial penalties which accelerates completion.[1] Incumbent utilities face fewer on-time performance incentives.
    - In 2024, SPP directly assigned $3.2 B of projects to incumbents due to "short term reliability need" thus skipping the competitive process. The project cost overruns are **over $2.2 B** with the final costs post-energization still likely higher. The cost overrun also only reflects capital construction costs and when factoring in 40-year present value revenue requirement, the cost implication for consumers is even higher. None of the projects included deadline guarantees for start-up.
    - The MISO RIKY, CAISO Humboldt (x2), and SPP Matthewson-Redbud, Lynch-Medanos, and Potter-Beckham projects, all of which were competitively awarded in 2025, included schedule commitments.
- Competition increases project timeline transparency.

- In the above mentioned SPP directly assigned projects, the timeline for the incumbent to commit to the project and provide a final estimated cost was largely undefined while competitive processes have rigid timeframes and requirements. Competitive bids could have been run in the timeframes that it took for the incumbents to commit to the projects.

Myth #2: *Competitive bidding for transmission has not produced meaningful consumer benefits.*

Reality Check: **In regions where competitive transmission bidding is allowed, the results speak from themselves.**

- RTO/ISO data shows 20–30% lower costs from competitive bids.[2]
- The mere existence of a competitive bidding process provides the incentive for the incumbent utility to sharpen their pencils on costs and think differently. Alternative tower materials, conductor options, and schedule mitigations can only be challenged for robustness and appropriateness through the competitive process.
- It is a fundamental economic principle that competition lowers costs for customers.
- Local utility experience can't overcome the inherent financial incentive to inflate costs to increase profits. Without competition there is no incentive to reduce costs.
- If an incumbent utility is the best suited to build a given line, they should have no trouble winning in an open, fair bidding process.

Myth #3: *Cost caps are illusory, allowing competitive developers to recover costs exceeding their initial winning bid from customers, while the regulated business model keeps customer costs in check.*

Reality Check: **Competition tends to bring more rigorous cost control.**

- Competitive developers bear the burden of proving cost recovery beyond agreed caps; incumbent utilities face few penalties for cost overruns under cost-plus regulation. Risks and costs that are passed onto the ratepayer.[3]
- Even partial cost caps offer stronger consumer protection than incumbent utility projects without any cost containment.
- Incumbent utilities regularly recover overruns with limited FERC and state scrutiny.
- Local utility experience can't overcome the inherent financial incentive that utilities have to inflate costs to increase profits.

Myth #4: *Only RTO/ISO central planners and incumbents can identify the optimal transmission mix.*

Reality Check: **Competitive developers create cross-market solutions that maximize value for ratepayers.**

- Competitive developers evaluate opportunities across RTO/ISO and utility boundaries, while incumbent utilities—limited by their territorial constraints—typically focus on their retail footprint.[4]
- Without legacy bias, competition yields more objective and innovative solutions as incumbents are constrained by impacts on their existing business model.
- Diversity of thought is one of the strongest benefits of Order 1000, bringing different ideas from all interested parties, which further strengthens the regulatory backing demonstrating deep due diligence to truly select the best idea.

Myth #5: *Project competition isn't needed because incumbent utilities have local expertise and will competitively bid project components.*

Reality Check: **Competition delivers the greatest innovation, cost savings, and speed. Outcomes that direct assignments cannot match.**

- Local expertise rarely improves cost accuracy or feasibility.
- Incumbent-led project selection often prioritizes self-interest over RTO-wide benefits.
- Component-level bidding is no substitute for full project competition. Sub-bidding project components like engineering construction does not lead to cost savings in the overall cost, reductions in ROE returns, schedule incentives, etc.
- Developers in all regions but CAISO must be pre-qualified as capable to design, construct, and maintain transmission projects before competitively bidding.
- All Order 1000 solicitation processes consider project sponsor expertise, experience, and future potential for project execution. If a bidding entity is less qualified, then the competitive process will demonstrate the skillset gap.

Paul Cicio
Chair
Electricity Transmission Competition Coalition
www.electricitytransmissioncompetitioncoalition.org
pcicio@ieca-us.org
703 216 7402

Footnotes:

1. SPP's Wolf Creek–Blackberry 345 kV competitive project was energized 6 months ahead of target at ~27% lower cost than SPP's estimate (SPP TOSP data, Utility Dive 2022). CAISO competitive solicitations lower ratepayer costs and decrease delays (CA Public Advocates Office 2023).
2. Brattle Group (2021): Competitive bids were 20–30% below reference costs. CAISO (2013–2019) recorded ~29% average capital cost reductions in competitive projects.
3. Brattle Group (2018): Competitive bids include explicit cost caps; incumbents typically recover overruns under prudence presumption. SPP Competitive NTC binds developers to cost and schedule terms.
4. Competitive developers leverage advanced modeling to identify multi-market value streams and cross-boundary benefits (Brattle 2021). MISO and SPP competitive processes encourage cross-territory, high-value transmission solutions.