



**Federal Energy Regulatory Commission
May 17, 2007
Open Commission Meeting
Statement of
Chairman Joseph T. Kelliher**

Items E-1 and E-5: Midwest Independent Transmission System Operator, Inc. (Docket No. ER07-478-000) and PJM Interconnection, L.L.C. (Docket Nos. ER06-1218, *et. al.*)

"Today, the Commission approves two orders that establish long term firm transmission rights in the Midwest ISO and PJM Interconnection. We find that the Midwest ISO compliance filing is consistent with the guidelines in our long term firm transmission rights rule approved last year, and generally affirm our earlier holding that the PJM proposal was consistent with our rule. The final rule provided a framework for the development of specific long term firm transmission rights designs by each transmission organization with an organized market.

Long term firm transmission rights are an important issue, particularly to wholesale power customers who want to make long term supply arrangements. These customers want to be able to enter into long term transmission service arrangements without being exposed to unhedged congestion cost risk. Our rule reduces the risk exposure to transmission customers. Long term firm transmission rights are also important to grid development.

Our final rule allows regional flexibility, but requires that transmission rights must be available with terms that are sufficient to meet the reasonable needs of transmission customers. Under the rule long term firm transmission rights must have a minimum term of ten years. Our approach to regional flexibility allows transmission organizations to craft alternative designs that reflect regional preferences and accommodate regional market design.

Our disposition of the orders today shows we are carefully applying the guidelines in the final rule. For example, we uphold the importance of the full funding requirement. We find that the Midwest ISO proposal is not consistent with the full funding requirement in the final rule, and require Midwest ISO to submit a compliance filing that implements an uplift mechanism and allocation method."