



**Federal Energy Regulatory Commission  
July 20, 2006  
Open Commission Meeting  
Statement of  
Chairman Joseph T. Kelliher**

**Item No. E-2: Long-Term Firm Transmission Rights in Organized Electricity Markets (RM06-8-000)**

"Today, the Commission issues a final rule to require transmission organizations with organized electricity markets to make available long term firm transmission rights that satisfy certain guidelines set forth in the draft regulations. These guidelines provide a framework for the development of specific long-term firm transmission right 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. The final rule goes far to reduce the risk exposure to transmission customers.

Long term firm transmission rights are also important to development of the grid. Long term rights are currently available to market participants that support an expansion or upgrade of grid transfer capability. Specifying and allocating long term firm transmission rights supported by the existing transfer capability raises difficult issues.

The rule allows regional flexibility in setting the terms of rights, but firm transmission rights must be available with terms that are sufficient to meet the reasonable needs of transmission customers. However, under the rule long term firm transmission rights must have a minimum term of ten years. The regional flexibility in the rule will allow transmission organizations to craft alternative designs that reflect regional preferences and accommodate regional market design. The rule will likely require some significant changes in market rules in certain regions.

The guidelines in the final rule will guide development of long term transmission rights that transmission organizations would make available to all transmission customers. In the event a transmission organization cannot accommodate all requests for long term firm transmission rights, over existing transmission capacity, the Commission proposes that a preference be given to load serving entities with long term supply arrangements used to meet service obligations. We believe that preference is consistent with the Energy Policy Act statutory language.

Consistent with the Energy Policy Act, this final rule is limited to regional transmission organizations and independent system operators with organized electricity markets. It does not affect public utilities outside those regions.

The rule was authorized by the Energy Policy Act of 2005, and we issue the final rule before the deadline established by the Act. This rule marks another Energy Policy Act deadline that the Commission not only met, but exceeded.

I support the final rule."