
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

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FOR IMMEDIATE RELEASE

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Docket Nos. ER05-6-000, et al.
and ER04-375-007

KEY RULING FURTHERS MIDWEST ISO, PJM INTEGRATION, PROPOSAL BOOSTS ELECTRIC MARKET EFFICIENCY

The Federal Energy Regulatory Commission today approved a pricing structure to facilitate seamless trading of electricity between the Midwest Independent Transmission System Operator (Midwest ISO) and PJM Interconnection. Slated to take effect December 1, the new pricing structure will eliminate multiple transmission rate “pancaking” and promote more efficient interstate electricity flows between the two regional transmission organizations (RTOs).

“This is another step forward in the steady, positive evolution of RTOs and competitive markets,” said Chairman Pat Wood, III. “Customers across a broad expanse of the Midwest and mid-Atlantic regions will benefit from this new long-term transmission pricing structure,” the Chairman added.

Today’s order puts in place a new long-term transmission pricing structure that eliminates rate pancaking – multiple charges for transacting across multiple transmission systems – for service under the Midwest ISO and PJM regional transmission organizations (RTOs) transmission tariffs.

Specifically, the order conditionally accepts, for use during an initial fixed period ending January 31, 2008, the so-called “license plate” rate design proposed by a majority of the Midwest ISO and PJM transmission owners, and rejects an offer of settlement filed with that proposal. The license plate rate design will be subject to re-evaluation after that fixed period.

The license plate rate design accepted today, coupled with a transition mechanism and re-evaluation after a fixed period, represents a reasonable approach to pricing transmission service between the two RTOs upon the elimination of pancaked rates, and

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is consistent with previous pricing policies, the Commission said. License plate rates provide access to a regional transmission system at a single rate, although the rate may vary based on where the customer is located.

License plate rates are currently being used for service in each RTO for initial fixed terms. PJM's term for license plate rates extends through May 31, 2005. The Midwest ISO's fixed term extends through January 31, 2008. The Commission adopted the remaining term for the use of license plate rates within Midwest ISO for the initial fixed term for the use of license plate rates across the two RTOs in order to allow them time to focus their efforts on efficiently planning and pricing new facilities to support regional transmission services and on integrating their markets.

The Commission noted that license plate rates allocate the cost of transmission facilities to local load, and may represent an impediment to new facilities. The Commission, therefore, gave the RTOs and their transmission owners 180 days to develop a proposal for allocating to the customers in each RTO the cost of new transmission facilities that are built in one RTO, but provide benefits to customers in the other RTO.

The Commission noted, as it has found in previous orders, that abrupt cost shifts can occur upon the elimination of rate pancaking and adoption of license plate rates, and transition mechanisms to mitigate such cost shifts are appropriate. Therefore, the order adopts the Seams Elimination Charge/Cost Adjustments/Assignments (SECA), as set forth in previous Commission orders, to take effect December 1, 2004, and remain in effect through March 31, 2006. The Commission continues to work with the two RTOs and their members to make sure there is no undue cost shifting among various transmission owners or customers as the pricing structure changes.

In a separate order, the Commission denied rehearing of an August 2004 order addressing a Joint Operating Agreement (JOA) between the Midwest ISO and PJM. The JOA, conditionally accepted by the Commission in March 2004, enables the two RTOs to more closely coordinate their operations. The Commission did clarify the issue of allocation of available capacity on coordinated flowgates and how the allocation affects requests for new transmission service. The Commission said that the use of historic network native load to allocate available transmission capacity on a forward-looking basis is an appropriate means to determine new transmission requests.

The Commission directed the two RTOs to include in their JOA progress reports any denials of transmission service and the status of the joint stakeholder process to address allocation of available capacity at flowgates.

