
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

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ER06-1218-000, *et al.*

COMMISSION ACTS ON LONG-TERM TRANSMISSION RIGHTS IN MIDWEST ISO AND PJM TERRITORIES

The Federal Energy Regulatory Commission today largely approved two orders on long-term transmission rights (LTTRs) in two broad regions that will help set the stage for planning and expansion of the transmission grid. Long-term transmission rights are also critical to utilities' wholesale customers for planning purposes and in providing price certainty.

"Today's action approving the establishment of long-term transmission rights in the Midwest ISO and the PJM service territories will provide more certainty to grid planners and developers and wholesale customers," said Commission Chairman Joseph T. Kelliher. "Our Final Rule provided the guidelines and the regional flexibility to allow organized markets to develop proposals for long-term transmission rights and we act today to ensure that terms are adequate to meet the needs of transmission customers in these two energy markets."

In July 2006, the Commission finalized guidelines for independent transmission organizations to follow in developing LTTRs (Order No. 681, *Final Rule on Long-term Firm Transmission Rights in Organized Electricity Markets*). The final rule implemented section 1233(b) of the Energy Policy Act of 2005, which directed the Commission to facilitate the planning and expansion of transmission facilities to meet the reasonable needs of load-serving entities (LSEs) and enable LSEs to secure LTTRs to meet such needs.

The rule directed organizations such as independent system operators (ISOs) and regional transmission organizations (RTOs) to make LTTRs available. Such rights provide an added degree of certainty to LSEs that plan to enter into power supply agreements. This in turn will help LSEs in obtaining financing for new infrastructure.

The Commission accepted the Midwest ISO's proposal for LTTRs, with some modifications. The Commission said that under the Midwest proposal Financial Transmission Rights (FTRs) would not be fully funded and as a result, violated one of the guidelines set out in Order No. 681. The Commission directed the Midwest ISO to make a compliance filing with a mechanism and allocation method to support the financial transmission rights.

In a separate order, the Commission generally denied rehearing of a November 2006 order on PJM Interconnection's LTTR filing and accepted a compliance filing that fully funds LTTRs. The order also approves a settlement that allows LSEs to obtain LTTRs in an amount appropriate to their needs.

The Commission also determined in the *PJM* order that the Long Island Power Authority (LIPA), an external LSE, is not currently eligible to obtain LTTRs in the PJM territory. "LIPA cannot receive a preferential allocation for LTTRs under PJM's LTTR proposal because it has not shown that it satisfies requirements to be a Qualifying Transmission Customer. LIPA is not a Qualifying Transmission Customer because it did not take service from PJM during the historical reference year, nor does it continue to pay the embedded cost of the PJM transmission system," the Commission concluded. The historical reference year refers to the year in which a zone was integrated into PJM. The Commission did, however, ask PJM stakeholders to consider market rules to address future eligibility requirements for LSEs that are not currently eligible to obtain LTTRs.