

**Federal Energy Regulatory Commission
March 16, 2006 Commission Meeting
Statement of
Chairman Joseph T. Kelliher**

E-5: SPP Imbalance Market (ER06-451-000)

"The Commission recognizes there are significant potential benefits in establishing an imbalance market in the Southwest Power Pool (SPP). By some estimates, an imbalance market could save the region over \$600 million.

However, the order finds the SPP imbalance market proposal requires additional work before the Commission can find it just and reasonable. Today, the Commission conditionally accepts and suspends much of the proposal until October 1, 2006. We reject other aspects. As a result of the order, inception of the SPP imbalance market will be delayed beyond May 1, 2006.

This is the second order the Commission has issued with respect to SPP's imbalance market. The previous order was issued last September. In that order, the Commission rejected the filing because it was incomplete, omitting key market features, and inadequately supported.

The Federal Power Act requires that public utilities make a showing that a section 205 filing is just and reasonable. They bear the burden of proof. That applies to regional transmission organizations as well as traditional public utilities. Stakeholder support alone does not suffice to meet the legal standards in the Federal Power Act.

While this filing was much better supported than the prior filing, it failed to adequately address a number of important market design issues which must be addressed prior to the inception of market operations. Today's order requires that SPP address these missing elements.

In so doing, we are applying the hard-learned lessons of the California crisis, by assuring that clear and complete market rules are established before markets open. It is better to get it done right than to get it done fast.

I support the order."