

**Federal Energy Regulatory Commission
April 20, 2006 Commission Meeting
Statement of
Commissioner Suedeen Kelly**

E-3: Entergy Services, Inc. (ER05-1065-000)

"As staff's presentation summarized, this order addresses Entergy's Independent Coordinator of Transmission (ICT) proposal, which includes a participant funding proposal and a new weekly procurement process (WPP).

As the draft order makes clear, we are approving an interdependent package of reforms including the ICT, WPP and participant funding, and this approval is largely predicated on the predicted benefits of the package, particularly of the WPP.

I believe that Entergy's package of reforms can result in an improvement over the status quo and I'm pleased to vote for it on that basis.

I will, however, emphasize one point.

I believe that participant funding can bring value to the public interest, if it is well and fairly implemented ... but if it is not well and fairly implemented, then the public interest could be substantially harmed in the long run as it could result in the flight of investment dollars from the generation sector at a time when such investment is still sorely needed.

To properly and fairly implement participant funding, you must have two things.

First, you need an independent entity to make the determinations as to which costs should be participant funded and which should be rolled into the transmission provider's rates.

I believe that Entergy's ICT proposal meets this requirement.

The second requirement, however, is an ongoing requirement associated with one of the things the participant must get in exchange for participant funding a transmission upgrade.

In order to avoid essentially double charging for transmission service, which would clearly be unfair, an entity that directly funds a transmission grid upgrade beyond the point of interconnection is entitled to some type of transmission-related right in exchange.

In RTO markets, this has been a financial transmission right and Entergy's proposal here is essentially a financial hedge as well, though it differs in many other respects from RTO FTRs because of the different circumstances present here.

The value of this type of right can be greatly influenced by minor changes in the operation of the grid that may be difficult to detect.

In other words, minor changes in operation could either preserve or eliminate the value of this type of right.

In the past we have only approved this type of funding mechanism in RTO regions where the independent operation of the grid eliminates any incentive to make such minor changes in ways that would inappropriately advantage one competitor at the expense of another.

The ICT's independent oversight of Entergy's operation of its grid meets this ongoing requirement here; at least while the ICT remains in operation.

If, for any reason, the ICT ceases to function and participant funding continues to be desired in the Entergy region, the ICT would have to be replaced with something of equal protective value.

For the present, once the ICT begins operation both the up-front and ongoing requirements will be in place and I am voting for this proposal, including its participant funding mechanism, on that basis.

My thanks to the staff team and to my colleagues for all of the hard work on this very important order."