

**Chairman Kelliher on Transmission Pricing Proposed Rules (Docket No. RM06-4-000)
November 17, 2005**

"One of the major goals of the Energy Policy Act of 2005 is strengthening our energy infrastructure, especially the transmission grid. Our nation's transmission system has suffered from underinvestment for a sustained period. In 2004, the interstate transmission system expanded by a total of 0.6 percent in circuit miles. Transmission congestion has been rising steadily since 1998. Transmission underinvestment is a national problem. We need a national solution. Transmission pricing reform can be an important part of the solution.

"There are several theories to explain underinvestment in transmission. One theory is that the Commission's pricing policies do not adequately encourage investment. Congress directed us to explore the merits of these theories. Today we issue proposed rules that would make certain reforms in transmission pricing. The goal of proposed rules is clear: secure greater investment in transmission grid.

"A stronger transmission grid will increase electric system reliability and promote competition. We seek to encourage the development of a transmission grid that can fully support competitive markets. Greater grid investment will also make it more difficult to engage in undue discrimination or preference in transmission service, since it is more difficult to detect undue discrimination or preference when the transmission grid is constrained.

"The proposed rules encourage investment in transmission in all regions, and by both vertically integrated utilities and transmission companies. Transmission companies are a proven vehicle for transmission investment. Internal analysis at the Commission shows that transmission companies are investing five times as much as prior owners. We want to reinforce that success. The Commission has been working on transmission pricing reform for nearly three years. I am pleased that we are taking this step today and I support the order."