



**Federal Energy Regulatory Commission**  
**March 29, 2007**  
**Technical Conference AD06-9-000**  
**Seams Issues for RTOs and ISOs in the Eastern**  
**Interconnection**  
**Statement of**  
**Chairman Joseph T. Kelliher**

"Good morning. Welcome to the technical conference on seams in the Eastern Interconnection.

The United States does not have a national electricity market or a national power grid. Instead, we have a series of regional markets and regional grids. There are significant differences among these regions. Some of these differences relate to market structure. Some regions have adopted the organized market structure, establishing "Day 1" or "Day 2" regional transmission organizations; others have not.

The Eastern Interconnection has both. At one point it was thought the organized market structure would extend throughout the Eastern Interconnection, and that there would be a few, larger RTOs. That vision offered the promise of fewer seams among regions in the Eastern Interconnection. That is no longer the common expectation.

That has implications for Commission policy, since there is significant trade among these regions. There are seams in the Eastern power markets, among RTOs and between and among those outside of RTOs. Given the structural differences in these markets, it is probably unrealistic to expect that we will be able to eliminate seams. I would rather not pursue an impossible goal.

I submit that we should concentrate our efforts on identifying the market seams in the Eastern Interconnection that create the greatest barriers to trade and cost shifts, and developing proposals to address those seams. If we focus our collective efforts on the world of the possible, we can do some good.

There is no reason to think that goal is unattainable. We have made a lot of progress reducing seams in the Eastern Interconnection. I point to the MISO-PJM Joint Operating Agreement, the MISO-SPP Joint Operating Agreement, the MISO-MAPPCOR seams agreement, and the MISO-PJM-TVA reliability agreements as examples of how parties can work together to successfully address seams issues. I urge parties to work together again and help us identify the market seams issues that cause the greatest burdens on trade and cost shifts. I also ask you to go one step further and offer your ideas on how to resolve these seams issues.

This conference started with a much more modest scope, namely examining the free rider issue as it relates to RTO border utilities. Although the scope of the conference has expanded, I want to make sure that no one draws the wrong conclusion. Personally, I think the free rider issue is a legitimate concern. The Commission's policy promotes voluntary RTO formation. I personally support voluntary RTO formation, and our competition review is focused in large part on reforms to improve RTO markets. However, if RTO membership is voluntary, then members must have some ability to withdraw. Our order in Louisville Gas & Electric Company shows that we honor contractual withdrawal rights. However, our policies should not provide an incentive to RTO members to withdraw and we must examine ways to address the issues associated with non-members who use RTO markets.

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We have a lot of ground to cover today. I thank the panelists for being here and look forward to hearing your views.

I now ask my colleagues if they would like to make an opening statement.”