

December 3, Conference Notes

Today's conference will focus on the transition process to a contract system and congestion management system that uses Congestion Revenue Rights (CRRs) also known as FTR's to provide customers with protection against congestion charges. The initial allocation process that will be used for this transition is important to ensure that the implementation of SMD preserves the service rights of existing customers, provides access to all available capacity and minimizes cost shifts.

In the SMD NOPR the Commission laid out a general process for the initial allocation, but left many aspects of the transition process to be worked out on a regional basis. The NOPR also proposed that for at least the first four years, CRRs could be directly allocated to load based on the historical use of the system. After that initial period, the ITP would be required to either auction the Congestion Revenue Rights with the auction revenues being returned to load or justify why Congestion revenue

Rights should continue to be directly allocated to customers for a longer period.

In our many outreach meetings, we have heard concerns expressed about the initial allocation process. These fall into several general categories. First, many have expressed concern that the use of an auction for CRRs with auction revenues given to load provides less protection than a direct allocation of CRRs. Second, we have heard concerns that parties, particularly in load pockets, will not receive sufficient CRRs to provide protection against congestion costs for their load. Third, customers are concerned about acquiring CRRs for load growth either as part of the initial allocation process or in subsequent years. Finally, we have heard that in some regions the use of options or flowgate CRRs would allow customers to more closely match their existing rights.

Today, we hope to discuss proposals for dealing with these issues. Also, we will discuss specific principles that should be included in an SMD Final Rule for the transition process.

Before we begin, I want to go over a few procedural items. First, many people requested an opportunity to speak at today's conference and we were not able to accommodate all of these people. However, we would like input from all who have specific proposals for the transition process. So, I encourage you, if you haven't already to submit concrete proposals in response to what you hear today. Those that are submitted will be posted on our web site, www.ferc.gov.

Second, there will be some differences in the discussions with the panels. The first panel is composed of representatives of ISOs/RTOs that have either implemented or have proposed to implement congestion management systems that use financial rights such as CRRs. The first panel will discuss the transition process used or proposed by their organizations and the lessons learned from that process. Because we have asked them to be

specific in describing that process, we have allowed opening statements of up to seven minutes and the use of a limited number of power point slides. On our other panels, we have asked the panelists to limit their opening statements to three minutes and to suggest specific provisions or principles for the transition process that should be included in the SMD Final Rule. In the discussions we intend to focus on the transition process to an open market using congestion revenue rights, the initial allocation of rights, preserving existing rights, and dg with load growth.