
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

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FOR IMMEDIATE RELEASE

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Docket Nos. RM06-8 & AD05-7

NEW GUIDELINES FOR LONG-TERM FIRM TRANSMISSION RIGHTS IN ORGANIZED ENERGY MARKETS PROPOSED BY COMMISSION

The Federal Energy Regulatory Commission today proposed eight guidelines for independent transmission organizations to follow in developing a framework for providing long-term firm transmission rights in organized electricity markets.

“Long-term firm transmission rights are an important issue, particularly to wholesale power customers who want to make long-term supply arrangements in the face of unpredictable transmission congestion. Long-term firm transmission rights are also important to development of the grid. Our proposed rules should help transmission customers and strengthen the grid,” Chairman Joseph T. Kelliher said.

The proposed rule implements section 1233(b) of the Energy Policy Act of 2005, which requires the Commission to implement a new section 217(b)(4) of the Federal Power Act for transmission organizations with organized electricity markets.

The new law directs the Commission to facilitate “the planning and expansion of transmission facilities to meet the reasonable needs of load-serving entities to satisfy the service obligations of the load-serving entities, and [to enable] load-serving entities to secure firm transmission rights (or equivalent tradable or financial rights) on a long-term basis for long term power supply arrangements made, or planned, to meet such needs.” Congress directed the Commission to implement this provision within one year in transmission organizations with organized electricity markets.

Today’s proposed rule would require independent transmission organizations, such as Regional Transmission Organizations and Independent System Operators, that oversee organized electricity markets to make long-term firm transmission rights available to all transmission customers. The availability of such rights will provide an added measure of certainty to load-serving entities that wish to enter into long-term power supply arrangements to serve their load, which in turn should allow load-serving entities to more readily obtain financing for new infrastructure.

By proposing guidelines, the rule would allow regional flexibility to account for different market designs and regional differences when developing the framework for long-term rights. The guidelines would require that long-term firm transmission rights be available with term lengths sufficient to meet the needs of load-serving entities with long-term power supply arrangements, either existing or planned, used to satisfy their service obligations.

Consistent with current practice, the guidelines would also require that long-term firm transmission rights be available to entities that pay for upgrades or build expansions. The Commission notes that this policy is “fair to both new and existing users of the transmission system, promotes efficient capacity expansions by allowing users that fund expansions to compare directly any congestion cost savings with the cost of the necessary upgrades, and provides the long term hedge against congestion costs desired by transmission customers wishing to enter into long-term power supply arrangements.”

In the event the transmission organization cannot accommodate all requests for long-term firm transmission rights over existing transmission capacity, the guidelines would require that preference be given to load-serving entities with long-term power supply arrangements used to meet service obligations.

The proposal seeks comments on each of the eight guidelines. Also, the proposal discusses and seeks comment on the requirement that the Commission facilitate “the planning and expansion of transmission facilities to meet the reasonable needs of load-serving entities to satisfy the service obligations of the load-serving entities,” and seeks comments on that requirement.

The Commission proposes to allow transmission organizations 180 days from the publication of the final rule in the Federal Register to file their long-term firm transmission right proposals.

Comments on the proposed rule are due March 13, 2006, and reply comments are due March 27, 2006. All comments must refer to Docket No. RM06-8-000 and may be filed electronically via the eFiling link on the Commission’s web site at www.ferc.gov.

The proposal seeks comment on the following eight guidelines:

- The long-term firm transmission right should specify a source (injection node or nodes) and sink (withdrawal node or nodes), and a quantity.
- The long-term firm transmission right must provide a hedge against day-ahead locational marginal pricing congestion charges (or other direct assignment of congestion costs) for the period covered and quantity

specified. Once allocated, the financial coverage provided by the right should not be modified during its term except in the case of extraordinary circumstances or through voluntary agreement of both the holder of the right and the transmission organization.

- Long-term firm transmission rights made feasible by transmission upgrades or expansions must be available upon request to any party that pays for such upgrades or expansions in accordance with the transmission organization's prevailing cost allocation methods for upgrades or expansions. The term of the rights should be equal to the life of the facility (or facilities) or a lesser term requested by the party paying for the upgrade or expansion.
- Long-term firm transmission rights must be made available with terms (and/or rights to renewal) that are sufficient to meet the needs of load-serving entities to hedge long-term power supply arrangements made or planned to satisfy a service obligation. The length of term of renewals may be different from the original term.
- Load-serving entities with long-term power supply arrangements to meet a service obligation must have priority to existing transmission capacity that supports long-term firm transmission rights requested to hedge such arrangements.
- A long-term transmission right held by a load-serving entity to support a service obligation should be re-assignable to another entity that acquires that service obligation.
- The initial allocation of the long-term firm transmission rights shall not require recipients to participate in an auction.
- Allocation of long-term firm transmission rights should balance any adverse economic impact between participants receiving and not receiving the right.