

July 12, 2006

**Summary of Testimony of the Honorable Joseph T. Kelliher
Chairman, Federal Energy Regulatory Commission
Before the Committee on Government Reform
Subcommittee on Energy and Resources
United States House of Representatives
July 12, 2006**

The Commission Staff's Summer Assessment reported improved supplies for natural gas and hydroelectric power production. Electric generators have been building coal stockpiles after starting the year at low levels. It noted four regions of possible concern for the summer of 2006: Southern California, Southwest Connecticut, New York City and Long Island, and the areas adjoining Ontario in Canada. In each case, unusually high levels of temperature and unplanned outages could stress the electric grid. Recently, transmission line outages into New York City have at least partially offset the value of new generation added since last year.

The Commission is working hard to ensure affordable, reliable electric power both in the areas of immediate concern identified in the summer assessment and more generally around the country. For electric transmission, we are poised to use a key provision of the Energy Policy Act of 2005 (EPAct) to implement incentive pricing for transmission. We have worked closely with the Department of Energy to implement the EPAct provision allowing federal siting of electric transmission in national interest transmission corridors that the Department of Energy may designate. We are ready to act on construction permits for transmission lines within designated corridors.

To ensure resource adequacy, we are working with regional transmission operators around the country to create mechanisms like capacity markets, even when these measures may become controversial. We recently approved a Forward Capacity Market for New England for this purpose. It addresses one of the most pressing regional needs in the country.

Finally, we are moving rapidly to implement the reliability provisions of EPAct. We issued rules to certify an Electric Reliability Organization (ERO) last winter. I expect final action on certifying an ERO very soon. We are now also actively preparing to act on reliability standards when they are submitted.