
FEDERAL ENERGY REGULATORY COMMISSION

WASHINGTON, D.C. 20426



NEWS RELEASE

NEWS MEDIA CONTACT:

Barbara A. Connors
(202) 502-8680

FOR IMMEDIATE RELEASE

February 20, 2003
Docket Nos. EC03-30-000, et al.,
EC03-40-000, et al., and
EL03-35-000

COMMISSION ADDRESSES MISO MARKET RULES, TRANSFER OF TRANSMISSION FACILITIES, RATE ISSUES

The Federal Energy Regulatory Commission today acted on several orders involving the Midwest Independent System Operator (MISO), a regional transmission organization (RTO) that will help move the Midwest toward a more seamless and efficient electric power transmission operation..

RTOs are evolving throughout the United States as a means to remedy the economic inefficiencies that stem from the lack of regional coordination and the undue discrimination that currently mars the nation's transmission grid. RTOs will help ensure that the three essential elements – adequate infrastructure, balanced market rules and market monitoring – are in place to ensure a truly competitive electric market.

The Commission affirmed the general direction of MISO's three proposed market rules and provided guidance on certain issues critical to the development of bulk power markets in the Midwest by December 2003 (EL03-35-000). This filing is an important first step in moving to functional competitive bulk power markets in the Midwest, the Commission said. The Commission reviewed MISO's proposed market rules in light of the principles set forth in its proposed standard market design (SMD) rule.

Under the proposed market, MISO would take an incremental approach to markets implementation, starting first with energy and financial transmission right (FTR) markets; would start operations using the existing 40 control areas; and would follow up with the Commission on the allocation of FTRs and the continued use of separate control areas.

R-03-09

-more-

(2)

The Commission clarified that, unless indicated otherwise, it does not intend to revisit prior approvals because of possible inconsistencies with the final SMD rule. FERC intends to take all appropriate steps at the final stage of the SMD rulemaking proceeding to ensure that, to the extent it has already approved or conditionally approved RTO elements, the approvals would remain intact, the Commission said. In addition, the Commission said MISO will be given a reasonable time in which to change its market design if there are substantial changes in the Commission's final SMD rule.

In a separate order, the Commission authorized International Transmission Co.'s transfer of jurisdictional transmission facilities to ITC Holdings (EC03-40-000), concluding that ITC is independent and not affiliated with any MISO market participant. International Transmission is a wholly-owned subsidiary of DTE Energy that owns virtually all of Detroit Edison's transmission assets.

The transfer of transmission facilities to an independent entity is one of the most effective means of separating transmission interest from generation interests and achieving independence through a for-profit transmission company, the Commission said.

The Commission approved a 13.88 percent rate of return on equity, approving the rate proposed by the companies. In today's order, the Commission also accepts for a limited term certain operating and interconnection agreements between International Transmission and Detroit Edison -- the Master Operating Agreement, the Generator Interconnection Agreement and the Coordination and Distribution Interconnection Agreement.

MISO, the nation's first operational regional transmission organization (RTO), extends over a broad area from Manitoba to Kentucky.

In another order, the Commission expressed concern with rates and deferred a request from Illinois Power Company, a wholly-owned subsidiary of Dynegy Inc., to transfer transmission assets to an independent company created to own these assets -- Illinois Electric Transmission Company (IETC) (EC03-30-000).

The Commission ordered a hearing into a proposed rate treatment filed by Illinois and IETC. The proposal, including use of levelized gross plant and a 13 percent rate of return on equity, will result in significantly increased rates and may not be justified by the benefits of the transaction, the Commission said. The Commission also approved the proposed disposition of transmission assets subject to the rate hearing established in the order.

