
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

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FOR IMMEDIATE RELEASE

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COMMISSION APPROVES PACIFIC NW TRANSMISSION PROPOSAL, SIGNALS RECONSIDERATION OF MERCHANT LINE CRITERIA

The Federal Energy Regulatory Commission today signaled it is reconsidering the 10 criteria it uses to evaluate merchant transmission line proposals in an order approving a rate proposal for a planned 540-megawatt high-voltage, direct-current transmission line beneath the Strait of Juan de Fuca. The proposed 22-mile line would provide a new link between power grids in Washington State and British Columbia.

Sea Breeze Pacific Juan de Fuca Cable LLP plans to sell transmission rights at negotiated rates for the transmission line scheduled to begin operation in December 2007. The project is expected to bolster regional power grid reliability by connecting federal Bonneville Power Administration facilities with a substation owned by the British Columbia Hydro and Power Authority.

“U.S. investment in transmission infrastructure has seriously lagged electricity demand growth for years. Merchant transmission projects, in which the project developers and not ratepayers assume the investment risk, can play a useful role in expanding competitive options and improving grid reliability,” noted Commission Chairman Joseph T. Kelliher.

The Commission evaluates proposals to charge negotiated rates for transmission rights on new transmission facilities based on 10 criteria. They are: (1) the merchant facility assumes full market risk; (2) that service is provided under the open-access transmission tariff of an Independent System Operator or Regional Transmission Organization; (3) the project should create tradable firm secondary transmission rights; (4) an open season process is used to initially allocate transmission rights; (5) the results of the open season should be posted on an open-access same-time information system; (6) affiliate concerns are adequately addressed; (7) the merchant transmission facility does not preclude access to essential facilities by competitors; (8) the facility is subject to market monitoring; (9) the physical energy flows on the facility should be coordinated with, and be subject to, reliability requirements; and (10) the facility should not impair pre-existing property rights to use transmission grids of interconnected RTOs or utilities.

After taking into account the circumstances in which the facts of this case are different from those of previous merchant transmission proposals, the Commission found that Sea Breeze's proposal satisfies the Commission's criteria and approved its plan to hold an open season in the fall of 2005 to accept bids for transmission rights.

The Commission found that Sea Breeze's application meets the market monitoring and operational control criteria, but also concluded that under the specific circumstances of this case it does not need to do so. The Commission indicated that it is open to reconsidering the remaining criteria for these kinds of projects in a future proceeding.

The Department of Energy delegates authority to the Commission to take actions to implement and enforce non-discriminatory open access transmission service over the U.S. portion of international electric transmission lines. The Commission's action is subject to the delegation of authority by the Secretary of Energy to review Sea Breeze's application for a Presidential Permit for the project and the Commission's authority pursuant to section 205 of the Federal Power Act.