



# FEDERAL ENERGY REGULATORY COMMISSION

NEWS

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## FERC Accepts Continued ‘Grandfathering’ of Transmission Contracts in Midwest ISO

The Federal Energy Regulatory Commission (FERC) today accepted the Midwest Independent Transmission System Operator (Midwest ISO) compliance plan that will allow continued “grandfathering” of transmission contracts that have been carved out of the region’s energy markets.

FERC approved extending the carved-out grandfathering of transmission contracts beyond their February 1, 2008, expiration to preserve the bargains of the contracting parties, and further found that the markets will continue to operate in an efficient and reliable manner with the carve-outs in place.

“Today’s action balances the contract rights of the grandfathered transmission contract holders with the need for reliable and efficient energy markets in the broad region represented by the Midwest ISO,” FERC Chairman Joseph T. Kelliher said. “The court affirmed our previous orders and upheld our careful application of the public interest standard. FERC will continue to take a measured approach towards contract certainty.”

The Midwest ISO now has 101 carved-out grandfathered transmission agreements (GFAs), about 6.7 percent of total load. “The number will continue to decrease over time, which results in a more reliable Midwest ISO system,” FERC’s order states. The Commission also noted that there is “a generally high level of scheduling accuracy related to carved-out GFAs and that [Midwest ISO] has not found any instances where a reduction of firm transmission rights was significantly impacted by carved-out GFAs.”

With FERC approval, the Midwest ISO in 2004 replaced its Open Access and Transmission Tariff with an Open Access Transmission and Energy Markets Tariff (TEMT). The TEMT provided for market-based congestion management and energy markets in the Midwest ISO region, including day-ahead and real-time energy markets, locational marginal pricing and a market for financial transmission rights.

To initiate well-functioning energy markets, Midwest ISO had to address transmission service provided under approximately 232 existing long-term grandfathered contracts. In a series of orders based on the results of a fact-finding process, FERC ordered Midwest ISO to carve out certain GFAs and approved Midwest ISO’s proposed options for the treatment of other GFAs for at least a transition period ending February 1, 2008. The plan adopted in 2004 respected the contract rights of parties to grandfathered transmission agreements while allowing Midwest ISO to begin operation of its energy markets on schedule.

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