



**Federal Energy Regulatory Commission
May 17, 2007
Open Commission Meeting
Statement of
Commission Suedeen G. Kelly**

Items E-1 and E-5: Midwest Independent Transmission System Operator, Inc. (Docket No. ER07-478-000) and PJM Interconnection, L.L.C. (Docket Nos. ER06-1218, *et. al.*)

"The Energy Policy Act of 2005 put in place new FPA section 217(B)(4) that required us to use our authority to facilitate transmission planning and expansion to meet the reasonable needs of LSEs with respect to meeting their service obligations and securing long-term transmission rights for their long-term supply arrangements.

In response to section 217(B)(4), we issued Order No. 681, which required RTOs and ISOs to make long-term transmission rights available that met guidelines included in the order.

Here we address the Order 681 compliance filings of PJM and Midwest ISO.

The issue here boils down to load serving entities' needs to have some type of price certainty for the transmission component of their cost structure when they invest large amounts of money in supply arrangements.

In areas where power continues to be traded under bilateral contracts, such transmission price certainty can be had by entering into a transmission contract for a physical transmission right with a set term and rates.

Organized markets, however, were designed to address several important issues at once:

the need to provide a fair platform for all sellers and buyers to be able to compete to provide service at the lowest possible cost;

the need to have prices reflect the physical limitations of the grid so that the grid can be used more efficiently and fairly; and

the need to provide price signals for the rational siting and expansion of transmission, generation, and other facilities required to serve customers.

Unfortunately, serving so many worthy purposes at once can mean that other worthy purposes don't initially receive as much attention as they may deserve.

The need for long-term transmission rights is clearly one of those additional worthy purposes.

Order 681 was meant to address that issue and these orders will result in these compliance filings meeting the requirements of Order 681 in the Midwest ISO and PJM markets.

Accordingly, I am pleased to vote for both E-1 and E-5. Thank you"