



**Federal Energy Regulatory Commission**  
**December 14, 2006**  
**MRTU Seams Technical Conference**  
**ER06-615-002**  
**Statement of**  
**Chairman Joseph T. Kelliher**

"Good afternoon. Welcome to the technical conference on seams issues relating to the Market Redesign and Technology Upgrade (MRTU) filing by the California Independent System Operator Corporation (California ISO).

The Western Interconnection encompasses one region – California – that has adopted organized markets and other regions that have not. As a result, there are "seams" at the borders between the California ISO and other parts of the West. Since these structural differences have existed for years, certain seams issues already exist between organized and bilateral markets in the west.

The California ISO MRTU filing is intended to address some of the causes of the Western power crisis from six years ago, in particular inadequate electricity supply in California and poor market rules. Under MRTU, California will take greater steps to assure adequate electricity supply. A reformed California electricity market design should reduce the prospect of a recurrence of the California and Western power crisis from 2000-2001 and improve trade among the different regions within the West.

Western parties have raised concerns about seams that may result from adoption of MRTU. MRTU does not introduce seams into Western electricity markets, since certain seams issues already exist between organized and bilateral markets in the west. However, concerns have been raised about whether MRTU adversely impacts existing seams, and whether it creates new seams that will have an impact on the rest of the West.

I want to be clear from the outset that we recognize the relationship between the California power market and the rest of the West. We also recognize that failure of the California market six years ago hurt not only California, but the rest of the West. We understand the importance of seams issues to operation of the Western power market.

Our decision to hold this technical conference – and to hold it in the West – shows that we take seams concerns seriously.

I thank the panelists for taking the time to be here today. The primary purpose of this conference is to identify and attempt to resolve any seams issues that may result from the MRTU proposal. For that reason, I encourage panelists to be very specific in their comments. I ask panelists to specifically identify seams issue and the nexus between the seams issue and the MRTU proposal. The more specific you are, the more readily we will be able to assess whether MRTU adversely Affects existing seams, whether it creates new seams that will have an impact on the rest of the West, and what further changes, if any, are needed to the MRTU proposal.

I encourage the panelists and others who participate in the discussions today and tomorrow to keep in mind what brought us here today. The California ISO has proposed improvements to its market design, and these changes have been conditionally approved by the Commission. The purpose of these changes is not only to prevent a recurrence of the California and Western power crisis of 2000-2001, but

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also to enhance reliability and market operation throughout the Western Interconnection.

With your help, we can achieve these goals.

I look forward to hearing from the panelists today.”