



Federal Energy Regulatory Commission
February 15, 2007
Open Commission Meeting
Statement of
Commissioner Philip D. Moeller

Item E-1: Preventing Undue Discrimination and Preference in Transmission Service (RM05-17-000, RM05-25-000)

"With the passage of more than ten years since the Commission undertook the effort to promote wholesale competition through open access transmission service, it was time for us to revisit Order No. 888 and determine if any changes were due. During this intervening decade, the transmission grid has experienced unprecedented challenges as the demand for energy has grown at a pace that far exceeds the grid's available transmission capacity and the current rate of transmission investment. With these facts, it should come as no surprise that if changes are not made to make better use of the transmission system, the public will bear the cost of transmission congestion through increased utility bills, to say nothing of the looming possibility of power outages in many of the nation's more congested urban areas.

For these reasons, a re-examination of our transmission policies is overdue and that today's Final Rule makes a significant step towards improving the efficiency, accessibility, and reliability of our nation's electric grid. The reforms contained in Order No. 890 have been shaped by ten years of actual experiences and guided by the information provided to us in face-to-face meetings, technical conferences, and the thousands of pages of written comments submitted by interested parties. Also, the passage of the Energy Policy Act of 2005, which recognized the need for additional transmission infrastructure development and its role in facilitating the development of competitive wholesale markets, has influenced the policies in our Final Rule.

Among the highlights of this 1,100 page document, the rule provides for greater consistency and transparency in the calculation of Available Transfer Capability (ATC). Currently, there is no industry-wide method for determining ATC and public utility transmission providers may select an ATC methodology of their choosing, thereby increasing the potential for confusion and undue discrimination. To remedy this concern, the rule will require that transmission providers choose one of three NERC-approved ATC methodologies to make their calculations in a consistent and transparent manner. It's particularly noteworthy to mention that no party challenged our underlying finding that ATC reform is necessary to remedy undue discrimination.

The Final Rule also amends the pro-forma OATT to require coordinated, open, and transparent transmission planning on both a regional and sub-regional level. These planning reforms, centered around nine planning principles, include certain protections to guard against undue discrimination in the transmission system planning processes and will apply to every transmission provider. Improvements have also been made in the area of long-term point-to-point transmission service as the Commission has recognized that transmission customers are routinely denied service solely because it would not be feasible for the transmission provider to provide the service for a limited number of hours per year. As a remedy, the Commission adopts a "conditional firm" component to allow customers to receive "firm like" transmission service for most, but not all, of the hours requested.

With regard to redispatch, we have modified the transmission provider's obligation to increase efficient use of the grid, while ensuring reliability to native load.

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Significantly, Order No. 890 will require the posting of planning redispatch costs. By increasing the availability and transparency of redispatch cost information, system reliability will improve and customers can realize cost savings as additional redispatch options are made available to transmission providers.

Ultimately, Order No. 890 embodies my guiding principles of: (1) promoting reliability; (2) sending accurate market signals; and (3) encouraging the development of needed energy infrastructure. I am pleased that the Final Rule supports each of these principles while moving us ever closer towards open, competitive, and reliable wholesale markets."