



**Federal Energy Regulatory Commission
December 20, 2007
Open Commission Meeting
Statement of
Chairman Joseph T. Kelliher**

**Item E-1, Preventing Undue Discrimination and Preference in Transmission Service
(Docket No. RM05-17-001)**

"This rehearing order represents the final step to reform the landmark open access rules established by FERC more than 10 years ago.

This process has taken some time and has spanned the work of two different Commissions. I first proposed reforming our open access transmission tariff during the summer of 2004. We took our first formal step in September 2005 with issuance of the Notice of Inquiry, followed by the proposed rule in May 2006, and the final rule in February 2007. It took time not only because we were careful in our approach, but also because the business of regulation is highly complex, especially a tariff regulating this type of service.

The reformed tariff accomplishes three major policy goals. First, it seeks to eliminate the potential for undue discrimination and preference in transmission service. Our primary task with respect to electricity regulation is to guard the consumer from exploitation, and transmission access reform fulfills that mission. The reform open access transmission tariff should provide more perfect open access.

Second, we seek to promote effective competition in wholesale power markets. The power grid is the interstate highway system for wholesale power markets. By providing more perfect access to that grid, we will strengthen competition in regional power markets.

Third, we seek to strengthen the interstate power grid. In particular, the regional transmission planning provisions should help strengthen the transmission system. We require regional transmission planning because our power grid is regional in nature and planning should reflect that reality. I am hopeful that improved regional planning will make it easier to resolve difficult cost allocation issues and spur increased grid investment.

However, it is not enough to have perfect access to a constrained transmission grid. We need to secure greater levels of investment in the power grid – and sustain those investment levels. Transmission investment has increased significantly, roughly doubling since 2002. Our policies have played a major role in encouraging higher investment levels. While investment trends are in the right direction, they are still not at the level we need to assure reliability of the bulk power system and support competitive markets."