

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Long-Term Firm Transmission Rights in
Organized Electricity Markets

Docket No. RM06-8-000

**REQUEST FOR REHEARING AND
CLARIFICATION OF THE
TRANSMISSION ACCESS POLICY STUDY GROUP**

Pursuant to Section 313 of the Federal Power Act, 16 U.S.C. § 825*l*, and Commission Rule 713, 18 C.F.R. § 385.713 (2003), the Transmission Access Policy Study Group (“TAPS”)¹ seeks limited rehearing of Order No. 681,² the Commission’s July 20, 2006 Final Rule in *Long-Term Firm Transmission Rights in Organized Electricity Markets*. TAPS appreciates and strongly supports the Commission’s efforts to implement Federal Power Act Section 217(b)(4)’s directive to assure that long-term rights (“LTR”) are available to support the long-term power supply arrangements of load-serving entities (“LSE”). Most of the Final Rule’s seven guidelines are on target; and with the limited modifications discussed below, the guidelines will fill a critical gap in RTOs with organized markets, making it possible for load-serving entities (“LSE”) to

¹ TAPS is an informal association of transmission dependent utilities (“TDUs”) in more than thirty states. TAPS filed comments on the Notice of Proposed Rulemaking that became Order No. 681, as well as the Commission’s May 11, 2005 Staff Paper in *Long Term Transmission Rights in Markets Operated by Regional Transmission Organizations and Independent System Operators*, Docket No. AD05-7-000, available at eLibrary accession no. 20050511-4000. Initial Comments of TAPS in *Long-Term Firm Transmission Rights in Organized Electricity Markets*, Docket No. RM06-8-000 (filed March 13, 2006) (“Initial Comments”), available at eLibrary accession no. 20060313-5252; Reply Comments of TAPS in *Long-Term Firm Transmission Rights in Organized Electricity Markets*, Docket No. RM06-8-000 (filed April 3, 2006) (“Reply Comments”), available at eLibrary accession no. 20060403-5072; TAPS Comments on the Staff Paper in *Long Term Transmission Rights in Markets Operated by Regional Transmission Organizations and Independent System Operators*, Docket No. AD05-7-000 (June 27, 2005) (“Staff Paper Comments”), available at eLibrary accession no. 20050627-5075.

² *Long-Term Firm Transmission Rights in Organized Electricity Markets*, 71 Fed. Reg. 43,564 (Aug. 1,

make long-term resource commitments, and removing roadblocks to the construction of badly needed fuel-diverse and baseload units. In particular, Guidelines 2 and 4 recognize the need for LTRs to be fully funded and truly long-term—key elements of the resource- and load-specific deliverability hedge that LSEs need to make and finance investments in new resources, and to enter into the long-term power purchase commitments that IPPs require for financing.

We seek rehearing, however, because of concern that modifications to Guideline 5 adopted in the Final Rule may have the unintended consequence of undoing many of the positive changes effected by the remaining guidelines, encouraging speculation in LTRs and making such rights unavailable for the LSEs with long-term power supply arrangements that Section 217(b)(4) was specifically designed to protect. Further, that revised Guideline 5, as reformulated in the Final Rule, may unintentionally exacerbate RTO seams issues. We also seek clarification, or in the alternative rehearing, that Guideline 7's ban on mandatory auctions that lack a bypass mechanism for holders of Auction Revenue Rights ("ARR"), applies to both initial allocations of ARRs *and* subsequent renewals of those rights.

I. STATEMENT OF ISSUES

1. Whether the Commission erred in revising Guideline 5 to eliminate the preference for LSEs with long-term power supply arrangements in the allocation of LTRs and to replace it with a general preference for LSEs vis-à-vis non-load serving entities; and whether the Commission should revise Guideline 5 and/or Guideline 1 to remedy this error by restoring the connection between LTRs allocated under this Rule and the specific resources and loads of LSEs that seek LTRs. Order No. 681 at P 318, 18 C.F.R. pt. 42.1(d)(5); FPA Section 217(b)(4).

2. Whether the Commission erred in finding that although Section 217(b)(4) supports a preference for LSEs with long-term power supply arrangements in the allocation of LTRs, “a broader preference for load serving entities in general vis-à-vis non-load serving entities is fully supported by the statute and indeed better meets the needs of today’s organized electricity markets.” Order No. 681 at P 319; FPA Section 217(b)(4).
3. Whether the Commission erred in holding that LSEs with long-term power supply arrangements, but with loads that sink outside the RTO’s boundaries, should not be given any preference in the allocation of LTRs supported by the RTO’s existing transmission capacity. Order No. 681 at P 328, 18 C.F.R. pt. 42.1(d)(5); FPA Section 217(b)(4)
4. Whether the Commission should clarify that Guideline 7’s restrictions on the use of auctions apply both to initial allocations of ARRs and to subsequent renewals of LTRs. Order No. 681 at P 385, 18 C.F.R. pt. 42.1(d)(7).

II. SPECIFICATION OF ERRORS

1. The Commission erred in revising Guideline 5 to eliminate the preference for LSEs with long-term power supply arrangements in the allocation of LTRs and to replace it with a general preference for LSEs *vis-à-vis* non-load serving entities. Order No. 681 at P 318. FPA Section 217(b)(4). It should remedy this error by revising Guideline 5 and/or Guideline 1 to restore the connection between LTRs allocated under this Rule and the specific resources and loads of LSEs that seek LTRs
2. The Commission erred in finding that although Section 217(b)(4) supports a preference for LSEs with long-term power supply arrangements in the allocation of LTRs, “a broader preference for load serving entities in general vis-à-vis non-load serving entities is fully supported by the statute and indeed better meets the needs of today’s organized electricity markets.” Order No. 681 at P 319; FPA Section 217(b)(4).
3. The Commission erred in holding that LSEs with long-term power supply arrangements, but with loads that sink outside the RTO’s boundaries, should not be given any preference in the allocation of LTRs supported by the RTO’s existing transmission capacity. Order No. 681 at P 328, 18 C.F.R. pt. 42.1(d)(5); FPA Section 217(b)(4).
4. The Commission should clarify that Guideline 7’s restrictions on the use of auctions apply both to initial allocations of ARRs and to subsequent renewals of LTRs. Order No. 681 at P 385, 18 C.F.R. pt. 42.1(d)(7).

III. ARGUMENT

A. *Guideline 5 and/or Guideline 1 Should be Modified to Assure that LTRs Are Available to LSEs with Long-Term Power Supply Arrangements*

The LTRs NOPR³ proposed that LSEs with long-term power supply arrangements would have priority access to LTRs supported by existing transmission capacity. The Final Rule modified that proposal as shown below, expanding the priority to include LSEs that have shorter-term power supply arrangements and allowing RTOs to place “reasonable limits” on the transmission capacity used to support LTRs:

Guideline 5: Load-serving entities **must have priority over non-load serving entities in the allocation of long-term firm transmission rights that are supported by** ~~with long-term power supply arrangements to meet a service obligation must have priority to~~ existing transmission capacity ~~that supports long-term firm transmission rights requested to hedge such arrangements.~~ **The transmission organization may propose reasonable limits on the amount of existing transmission capacity used to support long-term firm transmission rights.**

Order No. 681 at P 325. According to the Commission, these changes “should not significantly reduce the access to long-term firm transmission rights that [an LSE] with long-term power supply arrangements would have had under guideline (5) as originally proposed.” *Id.* at P 324. In an ideal world of ample transmission capacity, that might be the case.⁴ But in our imperfect reality, the Final Rule’s revisions to Guideline 5 are likely

³ *Long-Term Firm Transmission Rights in Organized Electricity Markets; Long-Term Transmission Rights in Markets Operated by Regional Transmission Organizations and Independent System Operators*, 71 Fed. Reg. 6,693 (proposed Feb. 9, 2006), IV F.E.R.C. Stat. & Regs. ¶ 32,598 (to be codified at 18 C.F.R. pt. 40), P 58.

⁴ If the Commission were correct that these changes will not significantly affect LSEs with long-term power supply arrangements, then there would be no need for the Commission to eliminate the NOPR’s originally proposed priority. Instead, that priority could simply be supplemented with a second-tier priority for LSEs that prefer to rely on short-term transactions vis-à-vis non-load serving entities.

to deprive LSEs of the LTRs they need to support long-term power supply arrangements. Guideline 5 should be modified to assure that Congress' statutory mandate is fulfilled.

1. Guideline 5's Priority Should Be Tied to LSEs' Specific Loads and Resources

TAPS agrees with the Commission's conclusion that Section 217(b)(4) supports a preference for LSEs with long-term power supply arrangements. Order No. 681 at P 319. We support implementation of Section 217(b)(4) in a manner that achieves Congress' purpose without *undue* impact on others, but the Commission must not lose sight of the express purpose of the statute: *i.e.*, to "enable[] load-serving entities to secure firm transmission rights (or equivalent tradable or financial rights) on a long term basis for long term power supply arrangements made, or planned, to meet such needs."

As revised, Guideline 5 does not satisfy this baseline requirement. In broadening the language of the guideline to include LSEs without long-term power supply arrangements, the Commission appears to have inadvertently decoupled the guideline's priority from *any* specific power supply arrangement, long- or short-term, and from the LSE's obligation to serve load. The revised Guideline 5 would apparently allow LSEs to nominate LTRs completely unrelated to their loads and power supply arrangements and to use a generic LSE priority to obtain first preference to those LTRs. For example, Cinergy (or a power marketer with a full requirements contract with a small distribution cooperative in southern Indiana) could potentially nominate and have priority to receive LTRs into the constrained Wisconsin Upper Michigan Subregion ("WUMS") or other load pockets, even though its loads and resources are located hundreds of miles away and are unaffected by those constraints. Meanwhile, LSEs in WUMS and other load pockets that need LTRs to hedge the long-term power supply arrangements they use to meet their

service obligations—*i.e.*, the entities expressly protected by Section 217(b)(4)—will be crowded out by speculators attracted to the financial value of LTRs over constrained interfaces.

In addition to encouraging gaming, Guideline 5's expansive preference will undermine Section 217(b)(4)'s planning and expansion mandate by creating a class of market participants with a vested interest in maintaining congestion. LTR speculators will have a strong incentive to maintain, or even exacerbate, distant transmission constraints for which they hold LTRs, because the financial value of those LTRs will increase as the constraints worsen but deliveries to serve their own loads will be unaffected by the congestion. In contrast, where an LTR has a source and sink that correspond to an LSE's baseload resource and load, the LTR holder does *not* have a similar incentive to maintain congestion, since the financial value of the LTR will hedge congestion charges the LSE actually incurs and is not an independent "profit center." Further, even if some of their transactions are hedged by LTRs, such LSEs would still have an incentive to support transmission upgrades that reduce constraints that restrict the power supply choices available to economically and reliably serve their loads.

Failure to link LTRs to the long-term power supply arrangements of LSEs will also skew the planning and expansion process required by the Final Rule. By linking LTRs to actual long-term power supply arrangements, planning to "ensure that allocated long-term firm transmission rights remain feasible over their entire term," as required by 18 C.F.R. pt. 42.1(c)(3), would be an integral part of planning for the reasonable needs of LSEs to meet their service obligations. Without that link, planning for LTRs becomes

planning to maintain the speculation revenues of one class of market participants—*i.e.*, LSEs. This is not what Congress had in mind when it enacted Section 217(b)(4).

The crucial, Congressionally-mandated link between LTRs and LSE long-term power supply should be restored, as originally proposed in the NOPR. Even if other FTRs are transferable and can be purchased for source-sink combinations unrelated to the purchaser's power supply arrangements, the LTRs allocated under *this* Rule should be crafted to satisfy Section 217(b)(4)'s mandate to support the long-term power supply arrangements that LSEs use to meet their service obligations.

There are several ways to remedy these problems. The first and best solution is to modify the first sentence of Guideline 5⁵ to give priority to LSEs for LTRs with sources and sinks related to the resources and loads⁶ that are part of the LSE's long-term power supply arrangements. Specifically, the revised first sentence would read:

Load-serving entities with long-term power supply arrangements to meet a service obligation must have priority to existing transmission capacity that supports long-term firm transmission rights with sources and sinks related to those arrangements, that the LSE requests to hedge.

⁵ TAPS is not objecting to the second sentence of Guideline 5, which was added in the Final Rule and allows RTOs to “propose reasonable limits on the amount of existing transmission capacity used to support long-term firm transmission rights” (Order No. 681 at P 318; *see also id.* at P 325), so long as that provision is interpreted consistent with the Final Rule's Preamble and Section 217(b)(4). The Preamble's discussion of the new language provided examples of transmission capacity limits defined in terms of LSE *needs* (*i.e.*, based on measures of LSE loads, *not* as percentages of the transfer capability of specific interfaces). In addition, the Preamble ties the guideline back to the statutory standard by specifically prohibiting capacity limits that “fall below the ‘reasonable needs’ of the load serving entity” (*id.* at P 323). Subject to these conditions, *need-based* transmission capacity limits could be workable. Indeed, TAPS proposed to limit LTRs to long-term power supply arrangements involving baseload and renewable resources that typically represent only a portion of an LSE's power supply. *See* TAPS Initial Comments at 3-4; TAPS Staff Paper Comments at 17-19.

⁶ If through or out service is involved, the appropriate LTR source and/or sink would be the border of the RTO.

As an alternative, the same result could be achieved by modifying Guideline 1 to clarify that the sources and sinks of any LTRs allocated under this Final Rule must be related to the resources and loads of the long-term power supply arrangements of the requesting LSE (whether in the LTR-awarding RTO or its neighbor (*see* Part III.A.2 below)).

Restoring the NOPR's original priority for LSEs with long-term power supply arrangements would track the mandate of Section 217(b)(4). In addition, limiting Guideline 5's priority to specific long-term power supply arrangements would not pose implementation difficulties, because LTRs can be paired with the particular resources each LSE uses to serve its loads, and RTOs would not routinely be faced with "orphaned" LTRs that do not match the LSE's actual power supply.⁷

Claims that it is discriminatory to give a priority to LSE long-term power supply arrangements are wrong. The FPA prevents *undue* discrimination. Given Congress' specific policy decision that LSE needs for long-term rights must be met to support investment in fuel diverse generation our nation needs to remain competitive, to avoid continued over-dependence on gas, and to ensure resource adequacy, a priority for such long-term use is "due discrimination," fully consistent with the Act.⁸ If a preference for long-term firm rights were "undue," the Order 888 OATT would be unlawful: a

⁷ The Commission should reject the arguments of NOPR commenters who claimed that it would be burdensome for RTOs to administer LTR systems if they are limited to the long-term power supply arrangements of LSEs. Order No. 681 at P 317. As discussed in the Comments of the American Public Power Association ("APPA"), RTOs already must audit and monitor LSE loads and resources for purposes of resource adequacy and network resource designation. *Id.*; Reply Comments of APPA in *Long-Term Firm Transmission Rights in Organized Electricity Markets*, Docket No. RM06-8-000 at 44 (filed April 3, 2006), available at eLibrary accession no. 20060403-5054. There is no reason that they cannot do so in this context, as well.

⁸ The reasoning underlying the Commission's conclusion that "section 217(b)(4) can be reasonably interpreted to establish a due preference for load serving entities that seek to obtain long-term firm transmission rights" (Order No. 681 at P 179; *see also id.* at P 320), likewise supports a "due preference" for LSEs with long-term power supply arrangements that Section 217(b)(4) expressly seeks to facilitate.

transmission provider may not turn down a long-term firm request to maintain capacity available for those wishing to make more flexible short-term or non-firm use of the system.⁹ Nor would any rational competitive business. Indeed, the OATT Reform NOPR's proposed five-year minimum term for rollover rights (which for network customers may require a five-year resource commitment) would establish an even stronger preference for longer-term transactions under the OATT.¹⁰

Arguments that a preference for long-term power supply arrangements would discriminate against LSEs in retail choice regimes should also be rejected. While some retail choice states may currently prohibit or discourage long-term transactions by LSEs, those rules are subject to change—particularly when price volatility produces high electric rates.¹¹ In any event, state rules should not dictate federal policy as articulated in Section 217(b)(4). Even if Congress had not clearly instructed that LTRs must be made available to support long-term power supply arrangements, experience has shown that the short-term focus of current retail choice regimes will not support the next generation of baseload plants.¹² A broad all-LSE priority means that LSEs willing to make investments

⁹ See TAPS Initial Comments at 28 nn. 31-32, describing the Order 888 OATT's reservation and curtailment priorities for long-term firm transactions.

¹⁰ Notice of Proposed Rulemaking, *Preventing Undue Discrimination and Preference in Transmission Service*, 71 Fed. Reg. 32,636 (proposed June 6, 2006), IV F.E.R.C. Stat. & Regs. ¶ 32,603 (to be codified at 18 C.F.R. pts. 35 and 37), *corrected*, 71 Fed. Reg. 37,109 (June 29, 2006) at PP 355-56, *reply comment period extended*, 71 Fed. Reg. 39,251 (July 12, 2006).

¹¹ During the California Market Meltdown, major changes were made to California's organized markets to reduce dependence on volatile spot markets. More recently, high fuel prices and large projected increases in electricity prices have led several retail choice states to propose dramatic changes to their current approaches to obtaining power supply and setting retail rates. See, e.g., *Ill. Auction Flap Goes to Springfield*, Electricity Daily, Feb. 24, 2006; *NJ Commission Reconsiders Power Auctions*, Electricity Daily, Mar. 21, 2006; *Analysis: Maryland Furor Continues*, Electricity Daily, Mar. 24, 2006.

¹² See AEP's Mike Morris at Technical Conference *Promoting Regional Transmission Planning and Expansion to Facilitate Fuel Diversity Including Expanded Uses of Coal Fired Resources*, Docket No. AD05-3-000 (May 13, 2005), eLibrary accession no. 20050513-4034, Tr. at 230 (capital-intensive generation like new clean coal and nuclear units will not be financed absent PUC-assured rate recovery).

in new, capital-intensive generating units—resources which should lower LMPs, broadly benefiting consumers and enhancing the competitiveness of RTO markets—may not have access to the LTRs that they need to support those investments.

Second, Guideline 5 and/or Guideline 1 could be modified to restore the connection between LTRs under this Rule and the specific resources and loads of the LSE, but without requiring a long-term power supply arrangement to qualify for an LTR. This solution strays further from the statutory language and will pose some additional administrative challenges, since the LSE's underlying power supply arrangements may expire before the associated LTRs.¹³ However, it would provide some connection between LTRs and actual LSE transactions (albeit including some short-term transactions (*e.g.*, one-year) that may not reflect actual LSE resources over the long term), which should help to partially ground LTR requests in power supply realities.

Finally, at an absolute minimum, Guideline 5 must at least be modified to limit the priority to LSEs with load located at the LTR sink (or, if the sink is an RTO border, on the opposite side of the border). Although this solution does not satisfy the full mandate of Section 217(b)(4), it does tie LTRs to the LSE service obligations that the statute was expressly designed to protect. In addition, it should prevent the worst

¹³ Under PJM's July 3 Long-Term Transmission Rights Proposal, for example, transmission customers may request LTRs for specific sources and sinks associated with historical generation resources based on the historical reference year for the zone. Because an LSE's historical generation resources may not be the same as its current resources, PJM has crafted ways for LSEs to adjust or substitute long-term resources. LTR holders can decide annually whether they want to opt-out of the LTRs. PJM Long-Term Transmission Rights Proposal, *PJM Interconnection, LLC*, Docket No. ER06-1218, Transmittal Letter at 10-11 (filed July 3, 2006), eLibrary accession no. 20060706-0279. In addition, the LTR Proposal allows LSEs to add new resources to their LTRs nomination if: (a) "the capacity of the historic resources in the zone falls below the Zonal Base Load"; and (b) the new resource is owned by the requesting party or subject to a 10-year or longer firm energy and capacity contract to serve load eligible for LTRs. *Id.* at 14-16.

speculative abuses, hopefully assuring that LTRs are available to LSEs with long-term power supply arrangements when they truly need them.

2. Priority Should Not Be Limited to LSEs within the RTO's Footprint

According to the Preamble, Guideline 5's priority will only apply to LSEs that serve load within the RTO's footprint:

On this matter, the Commission agrees with TANC that long-term firm transmission rights should be made available first to those entities that have an obligation to serve load within the transmission organization's service territory and are required to contribute to the embedded cost of the transmission organization's transmission system. Any entity that has neither an obligation to serve load on the transmission organization's transmission system, nor an obligation to pay the embedded costs of that system, should not be given a preference to acquire long-term firm transmission rights supported by the system's existing capacity.

Order No. 681 at P 328. This conclusion appears to be based on a misunderstanding of the comments submitted by the Transmission Agency of Northern California ("TANC").

Although TANC recommended that LTRs "be provided first to entities with native load service obligations that contribute to the embedded cost of the transmission systems," it expressly stated that "[t]his preference should be provided *whether or not such entities are within the transmission organization's control area.*"¹⁴

In contrast, the Final Rule's limitation on the Guideline 5 priority would relegate to second-class status LSEs with loads outside the RTO's control area who seek through

¹⁴ Initial Comments of the Transmission Agency of Northern California at P 29 (emphasis added) in *Long Term Transmission Rights in Markets Operated by Regional Transmission Organizations and Independent System Operators*, Docket No. RM06-8-000 (filed March 13, 2006), available at eLibrary accession no. 20060313-5259.

and out service.¹⁵ TDUs, many of whom have loads and resources split between RTOs and between RTO and non-RTO regions, are especially at risk from this decision. Restricting priority access to LTRs based on the RTO's footprint is unfair, given that it is the host TO, not the TDU, that makes decisions about whether to join an RTO (and which one) or whether to withdraw (assuming the Commission accepts TO withdrawal requests). Tying TDUs' access to LTRs to the decisions of their host transmission owners unduly restricts their power supply choices and creates unnecessary barriers to the broad competitive markets that Congress and the Commission seek to promote. It will also exacerbate problems created by present and future RTO seams, undermining, for example, the Commission's efforts to foster a joint and common market between PJM and MISO.¹⁶

The Final Rule's decision to exclude LSEs without load in the RTO's service territory from Guideline 5's priority also fails to meet the mandate of Section 217(b)(4). As the Rule itself recognizes, Section 217(b)(4) directs the Commission "to enable load serving entities with long-term power supply arrangements used to meet their service obligations to obtain firm transmission rights on a long-term basis." Order No. 681 at P 79. That statutory directive does not disappear at the RTO border. The Commission's decision to exclude LSEs located outside the RTO from the priority of Guideline 5 should

¹⁵ The Rule (at P 117) describes other possible restrictions on through and out service: "For customers with through and out service, we would expect that transmission organizations will establish long-term firm transmission rights corresponding to the terms and conditions of existing transmission contracts. However, if quantity limits are established for the allocation of long-term firm transmission rights, then rules may be needed to determine the eligibility of through and out service, based, for example, on historical usage patterns."

¹⁶ See, e.g., *Midwest ISO*, 105 F.E.R.C. ¶ 61,212, P 14, 45 (2003) (eliminating pancaked rates for transactions sinking in the combined PJM-MISO region (P 14) and noting such benefits as the regionwide downward pressure on the price of generation because remote generation is made economic for import

be reversed. Likewise, an exception to the obligation to support the fixed cost of the LTR-issuing RTO should be made where the Commission has authorized elimination of pancaked rates between RTOs (or RTOs and non-RTO control areas) as in the case of PJM and MISO.

B. Guideline 7 Should be Clarified

TAPS supports Guideline 7, which restricts the use of mandatory auctions and requires that where an auction mechanism is being used, there must be a means for directly converting ARRs into corresponding firm transmission rights. *Id.* at 392. The language of Guideline 7, however, is limited to “[t]he initial allocation of the long-term firm transmission rights.” 18 C.F.R. pt. 42.1(d)(7). TAPS requests clarification, or in the alternative rehearing, that the same restrictions on the use of mandatory auctions for initial allocations will apply when LTRs are renewed.

The justifications underlying Guideline 7 apply equally when an LSE with LTRs seeks to renew those rights.¹⁷ Indeed, restrictions on mandatory auctions are even more important upon renewal, when LSEs seek to extend existing LTRs that are needed to support ongoing long-term power supply arrangements with terms longer than the initially allocated LTRs. Especially because RTOs will have “substantial latitude to determine how to achieve long-term coverage through combinations of transmission rights of specific terms and renewal rights” (Order No. 681 at P 255), it is critical that LTR holders have assurance that they can count on retaining those rights without having to annually outbid all other market participants.

(P 45)).

¹⁷ See, e.g., TAPS Staff Paper Comments at 25-27; TAPS Reply Comments at 30-31.

IV. CONCLUSION

For the reasons discussed above, the Commission should grant rehearing and modify Guideline 5 and/or Guideline 1 to restore the crucial link between LTRs and specific LSE transactions, and reverse the Final Rule's decision to exclude LSEs located outside of the RTO from Guideline 5's LTRs priority. The Commission should also clarify that Guideline 7's restrictions on mandatory auctions apply to both initial allocations of LTRs and subsequent renewals of those rights, or in the alternative grant rehearing of that issue.

Respectfully submitted,

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