

to some of these concerns, but we do not view a policy requiring non-pancaked rates as posing the problems that some commenters describe. We take this opportunity to reaffirm that we will continue to be receptive to distance-sensitive rates and other rate features that can be supported.

2. Reciprocal Waiving of Access Charges Between RTOs

The elimination of pancaked rates within an RTO was intended to increase the efficiency of trade in that region. The NOPR furthered that concept by encouraging RTOs to agree among themselves to waive access charges on a reciprocal basis for transactions that cross RTO borders. If accomplished, this would have the effect of increasing effective trading areas. The NOPR sought comments on how the Commission could facilitate reciprocal waivers of access charges, and whether there are other impediments to inter-regional trade.

Comments

A majority of the commenters support the concept of a reciprocal waiver of access charges to encourage inter-regional trade.⁶¹⁷ Of those who support waivers, some, including Duke and SRP, specifically recommend that waivers be voluntary. Some supporters of waiving access charges note that it is not just the pancaked charges that inhibit inter-regional trade but also variations in business practices and procedures

⁶¹⁷See, e.g., Sithe, WPSC, Minnesota Power, Ohio Commission, and Midwest ISO Participants.

between RTOs. These commenters⁶¹⁸ recommend that the Commission ensure that such incompatibilities not be allowed to hamper trade between RTO regions.

Several commenters, both supporting and opposed to waiver of access charges, warn that the waivers proposed in the NOPR can cause cost shifting. Duke argues that cost shifting can be remedied by the structure of the rate. DOE and First Energy also express concerns about cost shifting. Southern Company generally opposes waivers of access charges unless transmission owners' revenues are protected.

Some commenters oppose waiving access charges between RTOs for reasons other than cost shifting concerns. South Carolina Authority claims that reciprocal agreements between RTOs waiving access charges are discriminatory and that independent monitoring groups would be needed to prevent gaming of reciprocity agreements. CP&L argues that waivers create a bias to sell outside of the RTO. Tri-State proposes the use of distance-sensitive export pricing mechanisms instead of waivers.

PP&L Companies claim that inter-regional trade solutions should be arrived at through a collaborative effort of stakeholders. NECPUC and Desert STAR argue that the Commission should grant deference to participants' solutions for inter-regional trade. Florida Commission argues that the Commission should wait until intra-regional trade barriers are dismantled before dealing with inter-regional trade.

⁶¹⁸See, e.g., Ontario Power and Oregon Office.

Commission Conclusion

We asked in the NOPR for comments on the policy of allowing RTOs to reach reciprocal agreements to waive access charges for transmission that crosses an RTO border. Most commenters supported the approval of such waivers and some asked the Commission to further support inter-regional trade by requiring uniform practices and procedures among RTOs. Some commenters maintain that incompatible or varying procedures between RTOs can be as dampening to inter-regional trade as multiple rates.

We will continue to encourage reciprocal waivers of access charges between RTOs as long as they are reasonable in terms of cost recovery, cost shifting, efficiency, and discrimination. We also encourage terms and procedures that are compatible from region to region to the extent appropriate. Accordingly, we have added an RTO function to integrate reliability and market interface practices with other regions, as discussed above.

3. Uniform Access Charges

Each ISO approved by the Commission has struggled with the problem of cost shifting among the various individual transmission owners that make up the ISO. A single access rate would mean that the customers of low-cost transmission providers would see a rate increase and high-cost transmission providers would be concerned about not meeting their revenue requirements. The potential for cost shifting has been a