



FEDERAL ENERGY REGULATORY COMMISSION

July 17, 2008

Docket No. RM08-7-000

Item No. E-14

Chairman Joseph T. Kelliher

Statement of Chairman Joseph T. Kelliher on

Modification of Interchange and Transmission Loading Relief Reliability Standards; and Electric Reliability Organization Interpretation of Specific Requirements of Four Reliability Standards

"Today, the Federal Energy Regulatory Commission considers modifications to six reliability standards approved by the agency last year. We also consider interpretations of five specific requirements of reliability standards previously approved by the Commission as proposed by the Electric Reliability Organization or ERO.

Under the reliability provisions of the Energy Policy Act of 2005, FERC cannot modify reliability standards proposed by the ERO. Essentially, we must either approve or reject proposed standards. We are charged with reviewing reliability standards that protect the reliability of the bulk power system, and approve proposed standards if they accomplish this purpose, even when we see the need for improvements.

However, FERC does have authority under section 215(d)(5) of the Energy Policy Act of 2005 to direct the ERO to modify an approved standard if we conclude a modification is necessary. We did exactly that last year when we approved 83 reliability standards proposed by the Electric Reliability Organization, and directed modifications and improvements to 56 of those standards. We gave the Electric Reliability Organization discretion to develop a standards development work plan to develop those modifications and improvements.

Under the approach we adopted last year, we can expect to see steady improvement in reliability standards over time. That should provide greater levels of system reliability as we strengthen approved standards and clarify the scope of approved standards.

The order before us today marks the first time we are approving modifications to strengthen previously approved reliability standards. Specifically, the order approves modifications to five approved reliability standards pertaining to interchange scheduling and coordination. In the case of the sixth standard pertaining to transmission loading relief procedures FERC neither approves nor remands it but instead directs the ERO to submit a filing to explain the responsiveness of its proposed modifications to both the August 2003 Blackout Report and Order No. 693."

