



Federal Energy Regulatory Commission
July 20, 2006
Open Commission Meeting
Statement of
Chairman Joseph T. Kelliher

Item No. E-5: North American Electric Reliability Corporation (RR06-1-000)
and

Item No. E-6: Governors of Arizona, California, Colorado, Montana, Nevada,
New Mexico, Oregon, Utah, Washington and Wyoming (RR06-2-000)

"Today, the Commission certifies an Electric Reliability Organization to develop and enforce bulk power system reliability standards. This is a critical step in establishing a strong foundation for assuring reliability of the transmission network.

Perhaps the most important provisions in the Energy Policy Act of 2005 were the provisions governing reliability of the bulk power system. After a series of regional blackouts it had become obvious that continuing to depend on a regime of voluntary compliance with unenforceable reliability standards was no longer adequate. We needed a system of mandatory reliability standards, backed by substantial civil penalties.

The approach Congress took was to authorize the Commission to certify an expert organization, the Electric Reliability Organization, to develop strong reliability standards. That organization would also be responsible for enforcing those standards, in conjunction with regional entities.

The Commission was made responsible for reviewing proposed reliability standards, and approving and making enforceable those that meet the statutory test. Once the Commission has made reliability standards enforceable, the Electric Reliability Organization and regional entities operating under delegation agreements approved by the Commission would enforce those standards. The Commission would oversee their enforcement programs, and the Commission is ultimately responsible for enforcement.

We issued the rules governing certification of the Electric Reliability Organization on time last February, and today we act in a timely manner on actual certification.

There are three essential elements to a strong reliability regime. First, it is critical that the Electric Reliability Organization be a strong organization. That much is broadly recognized, more so now than perhaps a year ago.

Second, we need mandatory reliability standards that meet the statutory test. We have made much progress in this area as well. I want to commend the North American Electric Reliability Council (NERC) for its hard work on reliability standards. Immediately after enactment of the Energy Policy Act of 2005, NERC turned towards improving reliability standards. The reliability standards they proposed were stronger than the standards that existed only a year ago. The Commission has performed a constructive review of the proposed reliability standards, and held a technical conference on the standards only two weeks ago. We are moving towards action on proposed reliability standards in September.

Third, we need strong and consistent regional enforcement. I expect more activity in this area in the wake of our certification of the Electric Reliability Organization today.



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The Commission is prepared to review delegation agreements between the Electric Reliability Organization and regional entities [later this year]. Strong and consistent regional enforcement of approved reliability standards is an absolutely essential element in an effective reliability regime. If enforcement proves inconstant, we will not achieve the full benefits of the reliability provisions enacted by Congress.

With respect to the Western Interconnection Regional Advisory Board, we find the proposed advisory board consistent with the Energy Policy Act of 2005 and approve it. We allow for funding of Western Interconnection Regional Advisory Board activities authorized by section 215(j) of the Federal Power Act through the budget of the Electric Reliability Organization. Finally, we do not bar the Western Interconnection Regional Advisory Board from other activities, but do not provide for funding of those activities."