



FEDERAL ENERGY REGULATORY COMMISSION

FACT SHEET

July 3, 2008
**North American Electric Reliability
Corporation**
Docket No. AD08-10-000

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FERC Sets Guidance on Reliability Penalty Notices

The Federal Energy Regulatory Commission (FERC) today issued guidelines for reporting Notices of Penalty for violations of mandatory electric reliability rules filed by the North American Electric Reliability Corporation (NERC) to provide greater clarity and establish the appropriate level of information to help the Commission gauge the reasonableness of any penalty assessment. FERC said the first group of penalty determinations represents a significant milestone in the transition to today's national mandatory and enforceable reliability standards, and it appreciates the significant amount of work NERC and regional entities have put into monitoring compliance. The Commission said it will not institute a separate review on its own motion for this first group of penalty notices, and today's guidance is intended to minimize the number of occasions when FERC would have to review future Notice of Penalty filings.

Background and Order

In 2007, FERC issued Order No. 693, approving 83 Reliability Standards. In April 2008, FERC issued a statement of administrative policy on processing Notices of Penalty.

On June 4, 5, and 6, 2008, NERC, the FERC-designated Electric Reliability Organization (ERO), filed 37 Notices of Penalty with the Commission. These notices represented the first penalty determinations made by the regional entities under enforcement authority delegated by NERC. Each penalty determination is subject to review under the Federal Power Act (FPA). FERC is providing guidance to make sure future notices are more complete so the Commission can accurately gauge the nature and seriousness of the violations and whether penalties should be assessed. FERC addressed the following concerns in determining penalty assessment: (1) settlements; (2) completeness of record; (3) documentation issues; (4) self-reports and self-certifications; (5) linkage between facts and penalty factors; (6) mitigation plans; and (7) multiple violations.

FERC asked that future notices have more detailed information about the nature and duration of violations, that there be sufficient information to determine whether a registered entity lacked documentation of its compliance and that future penalty determinations be based on specific facts linked to penalty factors. In future filings, FERC directed Regional Entities to provide specific information on how they verified that registered entities completed mitigation plans on time and were in compliance. FERC also asked that Notice of Penalty determinations indicate whether the number and kinds of multiple violations by a particular entity are evidence of the entity's failure to properly prioritize compliance.