



Federal Energy Regulatory Commission
March 15, 2007
Open Commission Meeting
Talking Points of
Commissioner Suedeen G. Kelly

Items E-13: Mandatory Reliability Standards for the Bulk-Power System
(Docket No. RM06-16-000)

- Following the August 14, 2003 Blackout, which affected significant parts of the Midwest and Northeastern United States and Ontario Canada, and impacted an estimated 50 million people, the Joint United States-Canada Task Force found that the blackout was caused by several entities violating NERC's then-effective reliability policies and standards. The Joint Task Force identified the need for legislation to make reliability standards mandatory and enforceable with penalties for non-compliance and the need for particular reliability standards to help prevent blackouts.
- With today's Final Rule, we are approving the first set of mandatory and enforceable Reliability Standards under the authority granted to the Commission by Congress under the Energy Policy Act of 2005. Thus, we have officially moved from the previous system of voluntary compliance with reliability policies and standards to a system of mandatory and enforceable Reliability Standards for the electric industry.
- I would first like to thank the Commission staff for their hard work on this Rule. They not only sifted through the voluminous comments filed in response to our Notice of Proposed Rulemaking in this proceeding, but also balanced the diverse views expressed in those comments. I would also like to thank the commenters for submitting very thoughtful comments, which helped us make our determinations in this Rule.
- I would also like to highlight two aspects of this Rule. First, in response to concerns raised by many commenters, regarding the imposition of penalties for violations of Reliability Standards beginning on June 2007, the Final Rule directs the ERO and Regional Entities to focus their resources on the most serious violations for the period from June 1 until December 31, 2007. As stated in the Final Rule, the goal is for the ERO and Regional Entities to assess a monetary penalty in a situation where, for example, an entity's non-compliance puts the Bulk-Power System reliability at risk. I believe that this approach balances the need for the ERO and Regional Entities to enforce mandatory Reliability Standards and ensure reliability, while allowing the users, owners and operators of the Bulk Power System to familiarize themselves with the new compliance and enforcement processes.
- In addition, I would like to point out that this Final Rule does not mark the "end of the road." Reliability Standards will continue to be improved upon and developed through the ERO's Reliability Standards development process. Any modification to a Reliability Standard will be developed and full vetted through this process. This will enable all participants to express their views and allow the ERO to incorporate any modifications requested by our counterparts in Canada and Mexico.