
FEDERAL ENERGY REGULATORY COMMISSION



WASHINGTON, D.C. 20426

NEWS RELEASE

NEWS MEDIA CONTACT:

Bryan Lee
202-502-8680

FOR IMMEDIATE RELEASE

May 11, 2006
Docket No. RM06-16-000

STAFF ASSESSMENT SEES NERC STANDARDS AS ‘SOLID FOUNDATION’; COMMENTS SOUGHT TO HELP FRAME PLANNED RULE PROPOSAL

Taking an important step toward implementation of mandatory reliability standards for the nation’s bulk power system, the Federal Energy Regulatory Commission today asked for public comment on a staff preliminary assessment of the existing voluntary reliability standards overseen by the Princeton-based North American Electric Reliability Council (NERC).

Today’s action builds upon Order No. 672, the Commission’s final rule on the certification of an Electric Reliability Organization, issued February 3, 2006 (RM05-30-000). That rulemaking, pursuant to the Energy Policy Act of 2005, also set the procedures for the establishment, approval and enforcement of mandatory electric reliability standards.

NERC filed its application to be certified as the Electric Reliability Organization (ERO) on April 4, 2006. At the same time, NERC submitted a petition for Commission approval of 102 proposed reliability standards, which are the subject of the staff’s preliminary assessment issued today. The assessment is the product of a months-long review process the Commission initiated late last year.

Comments received on the staff’s preliminary assessment will help the Commission frame a Notice of Proposed Rulemaking the Commission expects to issue later this year. This rulemaking will review the standards, which the Commission may 1) approve; 2) approve on an interim or conditional basis; or 3) remand to the ERO because they fail to meet the statutory requirements.

“The staff’s preliminary assessment is the first step in an open and inclusive process that will allow the Commission to reach required statutory findings regarding reliability standards,” Chairman Joseph T. Kelliher said. “We will carefully review the comments we receive and take them into account in drafting the pending proposed rule.”

Undertaking this review process by way of a rulemaking will allow the Commission and staff to freely discuss concerns with Canadian and Mexican regulators, state officials, interested federal agencies, NERC, regional organizations, the industry, customers and other stakeholders.

The Commission may approve a proposed reliability standard if it determines the standard is just, reasonable, not unduly discriminatory or preferential, and in the public interest. In considering whether a standard meets the statutory criteria, the Commission must give “due weight” to the technical expertise of the ERO and regional entities organized on an interconnection-wide basis.

The staff’s assessment finds that NERC’s existing program of voluntary standards represents “a solid foundation on which to maintain and improve the nation’s reliability.” However, the report cites various “deficiencies” in the current NERC standards and invites comment. In many instances, the deficiencies cited are among those identified by NERC, and are the subject of a work plan NERC has proposed. In other cases, the staff cites deficiencies that are not part of NERC’s proposed work plan.

Among the staff’s concerns:

- **BLACKOUT REPORT RECOMMENDATIONS** – There are recommendations of the U.S.-Canada Power Systems Outage Task Force relating to reliability standards that have not yet been addressed.
- **AMBIGUITY** – Elements of several standards appear to be subject to multiple interpretations, particularly with regard to specific requirements, measurability and degrees of compliance.
- **TECHNICAL ADEQUACY** – The requirements of some standards may not be sufficient to ensure an adequate level of reliability.
- **MEASURES AND COMPLIANCE** – Absent in many standards are any measures or degrees of compliance.
- **UNDUE NEGATIVE IMPACT ON COMPETITION** – While the primary goal of the staff review was to assess adequacy, in the process staff identified standards that could raise concerns about adverse impacts on competition.
- **FILL-IN-THE-BLANK STANDARDS** – This refers to standards that, by themselves, are not specific, but rather provide broad direction to Regional Reliability Organizations to adopt particular requirements, measures and levels of non-compliance applicable to entities within their region. The staff report cites concerns about uniform enforcement and creating unnecessary regional differences.
- **APPLICABILITY** – The current standards do not define or list the “users, owners and operators” that are required to follow the standards. The

applicability of each standard needs to be clear, according to staff.

“We seek comment on these deficiencies, whether the standards containing such deficiencies meet the statutory criteria and, if not, the process by which the standards should be reformed,” the staff assessment states.

Order No. 672 provided guidance on the criteria the Commission will use in determining if proposed standards meet the statutory requirements. The guidance states that the proposed reliability standard must be designed to achieve a specified reliability objective, and be clear and unambiguous regarding what is required and who is required to comply. For a standard to receive Commission approval, it need not reflect “best practice,” but it cannot be a compromise based on the “lowest common denominator,” the staff assessment noted. “Ultimately, the Commission believes that it has a responsibility to approve proposed standards that provide a reasonable assurance of bulk power system reliability,” the staff assessment added.

Comments on the staff’s preliminary assessment are sought by June 26. The Commission also will schedule a technical conference soon to further inform the Commission in framing the proposed rule.

“Staff agrees with NERC that a tremendous amount of work lies ahead ‘to achieve technically excellent reliability standards’ for the Bulk-Power System in North America,” the staff assessment states. “In particular, staff is soliciting input from interested persons to help the Commission identify which standards deserve immediate industry attention and solutions, as well as suggestions for an appropriate plan for addressing the immediate and longer term improvements which are necessary.”

The staff assessment outlines a goal of strengthening the reliability standards over the next five years to the point where Bulk-Power System reliability is assured.

The regulations adopted with Order No. 672 allow Regional Entities to propose reliability standards through the ERO, and allow the ERO to delegate compliance monitoring and enforcement to Regional Entities. Each proposed reliability standard must be submitted by the ERO to the Commission for its approval. Only reliability standards approved by the Commission are enforceable under the new section 215 of the Federal Power Act.