



FEDERAL ENERGY REGULATORY COMMISSION

June 19, 2008

Docket No. RR08-4-000

Item Nos. E-10

Commissioner Marc Spitzer

**Statement of
Commissioner Marc Spitzer
on
Order on Violation Severity Levels Proposed by the Electric Reliability Organization**

"In certifying the North American Electric Reliability Corporation (or NERC) as the Electric Reliability Organization under section 215 of the Federal Power Act, we required NERC to expedite its development of Violation Severity Levels for each requirement of every approved Reliability Standard. I appreciate NERC's efforts to meet the Commission's deadline given the enormity of this task.

These Violation Severity Levels measure the degree of violation of a Reliability Standard. These Violation Severity Levels, together with the already-approved Violation Risk Factors, are the initial factors that NERC and the Regional Entities will apply in determining the appropriate penalty for an individual violation of a requirement of Reliability Standard. This Order therefore provides guidance to industry with respect to the potential consequences of reliability violations.

In this order we establish four guidelines for evaluating Violation Severity Level assignments. These broad principles are intended to provide an additional level of analysis to determine the validity of the Violation Severity Level assignments. I understand that this guidance will require NERC to revisit the Violation Severity Level assignments provided in its original filing. However, in the long run, this will provide for more consistency and fairness in establishing penalties for reliability violations.

The penalties at issue are not inconsequential. As I indicated with respect to the Commission's enforcement package, issued in May, it is essential that entities subject to potential penalties understand the factors that are considered to determine the consequences. I believe the penalty regime is consistent with our general commitment to a firm but fair enforcement program.

Assigning these Violation Severity Levels is an important step in assuring Americans that their government has acted and will act to ensure the bulk power system is used and operated reliably. Accordingly, I am pleased to vote for today's order."