



# FEDERAL ENERGY REGULATORY COMMISSION

June 19, 2008

**Docket No.** RR08-4-000

**Item No.** E-10

**Chairman Joseph T. Kelliher**

**Statement of  
Chairman Joseph T. Kelliher  
on  
Order on Violation Severity Levels Proposed by the Electric Reliability Organization**

"Today, we take an important step to strengthen reliability of the bulk power system, by completing the penalty matrix that will govern the assessment of penalties by the North American Electric Reliability Corporation, the Electric Reliability Organization certified by FERC, for violations of mandatory reliability standards approved by FERC.

One year ago, the mandatory reliability standards approved by FERC went into effect. The summer of 2007 was the first summer where grid operations were governed by mandatory and enforcement reliability standards, rather than voluntary compliance. We witnessed reliable grid operations last summer.

This summer may be a greater test of the reliability of our electricity system than last summer. We have made a lot of progress on reliability and are better prepared to meet that test.

We recognize that the reliability mission given FERC is a difficult one, and one that is significantly different than our other missions. It is probably more like our safety mission, where we are charged with assuring the safety of hydropower projects and liquefied natural gas projects, than our economic regulation mission.

We also recognize that there is a deep and widespread misunderstanding about what FERC's role is in protecting and improving reliability under the Energy Policy Act of 2005. As we face a summer where electricity demand may be high, and where the U.S. electricity system may face reliability challenges, it is probably worth clarifying exactly what FERC's role is.

Some people are under the impression that Congress outlawed blackouts, and FERC was given all power to that end. The reality is quite different. Most blackouts are caused by failures of the local distribution system. Reliability of the local distribution system is a matter for state commissions and your local utility, not FERC, since FERC has no authority over the local distribution system.

FERC is charged with protecting and improving the reliability of the bulk power system, the high voltage network of interstate transmission. We review and approve mandatory reliability standards, direct the Electric Reliability Organization to develop new standards or strengthen existing standards, and oversee enforcement of mandatory reliability standards by regional entities and the Electric Reliability Organization.

This order continues to strengthen our reliability regime, by making certain necessary improvements to the violation severity levels developed by NERC. Our changes prevent backsliding on the current level of compliance, assure uniformity and consistency among approved reliability standards in determination of penalties, and provide that violation severity levels are assessed on individual violations.



# STATEMENT

FERC is committed to making steady progress on enforcement of reliability standards. This order is an important step in the right direction."