

**Remarks of  
The Honorable Joseph T. Kelliher  
Chairman  
Federal Energy Regulatory Commission**

**Technical Conference on Electric Reliability Standards: Reliability  
Standards, States' Role in Reliability, and Compliance and  
Enforcement of Standards**

**December 9, 2005**

Good morning, and welcome to the Federal Energy Regulatory Commission.

This is the second of two technical conferences that the Commission is hosting pursuant to the recently enacted Energy Policy Act of 2005 (EPAcT 2005). The first conference addressed the current and possible future procedures for establishment and approval of electric reliability standards. Today's conference is entitled: "Electric Reliability Standards: Reliability Standards, States' Role in Reliability, and Compliance and Enforcement of Standards." We expect to explore more issues at this conference as well as delve a little deeper into many of the important issues that were raised at the first technical conference.

This conference is being held to assist the Commission in carrying out the significant new responsibilities granted to it under the Energy Policy Act of 2005. By law, the Commission is authorized to approve mandatory reliability standards and ensure that they are properly enforced. This new authority is intended to assure the reliability of the Nation's bulk power system.

We at the Commission are committed to faithfully execute the law in the manner Congress intended. The Commission is moving swiftly to issue final rules to certify an Electric Reliability Organization (ERO),

establish reliability standards, and provide for enforcement of those standards.

Which brings us to why we are here today. In order to help the Commission discharge its legal duty to review proposed reliability standards, I directed Commission staff to hold a series of technical conferences with industry and stakeholders to review current North American and regional reliability standards.

Therefore, the purpose of this second technical conference is to review the standard development and enforcement processes as they currently exist, and as they might exist under the new structure established by the Energy Policy Act of 2005. The role of states and Canadian provinces under EPOA 2005 also will be explored.

We will consider these issues through three panels, with presentations by stakeholders in the process.

Our first panel, consisting of representatives from industry and Canada, will discuss the criteria for determining reliability standards and the process the Commission should use to evaluate those standards. Further, the panel will also address the implications and process for the ERO if a reliability standard is remanded, and how distribution providers, load serving entities, and generation owners and operators are covered by the reliability standards approved by the Commission.

We have a legal duty under the Energy Policy Act to assure that proposed reliability standards “provide for reliable operation of the bulk power system.” To me, that means carefully reviewing proposed reliability standards and assuring they have technical support and are written so that they are enforceable against “all users, owners, and operators of the bulk power system,” as required by law. However, if the Commission determines that a particular standard does not meet statutory requirements, we will not hesitate to take action, such as remanding such standards to the ERO.

The second panel will present comments from state and Canadian provincial governments regarding the role of states and provinces with respect to reliability standards. Some of the issues we hope will be addressed include how the Commission should receive input for approval of reliability standards from various entities, what test the Commission should use to determine whether a state-developed rule conflicts with reliability standards, when regional advisory boards should be convened, and the role states, provinces, regional entities, the ERO and the Commission should play in determining resource adequacy.

The Energy Policy Act of 2005 gave the Commission important new responsibilities to ensure that approved mandatory reliability standards are properly enforced. The Act allows for delegation of enforcement authority to regional entities that meet certain statutory tests. These compliance and enforcement issues will be the topic of our third panel.

In this final panel, we will hear the views of panelists from the electric industry on compliance and enforcement of standards, coordination between the ERO and regional entities, and determination of penalties. We will also hear from regulators and self-regulatory organizations in the securities and nuclear industries about how regulatory agencies and self-regulating organizations work together to assure compliance, conduct investigations, and coordinate enforcement.

We are particularly interested in hearing all of the panelists' views on the process today, and your expectations for the future as we move forward to implement the provisions of EPOA 2005.

As I conclude, I want to recognize and welcome Tom Wallace and Kellan Fluckiger from Canada. We regret that a representative of Mexico was unable to attend today's conference, but appreciate their continued interest in supporting enhanced electricity reliability. The Commission recognizes the importance of continued cooperation with

our neighbors in Canada and Mexico, as we share not only borders but the interconnected bulk power supply electricity system as well.

And now, I will turn the meeting over to Joseph McClelland, Director of the Division of Reliability, Office of Markets, Tariffs, and Rates, who will preside over today's meeting.