

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

**Technical Conference on North American and Regional Reliability
Standards**

November 18, 2005

Today, the Commission holds the first of two technical conferences focusing on current and future procedures for establishment and approval of electric reliability standards. Discussions at these conferences will focus on (1) the process that the Electric Reliability Organization (ERO) will use in proposing new mandatory reliability standards, (2) the role of regional entities in that process, and (3) how existing reliability standards can be improved over time. The second conference will be held on December 9, and will continue exploring related issues and stakeholders' views to assure successful implementation of the Energy Policy Act of 2005.

These conferences come at a particularly important time. On August 8, 2005, President Bush signed the Energy Policy Act into law. Perhaps the most important responsibility given the Commission by the Energy Policy Act is the responsibility of safeguarding the reliability of the bulk power system, by certifying an ERO, carefully reviewing and approving mandatory reliability standards, and ensuring these standards are properly enforced. The Commission is committed to faithfully execute these new responsibilities.

I just want to be clear that the Energy Policy Act does not provide for a "one size fits all" approach towards reliability standards. That much is clear from the plain words and structure of the law. Under the Energy Policy Act, regional entities will propose standards to the

national reliability organization charged with standards development, the Electric Reliability Organization, which can then, in turn, propose to the Commission those regional standards it has approved. Congress would not have provided for consideration of regional standards if it had intended a “one size fits all” approach.

We had both North American and regional reliability standards before enactment of the Energy Policy Act. And, I expect that we will continue to have both North American and regional reliability standards after issuance of the Commission’s final rule.

Under the law, the Commission must approve any reliability standard before it becomes enforceable. We are operating under the expectation that it is the Version 0 standards that will be proposed to the Commission for its consideration and review. In the proposed rule, the Commission interpreted the Energy Policy Act to permit the ERO applicant or applicants to propose reliability standards in their certification application. We did that in order to accelerate establishment of enforceable reliability standards.

In anticipation of the filing of Version 0 standards, the Commission has been conducting a constructive review of existing reliability standards. We have been examining the existing Version 0 standards as well as the relationship of Version 0 standards to regional standards.

That process has been very instructive. We have learned that a significant portion of NERC’s existing standards – about 25 percent – are in the form of obligations for the regional reliability organization to define regional criteria and procedures necessary to implement the NERC reliability standard. This is particularly true in certain subject areas, such as system planning. In addition, some regional standards have been incorporated into NERC reliability standards when necessary to address physical differences of the interconnections or market protocols used in organized markets.

The Commission has 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 that they have technical support and are written so that they are enforceable against “all users, owners, and operators of the bulk power system,” as the law provides. We will, of course, give “due weight” to the technical expertise of the ERO and regional entities organized on an interconnection-wide basis.

The Commission is holding these technical conferences to ensure we fully understand the existing reliability standards and processes in advance of a filing of reliability standards by an ERO applicant or applicants. Our purpose is a thorough and expedited review of proposed reliability standards and accelerated establishment of enforceable reliability standards.

The Commission’s goal, of course, is to faithfully execute the law in the manner Congress intended. We are faithfully implementing the reliability provisions of the Energy Policy Act, and moving swiftly to meet the aggressive deadlines in the law.

As I conclude, I want to recognize and welcome Kim Warren from Ontario. The Commission recognizes the importance of continued cooperation with our neighbors in Canada, as we share not only a border but potentially an ERO as well. Good governance of the ERO, including the approval and enforcement of clear and effective reliability standards, will benefit both our nations.

I look forward to hearing the views of the participants today.