

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

North American Electric Reliability
Corporation

Docket Nos. RR07-12-000

ORDER ON VIOLATION RISK FACTORS

(Issued June 26, 2007)

1. On May 4, 2007, the North American Electric Reliability Corporation (NERC), which is the certified Electric Reliability Organization (ERO) responsible for developing and enforcing mandatory Reliability Standards, submitted 24 proposed Violation Risk Factors for certain requirements in NERC's Version 1 Reliability Standards. In this order, the Commission approves the 22 Violation Risk Factors that are associated with Commission-approved Reliability Standards. Because two Violation Risk Factors correspond to two proposed Reliability Standards that are pending before the Commission, we will consider the remaining two Violation Risk Factors when acting on the corresponding Reliability Standards, as requested by NERC.

I. Background

2. In July 2006, the Commission certified NERC as the ERO.¹ In March 2007, the Commission approved 83 NERC Reliability Standards.² On May, 18, 2007, the Commission approved as modified the assignment of over 700 Violation Risk Factors

¹ *North American Electric Reliability Corp.*, 116 FERC ¶ 61,062 (*Certification Order*), order on *reh'g and compliance*, 117 FERC ¶ 61,126 (2006), order on *compliance*, 118 FERC ¶ 61,030, order on *compliance*, 118 FERC ¶ 61,190, order on *reh'g*, 119 FERC ¶ 61,046 (2007).

² *Mandatory Reliability Standards for the Bulk Power System*, Order 693, 118 FERC ¶ 61,218 (2007), 72 Fed. Reg. 16,416 (April 4, 2007), FERC Stats & Regs. ¶ 31,242 (2007).

corresponding to the requirements in NERC's Commission-approved Reliability Standards.³ In its May 4, 2007 filing, NERC submitted the additional Violation Risk Factors that are the subject of the instant proceeding.

II. NERC's Filing

3. On May 4, 2007, NERC submitted 24 proposed Violation Risk Factors, 22 of which correspond to specific Requirements contained in three of the Reliability Standards approved by the Commission in Order No. 693. Two Violation Risk Factors correspond to the Requirements of Reliability Standards that are pending before the Commission. NERC states that this filing represents the final set of proposed Violation Risk Factors for all Reliability Standards that the Commission has approved as mandatory and enforceable in Order No. 693 or that have been filed by NERC for approval and are awaiting Commission ruling.

4. Although NERC also filed Violation Risk Factors for Reliability Standards not yet approved by the Commission, it requests that the Commission only address those Violation Risk Factors for Reliability Standards approved in Order No. 693, and that the Commission take action on the remaining Violation Risk Factors when it acts on the related Reliability Standards. Accordingly, in the instant proceedings, we address only those Violation Risk Factors related to Reliability Standards approved in Order No. 693.

5. NERC states that a Violation Risk Factor has been assigned to each requirement of the Version 1 Reliability Standards⁴ to delineate the relative risk to the Bulk-Power System associated with the violation of each Requirement, and that the Violation Risk Factors do not change the meaning or intent of the Reliability Standards. NERC explains that it has defined the following three levels of Violation Risk Factors: (1) high risk requirement; (2) medium risk requirement; and (3) lower risk requirement.⁵ NERC adds that Regional Entities and NERC will use the Violation Risk Factors in determining financial penalties for violating the Reliability Standards as described in section 4 of the ERO Sanction Guidelines, Appendix 4B to the NERC Rules of Procedure.

³ *North American Electric Reliability Corporation*, 119 FERC ¶ 61,145 (2007) (*May 18 Order*).

⁴ In Order No. 693, the Commission approved various versions of Reliability Standards. The instant proceeding concerns only Reliability Standards that NERC nominally refers to as Version 1.

⁵ See *May 18 Order*, 119 FERC ¶ 61,145 at P 9 for the complete definition of each level of Violation Risk Factor.

III. Procedural Matters

6. Notice of the filing was published in the *Federal Register*, 72 Fed. Reg. 28,485 (2007), with interventions or protests due on or before May 24, 2007. Wisconsin Electric Power Company; Allegheny Power and Allegheny Energy Supply Company, LLC; Modesto Irrigation District; the California Electricity Oversight Board; Cogeneration Association of California and the Energy Producers & Users Coalition; and the Transmission Agency of Northern California filed timely motions to intervene. No protests were filed.

IV. Discussion

A. Procedural Matters

7. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2006), timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

B. Commission Determinations

8. As discussed below, the Commission accepts 22 of the proposed Violation Risk Factors corresponding to three Commission-approved Reliability Standards, including FAC-003-1 (Transmission Vegetation Management Program).

9. In reviewing the proposed Violation Risk Factor assignments, the Commission has used the same guidelines it applied when evaluating NERC's previous submission of Violation Risk Factors. Specifically, to determine whether the proposed Violation Risk Factor assignments appropriately indicate the potential or expected impact to the reliability of the Bulk-Power System, the Commission considered: (1) consistency with the conclusions of the Final Report on the August 14, 2003 blackout in the United States and Canada,⁶ (2) consistency within a Reliability Standard, *i.e.*, among sub- and main Requirements of the same Reliability Standard, (3) consistency among Reliability Standards with similar Requirements, (4) consistency with NERC's proposed definition

⁶ U.S.-Canada Power System Outage Task Force (Task Force), Final Report on the August 14, 2003 Blackout in the United States and Canada: Causes and Recommendations (April 2004) (Final Blackout Report). The Final Blackout Report is available on the Internet at <http://www.ferc.gov/industries/electric/indus-act/blackout.asp>.

of the Violation Risk Factor level, and (5) assignment of a Violation Risk Factor level to those Requirements in certain Reliability Standards that co-mingle a higher risk reliability objective and a lesser risk reliability objective.⁷

10. With regard to FAC-003-1, Requirement R1 requires a transmission owner to develop a transmission vegetation management program, and Requirement R2 requires a transmission owner to implement the program. NERC's assignment of a "high" Violation Risk Factor to Requirements R1 and R2 is appropriate because inadequate vegetation management presents a serious risk of sustained transmission outage and could directly cause or contribute to Bulk-Power System instability, separation, or a cascading sequence of failures. Both planning and implementation are critical to vegetation management. A vegetation-related transmission outage would result in a violation of Requirement R1, R2 or both.

11. Requirement R3 requires quarterly reporting of sustained transmission line outages caused by vegetation. NERC's assignment of a "lower" Violation Risk Factor is appropriate because Requirement R3 is solely a reporting requirement.

12. Accordingly, our review indicates that the 22 Violation Risk Factors considered here are appropriately assigned and, thus, we approve them as filed.

The Commission orders:

NERC's May 4, 2007 supplemental compliance filing is hereby approved effective as of the date of this order, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

⁷ The guidelines are explained in the *May 18 Order*, 119 FERC ¶ 61,145 at P 16–36. We also note in the *May 18 Order* that this list is not necessarily all-inclusive. The Commission retains the flexibility to consider additional guidelines in the future. *Id.* at n.12.