
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

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COMMISSION PROPOSES CRITERIA FOR NEW ELECTRIC RELIABILITY ORGANIZATION

The Federal Energy Regulatory Commission, initiating a centerpiece regulatory initiative under the newly enacted Energy Policy Act of 2005, today proposed criteria for establishment of an Electric Reliability Organization, or ERO, that will enforce reliability standards under the regulatory review and oversight of the Commission.

“These new rules will for the first time make compliance with electric reliability standards mandatory and enforceable. Voluntary standards clearly have not worked – particularly when we look at the two power outages in the West in 1996 and the most recent August 2003 northeast blackout that affected 50 million people in the U.S. and Canada. These new rules, coupled with additional penalty authority, will help us to assure reliable electric service for the nation,” Chairman Joseph T. Kelliher said.

Today’s proposal will implement the reliability provisions of the recently enacted Energy Policy Act of 2005. The law amends the Federal Power Act with a new section 215 on reliability, and directs the Commission to finalize by February 2006 new rules addressing establishment of an ERO, development of mandatory electric reliability standards and enforcement procedures for reliability violations.

“The Commission will work to finalize these rules and establish mandatory, enforceable reliability standards as soon as possible. We will need to carefully review the reliability standards the ERO proposes to assure they meet the law’s requirements,” Chairman Kelliher observed.

In 2004, with \$5 million in dedicated funding from Congress, the Commission established a Division of Reliability that has worked with the Princeton, N.J.-based North American Electric Reliability Council in developing grid reliability studies and assessments.

In today's notice of proposed rulemaking, the Commission proposes:

- criteria for the establishment of an ERO that will propose and enforce reliability standards;
- procedures governing enforcement actions by the ERO and the Commission;
- procedures under which the ERO may delegate authority to a regional entity to enforce reliability standards;
- procedures for the establishment of regional advisory bodies that may advise the Commission, the ERO or a regional entity on governance and reliability standards, and propose fees within a region, or undertake other responsibilities designated by the Commission;
- regulations for issuing periodic reports by the ERO on reliability assessment and adequacy; and
- regulations on funding of the ERO.

Comments on the notice of proposed rulemaking, *Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval and Enforcement of Electric Reliability Standards*, are due within 30 days after the notice's publication in the Federal Register.

Information on this notice as well as additional information on the Commission's Energy Policy Act implementation obligations may be found on the Commission's Energy Policy Act Page at <http://www.ferc.gov/legal/maj-ord-reg/fed-sta/ene-pol-act.asp>.