



FEDERAL ENERGY REGULATORY COMMISSION

June 19, 2008

Docket No. RR08-4-000

Item No. E-10

Commissioner Suedeen G. Kelly

Talking Points of Commissioner Suedeen G. Kelly on

Order on Violation Severity Levels Proposed by the Electric Reliability Organization

- Last may we accepted NERC's proposal to tie the penalty range it will impose for reliability standard violations to risk that a violation of a particular reliability standard poses to the bulk power system's reliability.
- Today's order accepts, with certain conditions, NERC's proposed violation severity levels, or "VSLs," for requirements and sub-requirements in the 83 reliability standards approved last year.
- These orders provide a framework for enforcement of NERC's reliability standards that will promote consistency and fairness in enforcement actions, as well as greater certainty for the regulated community
- NERC's comprehensive proposal reflects a painstaking process that appears to have left no stone unturned: it contains almost 3,000 proposed VSL assignments for the 83 reliability standards.
- Clearly an enormous amount of thought and effort went into NERC's proposal, as has been the case throughout its huge and daunting task of establishing monetary and non-monetary penalties for violations of the reliability standards.
- NERC's efforts are all the more remarkable given that it has been only one year—almost to the day—(June 18) since the 83 reliability standards went into effect. That NERC has made so much progress in such a short period of time reflects its commitment to promote a culture of compliance.
- We share that commitment. Accordingly, I am pleased to vote out this order.