



FEDERAL ENERGY REGULATORY COMMISSION

January 15, 2009

Docket No. AD09-3-000

Item No. E-1

Chairman Joseph T. Kelliher

Statement of Chairman Joseph T. Kelliher on Audit Guidance

"This guidance order provides important guidance to the Electric Reliability Organization and regional reliability entities in the conduct of enforcement audits relating to compliance with mandatory reliability standards.

The reliability enforcement scheme established by the Energy Policy Act of 2005 is complicated, involving not just FERC, but also the North American Electric Reliability Corporation (NERC) and eight regional entities. Enforcement is a new responsibility to NERC and the regional entities. Only one of the eight regional entities has experience with enforcement of reliability standards.

FERC not only sets mandatory reliability standards, it is ultimately responsible for enforcement of mandatory reliability standards. FERC reviews the enforcement decisions made by NERC and the regional entities, and has the discretion to conduct its own investigations, as well as take over a NERC or regional entity investigation.

FERC works closely with NERC and the regional entities in the area of reliability enforcement, conducting joint audits and investigations. This approach is leading to effective enforcement. FERC has more experience in how to conduct enforcement, but NERC and the regional entities have a strong understanding of system operations.

In my view, NERC and the regional entities are dedicated to effective enforcement of reliability standards. I also believe the regulated community is doing their level best to comply with the standards.

In order to achieve effective enforcement, it is important to have consistency in the approach towards enforcement by these various entities. Greater consistency should also benefit the regulated community. To achieve greater consistency, it will be necessary for FERC to provide guidance to NERC and the regional entities from time to time through guidance orders and other vehicles.

This guidance order should improve the consistency of reliability compliance audits."