
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

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FERC TAKES PROMPT ACTION IN RESPONSE TO BLACKOUT TASK FORCE RECOMMENDATIONS; OUTLINES POWER RELIABILITY POLICY

The Federal Energy Regulatory Commission today took prompt action in response to recommendations issued last week by the U.S.-Canada Power System Outage Task Force with an order clarifying the Commission's power grid reliability policies and objectives.

In a related order, the Commission directed transmission-operating utilities to report on vegetation management practices in transmission corridors. The task force report found that tree contact with transmission lines was a precipitating factor in last year's regional blackout.

The Commission's policy statement on power system reliability addresses the need to expeditiously modify the North American Electric Reliability Council's (NERC) reliability standards in order to make these standards clear and enforceable. The Commission emphasizes public utility compliance with reliability standards, stating that Good Utility Practice includes compliance with these standards. The policy states that the Commission, consistent with its authority, will consider taking utility-specific action on a case-by-case basis to address significant reliability problems or compliance with Good Utility Practice. The policy statement also addresses recovery of prudent reliability costs, and the need for communication and cooperation between the Commission and the states, as well as with Canada and Mexico.

"I made clear after the power failure last year that FERC will do all that it can under the Federal Power Act to ensure a safe and reliable electric power system for this nation. However, I cannot emphasize enough that we need legislative reform that provides a clear federal framework for developing and enforcing mandatory reliability rules," said Chairman Pat Wood, III. "In the interim, we will immediately take the steps we can within our statutory jurisdiction to ensure reliability. The nation's electricity customers deserve nothing less."

On August 14, 2003, an electric power blackout affected large portions of the Northeast and Midwest United States and Ontario, Canada. The following day, a U.S.-Canada Power System Outage Task Force was established to investigate the causes of the blackout and recommend measures to reduce the possibility of future outages.

The Final Report, issued April 5, identified four categories of causes: (1) inadequate system understanding; (2) inadequate situational awareness; (3) inadequate tree trimming; and (4) inadequate reliability coordinator diagnostic support. The Final Report found that several entities violated NERC operating policies and planning standards, directly contributing to the blackout. However, the Report also found that many of NERC's policies are unclear and ambiguous.

In response to recommendations made in the Final Report, the Commission's policy statement immediately takes the following steps:

- No new ISO or RTO will be allowed to begin operations until its reliability capabilities are functional.
- The Commission will consider the reliability implications of its decisions, as appropriate.
- The Commission is appointing a staff task force to report on potential funding mechanisms for NERC and the regional reliability councils to ensure their independence from the utilities they monitor. The staff task force will work closely with FERC's Canadian counterparts, state regulatory authorities, NERC, regional reliability councils and the industry.
- FERC staff is directed to draft a memorandum of understanding (MOU) defining NERC's working relationship with the Commission. The MOU will clarify the Commission's appropriate role in NERC oversight and the respective reliability responsibilities of both NERC and the Commission.

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In the companion vegetation management order, the Commission sought to minimize the risk of another regional blackout and ordered all entities that own, operate or control designated transmission facilities to report on their vegetation management practices by June 17.

The order, applicable to the lower 48 states, is directed to approximately 200 transmission providers, regardless of whether they are subject to the Commission's jurisdiction as a public utility, in accordance with the Commission's reporting authority. Designated transmission facilities are power lines of 230 kilovolts or higher as well as tie-line interconnection facilities between control areas or balancing authority areas (regardless of voltage rating) and "critical" lines as previously designated by a regional reliability council.

Subject to confidentiality protection accorded Critical Energy Infrastructure Information, the order directs the transmission providers to:

- Describe in detail the vegetation management practices and standards that the provider uses for vegetation control near designated transmission facilities;
- List those designated facilities under the provider's control;
- Indicate how often the facilities are inspected for vegetation management purposes and indicate when the most recent survey was completed;
- Indicate whether any necessary remediation has been completed as of June 14, 2004; and
- Describe any factors that prevent or unduly delay adequate vegetation management.

The reports also must be submitted to appropriate state regulatory commissions, NERC and the relevant reliability coordinators.

Based upon the information received, the Commission will report to Congress on vegetation management practices in the United States. Section 311 of the Federal Power Act allows the Commission to obtain information from all utilities, including those not otherwise subject to Commission jurisdiction, in order to report to Congress on recommendations for legislation.

The Commission will share this information with the members of the National Association of Regulatory Utility Commissioners' ad hoc committee on critical information infrastructure and work with them to develop appropriate and effective ways to regulate transmission line vegetation management.

The Commission noted that failure to adequately maintain vegetation transmission line rights-of-way has been identified as a major cause of the August 2003 electric power blackout, and was a common factor in several earlier regional power outages. The task force report compared last year's blackout with seven previous major outages and concluded that power line contact with trees was a common factor among the outages.

“We now have the comprehensive report on the August 2003 blackout that affected over 50 million people in the United States and Canada, which found that improper maintenance of vegetation was a significant cause of that event,” Chairman Pat Wood, III said. “These vegetation reports will provide an invaluable tool for the Commission, state regulatory commissions and NERC as they seek to assure power grid reliability.”

Last month the Commission released a consultant's report on utility vegetation management, which made recommendations on best management practices. The report is available at <http://www.ferc.gov/cust-protect/moi/uvm-final-report.pdf>.

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The Commission's policy statement emphasized that it supports NERC and the industry in their efforts to make reliability standards clearer and more enforceable. Priority matters identified in the Blackout Report that need to be addressed in the NERC standards include, among other things, issues such as vegetation management on transmission rights-of-way, operator training and adequacy of operator tools.

However, the Commission said, NERC reliability standards should represent a floor for grid operators and bulk system participants, not a ceiling. If there are any regional variations in the NERC reliability standards, the Commission said, they should be no less stringent than, and not inconsistent with, the NERC reliability standards.

On December 24, 2003, the Commission directed FirstEnergy, the Ohio-based utility whose violations of NERC standards contributed to the blackout, to have an independent expert prepare a study of the utility's transmission and generation facilities in northeastern Ohio. That report is due this month.