
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

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COMMISSION APPROVES NERC'S ASSIGNMENT OF VIOLATION RISK FACTORS ASSOCIATED WITH APPROVED RELIABILITY STANDARDS

The Federal Energy Regulatory Commission today approved the assignment of over 700 Violation Risk Factors for the North American's Electric Reliability Corporation's (NERC) Reliability Standards.

A Violation Risk Factor links the violation of a Requirement of a Reliability Standard with its potential reliability impact on the Bulk-Power System. Violation Risk Factors are an important part of the Electric Reliability Organization's (ERO) compliance and enforcement program that will be used in the determination of monetary penalties for violations of Reliability Standards.

Commission Chairman Joseph T. Kelliher said, "Next month, the nation's first set of mandatory and enforceable reliability standards will be in place. We have taken the first three steps necessary for this to happen – certified an ERO, approved mandatory reliability standards and set the regional framework for compliance and enforcement. Today, the Commission takes an important step to provide firm but fair enforcement of reliability standards. The Commission largely accepts NERC's proposal to consider the risk a violation of a particular requirement of the reliability standards poses to reliability of the bulk power system when setting the penalty range NERC may impose."

In July 2006, the Commission certified NERC as the nation's ERO under section 215 of the Federal Power Act, a new provision added by the Energy Policy Act of 2005 to establish a system of mandatory, enforceable electric system Reliability Standards under the Commission's oversight. In March 2007, the Commission approved 83 Reliability Standards while directing further improvement to 56 Reliability Standards. Last month, the Commission accepted NERC's Regional Entity delegation agreements.

In today's action, the Commission also directed NERC to modify 28 Violation Risk Factor assignments and directed NERC to make a compliance filing within 60 days

with an explanation for the assignment of approximately 75 Violation Risk Factors.

NERC proposes to assign a “Lower,” “Medium,” or “High” Violation Risk Factor to each Requirement of each mandatory Reliability Standard. A “High” Violation Risk Factor violation could conceivably cause or contribute to Bulk-Power System instability or cascading failures. A “Medium” Violation Risk Factor violation, while unlikely to cause or contribute to Bulk-Power System instability or cascading failures, could, however, directly affect the electrical state, capability, monitoring and control of the Bulk-Power System. A “Lower” Violation Risk Factor violation is considered administrative in nature where a violation would not be expected to affect the reliability of the Bulk-Power System.

The Commission employed five guidelines for evaluating the validity of each Violation Risk Factor assignment. The first guideline assessed the Violation Risk Factor’s consistency with the conclusions of the Final Blackout Report on the August 14, 2003 blackout which affected nearly 50 million people in the United States and Canada. (The *U.S. - Canada Power System Outage Task Force Report*, may be found at <http://www.ferc.gov/industries/electric/indus-act/blackout.asp>). The Commission also evaluated the Violation Risk Factors assignment for consistency within and among Reliability Standards and consistency with NERC’s definition of the Violation Risk Factor level. Finally, the Commission also evaluated a Violation Risk Factor’s treatment of Requirements that co-mingle more than one reliability objective.