

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

OFFICE OF THE CHAIRMAN

December 23, 2010

Mr. David A. Powner
Director, Information Technology Management Issues
United States Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Powner:

Thank you for your December 1, 2010 electronic transmission of the draft report, *Electricity Grid Modernization: Progress Being Made on Cybersecurity Guidelines, but Key Challenges Remain to be Addressed*. I appreciate the opportunity to comment on this draft report.

The draft report identifies a number of challenges to securing smart grid systems and evaluates, among other things, the Federal Energy Regulatory Commission's (Commission) approach for adopting and monitoring cybersecurity and other standards for the smart grid. In general, I commend the draft report's useful discussion of cybersecurity for the electric industry, and I appreciate its helpful conclusions. I respond to the report's specific recommendations in more detail below and also present two more general issues.

In order to improve coordination among regulators and help Congress better assess the effectiveness of the process established in the Energy Independence and Security Act of 2007 (EISA) for developing voluntary smart grid standards, the draft report recommends that the Commission coordinate with state regulators and groups that represent utilities subject to limited Commission and state regulation (such as municipal and cooperative utilities) to: (1) periodically evaluate the extent to which utilities and manufacturers are following voluntary interoperability and cybersecurity standards adopted through the EISA process, and (2) develop strategies for addressing any gaps in compliance that are identified as a result of this evaluation. To the extent that the Commission determines that, despite this coordinated approach, it lacks authority to address any gaps in compliance, the draft report recommends reporting this information to Congress.

I agree with the recommendation to improve coordination among regulators. I will direct the Commission's staff to evaluate possible approaches for implementing this recommendation. I note that the Smart Response Collaborative of the Commission and the National Association of Regulatory Utility Commissioners recently held a technical conference on smart grid standards. I also note that the Commission must operate within its statutory authority, which may limit the tools at the Commission's disposal. Therefore, if the Commission finds that it lacks authority to address gaps in compliance with voluntary interoperability and cybersecurity standards adopted through the EISA process, I will report this information to Congress, as the draft report recommends.

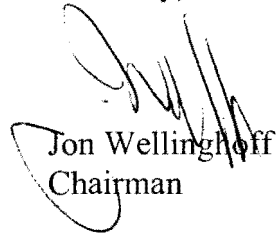
The draft report also recommends that the Commission, working in conjunction with the North American Electric Reliability Corporation as appropriate, assess whether any of the challenges identified in the draft report should be addressed in Commission cybersecurity efforts. I agree with this recommendation, as well, and I have directed Commission staff to develop appropriate procedures to achieve this goal. I again note, however, that the Commission must operate within its statutory authority.

Apart from the foregoing, I would like to present two more general issues. First, the last challenge identified in the draft report is that the lack of electricity industry cybersecurity metrics makes it difficult to measure the extent to which investments in cybersecurity improve the security of smart grid systems. The draft report also recognizes experts' observation that such metrics are difficult to develop. I agree with the importance of such metrics, and would emphasize the need for the metrics to be specific and fine-tuned enough to differentiate validly among investments based on the strength of their cybersecurity protections.

Second, the draft report appears to assume that Congress intended for all relevant manufacturers and utilities to comply with the smart grid standards adopted through the EISA process. It could reasonably be argued, however, that in making these smart grid standards voluntary, Congress was not seeking to ensure this outcome. If the report is assuming a Congressional intent of uniform compliance with the standards adopted through the EISA process, it may be helpful to state more clearly both that position and the basis upon which it was reached.

Thank you again for the opportunity to comment on your report. Your recommendations generally represent meaningful measures to improve coordination among regulators, help Congress better assess the effectiveness of the process established in EISA for developing voluntary smart grid standards and expand the Commission cybersecurity efforts, as needed.

Sincerely,



Jon Wellinghoff
Chairman