



November 18, 2010

Chairman Jon Wellinghoff

STATEMENT

Statement of Chairman Jon Wellinghoff on Revision to Electric Reliability Organization Definition of Bulk Electric System

"Thank you team. The NERC term bulk electric system is currently a fundamental element of the mandatory reliability regime. As used by NERC, the term defines the universe of facilities to which the Reliability Standards apply. I cannot overstate how important it is to define this term in a way that captures all elements of the grid that are necessary for operating an interconnected electric energy transmission network. If we do not require the right facilities to comply with the mandatory Reliability Standards, then we are not fulfilling the responsibility Congress entrusted to us to protect the grid. Given its importance, I am very concerned that NERC's current definition of bulk electric system allows the regions to define to whom they will apply the Reliability Standards, without ERO or Commission oversight.

First, I want to note that most of the regions are, in my mind correctly, implementing the general rule that the Reliability Standards apply to those facilities that are 100kV or above. While recognizing that most of the NERC regions are appropriately applying NERC's general 100kV threshold, it is important to eliminate the discretion from NERC's definition. This discretion allows a single region to change the cadre of facilities that must be compliant with continent-wide reliability standards without any oversight and without filing a regional difference to the Reliability Standard for review by the Commission. It is inappropriate to allow such discretion in the application of the term that defines the facilities subject to the Reliability Standards.

This final rule is a further step in a process that began when NERC was certified as the ERO. At that time, the Commission expressed concern about the NERC definition of the term "bulk electric system." Since then, we have had practical experience with how NERC and the regions have applied the term, and, therefore the Reliability Standards. To address the Commission's concerns, today's order retains the requirement that NERC must revise its definition of bulk electric system. However, based on industry comment, we also allow NERC to revise the definition through its Reliability Standards development process. I agree with the final rule that the best way to alleviate the Commission's concerns is to eliminate the regional discretion in the current definition, establish a bright-line threshold that includes all facilities operated at or above 100 kV except defined radial facilities. However, I want to make clear that NERC may develop an alternative proposal for addressing the Commission's concerns with the present definition with the understanding that any such alternative must be as effective as, or more effective than, the Commission's proposed approach. I also want to emphasize that NERC's proposed solution may not result in a reduction in reliability. I think this order strikes the appropriate balance between clearly identifying the Commission's concerns about NERC's definition of the term bulk electric system and allowing NERC to address the identified problems in a manner different than the one proposed by the Commission. I thank the team for their hard work, and look forward to reviewing NERC's filing addressing this issue when it is filed."