



Federal Energy Regulatory Commission
April 19, 2007
Open Commission Meeting
Statement of
Chairman Joseph T. Kelliher

Item E-19: North American Electric Reliability Council, *et al.* (Docket Nos. RR06-1-004, *et al.*).

"Today, the Commission takes an important step to establish a strong reliability enforcement regime in this country, by approving delegation agreements that allow regional entities to enforce mandatory reliability standards established by the Commission.

There are three elements to a strong reliability regime. First, certification of an Electric Reliability Organization (ERO). We took that action last summer. Second, establishment of mandatory reliability standards. We took that action last month, when we approved 83 mandatory reliability standards designed to assure bulk power system reliability.

We take the third step today, by approving delegation agreements between the ERO and eight regional entities. Under the structure approved by Congress, the first line of enforcement will be the regional entities. Their enforcement activities in turn will be reviewed by the ERO and the Commission.

However, the Commission is ultimately responsible to assure effective enforcement of reliability standards. For that reason, we must maintain the capacity to conduct our own investigations. We cannot restrict our role to being an appellate panel, reviewing enforcement actions taken at the regional level and hearing appeals of proposed penalties.

Effective enforcement is probably the greatest challenge to establishment of a strong reliability regime. It will require the Commission to work closely with the ERO and the regional entities to develop strong enforcement programs. Together, we must instill a commitment to compliance by users, owners, and operators of the bulk power system.

When the Commission enforces mandatory reliability standards, it acts more as a safety regulator than an economic regulator. Our role here is more comparable to our role assuring the safety of hydropower projects or LNG import projects than traditional rate regulation.

The Commission's approach towards enforcement of economic regulation is characterized by firm but fair enforcement. That will be our approach towards enforcement of mandatory reliability rules well. Initially, regional entities will have limited enforcement resources. Last month, we directed the ERO and the regional entities to dedicate their enforcement resources to the most serious reliability violations. Just as we will work to strengthen reliability standards over time, we will work to steadily reinforce our reliability enforcement program and regional enforcement programs.

A year ago, the Commission laid out a goal of putting the three elements of a strong reliability regime in place by the summer of 2007. That was an ambitious goal; but a goal that we accomplish today. I note that we have acted more quickly than Congress envisioned when it enacted the Energy Policy Act of 2005. We interpreted the law in a way that enabled an accelerated submission of proposed reliability standards.

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We are now ready for the summer of 2007. Beginning this summer, we no longer rely on voluntary compliance with unenforceable reliability standards. I cannot promise there will be no reliability problems this summer. I cannot promise that there will be no violations of reliability standards. In fact, I expect violations will occur. However, mandatory reliability standards will be enforceable this summer and where appropriate, civil penalties will be imposed for violations.

I believe our action today will help assure reliability of the bulk power system.”