

Statement of David L. Mohre, Executive Director, Energy and Power Division, NRECA to FERC 11/17/05 Technical Conference on Electric Reliability Organization

NRECA and its member cooperatives have long been actively involved in and supportive of the North American Reliability Council (NERC) and its mission. We have been active in the development of standards and our members have complied with those standards, even when the standards were voluntary. In the spirit of full disclosure, I have been a NERC Board Member, and for several years, Secretary/Treasurer and member of the Executive Committee back when the board was a stakeholder board.

With regard to the current matter, cooperatives strongly supported legislative efforts to make reliability standards mandatory through a single national self-regulating reliability organization, with the authority to develop and enforce mandatory reliability standards. In fact, one of the longest running NRECA membership resolutions is one entitled “Support for NERC’s Independent Self Regulatory Organization”.

Cooperatives have been and continue to be very active at NERC as it has evolved. There are currently four cooperative CEOs on the Stakeholders Committee, including the chairman, J.M. Shafer. Cooperative CEOs are involved with NERC in other ways. The current Chairman of ECAR is Mike Core, CEO of Big Rivers. The recent past Chairman of FRCC was Richard Midulla, CEO of Seminole. Cooperative employees are also active in technical areas. Bob Harbour of Continental Cooperative Services is currently chair of the Compliance Certification Committee. Ricky Bittle of Arkansas Electric Cooperative, was the first chairman of the SAC. Cooperative technical staff make up 11 percent of the current registered ballot body, representing 25 cooperatives despite the fact that only 12 cooperatives have been NERC-certified control area operators. There is significant cooperative representation on the Planning Committee, the Operating Committee, and the Critical Infrastructure Protection Committee. Barry Lawson of my staff is Vice Chair Elect of the CIPC. I mention these names to demonstrate how involved cooperatives are at NERC, and also to demonstrate that NERC is in fact the industry.

A very important issue to cooperatives in this evolving environment of competition was the continued separation of NERC’s reliability standards development function, and NAESB’s business standards development function. Cooperatives wanted to be certain that at the critical moment, engineers act quickly and prudently to keep the lights on. Said differently, we wanted to be absolutely certain that at that critical moment commercial interests do not attempt to “trump” physics. We also wanted, to the extent possible, to make certain that reliability standards are not used to promote commercial interests.

Importantly, the support for NERC evolving into the ERO is extremely strong despite the fact that a far larger number of cooperatives will be subject to the ERO’s mandatory rules and practices. With the new standards relating to the NERC functional model, the number of cooperatives directly affected by the mandatory standards increases dramatically—as will our need to continue to be involved in working committees, the ANSI process and participation in the ballot body. Cooperatives have and will continue to participate, and we are pleased to do so because Congress got this one right.

We have identified our specific concerns regarding the ERO process in our response to FERC's NOPR. I'd briefly like to mention a few today for the sake of emphasis:

- ❑ While Congress appropriately entrusted the actual standards development and enforcement to the ERO, we believe it is important for FERC to have a small, highly technical group sufficiently knowledgeable of reliability issues to advise the Commission and to handle disputes when they occur
- ❑ Having said that, there are already in place reliability standards that the industry understands and is governed by. To the extent the Commission believes changes should be considered, this should be an evolutionary process, with those standards remanded to the ERO and the industry for reconsideration and revision.
- ❑ We believe Congress also made it clear that only entities directly impacting the reliability of the bulk power system should be covered by the mandatory standards. There clearly needs to be an appropriate mechanism under the rule to ensure those who should be under it, know it. This should include an "upfront" appeals process in case there are disputes. Along those lines NRECA is somewhat concerned that a literal reading of the functional definitions of Load Serving Entities and Distribution Providers could inadvertently and inappropriately capture some 2500-2700 small distribution entities that, if they tried, could not impact the reliability of the bulk power system.
- ❑ We believe periodic recertification of the ERO is inconsistent with the intent of Congress, and may indeed be counter productive. Having said that FERC should affirmatively seek the decertification of the ERO or a RE should they cease to significantly meet their statutory requirements.
- ❑ FERC should ensure that the balanced representation currently in place in NERC's Planning Committee, Operating Committee, Critical Infrastructure Protection Committee and other areas continues in the future operation of the ERO.

Finally, an obvious statement. The roadmap must be clear to everyone.