



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

February 8, 2011

**Statement from John Q. Anderson, Chairman of NERC,
at the Federal Energy Regulatory Commission Technical Conference on
Priorities for Addressing Risks to the Reliability of the Bulk-Power System
(Panel 1)**

“NERC’s vision focuses on 1) enhancing compliance with lessons learned; 2) becoming a learning organization focused on improving reliability performance through event causal analysis; and 3) fostering continuous improvement within the organization and across the industry.

My colleagues and I are committed to this vision. NERC’s initial years were correctly focused on building the organization. Now, with mandatory and enforceable standards in place, NERC begins to focus on:

1. Becoming a risk-informed organization - one that is able to identify and understand reliability risks, help industry manage those risks, and effectively prioritize reliability initiatives.
2. Promoting a culture of reliability excellence and compliance with reliability standards. This is accomplished by NERC being a recognized and trusted leader and advocate in reliability matters; and by strong enforcement authority that is independent, without conflict of interest, objective and fair.
3. Building a coordinated ERO enterprise based on effective integration and leveraging of regional and stakeholder ideas and expert resources with a common purpose of improving reliability.
4. Building constructive relationships with FERC, Congress, and other federal, state and provincial authorities in the United States and Canada. Such relationships must be built through communicating expectations and consistently delivering responsive results that demonstrate effective mitigation of reliability risk.

NERC has just completed its fourth year of operating as the ERO authorized by the Energy Policy Act of 2005. It’s an appropriate time to take stock of where we’re heading. Two things stand out for me.

First, we collectively must focus on high priority issues. Neither NERC, nor the Commission, nor the industry stakeholders, nor the ultimate customers have the resources to do everything that one can possibly imagine to support and improve reliability. We must set priorities, and an important part of setting priorities is also deciding what we are not going to devote resources to.



Second, we believe the best way to set those priorities is to use a risk-based analysis in our decision-making. It will be important to engage the expertise of the asset owners and operators as we do that risk assessment. It will also be important for the policy-makers to weigh in on the nature and level of risk that they expect to be addressed. A key component of that risk assessment will be coming to a common, shared understanding of what is an “adequate level of reliability”, as that term is used in Section 215.

The discussions on priority-setting and risk-assessment must include stakeholders and policy-makers from Canada as well as the U.S. The grid is an international one, and it must operate to a common set of rules and policies. Given NERC’s international make-up, some of those discussions can and do take place at NERC. Others will need to occur between the policy-makers on both sides of the border themselves. NERC would be pleased to be a resource for those discussions.

Recently the NERC board has approved actions to improve the pace of the standards process, while retaining the ANSI accreditation process. We have established a Trustee Standards Oversight and Technology Committee. That committee will provide greater oversight to the stakeholder standards process, and one of its foremost roles is ensuring priorities are set and adequate resources are directed to important standards.

My colleagues and I also recognize NERC’s public service role. As we move forward we must also be conscious of the costs of our initiatives both at NERC and regions but also impacts to BPS owners, operators and users. Our inquiry must begin with the question of what is best for reliability, but we must also assure that what we do is done efficiently and effectively.”

#####

The North American Electric Reliability Corporation’s mission is to ensure the reliability of the North American bulk power system. NERC is the electric reliability organization (ERO) certified by the Federal Energy Regulatory Commission to establish and enforce reliability standards for the bulk-power system. NERC develops and enforces reliability standards; assesses adequacy annually via a 10-year forecast, and summer and winter forecasts; monitors the bulk power system; and educates, trains and certifies industry personnel. Learn more at www.nerc.com.