

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeem G. Kelly.

Policy Statement on Matters Related to
Bulk Power System Reliability

Docket No. PL04-5-000

ORDER GRANTING REQUEST FOR CLARIFICATION

(Issued September 22, 2004)

1. In its April 19, 2004 policy statement, the Commission stated that it expected transmission providers to comply with the reliability standards developed by the North American Electric Reliability Council (NERC).¹ It also recognized that entities may be subject to regional reliability standards developed by NERC's regional councils or state agencies. The Commission expressed support for such variations where it is demonstrated that regional reliability standards are necessary to "account for physical differences in the bulk power system" and are no less stringent than, and not inconsistent with, NERC's reliability standards.² The New York State Reliability Council (NYSRC) filed a request for clarification that the Commission did not intend the term "physical differences" to be a limiting factor with respect to the promulgation of more stringent regional reliability standards. In this order, the Commission grants NYSRC's request and clarifies that the Commission's support for regional reliability rules that are more stringent than those developed by NERC is not limited to those necessary to account for physical differences in the bulk power system. Other factors, such as population density and reliance on mass transit that uses electric power, may also justify more stringent regional reliability standards.

Background

2. The Policy Statement addressed a number of issues relating to the Commission's role and policies regarding reliability of the nation's interstate bulk power system. The

¹ Policy Statement on Matters Related to Bulk Power System Reliability, 107 FERC ¶ 61,052 (2004) (Policy Statement).

² *Id.*, at 18 and 31.

Policy Statement identified a critical need to replace the current NERC reliability standards with standards that are clear, unambiguous, measurable and enforceable.³ Within this context, as well as the context of cooperative efforts with the states on reliability issues,⁴ the Commission recognized that entities may be subject to regional reliability standards developed by NERC's regional councils or state agencies. The Policy Statement explained that:

The Commission supports variations where the transmission provider or other relevant entity can demonstrate that regional reliability standards are necessary to account for physical differences in the bulk power system and are no less stringent than, and not inconsistent with, NERC's reliability standards. [footnote omitted] Regional or State standards that do not account for physical differences and do not produce the same or a higher level of performance are not acceptable.⁵

Discussion

3. While NYSRC states that it agrees that regional reliability standards should not be less stringent than NERC standards, it also expresses concern that there may be compelling reasons for adopting more stringent regional reliability standards that are not related to physical characteristics of the bulk power system.⁶ It explains that New York State and New York City have recognized that population density, heavy reliance on forms of mass transit that use electric power, the presence of a large number of high rise buildings and the location of financial centers justify more stringent reliability standards. Accordingly, NYSRC asks the Commission to clarify that factors other than "physical differences in the bulk power system" may also be considered in developing more stringent regional reliability standards.
4. The Commission grants NYSRC's request for clarification. It is entirely reasonable that factors such as those identified by NYSRC be considered in developing regional reliability standards. It is just these types of factors, which can affect the physical dynamics of the regional power grid, that we intended to capture in the Policy Statement.

³ *Id.*, at 14.

⁴ *Id.*, at 31.

⁵ *Id.*, at 18.

⁶ NYSRC was established to promote and preserve reliability of the New York State power system by developing reliability rules that govern the New York Independent System Operator's operation of the state's bulk power system. *See, e.g.*, Central Hudson Gas & Electric Corp., 83 FERC ¶ 61,352 at 62,406 (1998).

The Commission orders:

NYSRC's request for clarification is hereby granted, as discussed in the body of this order.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.