

FERC TECHNICAL CONFERENCE
RELIABILITYFIRST CORP
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JOHNSON COMMENTS
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We appreciate the opportunity afforded to ReliabilityFirst members to participate in discussions of the very important subject of reliability standards. As you may know, ReliabilityFirst is scheduled to replace ECAR, MAIN and MAAC on January 1, 2006 as the NERC Reliability Council of record for the ReliabilityFirst footprint. The pace of ReliabilityFirst's development is contingent on how FERC resolves some of the issues being raised in this docket. We do not wish to get ahead of the Commission or the ERO certification process and look forward, as a new entity, to the direction that can be provided on the issue of what appropriately constitutes a regional standard under the energy legislation.

ReliabilityFirst (RFC) supports the existing NERC standard setting process. It is open, fair and provides the opportunity for all interested parties to partake in the vetting of issues related to particular standard topics. RFC also supports the concept that the regional entities should carry out the Compliance and Enforcement function for the ERO Standards with the appropriate oversight by the ERO. A properly structured relationship between the ERO and the regional entities will ensure that the North American bulk electric system will be operated and planned in a reliable manner.

RFC believes that the ERO Standards should be objective based, and method based or prescriptive only when absolutely essential to maintain reliability. In short, the standards

should define “what” not the “how” reliability is achieved. Enforcement of the standards would be undertaken through RFC enforcement processes under delegated authority from the ERO..

During much of 2005, ECAR, MAIN, and MAAC members -- the initial prospective members of ReliabilityFirst – invested considerable effort and resources to define the scope and organization structure of the new combined region, while being mindful of the pending draft federal legislation. MRO also participated in the RFC development activities.

For RFC Day 1, “regional reliability standards” are under consideration for (a) Operating Reserves (Regulation and Contingency), (b) Emergency Operating Plan (applicable to Reliability Coordinators, Balancing Authorities and Transmission operators within the Footprint), (c) Underfrequency Load Shedding requirements, and (d) System Restoration. Each of these “regional reliability standards” is compatible with, or implement, NERC Version 0 Standards. During 2006, the RFC members and staff will work to rationalize and combine the remaining legacy standards of ECAR, MAIN and MAAC into a single RFC reliability protocol. The RFC Board has not acted on these standards. We believe it would be appropriate to consider the further development of these standards in the context of what is occurring with certification of the ERO, and as to what the Commission’s views are regarding “regional reliability standards”.

Also under discussion by the RFC membership is a proposed standard related to Generation Resource Adequacy for load serving entities within the RFC footprint. This draft standard, if eventually adopted by the RFC board, would relate the required “Planning Reserves” over the next decade against an assessment of Loss of Load Expectation due to resource inadequacy of 1 day in ten years.

The regional entities are in the best and most efficient position to administer a Compliance Program with the proper and consistent oversight of the ERO. These regional compliance programs currently exist and are structured for the existing characteristics of the respective members. The ERO must have oversight of these regional compliance programs to ensure the industry’s reliability rules are adhered to.

In any case, as this industry moves forward, the ERO standards must be unambiguous, and be focused on objectives – not methods (“what”, not “how”). They should be neutral as to regions with organized markets vs. those without, and should be written in such a way that a multitude of regional variances are not needed.. The ERO standards should not be painted with the same broad brush -- clear distinction is needed between the standards critical for real time reliability and those standards that are necessary but are the relative equivalent of a ‘parking ticket’. The ERO process to create new standards or modify existing ones must be deliberate but also expedient. This is a tall task. The members of ReliabilityFirst stand ready to engage in these discussions and appreciate this opportunity to participate in the ERO standards process as overseen by FERC.

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