



Summary Comments to Federal Energy Regulatory Commission

November 18, 2005

Panel II: Standard Setting – The Views of Regional Councils on the Role of Regional Entities Under the Energy Policy Act of 2005

Under the EAct of 2005, Regional Entities may propose regional standards or variances to the ERO, which after its review can then propose regional standards to the Commission for its approval. In addition, the ERO may delegate its enforcement authority to Regional Entities. What preparations are you making regarding the implementation of EAct 2005? Are there any unique circumstances in the region that may impact the implementation of ERO standards? If so, what are they? What are your views on regional standards/variances? What are your views on regional compliance/enforcement? What are your views on the terms that are necessary to incorporate into the delegation agreements with the ERO? What challenges can you identify regarding delegation agreements with the ERO?

Good Morning. I am Dan Skaar, president of the Midwest Reliability Organization and I am very pleased to be here today.

The Midwest Reliability Organization (“MRO”) is one of ten Regional Reliability Councils that comprise the North American Electric Reliability Council (“NERC”). It includes members and stakeholders in the following states and Canadian provinces: Minnesota, Wisconsin, Iowa, North Dakota, South Dakota, Nebraska, Montana, Illinois, Upper Peninsula of Michigan, Saskatchewan, and Manitoba.

The MRO was formed in 2004 to meet the proposed reliability legislation ultimately enacted through the Energy Policy Act of 2005 ("Act").

As far as implementation of the Act, the MRO immediately intends to seek the delegation of authority to act as a Regional Entity under the provisions of the Act from the ERO, FERC, and the provincial authorities. The MRO's preparations with regard to the Act are related to delegation agreements, identifying regional standards which we would seek enforcement under the Act, and assuring our processes meet the requirements under the final rule.

Overall, the MRO supports a strong, international ERO organization to serve the best interests of end users, the industry and the public. The Commission and Canadian regulators must have the absolute confidence in empowering the ERO and its Regional Entities with standards and enforcement responsibilities. In order for the ERO to be successful, its foundation for decision-making must be forged from sound engineering. NERC has done an excellent job of gaining the needed technical expertise from the industry and we will need industry expertise to be successful in the future.

The Commission, in its final rule, must continue to recognize the importance of the Canadian provinces to the reliable operation of our grid here in the United States and respect their sovereignty. The MRO will be unique because of its border with Canada, becoming a cross border Regional Entity. Any final rule which would make Canadian participation in the international ERO awkward or unworkable will be very unfortunate and detrimental to those of us who have relied on our Canadian friends. We are and will continue to be interdependent with Canada.

The industry understands that there are regional standards, criteria, procedures, etc. that do not reach a threshold of an international or an interconnection-wide Reliability Standard for a number of reasons. One reason is that the requirement may have no impact to a bordering system or it's simply defines how an entity would need to meet a standard. For example, the MRO views regional criteria as the "how" of a standard and can vary from one region to another. They are

needed due to physical make-up of system, do not violate existing standards and do not negatively impact an adjoining system or region. A good example is a studies manual. Certainly how the system is studied in order to meet a standard in the Dakotas may be different than an urban area. But, we have two concerns with this important layer to ensuring regional reliability. One, when MRO was created we compared the regional standards, criteria, procedures, guides of multiple regions in our area and we found that we had a lot of similarities, and few differences. The perception of differences was caused by the words we used to describe similar things, not in what we were trying to achieve. So, our industry needs agreement on definitions. Two, we need an “umpire” to make calls on when a regional criteria, for example, reaches the threshold of impacting a bordering region. The MRO supports that the ERO must make the call when a dispute occurs. It's their job to make interpretations on these matters. While we support each region filing pertinent regional criteria with the ERO to begin a process of cataloging these so the industry has a record of them; we do not support the ERO approving these criteria or other things which are not standards. This cataloging would be done over time.

Our industry should set realistic expectations on the implementation of this rule. We will need transition plans for enforcement of the existing NERC version 0 standards. The NERC version 0 standards were an important step in establishing consistent, well defined standards. We understand that there are gaps in these standards, but we cannot “throw out the baby with the bath water”. MRO recommends that where there is clarity on version 0, these become enforceable with appropriate penalties. However, where the standard is less than complete or simply requires the region to have a standard, the industry needs time to make the standards complete in order to enforce them with penalties. The Commission should mandate a schedule for completion of this transition to the ERO.

Regional Entities will become recipients of the ERO’ delegated authority and, as such, will be both vital to the success of the ERO and will be the linchpin to the implementation of the ERO’s key responsibilities. Through its delegation agreements with Regional Entities, the ERO

and industry should seek more consistency and uniformity across North America, recognizing deference to the West and ERCOT. Where technically possible, Regional Entities should follow the same standard. Where it's not technically possible, a Regional Entity should justify a difference, either it's something more, something less, or the standard simply does not apply. This should be done with absolute transparency. Furthermore, we should follow the same principles and similar processes in justifying differences, interpretation of standards, and enforcement. Rigors and due process of the compliance and enforcement program should be similar, so that there are no advantages from participation in one regional compliance program as compared to another. Consistent standards balanced with technically justified differences in transparency along with the same levels of compliance rigor and due process will provide the cornerstone for a level reliability playing field across North America and across interconnections. MRO believes that new and higher levels of consistency and uniformity can be achieved across North America and each interconnection through the delegation agreements between the ERO and its Regional Entities.

In conclusion, we support a strong international ERO which recognizes Canadian sovereignty, strives for consistency and uniformity, and recognizes that the industry needs a transition roadmap.



**Daniel P. Skaar, President
Midwest Reliability Organization**

Mr. Skaar has been president of the organization since it began operations on January 1, 2005 and was an executive with the predecessor reliability council, Mid Continent Area Power Pool where he began in 1999. Previously, Mr. Skaar held leadership positions in two Fortune 500 organizations related to energy and began his career as Certified Public Accountant with an international public accounting firm.

Mr. Skaar attended the University of St. Thomas in Minnesota, where he graduated with a Bachelor's degree in accounting with an economics emphasis. Later, Mr. Skaar received his Master's in Business Administration degree in marketing, also from the University of St. Thomas.

Other Data

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