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**Comments of
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**FERC Technical Conference on
Electric Reliability Standards (Docket No. RM05-30-000)
December 09, 2005**

Panel I: Establishing and Processing Electric Reliability Standards

The Energy Policy Act of 2005 (EPAAct 2005) authorizes the Commission to approve standards that provide for reliable operation of the bulk power system and to remand those that do not.

Panelists will provide insight into the following questions:

- What criteria should be used to determine “effective” reliability standards?
- How should “best practices” be incorporated into developing reliability standards?
- What process should the Commission use in evaluating reliability standards?
What are the implications for the Electricity Reliability Organization (ERO) if a reliability standard is remanded?
- What process should be used by the ERO for handling remanded reliability standards?
- How are entities such as distribution providers, load serving entities, generator owners, generator operators, etc. covered by the reliability standards approved by the Commission?

COMMENTS

Introduction

My name is Tom Wallace. I am the Director General of the Electricity Resources Branch of Natural Resources Canada. I am also the co-chair of the Canadian Federal-Provincial-Territorial Electricity Working Group, and the federal representative on the Bilateral Electric Reliability Oversight Group - which includes representatives of FERC and the US DOE.

Our interconnected electricity grid has for many years provided substantial economic and reliability benefits to Canada and the United States. The 2003 blackout reflects the challenges of this interconnected system, but also signaled a great opportunity for our respective countries to work together to ensure a reliable grid. As we were reminded from the blackout, the electricity

grid, and reliability standards we are discussing today, are international and cross multiple jurisdictions.

I recognize that the U.S. legislation was drafted to allow the ERO to operate on an international basis. Now our governments are challenged to make that happen. Work has already begun through the Bilateral Electric Reliability Oversight Group, and can continue through the directions set forth in its Terms of Reference. Through the Bilateral Electric Reliability Oversight Group, Canadian jurisdictions and the United States government have cooperated very closely on reliability. Milestones achieved include the joint workshops in both Canada and the US, and development of *Principles for an Electric Reliability Organization that can Function on an International Basis*. We are pleased that these principles are incorporated into FERC's ERO NOPR. The Terms of Reference for the Bilateral Group were signed this past summer here in Washington.

Canadian jurisdictions have also been very active in working with NERC. Meetings commenced in November between NERC and Canadian provincial and federal authorities to discuss ERO recognition and the establishment and enforcement of mandatory reliability standards. Canadian regulators have also held discussions with NERC as the prospective ERO, with the goal of signing MOUs to define their relationship with the ERO.

Cooperation among the jurisdictions involved is critical to ensuring that the ERO can function effectively on an international basis.

What criteria should be used to determine “effective” reliability standards?

I do not plan to comment specifically on “criteria” to be used to determine effective reliability standards. This is not an area in which I have experience or expertise. However, I would like to make a couple of general comments.

First, I think we should take guidance from the investigation of the August 2003 blackout by the Canada-US Power System Outage Task Force.

For example, the Task Force found some standards sufficiently ambiguous to allow a range of interpretations, and that some did not include measurable compliance criteria. One of the significant gaps in the standards was an enforceable standard for clearances on transmission rights-of-way.

I recognize that NERC has made progress with the completion of the *Version 0* standards, and is actively developing standards: NERC's current work on a *Transmission Vegetation Management Program* standard, for example.

Nevertheless, I would expect that the issues identified by the Task Force are addressed to the satisfaction of the regulatory authorities on both sides of the border.

Second, as Chairman Kelliher remarked at the November 18 Technical Conference, the US Energy Policy Act does not provide for “one size fits all,” and does provide for regional entities to propose standards to the ERO.

The governments of Canada and the provinces support this approach, and view it—if not as a criterion for effective standards—at least as part of the process to get to effective standards.

We must bear in mind that reliability standards need to be appropriate for two, and, in the future, possibly three countries. And that, within Canada, proposed reliability standards will be considered by provincial authorities (as well as the National Energy Board).

Criteria for effective standards should allow for regional variations where necessary and appropriate

What process should be used by the ERO for handling remanded reliability standards?

I would like to now comment on the questions relating to the implications of remanding standards and the processes that should be used by the ERO for handling remanded reliability standards.

These questions were addressed in the principles which have been developed following our workshops and submitted to the Commission. I will repeat them here:

First, “the ERO should consult with the appropriate authorities in each county with regard to reliability standards under development, to minimize the likelihood of a remand being exercised”.

Second, “if a standard is remanded by a regulatory authority, the ERO should notify all relevant regulatory authorities and should work to ensure that all concerns of such regulatory authorities are addressed prior to the re-submission of the standard to FERC and authorities in Canada”.

Why are these principles important?

I think we want to avoid if at all possible a situation where standards are not compatible on both sides of the border, or adopted within one jurisdiction but not in another jurisdiction engaged in cross-border trade. If we do not, then such differences could well spill over, affecting trade flows and reliability between jurisdictions.

Having said that, I think we need to recognize that a jurisdiction cannot be held up forever in adopting a standard within its jurisdiction because another jurisdiction still has difficulties.

So we might need to consider time limits for establishing a consensus beyond which each jurisdiction would be free to simply proceed within its jurisdiction.

We might also need to consider whether such time limits should be the same for all types of standards, or be different depending on their potential for raising reliability concerns or disrupting trade. Additionally, remand will need to allow for regional standards proposed by regional entities to the ERO.

So how do we work out the details?

As noted in our recent letter to Chairman Kelleher, we would suggest that FERC direct the ERO applicant to work with the Bilateral Group and jurisdictions in Canada, as appropriate, to identify how the remand process should work.

Indeed, such a process was envisaged in the terms of reference for the Bilateral Group.

We agreed that, and I quote, “The Bilateral Group should examine ways to avoid and resolve disagreements and to promote consistency across the border with regard to the funding of the ERO, the remand of a standard by a regulatory body, and the enforcement of reliability standards”.

So I think we should get on with the job in this forum and commit to completing the work expeditiously.

In conclusion, I think we all agree that we need to work together to establish appropriate reliability standards for our interconnected electric grid. I recognize that this is not a simple task given the number of jurisdictions involved. However, we have made a lot of progress through the development of the *Principles for an Electric Reliability Organization that can Function on an International Basis*. And, we have established what I believe is an effective forum—the Bilateral Electric Reliability Oversight Group—to provide for coordination among the jurisdictions, and to address cross-border issues that may arise. We need to build on this foundation in moving forward on implementation.