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FERC TECHNICAL CONFERENCE
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COMMENTS OF ROBERT L. TRAPP
FLORIDA PUBLIC SERVICE COMMISSION

Good morning, my name is Bob Trapp. I am the Assistant Director of the Division of Economic Regulation, Florida Public Service Commission (FPSC). Thank you for the opportunity to participate in this technical conference.

My comments address the following points.

1. The FERC's proposed "top down" approach to the adoption and enforcement of reliability standards may not provide adequate flexibility at the regional level for states, such as Florida, to take action to ensure the safety, adequacy, and reliability of electric service within the state (State Action).

2. A Regional Entity, on its own motion or in response to a State Action, should be allowed to establish and enforce, with rebuttable presumption, regional variances or regional criteria as long as such variances and criteria are "not inconsistent with" any FERC approved Reliability Standard.

3. The responsibilities and activities of a Regional Entity should not be arbitrarily confined only to those specifically delegated to it by the ERO.

Need for Flexibility at the Regional Level

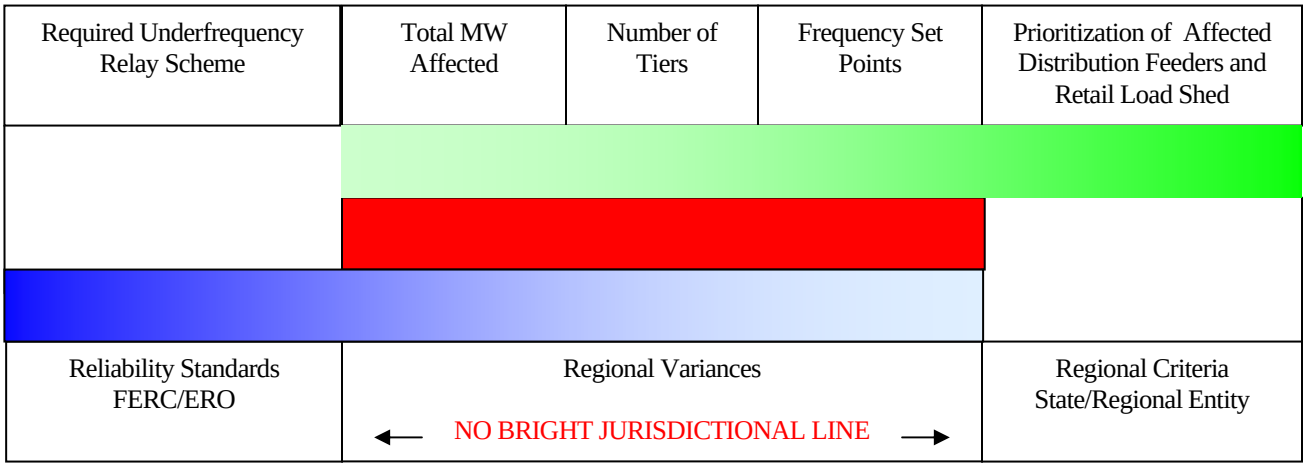
The FPSC has long supported mandatory national reliability standards with the understanding that State statutes will continue to be complied with. The FPSC supports a strong ERO responsible for developing national reliability standards, strong enforcement of the reliability standards by Regional Entities, and strong FERC oversight over these processes. What is also needed, however, is a certain amount of flexibility in the adoption of regional variances and/or regional reliability criteria to reflect regional differences. For the purpose of these comments, a regional variance is defined as an aspect of an ERO reliability standard that applies only within a given region or regions. A regional criteria is defined as a requirement that goes beyond, adds detail to, or implements an ERO reliability standard or covers matters not addressed in the ERO reliability standards.

As has been stated in comments to the FERC in this docket and others, the FPSC is vested with the authority under Florida law to assure the planning, development, and maintenance of a coordinated electric power grid throughout Florida. This includes regulatory oversight over the efficient and reliable operation of generation and transmission facilities within the state in order to effectuate a safe, adequate, and reliable source of electric power for our citizens. While we support the creation of a strong ERO with active FERC oversight to develop clear and enforceable national reliability standards, we continue to believe that Subtitle A (Reliability Standards) of the Electricity Modernization Act of 2005 (The Act) recognizes the role that states like Florida must play to ensure overall electric system reliability. In a single state reliability region, such as Florida, it is vitally important that the FPSC has the ability to exercise its role in the development of regional variances and/or regional criteria. While Section 38.12 of the proposed FERC rule does include the "State Action Clause" contained in the Act, the FERC has not clarified how State actions would be considered in their proposed "top-down" administration of national reliability standards.

The FPSC believes that once a Reliability Standard has been adopted by the ERO and FERC, implementation of that standard rests primarily with the Regional Entity. In many instances, because of regional differences, implementation strategies will vary from region to region. Thus, the Act and the proposed FERC rule contemplates the need for approval of Regional Variances. Also, in many instance, States, such as Florida, will initiate actions that address or affect system reliability. As stated above, the Act and the proposed FERC rules acknowledge a State's right to do so, so long as the action is not inconsistent with a FERC approved reliability standard.

A specific example of an instance where a Regional Variance and/or Regional Criteria may come into play is the requirement for under-frequency relaying as a protective measure against cascading blackouts. The example is as follows:

Underfrequency Relay Scheme to Prevent Cascading
Due to Loss of Major Generation or Transmission Lines



As is shown by this example, jurisdictionally speaking, there is no clear bright line between what should be considered a Reliability Standard and what should be considered a Regional Variance and/or Criteria. As with most dynamic systems, the devil is in the details. There is obvious overlap between the responsibilities of the ERO and the Regional Entities and between the jurisdictions of the

FERC and the States. In order to provide the flexibility to deal with these overlaps, the FPSC believes that the national reliability standards should begin as relatively broad requirements for each region. Each Regional Entity , on its own motion or pursuant to a State Action, should be allowed to establish and enforce regional variances and/or regional criteria as needed to implement the Reliability Standards. In approving regional variances, the FERC should give deference to the Regional Entity. As long as such regional variances or criteria are "not inconsistent with" the ERO and FERC approved Reliability Standard, there should be a rebuttable presumption in favor of the actions of a Regional Entity in the ERO and FERC approval process. Also, as stated in earlier comments to the FERC in this docket, the FPSC strongly urges the FERC to make it clear that regional variances adopted by a Regional Entity with appropriate State review and approval be treated as and given the same weight as ERO Reliability Standards.

Support Provided by the FRCC to the FPSC

As a single state reliability region, Florida relies heavily on the Florida Reliability Coordinating Council (FRCC) to coordinate and perform numerous studies and activities impacting the safe, adequate, and reliable provision of electric service within the peninsular Florida electric grid. While electrically interconnected to other regions to our north, transmission import capability for peninsular Florida is limited to 3,600 MW, with a maximum seasonal export of 2,100 to 2,600 MW. This level of import capability represents only about 8% of total summer peak load (43,495 MW in 2005). Peninsular Florida continues to experience tremendous growth, both in peak demand and per capita and total energy consumption. In order to maintain adequate and reliable supplies of electricity, our electric utilities must add approximately 700 MW of new generation and associated in-state transmission facilities each year. While the State's interstate transmission interties are important, they pale in comparison to the need to maintain and construct new gas pipeline, rail, and waterborne transportation systems needed to ship fuel for Florida’s power plants.

Beginning with the Florida Operating Committee, a consortium of three investor-owned utilities formed in the late 1950's, electric planning, operating, and reliability issues in peninsular Florida have been addressed by a succession of organizations. In 1972, the Florida Electric Power Coordinating Group (FCG) established reliability standards, operating policies and procedures, identified transmission constraints and, eventually developed line loading relief procedures. In 1996, peninsular Florida utilities successfully petitioned the NERC to become the 10th Regional Reliability Council, the Florida Reliability Coordinating Council (FRCC).

The following is a brief summary of tasks performed by the FRCC for use by the FPSC we would like to see continued.

1. Annual Ten-Year Site Plans - The FRCC provides an aggregate Peninsular and Statewide generation expansion plan which is used in a variety of FPSC proceedings and legislative requests. Document includes load growth and corresponding generation additions as well as projected transmission line additions.

2. Annual Regional Reliability Assessment - Annually reviews relationship between reserve margin and LOLP. Also analyzes recent trends in availabilities of generating units.

3. Coordinate Fuel, Capacity, and Storm emergency procedures - FRCC coordinates individual utility plans to respond to such events and acts as a liaison to the Florida Division of Emergency Management.

4. Monthly Generation Maintenance report - FRCC coordinates individual utility maintenance schedules and provides monthly updates to FPSC staff indicating projected outages and resulting reserve margins.

5. Daily Capacity Assessment - Daily analyses of available operating margin. If margin below amount of largest unit on system, approximately 910 MW, actions are taken to mitigate potential cascading outages.

6. Annual Import Capability Studies - Annual assessment of the transmission import limits from the Southern Company. As loads change and generation additions are made, operating limits for transmission imports from Southern Company must be adjusted.

7. Contracts Reliability Coordinator Function - Load flows on transmission system must be monitored continuously to insure system reliability. The Reliability Coordinator performs this function and has authority to request operational measures to insure reliability such as out of economic dispatch or line loading relief measures.

8. Transmission Planning - FRCC recently hired two transmission planning engineers to perform Statewide transmission plans to insure reliability and adequacy of individual utility transmission plans.

9. Various Studies - FRCC will assemble task forces of utility personnel to study a variety of issues as need arises. For example, recently the FRCC formed a task force to study the relationship between natural gas transmission reliability and generation reliability.

Conclusion

The FPSC supports the Electricity Modernization Act's requirement for mandatory reliability standards and applauds the FERC's alacrity in proposing rules to implement the Act. However, it is essential that the FERC rules allow flexibility to recognize legitimate regional variations for States such as Florida.