
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

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FOR IMMEDIATE RELEASE

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Docket Nos. RR06-1 & RR06-2

NERC CERTIFIED AS ELECTRIC RELIABILITY ORGANIZATION; WESTERN REGION RELIABILITY ADVISORY BODY ACCEPTED

The Federal Energy Regulatory Commission today certified the North American Electric Reliability Corp. (NERC) as the nation's Electric Reliability Organization (ERO), pursuant to the Energy Policy Act of 2005, and accepted, with some modifications and clarifications, NERC's proposed governance structure, funding, reliability standards development process, enforcement program and *pro forma* Regional Entity delegation agreement.

The Commission reviewed NERC's April 4, 2006, application according to criteria spelled out in Order No. 672, the Commission's February 2, 2006, final rule outlining the requirements for certification of the ERO established under the Energy Policy Act. As the ERO, NERC will be responsible for developing and enforcing mandatory electric reliability standards under the Commission's oversight. The standards will apply to all users, owners and operators of the bulk-power system.

Commission Chairman Joseph T. Kelliher observed: "There are three necessary elements to a strong reliability regime. First, it is critical that the Electric Reliability Organization be a strong organization. That much is broadly recognized – more so now than perhaps a year ago. Second, we need mandatory reliability standards that meet the statutory test. Third, we need strong and consistent regional enforcement. Today, we certify the Electric Reliability Organization. We will soon act to approve mandatory reliability standards and provide for strong national and regional enforcement. We have made a lot of progress, and are continuing to move ahead."

In today's order, the Commission commends NERC for the quality of its application, which required extensive consultation with stakeholders and was timely filed under the rather short timeframe provided for in Order No. 672. Once NERC has complied with today's order, it will be very well-positioned to lead the industry's transition to an enforceable system of mandatory reliability standards approved by the Commission.

The Commission also today granted an April 20, 2006, petition from the governors of Arizona, California, Colorado, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming to establish a regional advisory body, as provided for under the Energy Policy Act. The Western Interconnection Regional Advisory Body may provide advice to the Commission, the ERO and a Regional Entity on specified issues affecting that region, and the Commission may give deference to the advice of the regional advisory body. In today's order, the Commission agreed that the Western Interconnection Regional Advisory Body may receive funding for the reasonable costs of activities it pursues under section 215(j) of the Federal Power Act.

“By approving the Western Interconnection Regional Advisory Body, we recognize that ensuring reliability of our nation's electricity system is not a one-size-fits-all proposition, and that regional variability should be respected,” Chairman Kelliher observed.

The specific conditions, revisions and clarifications spelled out in today's ERO certification order will require NERC to make a compliance filing. The Commission directed NERC to make several improvements to its proposed standardized agreement for delegating enforcement authorities to Regional Entities, including clarification of due process and other steps associated with enforcement of reliability standards. The Commission also directed NERC to make changes to the ERO's procedural rules, and to speed the process for developing new reliability standards in response to a Commission-imposed deadline.

Both the ERO and Regional Entities will be reviewed periodically to assure the statutory qualifying criteria are maintained on an ongoing basis. This will entail a self-assessment of performance three years after certification and every five years thereafter. Regional entities can recommend performance improvements for the ERO.

All proposed reliability standards must be submitted by the ERO to the Commission for its approval. Only reliability standards approved by the Commission are enforceable under the new section 215 of the Federal Power Act. The Commission may approve a proposed reliability standard if it determines the standard is just, reasonable, not unduly discriminatory or preferential, and in the public interest.

The Commission expects to undertake a rulemaking later this year as part of its review of the 102 reliability standards submitted by NERC for Commission review (RM06-16-000). The rulemaking will determine which of NERC's standards meet statutory requirements and which require further development. In anticipation of the pending reliability standards rulemaking, the Commission on May 11, 2006, released a preliminary staff assessment of NERC's standards and convened a technical conference on July 6, 2006.

The ERO and Regional Entities must monitor compliance with the reliability standards. They may direct violators to comply with the standards, and impose penalties for violations, subject to review by, and appeal to, the Commission. While the ERO is responsible for compliance and enforcement under Commission oversight, the statute provides that the Commission can investigate compliance and impose penalties independently of the ERO.

R-06-49

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