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BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

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IN THE MATTER OF:

- CONSENT MARKETS, TARIFFS AND RATES -- ELECTRIC :
- CONSENT MARKETS, TARIFFS AND RATES -- GAS :
- CONSENT ENERGY PROECTS -- MISCELLANEOUS :
- CONSENT ENERGY PROECTS -- CERTIFICATES :
- DISCUSSION ITEMS :
- STRUCK ITEMS :

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961st COMMISSION MEETING

OPEN SESSION

COMMISSION MEETING ROOM
FEDERAL ENERGY REGULATORY
COMMISSION
888 FIRST STREET, N.E.
Washington, D.C.

Thursday, July 15, 2010

10:07 a.m.

1 APPEARANCES:

2 COMMISSIONERS PRESENT:

3 CHAIRMAN JON WELLINGHOFF (Presiding)

4 COMMISSIONER CHERYL LAFLEUR

5 COMMISSIONER JOHN R. NORRIS

6 COMMISSIONER PHILIP MOELLER

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1 PROCEEDINGS

2 10:07 a.m.

3 CHAIRMAN WELLINGHOFF: Good morning. This is the
4 time and place that's been noticed for the open meeting of
5 the Federal Energy Regulatory Commission, to consider the
6 matters that have been duly posted in accordance with the
7 Government Sunshine Act. Please join me for the Pledge of
8 Allegiance.

9 [PLEDGE OF ALLEGIANCE.]

10 CHAIRMAN WELLINGHOFF: Well, since our June 17th
11 open meeting we have issued 67 national orders. Before we
12 get to our agenda this morning, I'd like to welcome our
13 newest Commission member, Commissioner LaFleur. Very nice
14 to have you here, Cheryl. The Commissioner is from
15 Massachusetts but she's told me she's not the northeast
16 commissioner any more than I'm the Nevada commissioner.

17 So we're going to make that clear. We're all
18 here to serve the entire country, and Cheryl has great
19 experience in energy policy and she's going to be a
20 tremendous asset to the Commission. Cheryl, do you have any
21 statement you'd like to make.

22 COMMISSIONER LAFLEUR: Thanks very much, Mr.
23 Chairman. I'm honored and excited to be joining you, and I
24 really look forward to working with all of you and excited
25 to be joining the Commission. It's such an interesting time

1 for energy policy.

2 I won't be participating in the decisions today,
3 because I just started a couple of days ago. But I look
4 forward very shortly to digging into the issues before the
5 Commission, and to really involving myself in the issues
6 that will be addressed in the coming days, weeks, months and
7 years.

8 I'm compellingly aware that everything this
9 Commission does affects real customers. Everything we do
10 shapes the cost, the reliability and security, and the
11 environmental impact of the energy that they use.

12 As the Chairman alluded to, I'm going to make it
13 a high priority to reach out to folks in different regions
14 around the country, and really get to understand the
15 different energy challenges and opportunities in different
16 parts of the country and different sectors of energy,
17 including the ones I'm quite familiar with and others that I
18 have a lot to learn about.

19 I've been really impressed with the people that
20 I've met and worked with at the Commission since my
21 nomination in March, and I know that this organization has a
22 large number of really talented and dedicated people who are
23 working for customers across the country, and that
24 demonstration of how good folks are here was really brought
25 home to me in the last couple of weeks when I've done

1 interviews to try to put together my advisory team, and saw
2 so many wonderful people.

3 But I have chosen, and want to introduce some of
4 the folks who will be joining my advisory team, and a couple
5 of them are here with me today. My technical advisor will
6 be Mary Cain. Mary is well known to a lot of folks at the
7 Commission. She's an electrical engineer who's been with
8 FERC since 2004, worked in the Offices of Reliability and
9 Energy Market Regulation.

10 But for the last 18 months, she has been on
11 special assignment for Senator Harry Reid up on the Hill,
12 working on transmission issues and other energy matters.
13 She's going to be rejoining FERC on July 26th, and stepping
14 in at that time.

15 Ruta Skucas is joining me as a legal advisor.
16 Ruta has worked for the Commission since 2008 in the Energy
17 Markets section of the Office of the General Counsel.
18 Before that, she practiced law for a number of years with
19 White and Case, did a lot of electric and gas matters, and
20 before that she was a law clerk here at the Commission.
21 She's here today and also has the misfortune to be the only
22 advisor in my office right now.

23 (Laughter.)

24 COMMISSIONER LAFLEUR: So but my second legal
25 advisor will be Joshua Konecni. He is on vacation this

1 week, so we'll give him his moment to stand up at the
2 September open meeting.

3 He's worked for the Commission for the last four
4 years in the Office of General Counsel, Energy Markets, on a
5 wide range of matters, including reliability and rate
6 matters and, as I said, he's on vacation next week. He'll
7 be joining me Monday.

8 I haven't made quite as much progress yet on
9 getting my permanent administrative team. We're still
10 working on that. But I'm very fortunate that Shante
11 Collier-Haygood, who is here today, she previously worked in
12 Chairman Kelliher's office, and she has been working in the
13 Office of Energy Projects as a project administrator.

14 She has offered to help out on detail until I get
15 up and running, and Shante will be doing my scheduling for
16 now and helping us organize the office. So I'm really
17 grateful both to her and to the Office of Energy Projects
18 for allowing this detail. Thanks very much.

19 We're going to make further announcements about
20 how we're going to organize the work for the convenience of
21 all the folks who work with the office. Once all three
22 advisors are on board, we'll be putting that out. Thank
23 you.

24 CHAIRMAN WELLINGHOFF: Thank you Cheryl, and
25 welcome to the Commission. It's a pleasure to have you.

1 It's also a pleasure to have Mary Cain coming back in-house.

2

3 COMMISSIONER SPITZER: That would be great.

4 CHAIRMAN WELLINGHOFF: Commissioner Spitzer, do
5 you have an announcement?

6 COMMISSIONER SPITZER: Yes, Mr. Chairman, thank
7 you. Just before I want to discuss a notational, I wanted
8 to give my welcome to Commissioner LAFLEUR, with outstanding
9 academic and professional credentials, as important if not
10 moreso consistent with her message of working with ratepayer
11 groups and on behalf of ratepayers.

12 I've received unsolicited feedback from New
13 England since Commissioner Lafleur's nomination, about her
14 wonderful working relationship with state regulators
15 throughout New England, as well as consumer groups and I'm
16 very heartened by her arrival here.

17 Northern Natural Gas Company received market-
18 based rates in 2006 for a natural gas storage project, and
19 Notational Order in Docket No. RP10-841-000, recently
20 issued, is an interesting question of first impression
21 before the Commission, involving the re-marketing of excess
22 capacity beyond that initial capacity open season in 2006.

23 It involves Section 312 of the Energy Policy Act
24 of 2005 that changed the law much for the better, in terms
25 of market-based rates for natural gas. The consequence of

1 this order, in addition to a case of first impression, the
2 parties filed in the dockets a very interesting comments and
3 a technical conference will arise pursuant to this order.

4 So I think we'll not only decide this case, but
5 provide further guidance to the industry in terms of the
6 very important issue of natural gas and natural gas storage,
7 and just thank you for bringing all this to FERC's
8 attention.

9 CHAIRMAN WELLINGHOFF: Commissioner Norris or
10 Commissioner Moeller, anything before the consent agenda?

11 COMMISSIONER MOELLER: Well, in my comments
12 welcoming our newest colleague, I've had the pleasure of
13 being paired with her in the nomination process. So maybe
14 I've had the delightful opportunity to get to know her very
15 well, and I think the public and us at FERC will be well-
16 served by her joining us. It's a good day to have here
17 Cheryl.

18 CHAIRMAN WELLINGHOFF: Commissioner Norris.

19 COMMISSIONER NORRIS: Me as well. Very excited
20 to have you here, Cheryl, and I was recently up at the
21 NEPOOL summer meeting, and I can just tell you there is a
22 challenge here, yes, to meet those expectations of coming
23 from a region.

24 But they think extremely highly of you and a lot
25 of folks are excited to have someone on the Commission from

1 the Northeast. It is -- you're wise to recognize it's a
2 nationwide responsibility here and I look forward to working
3 with you.

4 CHAIRMAN WELLINGHOFF: Thank you, John. Madam
5 Secretary, if we could go to the consent agenda please.

6 SECRETARY: Good morning, Mr. Chairman and good
7 morning Commissioners. Since the issuance of the Sunshine
8 Act notice on July 10, no items have been struck from this
9 morning agenda. Your consent agenda for this morning is as
10 follows:

11 Electric Items, E-1, E-3, E-4, E-5, E-8, E-9, E-
12 10, E-11, E-12, E-13 and E-15.

13 Gas Items, G-1, G-2 and G-3.

14 Hydro Items, H-1, H-2, H-3, H-4 and H-5.

15 Certificate Items, C-2 and C-3.

16 Rather than rendering a substantive vote on
17 today's agenda, Commissioner LaFleur will be voting present
18 on all items. We will now take a vote on this morning's
19 consent agenda, beginning with Commissioner LaFleur.

20 COMMISSIONER LAFLEUR: Thank you. I'll vote
21 present.

22 SECRETARY: Commissioner Norris.

23 COMMISSIONER NORRIS: I vote aye.

24 SECRETARY: Commissioner Moeller.

25 COMMISSIONER MOELLER: Vote aye, noting my

1 concurrence in E-11.

2 SECRETARY: I'll have to ask for that.
3 Commissioner Spitzer.

4 COMMISSIONER SPITZER: I vote aye.

5 SECRETARY: And Chairman Wellinghoff.

6 CHAIRMAN WELLINGHOFF: I vote aye.

7 SECRETARY: Thank you. The first item for
8 presentation and discussion this morning will be on Item E-
9 2, concerning a draft order on Southwest Power Pool's
10 proposed integrated transmission planning process. There
11 will be a presentation by Steve Pointer from the Office of
12 Energy Market Regulation. He is accompanied by Debbie-Anne
13 Reese from the Office of the General Counsel.

14 MR. POINTER: Good morning Mr. Chairman and
15 Commissioners. My name is Steve Pointer from the Office of
16 Energy Market Regulation. With me at the table is Debbie-
17 Anne Reese from the Office of General Counsel. We present
18 the findings of the draft order in Item E-2 concerning the
19 Southwest Power Pool's proposed integrated transmission
20 planning process, otherwise known as the ITP.

21 SPP's current planning process involves five
22 major assessment categories for liability, balanced
23 portfolio, high priority studies, generation interconnects
24 and aggregate transmission studies.

25 SPP has also developed a strategic plan that

1 proposes building an extra high voltage backbone of
2 transmission projects to facilitate the economic transfer
3 of power, and reduce congestion across SPP's transmission
4 system.

5 Each of these categories is assessed
6 independently off the resulting transmission solutions, that
7 address discrete localized issues but not overall SPP-wide
8 issues. The proposed ITP combines aspects of some of SPP's
9 existing processes to provide better coordination of
10 reliability assessments, economic analysis and long-term
11 transmission evaluations.

12 As part of the ITP process, SPP and its
13 stakeholders will conduct 20-year, 10-year and near term
14 assessments, evaluating potential solutions on the basis of
15 their relative cost-effectiveness.

16 Under the ITP proposal, the cost-effectiveness
17 analysis will include quantification of the benefits
18 resulting from dispatched savings, loss reductions, avoided
19 projects, applicable environmental impacts, reduction in
20 required operating reserves, interconnection improvements,
21 congestion reduction and other benefit metrics developed
22 through the stakeholder process.

23 The draft order accepts SPP's ITP proposal for
24 filing, finding it just, reasonable and consistent with the
25 transmission planning principles of Order No. 890. The

1 draft order finds that SPP's ITP filing adopts a proactive,
2 comprehensive transmission planning approach that encourages
3 the development of integrated regional solutions to address
4 both reliability and economic needs across the SPP
5 transmission system in a non-discriminatory manner.

6 The draft order concludes that SPP's proposal
7 provides enough flexibility to enable SPP and the
8 stakeholders to address the policy, reliability and
9 economic needs of the SPP system, as such needs change over
10 time. Thank you.

11 CHAIRMAN WELLINGHOFF: Thank you, Steve and
12 Debbie-Anne, and I want to thank the team for not only your
13 presentation but your thoughtful work in drafting this order
14 for the Commission's consideration. SPP management and its
15 members have developed, I believe, a proactive approach to
16 planning for the reliability and economic needs of the SPP
17 transmission system.

18 It's also a flexible approach. It allows SPP and
19 its stakeholders to regularly assess whether that process is
20 achieving its objectives, and to adjust its needs as the
21 system changes over time. They deserve praise for crafting
22 a process that will allow their region to address some of
23 the most pressing challenges facing the electricity
24 industry.

25 SPP has been proactive in its assessment of its

1 transmission planning needs, and other regions may want to
2 follow its lead, so that the transmission infrastructure
3 that is needed to maintain reliability, reduce congestion
4 and the policy objectives is built. I am pleased to vote
5 for approval of SPP's proposal today. Thank you again.
6 Colleagues, comments? Commissioner Spitzer?

7 COMMISSIONER SPITZER: Thank you, Mr. Chairman.
8 Today's order approves yet another step taken by members of
9 the Southwest Power Pool, to implement a process to ensure
10 the adequacy of transmission in the SPP region.

11 To its credit, SPP has developed a mechanism to
12 plan for both near-term and long-term facilities, to assure
13 the reliable operation of the SPP grid, as well as a cost
14 allocation mechanism for new facilities.

15 I appreciate SPP's diligence, as well as the
16 continuing attention and participation of the regional state
17 committee on these issues. I recognize that devising these
18 mechanisms is not easy. I also recognize that the support
19 for the filing we approved today was not unanimous.

20 But if our goal is to get transmission built to
21 meet the needs of the evolving electric market, and that is
22 our goal, I conclude that on the whole, the mechanisms, the
23 SPP, its stakeholders and state commissions developed will
24 go far to achieving our objectives.

25 For these reasons, I support today's order. I

1 thank the team for their continued work on these important
2 matters.

3 CHAIRMAN WELLINGHOFF: Thank you, Commissioner
4 Spitzer. Commissioner Moeller.

5 COMMISSIONER MOELLER: Thank you, Mr. Chairman.
6 I also commend the efforts of SPP, its board, a couple of
7 whose members were here last month when we approved a
8 significant proposal from the region, its leadership, some
9 of whom are here today as well, and the stakeholders.

10 It's a very active stakeholder process in SPP.
11 It appears to be effective from the years that I've been
12 watching it, and they're essentially trying to figure out if
13 transmission is needed, how to get it built, and this is
14 part of that effort.

15 What I really like is the emphasis on long-term
16 planning. Ten years out, twenty years out, these are going
17 to be 40 or 50 year assets. It's good that we have a region
18 that's thinking that way, and we've spent a lot of time
19 working with SPP here and in Little Rock. I've got a couple
20 of reliability conferences to speak at in September, so I'll
21 be back.

22 But it's a region we can point to that's having a
23 lot of success and should be commended for that. Thanks to
24 the team for the order. I'm pleased to vote for it today.

25 CHAIRMAN WELLINGHOFF: Thank you, Commissioner

1 Moeller. Commissioner Norris.

2 COMMISSIONER NORRIS: We're at somewhat of odds
3 here. This is the transmission planning and cost allocation
4 are both critical issues for building an effective
5 transmission system in this country, and I think SPP has
6 shown leadership in their cost allocation proposal last
7 month, and with this planning proposal today.

8 It's become more and more difficult and complex
9 to navigate the different planning processes, as I talk to
10 folks around the country, and developing additional
11 transmission infrastructure is a common theme. The planning
12 processes are complex, time-intensive, require participation
13 in countless meetings and workshops.

14 So I think this ITP process takes an important
15 step forward on streamlining in a comprehensive and
16 integrated way, with the longer-term focus that's
17 critically important to make the planning process effective,
18 and minimize the barriers to effective participation by the
19 complicated number of meetings and planning meetings and
20 processes that are in place for achieving results.

21 So they've reached a, I believe, although as Mark
22 said, not a unanimous decision, but broad regional
23 consensus. It's seldom ever unanimous, but I believe they
24 did a great job in providing leadership in getting this
25 passed through SPP, and I also want to note the

1 participation of the state public utility commissions as a
2 part of SPP and a part of this process, to be able to work
3 together and deliver this plan to us today.

4 So I share my colleagues' comments and
5 congratulations for getting this good work done.

6 CHAIRMAN WELLINGHOFF: Thank you, John. Are we
7 ready for the vote? Madam Secretary.

8 SECRETARY: The vote begins with Commissioner
9 LaFleur.

10 COMMISSIONER LAFLEUR: Thank you. I vote
11 present.

12 SECRETARY: Commissioner Norris.

13 COMMISSIONER NORRIS: Aye.

14 SECRETARY: Commissioner Moeller?

15 COMMISSIONER MOELLER: Aye.

16 SECRETARY: Commissioner Spitzer?

17 COMMISSIONER SPITZER: I vote aye.

18 SECRETARY: And Chairman Wellinghoff.

19 CHAIRMAN WELLINGHOFF: I vote aye. The next
20 discussion item please.

21 SECRETARY: The next discussion item and
22 presentation items is A-3. Commission staff will provide an
23 update on Smart Grid developments. There will be a
24 PowerPoint presentation on this item. Ray Palmer from the
25 Office of Energy Policy and Innovation will be making a

1 presentation. He is accompanied by Heidi Nielsen from the
2 Office of the General Counsel, and Regis Binder from the
3 Office of Electric Reliability.

4 MR. PALMER: Today we are pleased to update the
5 Commission on Smart Grid developments and present staff
6 recommendations for the process to adopt Smart Grid
7 interoperability standards.

8 Since the Commission's issuance of the July 2009
9 Smart Grid policy statement, staff has attended many of the
10 National Institute of Standards and Technology or NIST,
11 conferences, and worked closely with NIST to gain a better
12 understanding of NIST's roles and responsibilities in
13 developing standards, and has met with industry to
14 communicate Commission priorities and emphasize the
15 importance of industry participation in the standards
16 development process.

17 Based on these interactions, staff has developed
18 several recommendations for the way in which the Commission
19 can discharge its responsibilities pursuant to the Energy
20 Independence and Security Act, Section 1305(d), to adopt
21 Smart Grid interoperability standards.

22 Our recommendations are based on the best
23 information to date. As the standards development process
24 continues to evolve, staff may recommend to the Commission
25 additional or revised processes.

1 In today's presentation, we give a brief review
2 of the requirements of the EISA, the Commission's policy
3 statement, and NIST activities as relevant to the staff
4 recommendations, and the process by which the Commission
5 should adopt Smart Grid interoperability standards. We then
6 turn to staff's recommendations.

7 Section 1305 of EISA defines the roles of both
8 FERC and NIST as they relate to the development and adoption
9 of Smart Grid standards. Subsection 1305(d) defines the
10 Commission's role.

11 This subsection reads as follows: "At any time
12 after the Institute's work has led to sufficient consensus
13 in the Commission's judgment, the Commission shall institute
14 a rulemaking proceeding to adopt such standards and
15 protocols as may be necessary to ensure Smart Grid
16 functionality and interoperability in interstate
17 transmission of electric power and regional and wholesale
18 electricity markets."

19 On July 16th, 2009, the Commission issued a Smart
20 Grid policy statement that, among other things, identified
21 cross-cutting issues and key Smart Grid functionalities that
22 deserve high priority in the development of Smart Grid
23 standards.

24 The two cross-cutting issues are system security
25 and inter-system communication. The four key grid

1 functionalities are wide area situational awareness, demand
2 response, electric storage and electric vehicles. NIST and
3 the Smart Grid community have accepted the Commission's
4 prioritization, and augmented it with two additional
5 priority areas: advanced metering and distribution system
6 automation.

7 Following a year of outreach and opportunities
8 for public comment, NIST issued in January 2010 a framework
9 and road map for Smart Grid interoperability standards,
10 Release 1.0 of the framework.

11 The framework identified 75 interoperability
12 standards that are applicable or are likely applicable to
13 the ongoing development of Smart Grid technologies and
14 applications.

15 The framework also identified priority action
16 plans for addressing gaps in Smart Grid standards, to
17 fulfill the priorities established by NIST and the
18 Commission. As NIST moves forward to address these gaps
19 and the development of other Smart Grid standards, it will
20 rely on the Smart Grid Interoperability Panel or SGIP, a
21 public-private partnership representing a broad range of
22 stakeholders, many of whom have not previously been
23 involved in the electric industry.

24 Importantly and consistent with the Commission's
25 policy statement that cybersecurity issues be a priority, a

1 cybersecurity working group, CSWG, was established within
2 the SGIP. That group will review mature, applicable
3 standards identified in the NIST framework, to determine the
4 level of cybersecurity present, and whether each identified
5 standard meets appropriate security requirements.

6 Based on recent discussions with NIST staff, we
7 expect that the first group of standards may be available
8 for consideration by the Commission by late summer. This
9 group may include emerging technology standards that impact
10 both transmission and distribution level facilities.

11 When NIST considers a group of standards ready
12 for consideration by the Commission, those standards will be
13 posted on the NIST Smart Grid website, and NIST will inform
14 the Commission by letter of the posting.

15 Staff recommends that the Commission at that time
16 initiate a rulemaking proceeding, as directed in EISA, to
17 consider the standards identified by NIST as ready for
18 consideration. Because the first group of standards are not
19 likely to address all key priorities identified by NIST and
20 the Commission, staff anticipates continuing development of
21 new standards and modifications to existing standards, to
22 address these priorities, with additional notifications from
23 NIST on a regular basis.

24 As such, staff recommends that the Commission
25 periodically initiate rulemaking proceedings in response to

1 postings of new Smart Grid interoperability standards by
2 NIST. As part of such a rulemaking proceeding, staff
3 recommends that the Commission propose to adopt all
4 standards identified by NIST as ready for the Commission's
5 consideration.

6 Staff also recommends that the Commission seek
7 public comment on issues related to those standards,
8 including whether each standard satisfies EISA subsection
9 1305(d).

10 With regard to the evaluation of standards in a
11 rulemaking proceeding, staff has identified three areas of
12 consideration for each standard, consistent with subsection
13 1305(d) of EISA. These are: demonstration of sufficient
14 consensus; demonstration that the standard is necessary for
15 Smart Grid functionality and interoperability in interstate
16 transmission of electric power and regional and wholesale
17 electricity markets; and a showing of no known
18 cybersecurity risks.

19 The first criterion, sufficient consensus, is a
20 threshold criterion. EISA instructs the Commission to use
21 its judgment to determine if sufficient consensus has been
22 reached as a result of NIST's process.

23 Staff recommends that the Commission generally
24 rely on the National Technology Transfer and Advancement
25 Act, or NTTAA, as guidance in determining sufficient

1 consensus, along with comments received in the rulemaking
2 proceeding.

3 The NTTAA is the principle federal law regarding
4 the use of standards by the federal government. The
5 implementing regulations of the NTTAA state that voluntary
6 consensus bodies are defined by the attributes of openness,
7 balance of interest, due process and appeals process, and a
8 consensus process.

9 In many cases, standards development processes
10 accredited by the American National Standards Institute or
11 ANSI, may establish compliance with the NTTAA.

12 With regard to whether a standard is necessary
13 for Smart Grid functionality and interoperability, staff
14 recommends that the Commission generally rely on reports and
15 other documents prepared by NIST for this demonstration.

16 NIST has stated that it intends to coordinate the
17 development of additional technical information on
18 individual standards and specifications, to support their
19 evaluation and potential use for regulatory purposes. This
20 technical information will be available on NIST's public
21 website.

22 Staff has worked closely with NIST staff to
23 ensure that this supplementary information provides
24 information necessary for the Commission's rulemaking
25 process. Documents provided by the SGIP may provide

1 additional information regarding these issues for
2 consideration in future Commission rulemaking proceedings.

3 As mentioned earlier, staff recommends that the
4 Commission propose to adopt all standards identified by NIST
5 as ready for consideration. Staff also recommends that the
6 Commission seek comments in the proposed rule, whether each
7 standard is necessary for the operation of the Smart Grid in
8 interstate transmission of electric power and the regional
9 and wholesale electricity markets, and consider these
10 comments as a basis for the final determination in this
11 matter.

12 The Commission also noted in the policy statement
13 that because cybersecurity becomes a concern whenever one
14 system communicates with another, it is important to focus
15 from the outset on cybersecurity as an essential feature of
16 the design and interoperability standards.

17 NIST responded to this inherent relationship of
18 interoperability and cybersecurity by establishing the CSWG.
19 The CSWG is composed of security professionals and
20 representatives from federal and state agencies, private
21 security firms, and the information technology,
22 communications and power industries.

23 It has been working for a year on developing
24 cybersecurity requirements and guidelines for the Smart
25 Grid. It is scheduled to issue a final report by the end of

1 July on the cybersecurity needs for the Smart Grid. The
2 CSWG will analyze individual standards using the reports on
3 cybersecurity requirements.

4 This analysis will become part of the technical
5 information that will be posted on this public website.
6 Staff recommends that the Commission look at the work of the
7 CSWG, as well as rulemaking comments, to inform its
8 consideration of cybersecurity measures. The Commission
9 may also choose to conduct a staff cybersecurity analysis.
10 In addition, NERC will continue to play an important role
11 with respect to cybersecurity measures and concepts.

12 As the Smart Grid standards development process
13 continues to evolve, we will keep the Commission apprised,
14 including whether there is need for additional or revised
15 processes from what we recommend today. This concludes our
16 presentation. We are happy to answer any questions.

17 CHAIRMAN WELLINGHOFF: Thank you very much, Ray,
18 Heidi and Regis. I appreciate the presentation, the time
19 you spent on this. It's been a long process. We've been
20 working on this for a while and we're going to be working on
21 this for a while more. That status report and staff's
22 current thinking on how the Commission could proceed to
23 carry out the responsibilities under EISA is very useful.

24 It's clear that there's been significant progress
25 in developing standards in the year since we adopt our Smart

1 Grid policy statement. I appreciate the leadership of NIST
2 and the standards development organization and members of
3 the SGIP. I am pleased to hear of the electric industry's
4 involvement in the standards development process has grown
5 significantly in the past year.

6 I look forward to receiving late this summer the
7 first set of standards for the Commission's consideration.
8 Action on these standards will complement other activities
9 underway at the Commission to enhance electric markets and
10 operational efficiency.

11 For example, last month the Commission staff
12 published the National Action Plan on Demand Response, and
13 they are currently working on a draft implementation plan.
14 Many of the demand response action plan activities are part
15 and further develop the Smart Grid.

16 Smart deployment of demand response potential in
17 our country should provide transmission system operators
18 with additional tools to efficiently manage the electric
19 grid, as well as give consumers information. It enables
20 them to make decisions about their energy consumption.

21 For example, during the recent heat wave in the
22 eastern part of the country, PGM, an ISO, the New England
23 ISO relied on consumer-provided demand response to help
24 maintain reliable service at reasonable prices. Development
25 of Smart Grid interoperability standards will facilitate

1 further deployment of smart, cost-effective demand response
2 resources.

3 In this coming week, we'll be meeting with our
4 state colleagues to discuss and coordinate on Smart Grid and
5 demand response issues, the NARUC-FERC collaborative on
6 smart response. The progress of the Smart Grid standards
7 development process will be an important matter in that
8 collaborative agenda.

9 So I want to thank staff for this report and
10 update, and for your hard work on this, in this process.
11 Colleagues, comments? Commissioner Spitzer?

12 COMMISSIONER SPITZER: Thank you, Mr. Chairman.
13 I'll post a fuller statement on this. I just want to make a
14 few points, consistent with the Chairman's comments. First,
15 I thank the team for their hard work. There was a lot of
16 behind the scenes activity here that was alluded to in the
17 report, and we appreciate that.

18 I think it's clear this process is important, to
19 further technology and achieve the interoperability and
20 functionality necessity in the electric grid. The statutory
21 framework for EISA is different and distinct from the
22 Federal Power Act, and that is a challenge.

23 The universe of stakeholders participating in the
24 process is very different than those who typically come
25 before FERC. We have a lot of technology vendors,

1 telecommunications vendors, other interests that are quite
2 diverse, and that poses a challenge, as well as an
3 opportunity.

4 Then finally, I think the presentation today
5 reflects that the process that we're embarked upon is in a
6 constant state of evolution, due to the complexity of the
7 process as well as the technical challenges.

8 So I think it's important that we have provided
9 guidance to those stakeholders who have participated, and I
10 think the work by the team on this process will provide
11 benefits to stakeholders as well as ratepayers, and thank
12 the team for their hard work.

13 CHAIRMAN WELLINGHOFF: Comments. Commissioner
14 Moeller?

15 COMMISSIONER MOELLER: Thank you, Mr. Chairman.
16 I want to ask Rick, well actually Ray, this is not a
17 surprise; I told you I'd ask you this. But I would like a
18 couple of examples of standards and how they've developed,
19 so that people can relate a little bit of your excellent
20 summary of what's been going on to real world application of
21 standards.

22 MR. PALMER: Commissioner, I'll give you two
23 examples. The first is a standard that NIST has been
24 working on related to wide area situational variances. A
25 valuable element of the Smart Grid is the use of advanced

1 sensing and recording devices that can be embedded
2 throughout the transmission network, to show, you know, real
3 time power system conditions at that location.

4 When these various sensing devices can be
5 networked together, it can give a very powerful picture of a
6 very wide area of what is happening on the electric power
7 system.

8 For example, an area as big as the Western Area
9 connection can all be seen. In order for this kind of
10 system to work with the networking and so forth, there does
11 need to be a common language, if you will, that's used for
12 exchanging information, and a common sort of information
13 management structure.

14 There is a standard that has been developed, that
15 provides this sort of language and structure, and is
16 currently still being reviewed and worked on by NIST.

17 Another example of what NIST is doing relates to
18 plug-in electric vehicles, and there's some very important
19 standards under development to manage battery charging for
20 these vehicles. The standards relate both the physical
21 apparatus used for charging, and what type of cable or what
22 the plug looks like, but also providing communications
23 capability to the -- both for the utility and to the
24 transmission operator.

25 There are some issues around these standards.

1 For example, if you look at the recent advertisements for
2 the Nissan Leaf, it shows two ports for connecting a
3 charger. One port is for household voltage level and the
4 other port is for higher voltages, presumably from
5 commercial charging stations.

6 But in the United States, the Society for
7 Automotive Engineers is coming up with a standard that just
8 uses one port, and a plug that can operate at either voltage
9 level. There is the timing of charging is a very important
10 issue for both local distribution utilities as well as the
11 transmission operator.

12 Because if there is a lot of vehicles charging at
13 peak, that could very easily potentially overload
14 transformers and other equipment.

15 COMMISSIONER MOELLER: And presumably these
16 standards will be run by the cyber working group, to make
17 sure that presumably they will be addressed in the July
18 report?

19 MR. PALMER: The answer is yes. They will not
20 necessarily be in the July report, but subsequent to that,
21 the cybersecurity working group will go through each
22 standard that NIST is considering to post, is ready for
23 consideration, and do the -- use the requirements that are
24 laid out in that document to again, kind of screen each of
25 those standards. So yes, that definitely happens.

1 COMMISSIONER MOELLER: And presumably Mr.
2 McClelland and his team will be paying attention as well.

3 MR. PALMER: Won't we Lester?

4 COMMISSIONER MOELLER: Thank you Ray. This is
5 great topic. Obviously, the Smart Grid can mean a lot of
6 different things to a lot of different people. But you kind
7 of, I think, in those two examples, describe how clearly at
8 the wholesale transmission level, with super-phasers and
9 various other technologies that we've seen deployed, that is
10 clearly an area most people won't know about or see
11 directly, but will have a real impact on the reliability of
12 the grid.

13 Then if we go down to the retail level, and the
14 issues related to electric vehicles, if we don't do it
15 right, we make the problem worse by adding a bunch of --
16 millions of vehicles on at peak time pricing, that will
17 again probably require disproportionately more
18 infrastructure than we need if we -- unless we get the
19 pricing signals right.

20 But it goes to the dilemma that many of these
21 issues will sit with our colleagues at the state level, and
22 as we've seen in the last month, in a couple of cases they
23 have not been comfortable with the proposals brought to
24 them. But if we don't have that dynamic pricing, the
25 benefits, I think, of the Smart Grid will be limited.

1 I did telecommunication policies in the 80's, so
2 I saw how that revolution allowed consumers to have more
3 choices, more technology. But as I've mentioned before,
4 that was a pretty ugly transition. There were a lot of
5 societal battles going from one system of telecom to one
6 that's now very, very different than it was 25 years ago.

7 My concern the last couple of years has been that
8 we perhaps -- I say "we" loosely -- have let consumers have
9 maybe a little too rosy a picture of what the Smart Grid
10 means and when they're going to get the benefits of it. But
11 the message today -- the benefits, by the way, I'm strongly
12 in favor of, more accurate pricing. I fully endorse it.

13 But the message today, I think, is that we've
14 been doing our job. We're ready. We've been ready for a
15 while to get these standards and to deal with them, and we
16 have a plan in place to do it. So we're at the ready, even
17 though this will be, again, I think, quite a long process,
18 and we have to make sure we manage consumers' expectations
19 of it. Thank you, Mr. Chairman.

20 CHAIRMAN WELLINGHOFF: Thank you. Commissioner
21 Norris.

22 COMMISSIONER NORRIS: Thank you. I again echo
23 what everyone else has said. Thanks for your hard work on
24 this and probably thank you in advance for the additional
25 hard work this is going to entail, because I echo what Phil

1 said.

2 It's very important we stay on top of this, to
3 make sure this deployment of Smart Grid is done
4 interoperable and cost-effective and on down the line. So
5 you have an important challenge ahead of you.

6 Let me just start with can you give us any
7 preview of what we're likely to see in this first set of
8 standards, and how were they selected, and in your mind, do
9 they address the key Smart Grid functionalities identified
10 in our Smart Grid policy statement?

11 MR. PALMER: Commissioner, NIST has managed a
12 very complex but expedited process to get input from a
13 variety of stakeholders and a variety of experts, in terms
14 of selecting standards and putting those through rigorous
15 analysis, in terms of their readiness to come before the
16 Commission.

17 The Smart Grid functionality is a key
18 functionality that the Commission identified, as well as
19 the additional ones that NIST identified. We'll be probably
20 supported by some of the standards that would come here in
21 the first round.

22 But most of the standards, the really critical
23 ones around demand response and energy storage and electric
24 vehicles, for example, are still under development. The
25 Smart Grid Interoperability Panel will be completing their

1 work and then NIST will then submit those at a later time.

2 But they've done an enormous amount of work and
3 made a lot of progress on those. The first group that will
4 come will be the, you know, mature standard. In other
5 words, NIST had originally, in their framework document,
6 identified 25 standards that they thought were applicable.
7 But not all of those had actually gone completely through
8 the standard development process.

9 Then also with the cybersecurity screens that
10 this working group will do, will further reduce that number.
11 So I don't know how many we'll get, but it will be a number,
12 I think, much smaller than 25.

13 COMMISSIONER NORRIS: If you can fine tune it
14 with that first group and we'll look towards the other ones.
15 I was also glad to hear you address the CSWG and that
16 process, how they're going to conduct their review, and just
17 highlight again what Bill said and Joe's role in this and
18 how critical I think it's going to be that we stay on top of
19 it, this cybersecurity review process in particular.

20 Also is something Phil mentioned about how the
21 state commissions are going to be paying attention to this,
22 because this does reach down to the distribution level. As
23 a former state commissioner, I certainly understand the
24 sensitivities surrounding the federal and state
25 jurisdictional matters here.

1 However, I believe that the angle that we have on
2 efficient Smart Grid is capable of interacting on both the
3 distribution and transmission levels, so we get the maximum
4 use of out of this. So can you talk a little bit about how
5 you think the states will be involved or have been involved
6 with the development of Smart Grid standards so far, and how
7 they likely will be involved going forward?

8 MR. PALMER: Well Commissioner, as I'm sure
9 you're very well aware, many states were challenged because
10 of budget limitations in terms of how quickly they could add
11 the expertise needed to deal with the complex issues
12 involved with the Smart Grid.

13 However, facilitation has come to the states
14 through NARUC and with some grants from the Department of
15 Energy, and there has been quite a bit of educational
16 efforts put on by NARUC consultants and also grants have
17 went directly to different states, to actually hire staff or
18 hire consultants for themselves.

19 And so there has been greater involvement. The
20 states, there are a lot of states now that are very
21 sophisticated in terms of their understanding of Smart Grid.
22 As you and the Chairman and others have, Mr. Moeller noted,
23 that the state involvement is absolutely crucial.

24 I think to the Commission's credit, the
25 establishment, again with NARUC, of the collaborative to

1 look at these issues has been, you know, a very good avenue
2 for exchanging information and becoming more comfortable in
3 terms of how the state and federal approaches can work
4 together.

5 COMMISSIONER NORRIS: I'd just ask going forward,
6 as you, the staff who all work on this are engaging in this
7 process, if there's a role that the Commissioners can play
8 in communicating with the states on this, because I think
9 it's just critical.

10 If we don't have distribution and transmission
11 that talk to each other, this will actually be less
12 efficient and unable to meet all the demands we're asking of
13 our transmission, our grid system to address in the future.

14 I think there's a very important communication
15 challenge here, and I look to you to alert us if we need to
16 be talking to the state commissions about it. I know as a
17 former state commissioner, I wouldn't want to approve a
18 system that's not going to be -- going to be deployed and
19 cost lots of money that's not going to talk to the entire
20 system.

21 They do play a real critical role here to make
22 sure everyone understands the importance of one set of
23 standards that address the entire system. Thanks for your
24 work on this.

25 CHAIRMAN WELLINGHOFF: Anything else?

1 Commissioner LAFLEUR? Okay, good.

2 COMMISSIONER LAFLEUR: I just wanted to echo some
3 of my colleagues' comments. It sounds like -- I've been
4 following this from a distance, that staff has worked really
5 thoughtfully and hard to carry out its responsibilities
6 under the statute, and I do think the Smart Grid has a lot
7 of potential, both to help the operation of the transmission
8 system, but also for customers to use energy better, more
9 wisely.

10 I definitely share the comments of my colleagues
11 that unlocking that potential is going to require a lot of
12 collaboration with the states, who have to put in place the
13 rate mechanisms that motivate people to use the potential of
14 the Smart Grid in many cases, and I look forward this
15 weekend to attending the NARUC collaborative and hearing
16 more about what's going on there. Thank you.

17 CHAIRMAN WELLINGHOFF: Thank you, Commissioner
18 LAFLEUR. Anyone else on the Smart Grid update? Thank you
19 all. This is our last item. There's no vote on this, is
20 that correct?

21 SECRETARY: No vote on this. But Mr. Chairman,
22 before we adjourn, I'd like to read clearly into the record,
23 so that the transcript is clear, that as to Consent Agenda
24 Item E-11, Commissioner Moeller will be concurring with the
25 separate states.

1 CHAIRMAN WELLINGHOFF: Thank you very much. With
2 nothing else to come before the Commission, we're adjourned.
3 Thank you.

4 (Whereupon, at 10:46 a.m., the meeting was
5 adjourned.)

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