



**Federal Energy Regulatory Commission
September 16, 2010
Open Commission Meeting
Staff Presentation
Item E-2**

"Item E-2 is a draft order addressing the North American Electric Reliability Corporation's Three-Year Electric Reliability Organization Performance Assessment Report.

NERC filed its Performance Assessment in accordance with the requirements of the Commission's regulations on the three-year anniversary of the Commission's certification of NERC as the Electric Reliability Organization.

The Performance Assessment highlights NERC's accomplishments and describes how NERC satisfies, on an ongoing basis, the statutory and regulatory criteria for certification as the Electric Reliability Organization. The Performance Assessment provides an in depth analysis of the performance of the Regional Entities and a review of NERC's programs and activities in the United States, as well as Canada and Mexico. The filing identifies actions that NERC and the Regional Entities plan to take to improve each's operations and to continue to enhance the reliable operation of the Bulk-Power System. In addition, it evaluates on a program-by-program basis, areas where NERC and the Regional Entities could continue to improve, and identifies over 120 specific action items that NERC plans to implement to address opportunities for improvement.

The draft order in item E-2, accepts NERC's and the Regional Entities' performance assessment, and finds that they continue to satisfy the statutory and regulatory criteria for certification. The draft order states that a strong ERO is necessary to promote excellence in developing and enforcing mandatory Reliability Standards, as envisioned in Order No. 672. In addition, NERC is directed to submit an informational filing six months from the date of the order providing additional detail on specific matters in order to better inform the Commission regarding certain action items NERC proposes or to address a concern of the Commission in a particular area. The draft order finds that generally the action items proposed by NERC are reasonable and provide practical steps to improve the effectiveness of the ERO and Regional Entity functions and programs. The action items will address important concerns such as enhancing stakeholder communications, improving registration consistency across regions, eliminating the backlog of audit reports and compliance violations, promoting self-reporting of non-compliance, and providing compliance guidance to registered entities.

Additionally, the draft order discusses the July 6 technical conference, which provided a useful, high level discussion of topics that concern NERC, the industry, and regulators in North America. The draft supports NERC's proposal in its post-conference comments to convene periodic technical conferences in the format of the July 6 Conference to focus on reliability issues. The draft order states that this approach offers a constructive opportunity for NERC, industry, and regulators to discuss policy issues in an open and inclusive forum. Future technical conferences are targeted for November 2010 and January or February 2011.

Thank you. This concludes our presentation."