



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

February 8, 2011

**Statement from John Q. Anderson, Chairman of NERC,
at the Federal Energy Regulatory Commission Technical Conference on
Priorities for Addressing Risks to the Reliability of the Bulk-Power System
(Panel 2)**

“Over the coming ten years, the North American electric industry will face a number of significant emerging reliability issues. The confluence of these issues will drive a transformational change for the industry, potentially resulting in a dramatically different resource mix, a new model for customer interaction with their utility, and a new risk framework built to address growing cyber security concerns. Each of these elements of change is critically interdependent and industry action must be closely coordinated to ensure reliability.

The NERC board strives to provide a balanced approach addressing known emerging risks, such as cyber security and geomagnetic storms. The attention and participation of NERC’s industry stakeholder group on these issues has only increased in recent years, with numerous reports and reliability assessments produced on varying topics. For example, the following emerging issues were identified in NERC’s 2010 Long-term Reliability Assessment: 1) a changing resource mix, 2) integration of new technologies and 3) preparedness for high impact, low frequency events (HILF).

NERC’s *High-Impact, Low Frequency Event Risk to North American Bulk Power System* report examined three risks in detail: coordinated cyber, physical, or blended attacks; pandemic illness; and Geomagnetic Disturbances (GMD) and Electromagnetic Pulse (EMP) events. Although there is a wide range of threats labeled ‘high impact, low frequency,’ the greatest concern is being prepared for possible events that could debilitate the bulk power system for extended periods, such as widespread, coordinated physical/cyber attacks or geomagnetic storms. The industry must consider being prepared for such events on the short-to-medium term, while improving the design of the bulk power system to address these potential risks. Further, industry should prepare coordinated North American response plans for use during catastrophic events and be ready to deploy those plans to restore essential services in a timely manner.

Gerry Cauley will be identifying NERC further plans to address GMD and cybersecurity. The board strongly supports not only the effort but the timing for addressing the GMD issue. On the broader topic of cybersecurity, the board approved the Critical Infrastructure Strategic Roadmap and Critical Infrastructure Strategic Initiatives Coordinated Action Plan to address high impact, low frequency events. The Roadmap provides a prioritized framework to develop protective and mitigating solutions that will enhance the resilience of the bulk power system, while the action plan details technical committee action to address these priorities.



In the future, resource projections suggest unprecedented changes in the resource mix of the bulk power system with the integration of renewable energy, natural gas and demand resources. New technologies including electric vehicles, demand-side management, and smart grid present tremendous opportunities but also introduce challenges to the ongoing operational characteristics of the bulk power system. Continued reliable operation of the bulk power system will require an industry dialog with policymakers and regulators to meet policy and strategic goals.

Last Monday, FERC held a technical conference on NIST standards related to smart grid including cybersecurity efforts. NERC provided comments to the NIST effort and looks forward to participating in future efforts, especially in the area of cybersecurity for smart grid development. The conference discussed the consensus based, open and transparent process for standards development, which is a vital ingredient to NERC's ability to successfully identify emerging issues and collaboratively address reliability now and into the future.

In summary, the previously mentioned emerging issues suggest the industry is being asked to solve many multifaceted, interconnected issues, while at the same time providing reliable service to its customers. The Board of Trustees is committed to NERC's plans to address critical infrastructure issues through ongoing development of the CIP standards, as well as through the Critical Infrastructure Strategic Roadmap and Critical Infrastructure Strategic Initiatives Coordinated Action Plan. As new resources are developed and integrated into the bulk power system, continued dialog will be needed to ensure reliability. There is an exciting, but challenging future awaiting us. NERC's board stands ready to assist NERC management, our industry stakeholders and FERC in addressing these issues."

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The North American Electric Reliability Corporation's mission is to ensure the reliability of the North American bulk power system. NERC is the electric reliability organization (ERO) certified by the Federal Energy Regulatory Commission to establish and enforce reliability standards for the bulk-power system. NERC develops and enforces reliability standards; assesses adequacy annually via a 10-year forecast, and summer and winter forecasts; monitors the bulk power system; and educates, trains and certifies industry personnel. Learn more at www.nerc.com.