



March 17, 2011

Commissioner Cheryl A. LaFleur

STATEMENT

FEDERAL ENERGY REGULATORY COMMISSION

Docket Nos. RM09-18-001, RR09-6-003,
RM10-16-000, RM10-10-000, RM10-15-000, RM09-19-000
Item No.s: E-4, E-6, E-7, E-8 & E-9

Statement of Commissioner Cheryl A. LaFleur on Reliability Cases

"Thank you, Mr. Chairman, and thank you, Jonathan, Karin and Keith.

I just want to add a few thoughts on the orders we are voting out today, and on recent events.

Tomorrow marks the **one-year anniversary** of what have come to be known as "**the March 18th reliability orders.**" These orders caused considerable controversy, but they also provided a **springboard for the Commission to engage in discussion with NERC and industry** about the successes and challenges we have had in implementing section 215. This conversation began shortly before I joined the Commission, with the July 6th technical conference on Standards Development, and has continued since with our November 18th technical conference on monitoring, enforcement, and compliance, and our February 8th technical conference on priorities. I am pleased that the Commission has been proactive in seeking these opportunities, and I look forward to future discussions.

Two of the reliability orders on today's agenda relate to the March 18 Orders. In E-4, the Commission denies rehearing of its Final Rule requiring NERC to address the Commission's concerns with the discretion Regional Entities currently have to define the parameters of the bulk electric system in their regions without any oversight from the Commission or NERC. While the Commission approved the Final Rule in November, it first proposed a change to the definition of the bulk electric system last March.

I continue to support the Final Rule, because I believe it addresses the **potential for significant "gaps" in reliability** within and across regions. I am also pleased that E-4 continues to **adhere to the formula for directives** set forth in Order No. 693 and followed in the Final Rule. Under this approach, the Commission identified its concerns with the current definition of Bulk Electric System, provided NERC with the guidance necessary to understand the concerns, and directed NERC to address the concerns through its Standards Development Process. As both the Final Rule and E-4 make clear, while the Commission offered a suggestion for how to comply with its directive, NERC is able to develop an alternative.

E-10 also has its roots in the March 18 Orders. In one of those orders, the Commission expressed concern that NERC's rules could be used to prevent NERC from complying with its obligation as the ERO to submit to the Commission a new or modified Reliability Standard pursuant to a Commission directive. As a result, the Commission directed NERC to propose modifications to its Rules of Procedure and Standards Development Process to avoid this outcome. In September, the Commission approved NERC's proposed revisions to its Standards Development Process. In today's order, the Commission approves NERC's proposed revisions to its Rules of Procedure.

I commend NERC and its stakeholders for their hard work in developing these proposed revisions. Taken together, they equip the NERC Board with multiple options to address the Commission's concern.



I note that commenters in E-10 request that the Commission use its section 215(d)(5) authority to direct modifications to standards **judiciously**. I agree that the Commission should use this authority judiciously, and only when, **after having given “due weight”** to the technical expertise of the ERO, it deems it appropriate to carry out our responsibilities under section 215. To that end, I note that the four reliability final rules on today’s agenda contain no directives.

Finally, I know that all of us have been following the dramatic and tragic events in **Japan** in the last week. Like other natural disasters, this one underscores the dependence of modern society on the electric grid, and the importance of preparing for high-impact low frequency events such as those we discussed at the February technical conference. I am pleased that **NERC recently launched a Severe Impact Resilience task force**. I encourage these efforts and hope that they result in specific action plans to further protect the electric grid.

Thank you.”