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Before the
FEDERAL ENERGY REGULATORY COMMISSION

COMMISSION MEETING

March 15th, 2012

Federal Energy Regulatory
Commission
888 1st Street, NE
Washington, D.C.
20426

Reported by:

CHARLES D. HOFFMAN

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PRESIDING

JOHN WELLINGHOFF, Chairman, FERC

CHERYL A. LAFLEUR, Commissioner, FERC

JOHN R. NORRIS, Commissioner, FERC

PHILIP D. MOELLER, Commissioner, FERC

1 PROCEEDINGS

2 (10:05 a.m.)

3 CHAIRMAN WELLINGHOFF: If we can come to
4 order please. Good morning. This is the time and
5 place that has been noticed for the open meeting of
6 the Federal Energy Regulatory Commission to consider
7 matters that have been duly posted in accordance
8 with the Government in Sunshine Act. Would you all
9 please join me for the Pledge of Allegiance.

10 (WHEREUPON, The Pledge of Allegiance was recited.)

11 Since the February 16th Open Meeting, we have
12 issued 46 notational orders, so we have been busy.
13 Not as busy as the month of February, where we
14 issued 64. Also I want to welcome back our mini
15 sync contingent folks. Thank you for coming and
16 joining us today, appreciate you being here.

17 Before we move on, I would like to comment
18 briefly on one of the orders that the Commission has
19 issued since its February Open Meeting, a notational
20 order.

21 I want you to all know that this is the only
22 statement of the subject that I am going to make. I
23 will not take any questions during the press
24 briefing afterwards on the matter. If any reporters
25 have any detail questions about the stipulation

1 consent agreement, the enforcement staff will be
2 happy to answer those detail questions for you.

3 Last Friday, we unanimously approved a
4 Stipulation and Consent Agreement between the
5 Commission's Office of Enforcement and Constellation
6 Energy Commodities Group. Our order concluded a
7 lengthy and complex investigation. I want to
8 commend and thank our Office of Enforcement,
9 including the team that worked on the investigation,
10 for its tremendous work on behalf of consumers.
11 It's a landmark case that will have long term
12 benefits for all electric market consumers.

13 As detailed in the order, enforcement
14 determined that Constellation engaged in
15 manipulation that resulted in an economic loss to
16 market participants who bought and sold energy in
17 the day-ahead markets in ISO New England and the New
18 York Independent System Operator. Enforcement staff
19 also determined that this manipulation distorted
20 price discovery for all our participants. The
21 severity of Constellation's conduct is demonstrated
22 by its agreement to pay a civil penalty of 135
23 million, to disgorge unjust profits, and 110 million
24 as well, for the disclosure of unjust profits, 135
25 million in civil penalty. Total settlement amount

1 was 245 million. This total reflects the largest
2 penalty that the Commission has imposed under the
3 expanded enforcement authority that Congress
4 assigned us in 2005.

5 Furthermore, the employees involved in the
6 subject trading activities have been removed from
7 any position that performs any duties related to
8 managing, directing or engaging in wholesale
9 physical and financial energy trading. It is my
10 hope and belief that this order, again reinforces
11 this Commission's commitment to protecting the
12 integrity in the markets that are subject to our
13 oversight and protecting the interests of consumers
14 that depend upon those markets.

15 Compliance though, not penalties, remains my
16 primary goal. To that end, the Stipulation and
17 Consent Agreement is instructive regarding the
18 characteristics of a robust compliance program.
19 Now, based upon that agreement, Constellation will
20 institute a policy and process to monitor profit and
21 loss concentrations in virtual transactions and
22 physical schedules of electric energy and to review
23 and document the purpose of virtual transactions.

24 In addition, Constellation will develop and
25 enforce policies which require that communication by

1 its traders, including but not limited to instant
2 messaging, e-mail and phone calls, be preserved and
3 a system should be set up whereby such
4 communications will be regularly monitored by its
5 compliance group for potential irregularities or
6 illegalities.

7 Constellation must also adopt or maintain
8 compliance measures and procedures related to its
9 trading of jurisdictional products, including
10 virtual transactions, scheduling of physical power,
11 TCCs, FTRs. These measures shall include improved
12 training for its traders, supervisors and managers
13 regarding the Commission's regulations prohibiting
14 manipulation of jurisdictional energy markets and
15 the Commission's regulations governing energy
16 trading, including the adherence to tariffs in the
17 organized markets in which it participates and
18 providing accurate information to the Commission,
19 RTOs and ISOs. I urge all companies to include
20 these components their compliance program.

21 In my view, all wholesale market participants
22 should focus on four main points: First, do not
23 trade uneconomically on one position in order to
24 benefit another.

25 Second, senior management will be held

1 accountable. Senior management has an obligation to
2 proactively monitor for market manipulation and to
3 pursue concerns once brought to their attention.

4 Third, tell the truth, the whole truth and
5 nothing but the truth when questioned. What a
6 concept.

7 Finally, understand that the Commission will be
8 vigorous in using its anti-manipulation authority to
9 protect consumers. As a final point, I note that
10 since the issuance of the Commissioners order, a
11 senior Constellation official has stated publicly
12 that the company's practices, at issue here, were,
13 "Lawful portfolio risk management transactions." In
14 my opinion, clearly, that is not the case. The
15 Stipulation and Consent Agreement sets forth a
16 detailed description of the transactions that I
17 believe Constellation knowingly and willfully
18 engaged in that formed the basis of the enforcement
19 staff's conclusion that Constellation engaged in
20 market manipulation, fraud and misrepresentation. I
21 urge anyone who has any questions, as to
22 Constellation's actions in this case, to read that
23 Stipulation and Consent Agreement.

24 Colleagues, any comments? Phil.

25 COMMISSIONER MOELLER: Thank you,

1 Mr. Chairman. I realize that, because of the quasi
2 judicial nature of this agency, sometimes it's not
3 clear what kind of a signal we are sending. I'm not
4 going to speak to the order itself. I think it
5 speaks for itself. But I do want to make clear that
6 we still vigorously support the concept of energy
7 trading. We want trading, we need trading. Trading
8 brings liquidity to the marketplace. But we, of
9 course, want it to be done legally. Thank you.

10 COMMISSIONER NORRIS: Thank you,
11 Mr. Chairman. Yeah, I just want to echo your
12 comments and Phil's. Forward of that, let me thank
13 the staff. This is over four years of hard work
14 with tremendous amounts of data and documentation
15 and depositions to take. So, I think they've done
16 an extremely, well done job in a very complex
17 environment. So, thank them for their long and
18 dedicated work of this investigation.

19 This hopefully is a signal that we take market
20 manipulation very seriously at the Commission. It
21 strikes at the heart of what we do. It affects the
22 competitive marketplace, undermines confidence in
23 competitive markets, unjustly enriches the
24 manipulator, and in the end, costs consumers money.
25 And that's pretty fundamental to what we are doing

1 here, is to make sure our system runs fairly, and
2 the markets operate fairly.

3 So, I just echo what you said as well, Mr.
4 Chairman, that I think one of the most important
5 parts of this is the guidance it provides everyone
6 out there, with the importance of compliance
7 programs and leadership at the top sending a signal
8 that this type of action will not be tolerated. So
9 good work team, and I hope everyone is taking note
10 of what happened here.

11 CHAIRMAN WELLINGHOFF: Thank you, John.
12 Carol?

13 COMMISSIONER LAFLEUR: Well, I too would
14 like to thank the team from the Office of
15 Enforcement and the Office of General Counsel -I
16 know some of them are in the room - for their
17 several years of work that led to the settlement.

18 I'd also like to thank the New York ISO for
19 their contribution to the investigation. I
20 particularly appreciate the care with which the team
21 and the parties documented the stipulations and the
22 violations that were alleged in the settlement
23 agreement. Don't often urge that people read FERC
24 orders, because I am more realistic than that. But
25 I think this one is well worth reading, because it

1 provides important guidance to market participants
2 as to what we consider market manipulation as well
3 as to, how to undertake compliance programs.

4 Obviously, the point of our enforcement efforts
5 is not enforcement in itself, but rather the
6 fairness of the markets and the reliability of the
7 grid. And I hope that this settlement will help.
8 Thank you.

9 CHAIRMAN WELLINGHOFF: Thank you, Cheryl.
10 Anything else, John?

11 COMMISSIONER NORRIS: I want to get that
12 business taken care of first. But I want to
13 recognize a special guest in the audience this
14 morning. My mom is here from Iowa, visiting. She
15 had hoped to take in a Senate confirmation hearing
16 yesterday.

17 But I told her, with any luck, this will be
18 much more exciting.

19 (Laughter.)

20 CHAIRMAN WELLINGHOFF: Thank you, John.
21 Anybody else have any announcements?. If not, Madam
22 Secretary, if we could go to the Consent Agenda,
23 please.

24 SECRETARY: And before we move on, I just
25 remind our audience to turn off your cell phone

1 devices, that they may interfere with our
2 microphones. Thank you.

3 Good morning, Mr. Chairman, good morning,
4 commissioners. Since the issuance of the Sunshine
5 Act Notice on March 8th, 2012, items E2, E4, E5, E7,
6 E15, E32 and E34 have been struck from this
7 morning's agenda. Your consent agenda is as
8 follows:

9 Electric items: E1, E6, E8, E9, E12, E14,
10 E16, E17, E18, E19, E20, E21, E22, E25, E26, E27,
11 E28, E29, and E33.

12 Gas items: G1, G2 and G3.

13 Hydro items: H1, H2 and H3.

14 Certificate items: C1 and C2.

15 We will now take a vote on this morning's
16 consent agenda, beginning with Commissioner LaFleur.

17 COMMISSIONER LAFLEUR: Thank you, I vote
18 aye.

19 SECRETARY: Commissioner Norris?

20 COMMISSIONER NORRIS: Aye.

21 SECRETARY: Commissioner Moeller?

22 COMMISSIONER MOELLER: Are.

23 SECRETARY: And Chairman Wellinghoff?

24 CHAIRMAN WELLINGHOFF: I vote aye. Madam
25 Secretary, if we could go to the discussion agenda,

1 please.

2 SECRETARY: The first item and only item
3 for discussion and presentation this morning is item
4 E3, concerning a draft order in Docket Number RC
5 11-6-000, North American Electric Reliability
6 Corporation. There will be a presentation from
7 Martin Kirkwood, from the Office of the General
8 Counsel, and he is accompanied by Roger Morie, from
9 the Office of Enforcement.

10 MR. KIRKWOOD: Good morning, Mr. Chairman
11 and commissioners. We are presenting E3 on behalf
12 of the team of staff that prepared the draft order
13 for your consideration today. Item E3 is a draft
14 order that excepts, with limited conditions, NERC's
15 petition for approval of a new enforcement
16 mechanism, referred to as the Find, fix, track and
17 report, or the "FFT" process. Under the FFT
18 process, NERC will submit to the Commission, each
19 month, a spreadsheet that provides information about
20 remediated possible violations that pose a lesser
21 risk to the bulk power system. There will be no
22 penalty and no formal mitigation plan associated
23 with the matters resolved through the FFT process.

24 NERC states that it will continue to submit
25 notices of penalty for violations with more serious

1 risk. According to NERC, the FFT process will
2 reduce the documentation and administrative burdens
3 associated with processing lesser risk, compliance
4 matters.

5 NERC states that the FFT mechanism will allow
6 a redirection of compliance resources, so that NERC,
7 the regional entities and registered entities can
8 focus resources on matters that pose a more serious
9 risk to the bulk power system.

10 The draft order accepts NERC's petition with
11 limited conditions. That as an initial matter, the
12 draft order indicates that the conditions will apply
13 prospectively from the date that this order is
14 issued. In other words, the draft order does not
15 require NERC to refile the FFTs that have already
16 been submitted to the Commission.

17 The first condition in the order is that only
18 possible violations that pose a minimal risk to the
19 bulk power system will be eligible for FFT
20 treatment. Based on a review of the FFT filings
21 NERC has submitted to the Commission thus far, the
22 draft order provides some guidance with regard to
23 what may and what may not pose a minimal risk to the
24 bulk power system.

25 Second, while NERC indicates in its petition

1 that an entity receiving FFT treatment must first
2 submit a statement to the regional entity that
3 remediation has occurred, the draft order also
4 requires the registered entity to certify to the
5 regional entity that the Statement of Remediation is
6 true and correct.

7 Third, a possible violation, that receives FFT
8 treatment but is later found not to have been
9 mitigated as certified, will be treated as a
10 continuing possible violation that will not be
11 eligible for FFT treatment.

12 Fourth, the FFT informational filings,
13 submitted to the Commission, must publicly identify
14 the name of registered entities with possible
15 violations, unless the disclosure relates to a cyber
16 security incident or would jeopardize the security
17 of the bulk power system.

18 Finally, NERC must submit a compliance filing
19 60 days after the date of the order to explain how
20 NERC and the regional entities will evaluate a
21 registered entity's compliance history and how the
22 history will be considered in deciding whether
23 entities receive FFT treatment. That compliance
24 filing must also include additional information from
25 NERC as to how it will implement Phase II of the FFT

1 proposal.

2 The draft order also explains that the
3 Commission will treat possible violations included
4 in the monthly FFT informational filings as closed,
5 60 days after the submittal, unless there is cause
6 to open them for review.

7 In addition, the draft order indicates that,
8 each year, the Commission will survey a random
9 sample of FFTs. The purpose of the survey will not
10 be to reopen those FFTs but to determine whether the
11 program is accomplishing its goals.

12 The draft order also directs NERC to submit two
13 informational reports regarding its experience with
14 the FFT mechanism. The draft order explains that
15 the Commission will use the informational report to
16 be filed 12 months from the issuance of the order,
17 as an opportunity to evaluate the FFT program.
18 Further, the 12 month report will provide an
19 opportunity to the Commission to reevaluate the
20 appropriateness of the limited conditions set forth
21 in the draft order.

22 Finally, the draft order notes that the FFT
23 proposal is predicated on the view, that certain
24 possible violations pose lesser risk to the bulk
25 power system and that this may be a sign that some

1 of the current requirements provide little
2 protection for a liability or may be redundant.
3 Therefore, in an effort to use other approaches to
4 gain efficiencies and reduce compliance backlog, the
5 draft order invites NERC, regional entities and
6 other interested entities to propose changes or
7 mechanisms to identify and remove reliability
8 standards or requirements that may be unnecessary
9 for system reliability or that may be redundant.

10 That concludes my presentation, thank you.

11 CHAIRMAN WELLINGHOFF: Thank you, Martin
12 and Roger, appreciate it very much. And thank you
13 to the team and for your hard work in reviewing the
14 NERC's find, fix and track proposal and the related
15 filings over the last several months.

16 I want to thank staff members of the Office of
17 Electrical Reliability, the Office of General
18 Counsel, the Office of Enforcement, as well as NERC
19 and the industry for their continued diligent work
20 to improve the reliable functioning of this nation's
21 interconnected transmission network.

22 It is worth noting that every commenter
23 supported NERC's FFT proposal as a means of more
24 efficiently allocating the compliance resources of
25 NERC, the regional entities and registered entities.

1 I support the efforts to prioritize the
2 allocation of resources in order to focus resources
3 on issues that pose the greatest risk to
4 reliability. I believe that the FFT proposal may
5 significantly reduce the time and resources needed
6 to resolve minor possible violations of reliability
7 standards and thereby permit NERC and the regional
8 entities to re-prioritize their compliance efforts
9 towards more important violations and matters.

10 It's my hope that our approval of NERC's
11 proposal, as conditioned in our order, will lead to
12 a more efficient and effective compliance and
13 enforcement process. In approving this proposal
14 today, we provide certain guidance but do not
15 significantly alter NERC's original proposal. NERC
16 has been submitting monthly FFT filings since the
17 FFT proposal was initially filed here in September.

18 I agree that a vast number of these monthly FFT
19 filings are satisfactory. In fact, our review of
20 those monthly filings, in concert with our
21 consideration of the FFT proposal, has enhanced our
22 understanding and confidence in how NERC intends to
23 implement its proposal. Based upon our review of
24 the monthly FFT filings, the Commission provides
25 guidance for the implementation of the FFT proposal

1 going forward. I would like to highlight a few key
2 concepts.

3 While the NERC proposal identifies six factors
4 that would be considered in assessing the risk of a
5 possible violation, it's not completely clear how
6 those factors will be applied and how NERC will
7 assure that they will be applied consistently across
8 NERC's eight regions.

9 For example, I am concerned that a violation
10 may be treated as posing minimal risk because no
11 harm to the bulk power system has actually occurred.
12 Simply because there's no adverse impact for the
13 bulk power system, during the period a possible
14 violation occurred, does not mean that there was
15 minimal risk to the bulk power system.

16 The order identifies other examples of where
17 NERC's risk assessment was problematic, and we offer
18 guidance on those matters. In sum, we need a better
19 understanding of how the risk assessments will be
20 made in qualifying a possible violation for FFT
21 treatment. Consequently, until we and NERC have
22 gained additional experience with the assessment of
23 risk under specific factual scenarios, we are
24 limiting the eligibility of FFT treatment only to
25 possible violations that pose a minimal risk to bulk

1 power system reliability.

2 Our view, of the informational filing that Nerc
3 submits in one year, may give us a better
4 understanding of how risk is assessed so that we may
5 consider whether it is appropriate to review this
6 condition.

7 I point out that this initial eligibility
8 requirement is substantially consistent with NERC's
9 proposal. Of the possible violations submitted by
10 NERC as FFT issues from September through February,
11 approximately 10 percent would be affected by this
12 contingent and would not have qualified for FFT
13 treatment on a prospective basis. However, we will
14 not reopen those FFTs or require that they be filed.

15 Second, I agree that the need to reduce the
16 burden associated with compliance matters that pose
17 a minimal risk, especially with regard documentation
18 burdens, however, the Commission is obligated to
19 fulfil its oversight role and responsibilities. I
20 believe the data listed, in the NERC guidance for
21 self-report, provides sufficient information to meet
22 our documentation needs, and to significantly
23 minimize the amount of documentation submitted in
24 connection with an FFT matter.

25 In addition, we will require the public

1 disclosure of the identity of an entity that is the
2 subject of an FFT matter, unless the disclosure
3 relates to cyber security incident or would
4 jeopardize the security of the bulk power system.
5 Because there may be similarly situated registered
6 entities, public disclosure of the identity of an
7 entity in an FFT informational filing will provide
8 industry with valuable information on compliance
9 issues.

10 Further, public disclosures will make full
11 information regarding an FFT matter available to
12 state regulators and the public, thus providing
13 additional accountability and deterrence.

14 I recognize that finality of matters treated as
15 FFT is important to the success of the FFT
16 mechanism. Moreover, I do not want or intend to
17 second guess NERC or the regional entities in
18 determining whether a possible violation qualifies
19 for FFT treatment. In fact, I support the
20 statement, in the order, that an FFT matter will be
21 considered closed 60 days after the FFT
22 informational filing is submitted to the Commission,
23 unless reviewed for good cause. Which should be
24 infrequently and only in limited and rare
25 circumstances.

1 Finally, compliance, not penalties is my main
2 goal. Therefore, I strongly support promoting a
3 culture of compliance. I am concerned that the FFT
4 mechanism may have an adverse impact on
5 self-reporting. We have asked NERC to include, as
6 part of its one year report, an analysis of the
7 impact, if any, the implementation of the FFT
8 mechanism has on the number of self-reports
9 submitted.

10 In conclusion, today's order approving NERC's
11 proposal generally provides NERC with the discretion
12 to seek, to proceed with the implementation of the
13 FFT proposal. I agree with the goals of the
14 proposal. But as the order indicates, the proposal
15 is a major change in how we will enforce compliance
16 with reliability standards going forward. Thus, I
17 believe the limited conditions and guidance in the
18 order are appropriate for the Commission to ensure,
19 at this stage, that the mechanism achieves its goals
20 without any adverse effects on our ability to ensure
21 compliance with reliability standards. By allowing
22 FFT treatment of possible violations that pose only
23 a minimal risk to the reliability of the bulk power
24 system, the Commission supports NERC's efforts to
25 prioritize its allocation of resources on matters

1 that pose the greatest risk to reliability. With
2 that, I support the order. Colleagues, comment?
3 Phil.

4 COMMISSIONER MOELLER: Then bump you Phil,
5 because it's garbage day today.

6 (Laughter.)

7 First, I belatedly want to send my thanks to
8 Norman Bay and his team and the members of the OGC
9 team for the last item. I'll similarly send thanks
10 to the team on this item. There was extensive
11 involvement to try to get to where we are today, and
12 I'm very happy to support this order.

13 What we're trying to get at is the backlog of
14 minor violations that have created, again, a very
15 extensive backlog at NERC. And I'm happy to support
16 find, fix and track. I think, hopefully, it will
17 also help toward getting more consistency amongst
18 the eight regional entities in terms of how they
19 approach minor violations. But we do want it to
20 stay to minor violations until we have some history
21 with it.

22 And I want to reiterate what both Mr. Kirkwood
23 said and what you said, which is that we will have a
24 surveying or a sampling process that goes on as this
25 program is developed. But it is not meant to

1 second-guess decisions. Those matters that are
2 closed will remain closed. But the purpose behind
3 it is to make sure the program is working as
4 intended and that it is not swallowing up larger
5 issues that should not have gone into the FFT
6 process. But again, when those matters are closed,
7 they will be closed. This will be a sampling or a
8 surveying to make sure that the program is
9 effective. We want to reduce the paperwork on this,
10 not increase it or not keep it at the level where it
11 is now. But again, I am happy to support this
12 order.

13 CHAIRMAN WELLINGHOFF: Thank you. John.

14 COMMISSIONER NORRIS: Thank you,
15 Mr. Chairman. Thanks to staff as well. I know this
16 has been a lot of work in a short amount of time to
17 prepare for this. But I really thought we came
18 forward with a thoughtful and balanced response to
19 the request from NERC on the FFT.

20 This goes to the heart of what you,
21 Commissioner Lafleur, said on this issue. Which is
22 "When everything is priority, nothing is a
23 priority." And in this case, I think a lot of
24 minimal risk violations have consumed as much time,
25 a disproportionate amount of time and resources, for

1 the value we get for reliability of the bulk power
2 systems. So, I'm pleased that we can priority shift
3 here to the more important stuff. But I will
4 stress, and I'm glad we've reached an agreement on
5 the Commission that this really is for minimal
6 violations. And understanding that there can be
7 some different interpretations of minimal violations
8 are. And so hopefully in the order, we've set a
9 process in place for continued dialogue, working
10 with the REs and with NERC to continue to refine
11 that. As we get experience with what's been done
12 already, will be done over the next 12 months with
13 the FFT program, so that we can reach a common
14 understanding and really evolve through this
15 together with NERC and the REs on what are minimal
16 violations.

17 Another important aspect of this, that I don't
18 want to leave out, is that the mitigation is
19 important. It's important for me, anyway. That
20 clearly, the entities who are now being relieved of
21 some compliance burden and paperwork and
22 documentation around minimal violations that are
23 either self-reported or discovered, that the
24 mitigation is an important piece of this for it to
25 work effectively.

1 There are a number of things in this. I just
2 want to probably highlight a few more items. One
3 is, as I mentioned, minimal risk. Two, and has been
4 previously mentioned, the finality. I know finality
5 is important. Finality is important to motivate
6 people to want to make this work. So, I think we
7 reached a good decision on 60 days and these are
8 done, but still honoring our responsibility for
9 oversight of reliability. This is a unique, shared
10 relationship that Congress gave this Commission and
11 the ERO, that would, again, I think the finality
12 period we set up, the recognition of NERC's and the
13 RE's ability to administer this is an important
14 aspect of that shared relationship. But it hinges
15 upon a continued dialogue, which I think we have
16 established through the reviews we'll have going
17 forward.

18 And finally, I want to highlight the last
19 paragraph because it makes an important point about
20 the content of reliability standards. Given that
21 the FT initiative is focused on more efficiently
22 addressing a large volume of standards that pose a
23 minimal risk to the bulk power system reliability,
24 it's fair to ask whether there are requirements
25 within the standards that have little value in

1 achieving reliability or are simply redundant.

2 In today's order, I believe we seek to obtain
3 views on whether such requirements could be removed
4 from reliability standards with little effect on
5 reliability and an increase in the efficiency of
6 compliance programs. So, I'm hopeful we'll gain
7 experience with this that can continue down that
8 road that Commissioner LaFleur cited, that we can -
9 - prioritization and established priorities that we
10 have done at the technical conferences and other
11 meetings with the industry and NERC, who will enable
12 both the ERO and this Commission to more effectively
13 address the reliability, but compliance and
14 standards and enforcement that Congress directed us
15 to do. So, thank you.

16 CHAIRMAN WELLINGHOFF: Thank you, John.
17 Cheryl.

18 COMMISSIONER LAFLEUR: Thank you. I too
19 would like to thank the team for all their hard work
20 on this order. At our technical conference on
21 reliability monitoring and compliance back in
22 November, 2010, we all heard a great deal from the
23 regional entities and NERC about the difficulties
24 they faced in processing compliance issues and the
25 resulting multiyear backlog. On that day, at that

1 time, we all asked NERC and invited NERC to file a
2 proposal to address those issues through more
3 efficient and effective processing of compliance
4 matters.

5 NERC responded with the find, fix, track and
6 report proposal that we largely approved today. My
7 colleagues have already summarized the order pretty
8 well. I think the essence of the proposal obviously
9 is to allow streamline processing of remediated
10 issues that do not pose a significant reliability
11 threat in order to free up resources to focus on
12 more significant issues.

13 I strongly support this proposal as I do a
14 greater focus on prioritization of resources across
15 the reliability cycle. I describe the reliability
16 cycle as beginning with setting priorities, leading
17 to standards development and review, training and
18 communication, audit enforcement, event analysis,
19 learning from reality and metrics and then feeding
20 back to next year's priorities.

21 Over the past year and a half, I think we, the
22 Commission, and NERC have made a lot of progress on
23 the front end of the cycle, particularly improving
24 the standards development and review process. And
25 there's still a lot of work that has to happen

1 there, but we've been quite focused on it.

2 Today's order starts to attack the back end of
3 the reliability cycle, allowing the handling of
4 potential violations in a manner commensurate with
5 their severity. One of the reasons I support the
6 proposal is it requires that all potential
7 violations, including of course the minimal ones
8 that we treat in this process, be mitigated, tracked
9 and reflected in future compliance assessments.
10 This will give NERC, the regional entities, the
11 Commission and the registered entities the
12 opportunity to identify clusters or trends of
13 emerging issues and take effective action to address
14 them.

15 One of the central objectives of the FFTR
16 proposal is to free up resources for more important
17 efforts. I urge NERC, the regional entities and the
18 industry to invest those resources wisely on
19 addressing significant reliability issues and
20 working to improve the overall reliability of the
21 bulk electric system. That's what this whole
22 gestalt is for.

23 As I frequently observed, the Commission and
24 the ERO are only a few years into our joint effort
25 here, and we can and must continue to improve it.

1 Today's order is an important step in that
2 direction. And while I have the soap box, my
3 reliability advisor, Josh Konecny, is turning 30
4 years old today.

5 (Laughter.)

6 So, happy birthday, Josh.

7 SECRETARY: The vote begins with
8 Commissioner LaFleur.

9 COMMISSIONER LAFLEUR: I vote aye.

10 SECRETARY: Commissioner Norris?

11 COMMISSIONER NORRIS: I vote aye.

12 SECRETARY: Commissioner Moeller?

13 COMMISSIONER MOELLER: Aye.

14 SECRETARY: And Chairman Wellinghoff?

15 CHAIRMAN WELLINGHOFF: I vote aye. With
16 that, this meeting is adjourned.

17 (WHEREUPON, The proceedings were concluded at 10:36
18 a.m.)

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