



Federal Energy Regulatory Commission
June 21, 2012
Open Commission Meeting
Staff Presentation
Item E-4

"Good morning Mr. Chairman and Commissioners,

Item E-4 is a draft Notice of Proposed Rulemaking that proposes to approve two filings submitted by the North American Electric Reliability Corporation. First, the NOPR proposes to approve NERC's modification to the currently-effective definition of "bulk electric system" contained in NERC's *Glossary of Terms Used in Reliability Standards*. Second, the NOPR proposes to approve NERC's related filing that would change the NERC Rules of Procedure to provide an "exception" process for adding elements to - and removing them from - the bulk electric system on a case-by-case basis.

In response to the Commission's directive in Order No. 743, NERC filed revisions to the definition of 'bulk electric system' that:

1. Establish a "core" definition that includes all transmission elements and real power and reactive power resources operated or connected at 100 kilovolts or higher; and,
2. Eliminate the discretion that Regional Entities now have to define the system in their region without any oversight from the Commission or NERC.

NERC's modified definition also identifies specific facility configurations that are included in or excluded from the bulk electric system.

The draft NOPR proposes to approve NERC's revised definition because it (1) responds to the Commission's concerns in Order No. 743, (2) removes regional discretion that is contained in the existing definition and (3) establishes a 100 kV bright-line threshold. The draft NOPR indicates that NERC's proposal offers additional clarity to the definition of 'bulk electric system' by creating specific, bright-line inclusions and exclusions within the definition, which also provide granularity with regard to common types of facilities and facility configurations to determine whether they are part of the bulk electric system.

While proposing to approve the revisions to the definition of bulk electric system, the draft NOPR also seeks comments on various provisions of NERC's proposal. In these questions, the NOPR seeks better understanding regarding the application of the bulk electric system definition to certain common facility configurations. By soliciting comment on these matters, we seek to provide a common understanding that will ensure a consistent application of the definition in identifying bulk electric system facilities. While the NOPR does not propose to direct modifications to any provision of the proposal, it does note that responses to the questions in NOPR comments may highlight the need to modify a provision.

With regard to NERC's second filing, the draft NOPR proposes to approve NERC's changes to its Rules of Procedure which create an exception process for adding elements to and removing them from the definition on a case-by-case basis. The draft NOPR proposes to find that the exception process, under which NERC will make the final decision on whether to grant an exception request, better assures consistency of decisions across all regions and provides clarity and consistency across the nation's reliability regions in identifying bulk electric system facilities.

Further, the draft NOPR proposes that NERC file an informational filing within 90 days of the effective date of a final rule, detailing its plans to maintain a list of facilities that have received exceptions and how NERC will make this information available to the Commission, Regional Entities, and potentially to other interested persons.

Thank you. This concludes our presentation."