



December 20, 2012

Commissioner Cheryl A. LaFleur

STATEMENT

Statement of Commissioner Cheryl A. LaFleur on Revised Definition of Bulk Electric System

"Today's final rule approving a new definition of "bulk electric system" (BES) marks a significant moment in the Commission's oversight of electric reliability and in the evolution of our relationship with NERC.

"The BES, of course, is the universe of facilities that must comply with mandatory reliability standards. Therefore, it is critical that it include all facilities necessary for reliable operation of the grid. In Order No. 743, the Commission found that the currently effective definition fails to satisfy this basic requirement because it allows each region to identify for itself which facilities are included in the BES, which in turn has led to inconsistencies across regions and potential gaps in reliability.

"The definition we approve today eliminates the broad regional discretion that concerned the Commission in Order No. 743 and replaces it with a general 100 kV threshold, a thoughtful and nuanced list of specifically included and excluded facilities, and an exception process to add or remove specific facilities. I believe that it addresses the Commission's technical concerns and is a major step forward in ensuring that the BES includes all facilities necessary for reliable operation of the grid.

"The definition we approve today also reflects, and defines, the limits of our jurisdiction. In my remarks on the NOPR, I observed that the Commission had deferred to this proceeding the question of whether the local distribution facilities excluded from its jurisdiction under section 215 are the same local distribution facilities excluded from its jurisdiction under section 201(b). In today's final rule, the Commission finds that they are, and that it will apply the same seven-factor test under both sections of the statute.

"Today's order illustrates the success of the new paradigm for Commission directives established in Order No. 743. There, the Commission explained that directives should not be unduly prescriptive, but should instead identify and explain the Commission's reliability concerns, offer NERC guidance and suggestions as to acceptable solutions, and permit NERC to propose equally efficient and effective alternatives. NERC responded in this proceeding by developing a comprehensive definition that addressed our technical concerns with creativity and care.

"Additionally, NERC and the Standards drafting team deserve praise for their focus and timeliness in developing and submitting the revised definition. As I have noted before, all drafting teams are composed of volunteers and the work they do for NERC is in addition to their day jobs at their companies. I also want to thank the FERC staff that worked on this very detailed and well-written (and even well-illustrated) order. I know that you worked very hard to present us with this draft final rule within six months of the NOPR. I hope that this process, and especially the mutual commitment to timeliness, can be a model for both FERC and NERC going forward.

"Finally, as we close out another year, it is appropriate to consider our approval of the new BES definition in the context of the larger relationship and efforts of the industry, NERC, and the Commission to carry out our responsibilities under section 215. In the past year, we have approved standards relating to cybersecurity and vegetation management, as well as a new compliance protocol in the FFT order, and ordered NERC to develop standards to address geomagnetic disturbances. In addition, NERC and its stakeholders are working on improvements in prioritization of reliability issues, focusing on both the standard development and compliance management processes, which we look forward to hearing more about in the new year. While the road has sometimes been bumpy, I believe



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FERC and NERC have accomplished a lot together. As we move forward to advance our shared goal of improving the reliability of the bulk electric system, we should build on the shared commitment and collaboration among FERC, NERC, and industry that we saw in this proceeding.”