

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

**Reliability Monitoring, Enforcement
and Compliance Issues**

Docket No. AD14-9-000

Prepared Remarks of Billy Ball
Executive Vice President and Chief Transmission Officer, Southern Company
On behalf of
The Edison Electric Institute

Good morning. My name is Billy Ball. I am Executive Vice President and Chief Transmission Officer for Southern Company and am here representing the Edison Electric Institute and its member companies. I appreciate the opportunity to engage in today's dialogue on the reliability of the Bulk Power System (BPS). At Southern Company, my job is to keep the lights on. The safety, reliability and resiliency of the grid is my top priority. This is very personal to me and I know the same is true for my peers across the industry. Like other EEI member companies, Southern Company has actively supported the ERO for many years, serving in leadership positions across various committees as well as on many standards drafting teams.

It has been almost 9 years since Section 215 was added to the Federal Power Act through the Energy Policy Act of 2005, which resulted in the formation of the Electric Reliability Organization and the establishment of mandatory reliability standards. The ERO model has been maturing over this time and we have made significant progress. The standards development process has been made more efficient to enable the development of high quality reliability standards on a more expeditious basis. The recent experience in developing the proposed physical security standard in a very short time shows that the NERC process is adaptable to meet unique circumstances and that ERO staff and stakeholders, working together, are able to meet the challenge to address risks to the reliability of the Bulk Power System. Improvements have been made in standards development and compliance, as well as the prioritization of issues through the Reliability Issues Steering Committee (RISC). The RISC provides essential input to the Standards Committee and NERC, including the Board of Trustees, to set priorities based on risk to the reliability of the BPS. NERC should continue to integrate the recommendations of RISC into ERO strategic planning to ensure prioritization alignment and resource allocation for the long term. Additionally, this latest State of

Reliability Report indicates continued, steady improvement in actual reliability results. These results confirm that Section 215 is a reasonable and durable framework and this fairly unique regulatory model is working.

At the same time the NERC processes have been improving, voluntary industry efforts focused on excellence have grown. The North American Transmission Forum, for example, now includes members that provide transmission service to 85% of peak demand in the U.S. and Canada. The NATF and other industry organizations are working to strengthen a culture of reliability excellence.

The next key step is the move toward risk-based management and compliance processes that ensure those items with the greatest impact on reliability are given highest priority while those that are more administrative in nature do not overwhelm valuable resources.

From EEI's perspective, the most important of the risk-based initiatives is the Reliability Assurance Initiative (RAI). For several years, Southern, along with other EEI member companies, has been concerned that every violation of a standard, regardless of risk to the Bulk Power System, must be acted upon equally from an enforcement perspective. All violations come with the prospect of significant monetary penalties for noncompliance. This "zero tolerance" (i.e. "zero defects") application of compliance and monitoring without regard to the risk to the Bulk Power System has unduly focused attention and resources on compliance risk and administrative processes as opposed to reliability risk. Therefore, EEI supports RAI and the projected end-state that focuses on compliance and management controls and reserves enforcement for the violations that pose the most serious risks to reliability. We encourage NERC and the Regional Entities to move to adopt a single ERO-wide program to consistently implement RAI on an expedited basis. Commitment to a firm implementation deadline for RAI is critically important particularly in light of the upcoming implementation of the CIP version 5 standards, which greatly expand the scope and complexity of assets under those standards.

Going forward, we must focus our industry and regulatory resources on core, strategic efforts. We must remain committed to our long term reliability strategies without allowing our efforts to become singularly focused in response to the headline or the issue of the day. I am greatly encouraged by this Commission's recent comments and efforts in this regard.

The electric utility industry takes seriously providing safe, reliable, and affordable electricity. Providing a needed service to customers and communities is the reason I

started working in this industry 30 years ago and it is what keeps me coming back every day. I look forward to your questions.