



**Federal Energy Regulatory Commission
November 20, 2014
Open Commission Meeting
Staff Presentation
Item E-3, E-4, E-6 & E-10**

"Good morning Chairman LaFleur and Commissioners,

"Today we will provide a summary of Agenda items E-3, E-4, E-6 and E-10, which pertain to three North American Electric Reliability Corporation (NERC) reliability petitions and, separately, a draft comment from the Commission to the Environmental Protection Agency (EPA) concerning a request.

"First, Agenda item E-3 is a draft comment to the EPA concerning Kansas City Board of Public Utilities' (BPU) request for an administrative order from EPA to allow the continued operation of BPU's Nearman 1 electric generating unit for a period of six months. In an EPA Policy Memorandum issued concurrently with its Mercury and Air Toxics Standards, the EPA indicated that it intends to seek advice, as necessary and on a case-by-case basis from the Commission, among others, as the EPA decides whether it will grant an administrative order to an owner/operator. The Commission then issued a Policy Statement explaining that it would advise the EPA by submitting written Commission comments to the EPA, based on the Commission's review of the information included in an informational filing containing the request for the administrative order provided to the Commission. This draft comment results from that process. The draft comment indicates that the loss of the Nearman 1 unit would result in BPU falling below the 12 percent capacity reserve requirement mandated in the Southwest Power Pool Criteria unless BPU is able to procure replacement energy for the unit.

"Now I will turn to the agenda items regarding petitions submitted by NERC.

"Agenda item E-4 is a draft Final Rule approving the Physical Security Reliability Standard, CIP-014-1, submitted by NERC in response to an order issued by the Commission on March 7, 2014.

"While approving the Physical Security Reliability Standard, the draft Final Rule, pursuant to the Commission's authority under section 215(d)(5) of the Federal Power Act, directs NERC to develop one modification to the Physical Security Reliability Standard. The draft final rule directs NERC, within six months of the effective date of the final rule, to remove the undefined term "widespread," as used in the phrase "widespread instability," from the Physical Security Reliability Standard or, alternatively, to modify the Reliability Standard to address the Commission's concern that the term is ambiguous. The draft final rule also directs NERC to submit an informational filing within two years of the effective date of the Physical Security Reliability Standard addressing whether the Reliability Standard should encompass all "High Impact" control centers, as that term is defined in Reliability Standard CIP-002-5.1. The draft final rule does not adopt the other proposals in the NOPR, including the proposal that would have directed NERC to develop a modification to allow applicable governmental authorities (i.e., the Commission and any other appropriate federal or provincial authorities) to add or subtract facilities from an applicable entity's list of critical facilities.

"Agenda item E-6 is a draft Notice of Proposed Rulemaking that proposes to approve revised Reliability Standard BAL-001-2 (Real Power Balancing Control Performance) and certain new definitions proposed by NERC. The proposed Reliability Standard is designed to ensure that

applicable entities maintain system frequency within narrow bounds around a scheduled value. In addition, the draft Notice of Proposed Rulemaking proposes to direct NERC to submit an informational filing that addresses reliability impacts on the Bulk-Power System as a result of inadvertent interchange and unscheduled power flows. Comments on the draft Notice of Proposed Rulemaking are due 60 days after its publication in the Federal Register.

“Agenda item E-10 accepts NERC’s second Performance Assessment, finding that NERC continues to fulfill its statutory and regulatory responsibilities as the nation’s Electric Reliability Organization. The draft order discusses improvements made to NERC’s processes and procedures since its last performance assessment in 2009. These improvements include efforts to streamline the Reliability Standards development process and the formation of an Independent Experts Review Panel to provide a comprehensive review of existing Reliability Standards. In addition, the draft order encourages or directs NERC to take several actions to further improve its performance as the Electric Reliability Organization. For instance, the draft order directs NERC to submit an informational filing within one year reporting on its efforts to improve coordination and consistency among the Regional Entities. Also, the draft order directs NERC to strengthen its future performance assessments by including an analysis of repeat violations and NERC’s corporate performance metrics.

“This concludes our presentation. Staff will take any questions you may have.”