



Federal Energy Regulatory Commission
March 19, 2015
Open Commission Meeting
Staff Presentation
Item E-3

"Good morning Chairman and Commissioners,

"Item E-3 is a draft order approving in part, and denying in part, the North American Electric Reliability Corporation's, or NERC's, Risk-Based Registration initiative, which is intended to ensure that entities are registered and made subject to the Reliability Standards based on the risk they pose to reliability.

"NERC explains that it is transforming its approaches to compliance and enforcement to be forward-looking with a focus on high reliability risk areas. It states that the ERO compliance program and stakeholders will benefit from the proposed registry changes as they appropriately focus resources on entities with the greater potential impact on reliability. Additionally, NERC explains that the proposed changes are consistent with the underlying goal of the definition of bulk electric system, which is to provide transparency and consistency in the identification of elements and facilities that make up the bulk electric system.

"Under the Risk-Based Registration initiative, NERC proposes to modify the compliance registry process in four primary ways: First, NERC proposes to remove load-serving entities, purchasing-selling entities, and interchange authorities as functional registration categories. According to NERC, the activities of these entities are commercial in nature and their removal from the registry poses little or no risk to reliability. NERC further states that these entities have not caused or exacerbated events or system disturbances that jeopardized reliability of the grid - nearly all violations involving these entities posed a minimal actual risk to reliability and the vast majority posed a minimal potential risk.

"Second, NERC would raise the threshold for registering entities as distribution providers from 25 MW to 75 MW and to align the "directly connected" language with the definition of Bulk Electric System's 75 MVA threshold for certain generating resources. NERC also proposed changes to the NERC Rules of Procedure that explicitly allow NERC to provide a sub-set list of Reliability Standards to Distribution Providers that meet no other Distribution Provider registration criteria, but own, control or operate Underfrequency Load Shedding Protection System(s) needed to implement a required Underfrequency Load Shedding Program that protects the Bulk Electric System.

"Third, NERC's proposal would align five functional registration categories with the definition of the Bulk Electric System. NERC explains that these revisions will assure consistency in the identification of Elements and Facilities that make up the Bulk Electric System

"Fourth, NERC proposes several additional procedural changes to its registration process - namely: (1) the establishment of a materiality test for registration, which delineates the procedures and criteria for evaluating whether an entity has a material impact on reliability; (2) a process for review of certain registration, deactivation and deregistration decisions, as well as certain requests for sub-set lists of Reliability Standards; (3) the development of a common registration form to facilitate uniformity in Regional Entity collection of the information from registration candidates; and (4) one-time attestations that allow entities to record that a specific Reliability Standard requirement is "Not Applicable." According to NERC, collectively, these proposed procedural improvements provide additional clarity and

transparency to the registration requirements, roles, and responsibilities.

“While approving most aspects of NERC’s Risk-Based Registration proposal, the draft order denies, without prejudice, the proposed elimination of the load-serving entity function and directs NERC to submit a compliance filing to provide additional information regarding how certain load-serving entity reliability tasks will be performed going forward.

“In addition, the draft order directs NERC to include Reliability Standard PRC-005, Transmission and Generation Protection System Maintenance and Testing, as applicable to underfrequency load shedding-only distribution providers.

“The draft order also requires NERC to provide additional informational on the implementation of the program. This concludes our presentation.”