

**Comments of
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**FERC Technical Conference on
Electric Reliability Standards (Docket No. RM05-30-000)
December 9, 2005**

EPAct 2005 states that it does not pre-empt the authority of any state to take action to ensure the safety, adequacy, and reliability of electric service within that state, as long as such action is not inconsistent with any reliability standard. It also directs the Commission to establish a regional advisory body of at least two-thirds of the states within a region petition. A regional advisory body shall be composed of one member from each participating state in the region, appointed by the Governor of each state, and may include representatives of agencies, states, and provinces outside the United States.

The panellists will provide insight into the following questions:

- What role should states and provinces play with regard to reliability standards?
- How should the Commission receive input for approval of reliability standards from the states, provinces, Regional Entities, and ERO?
- What test should the Commission use to determine whether a state developed rule conflicts with reliability standards?
- When should Regional Advisory Bodies be convened and for what purpose?
- What role should the states, provinces, Regional Entities, ERO, and the Commission play in determining resource adequacy?

Comments:

Introduction

My name is Kellan Fluckiger, I am the Executive Director of the Electricity Division for the Province of Alberta. I am a member of the Canadian Federal-Provincial-Territorial Electricity Working Group, and a provincial representative on the Bilateral Electric Reliability Oversight Group - which includes representatives of FERC and the US DOE. I am also a member of WECC.

Alberta does not directly connect with the transmission grid in the US but both exports and imports electricity through Saskatchewan and BC. A merchant transmission line between Alberta and Montana has been proposed and is in the process of seeking approval from regulators on both sides of the 49th parallel to begin construction.

Alberta has long had a reputation for providing safe and reliable electrical service. Consistent with this reputation, we have devoted considerable efforts to ensuring that this reliability continues and that standards within Alberta are respected by Transmission Facilities Owners. We have been a long-time signatory to the WECC RMS agreement, which is the model predecessor to NERC mandatory standards.

We agree with Tom that the 2003 blackout reflects the challenges of this interconnected system, but also signaled a great opportunity for our respective countries to work together to ensure a reliable grid. To this end, our Independent System Operator participated in a NERC readiness audit earlier this year and the audit team found no significant operational problems. It concluded that AESO has adequate facilities, processes, plans, procedures, tools, and trained personnel to perform its balancing authority and transmission operation reliability functions. The audit team also identified a number of positive observations and potential examples of excellence including:

- Good understanding of voltage issues and operating to minimize the effect of voltage issues
- Frequency measurement at all major generating sources to manage the survival of islands in the event of a system-wide blackout with electrical islands
- Comprehensive operating policies and procedures (OPP) manual with a thorough process for revision and follow-up

To continue this relationship, it is imperative that we have input into the development of standards at an early stage. We would like to participate actively on committees established to set these standards and believe that a robust remand process is essential.

We have proven our commitment to meeting international standards. We agree that audits must be performed by the electricity reliability organization certified by FERC and Canadian jurisdictions. The results of these audits need to be made public. However, we also feel that it is important that enforcement be left to the individual jurisdiction and fines must stay within the Canadian jurisdictions. In the case of Alberta, we plan to charge the offenders according to the penalties defined by the ERO, however, the money will be placed into the Balancing Pool and, in effect, shared among all ratepayers.

As Tom indicated, Canadian jurisdictions have been very active in working with prospective ERO applicants. Alberta met with NERC on December 2 and had a productive discussion. Our regulator, the AEUB and our Independent System Operator participated. We look forward to working with NERC to develop and sign an MOU which further defines our working relationship.

What role should states and provinces play with regard to reliability standards?

- Any standards must be measurable and have a sound technical basis. In addition, standards must be developed in an open process and have the acceptance of all

jurisdictions that they are a meaningful component of reliability. The rationale for the standards must be clearly specified. These standards must be the minimum required to ensure reliability and must not unduly constrain the effective operation of the power system and its associated markets.

- The appropriate authorities in each country should have the option of either enforcing standards directly or relying on the ERO or the respective Regional Entity to which enforcement has been delegated.
- The Regional Entities should be the first line for monitoring and compliance. This would be consistent with Alberta's current RMS agreement with the WECC.
- All confirmed violations of such standards should be promptly reported to the relevant regulatory authorities by the ERO or Regional Entity.
- The ERO should consult with the appropriate authorities in each country with regard to reliability standards under development, to minimize the likelihood of a remand being exercised.
- The Commission has included in the NOPR a provision that it may state a deadline by which the ERO must resubmit a proposed Reliability Standard following remand. This may not be consistent with the Bilateral Principle which provides "[i]f a standard is remanded by a regulatory authority, the ERO should notify all relevant regulatory authorities, and should work to ensure that all concerns of such regulatory authorities are addressed prior to the resubmission of the standard to FERC and authorities in Canada." This is not a trivial question, since a fine or enforcement action in one jurisdiction may have implications for other jurisdictions. Since FERC has no jurisdiction in Canada, and Canadian regulators have no jurisdiction in the US, this issue should be worked out in the context of the Bilateral Group.
- The ERO will be establishing international standards. The voiding of a standard by the Commission or any other regulatory authority may create a conflict of standards or impact the reliability of the bulk power system in other jurisdictions. It could also leave a gap in the standards while a replacement standard is being developed. Rather than unilaterally voiding standards, they should be remanded to the ERO process.
- If a standard is remanded by a regulatory authority, the ERO should notify all relevant regulatory authorities, and should work to ensure that all concerns of such regulatory authorities are addressed prior to the resubmission of the standard to FERC and authorities in Canada.
- A delegation agreement that would establish a Regional Entity that is cross-border in scope must have input from all relevant regulators prior to the establishment of the Regional Entity. Any unilateral actions taken by a single regulator could have a significant impact on the entity's ability to gain recognition by the other relevant regulators. Any actions taken by FERC to assign ERO authority to an entity or to

modify a delegation once that delegation is in place should be exercised in cooperation with relevant authorities in Canada.

- We continue to support the bilateral principle that “[w]hen considering the delegation of authority to a proposed Regional Entity, the ERO, FERC and regulatory authorities in Canada should take into consideration whether the size or scope of the proposed Regional Entity would result in difficulty in conducting cross-border trade.”
- The ERO should have the authority to oversee implementation of standards within regions to ensure that such implementation is sufficiently stringent and compatible with ERO standards.

How should the Commission receive input for approval of reliability standards from the states, provinces, Regional Entities, and ERO?

- In its application to become the ERO, the applicant will need to outline the process it intends to use for the approval of standards. For jurisdictions in Canada the ERO should consult with the appropriate authorities in each jurisdiction with regard to reliability standards under development, to minimize the likelihood of a remand being exercised.
- When standards are submitted to the Commission or to Regulators in Canada, the ERO should submit all relevant information regarding how the standard was developed, minority opinions and any other relevant information. In addition, there should be a process for direct submission of relevant information to FERC and Canadian regulators prior to the approval of ERO standards.
- If a standard is remanded by a regulatory authority, the ERO should notify all relevant regulatory authorities, and should work to ensure that all concerns of such regulatory authorities are addressed prior to the resubmission of the standard to FERC and authorities in Canada.

What test should the Commission use to determine whether a state developed rule conflicts with reliability standards?

- The ERO should ensure that regional standards do not compromise the reliability of interconnected neighbouring regions.
- Many standards are largely technical in nature, and can be objectively tested. Where there is an ongoing disagreement or dispute, a process should be instituted to test the standard. Such a process should be broad enough to also test standards in areas of less precision.

- Where there is a concern, the jurisdiction should be asked to provide evidence as to how the proposed rule does or does not conflict with its reliability standard.

When should Regional Advisory Bodies be convened and for what purpose?

- Regional bodies are a critical element in this process. There are legitimate regional differences which demand attention. Regional bodies should be consulted regarding the existence and nature of such differences, and for suggestions for their accommodation.
- Regional bodies are also critical when considering delegation agreements. This is particularly true in the west, where the delegation agreement will be significantly more substantial due to the interconnection-wide nature of the WECC, which will likely be the regional entity.
- Regional bodies should be consulted early in this process for general input regarding *their* view of their purposes, and areas they feel strongly about. This will avoid the problems of SMD where the Southeast and Northwest were not consulted and ended up derailing the process.

What role should the states, provinces, Regional Entities, ERO, and the Commission play in determining resource adequacy?

- The Regional Entities currently have established processes in place to monitor resource adequacy. Reports on each region would be prepared and forwarded to the ERO to produce a consolidated, comprehensive report on the adequacy of the North American power system.
- This issue will not be trivial. In areas where markets are in place, such as Alberta, care must be taken to avoid a 'one size fits all' approach which may not be compatible with the market design.
- The ERO should facilitate the development of a robust transmission system in North America. This is a critical element to the success of markets in general, and reliability as well. This has been neglected far too long and strong action is required.
- Where it would appear that resources are not adequate, plans should be developed in cooperation with the ERO, the Regional Entity and the affected jurisdictions to address the situation and submit such plans to the regional entity or the ERO for review.