



Federal Energy Regulatory Commission
March 18, 2010
Open Commission Meeting
Staff Presentation
Item E-2 – E-10

"Good morning Mr. Chairman and Commissioners.

In my presentation, I will discuss several of the orders and rulemakings addressing reliability issues that are before you today.

First, I will discuss the "Order Directing NERC to Propose Modification of Electric Reliability Organization Rules of Procedure," which is item E-10. In this order, the Commission identifies a significant concern with the ERO's current Standards Development Process. Specifically, it can be used to prevent the ERO from complying with Commission directives to address specific reliability matters.

Under the ERO's current rules, just more than one third of the stakeholder ballot body can "vote down" any new or modified Reliability Standard, including those initiated to comply with a Commission directive. When a Standard is voted down by the ballot body, it cannot be presented to the NERC board of trustees for review or submitted to the Commission for approval. Consequently, the current rules allow a minority of the ballot body to delay or effectively block the ERO from complying with a Commission directive.

This situation occurred with respect to a Commission order directing the ERO to modify FAC-008-1, a Reliability Standard governing Bulk-Power System facility ratings. A minority of the ballot body voted down the modified Reliability Standard intended to comply with the Commission's order because of opposition to a specific modification directed by the Commission. Staff understands that the ERO has since begun work on a new Standard to comply with the Commission's order however, we understand that it does not include any provision to comply with the Commission directive that caused the first attempt to fail. Thus, the Standards Development Process has been used to delay, and to date, prevent, the ERO from complying with that Commission directive and fulfilling its obligation under section 215(d) of the FPA.

The order directs the ERO to submit to the Commission a filing, within 90 days, containing specific proposed modifications to the ERO's Standards Development Process that ensure that the ERO's rules allow it to comply with Commission directives for new or modified Reliability Standards. The order also directs compliance with the Commission-directed modifications from Order No. 693 pertaining to FAC-008 within 90 days of the issuance of an order approving the ERO's modifications.

In addition, two other draft orders, item E-2 and E-3, address specific unmet directives from Order No. 693. Those orders set deadlines for the ERO to file responsive modifications. Both orders note that it has been three years since issuance of Order No. 693 and that it is important to reliability of the Bulk-Power System that these modifications are made in a timely manner. One order involves BAL-003-0, which addresses frequency response and bias, setting a deadline of six months from issuance of the order. The other order



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addresses TPL-002-0 pertaining to system performance following the loss of a single element, setting a deadline of June 30, 2010.

In addition, within the reliability set of orders and rulemakings on today's agenda are two proposed remands of revised Reliability Standards.

The first order proposes to remand a revised regional Reliability Standard developed by the Western Electricity Coordinating Council (WECC) designated by WECC as BAL-002-WECC-1 regarding contingency reserve. The second order proposes to remand the revised BAL-004-1 the Time Error Correction Reliability Standard developed by the ERO. Each proposed rulemaking provides guidance for developing changes that would address the reasons for the remands.

In regard to WECC BAL-002, the Commission proposes to remand the standard directing the ERO to provide the necessary studies to validate that the revised reserve margins exceed the national standard established by NERC in BAL-002-1a. In addition, the proposal requires that the standard be revised so that "Load other than Interruptible Load" (i.e., firm load) cannot be considered as a contingency reserve.

Regarding NERC Standard BAL-004-1, the Commission proposes to remand the standard directing NERC to identify the circumstances under which a Time Error Correction needs to be initiated or ended and identify the entity that has the obligation and authority to initiate a Time Error Correction.

The final order staff will discuss today is a notice of proposed rulemaking involving the ERO's definition of the bulk electric system. In this NOPR, the Commission proposes to direct the ERO to revise its definition of the term "bulk electric system" to include all electric transmission facilities with a rating of 100 kV and above. This proposal would eliminate the discretion provided in the current definition for a Regional Entity to define "bulk electric system" within a region. The draft order proposes that a Regional Entity must seek ERO and Commission approval before exempting any transmission facility rated at 100 kV or above from compliance with mandatory Reliability Standards. The goal of the proposal is to eliminate inconsistencies across regions and provide a backstop review to ensure that any regional variations do not compromise reliability and that facilities that could significantly impact reliability are subject to mandatory rules.

Thank you for your attention today, the team and I would be happy to address any questions that you may have."