UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Smart Grid Interoperability Standards) Docket No. RM11-2-000

PREPARED COMMENTS OF
JOHN E. LUCAS OF SOUTHERN COMPANY SERVICES, INC.

Good afternoon. My name is John Lucas, and I am the Transmission Policy and Services General Manager of Southern Company Services, Inc. ("Southern"). Southern is a participating member of the Smart Grid Interoperability Panel ("SGIP") established by the National Institute of Standards and Technology ("NIST") and is active in certain related Priority Action Plans ("PAPs") and Working Groups. Southern also is actively involved in the standards setting process through the North American Energy Standards Board ("NAESB") and the North American Electric Reliability Corporation ("NERC"). I recently served as a NAESB board member and others at Southern are similarly involved in leadership positions.

Southern very much appreciates the Commission Staff's leading this conference and the opportunity to participate on this panel. The methods for establishing and determining whether sufficient consensus exists on Smart Grid Standards referred by NIST to the Commission is especially important not only to Southern and the electric industry, but also to our State regulators and, ultimately, consumers.

Transparency Issues

Southern has followed and participated in the SGIP's work on interoperability standards and anticipates participating at an even increasing level in the future. With regard to the five

families of IEC standards now before the Commission, however, I must admit Southern is among those who were not aware that these standards would be the first standards provided to the Commission by NIST. Southern also remains uncertain as to how, when and which of the other 75 standards or families of standards "identified" by NIST will be provided to the Commission.

Accordingly, and as will be discussed in more detail below, Southern believes NIST's efforts to identify and provide standards to the Commission should proceed pursuant to a more formal and transparent process so that there is broad, documented industry consensus as to exactly when and which standards will be provided to the Commission.

Consensus Issues

To the best of my knowledge, regulated electric utilities have had only limited involvement in the IEC process for the referenced five families of standards. Further, past consensus on voluntary standards, such as the IEC standards, for one purpose does not necessarily constitute "sufficient consensus" (under the Energy Independence and Security Act of 2007) so that such standards are ready for a Commission rulemaking. Also, of course, the referenced IEC standards did not go through the current SGIP consensus process.

With regard to NIST's and the Commission's efforts to gauge consensus on the IEC standards, Southern would emphasize that mere attendance by numerous parties at NIST and SGIP Domain Expert Working Group meetings and Workshops should not necessarily be characterized as evidencing broad consensus. Similarly, and in light of the sheer volume of NIST's and the SGIP's work product, silence from the industry should not be deemed as constituting consensus on any particular standards.

As the Commission is aware, there are only a limited number of industry subject matter experts, and there are significant expenses associated with meaningful participation in the process. For example, while some standards are conditionally available at no additional cost in

the ANSI Catalog, Southern's cost for obtaining adequate copies of just the initial five families of IEC standards submitted to the Commission by NIST is approximately $25,000.00, not to mention the significant human resources necessary to review and comment on the approximately 3,500 pages of documentation included with these families of standards.

Due to these constraints, the industry needs a clearer outline of exactly which standards will be delivered to the Commission and on what timeframe so that the industry can better manage participation and review and comment on the standards in an organized, effective manner. Clearly, the current pace and broad scope of the process is inconsistent with establishing true and informed industry consensus.

Process and Participation Issues

While there is diversity in stakeholder participation, stakeholder participation is not properly balanced. In particular, Investor-Owned and Publicly-Owned Utilities as well as State and Local Regulators are underrepresented in the process. For example, Investor-Owned and Publicly-Owned utilities are collectively designated only one of the 25 SGIP Governing Board seats. Similarly, State and Local Regulators are also only designated one SGIP Board seat, the same number, for example, as provided to Venture Capitalists. It also should be noted that participants from vendor and vendor-related categories constitute approximately 50% of the SGIP participating members, further emphasizing the need for balanced participation and voting.[1]

Recommendations for Change to Current NIST/SGIP Process

For these and other reasons, Southern believes the IEC and existing NIST/SGIP processes should not yet be relied upon as establishing industry consensus for the Commission's adoption of standards. To help remedy that situation, Southern would suggest three changes to

[1] The numbers of participating members used in these comments are as of January 14, 2011.

the current process used to develop consensus as well as a couple of checks on that consensus process.

First, each standard (including IEC and other existing standards) should be subject to review and vote by the entire SGIP pursuant to a balanced voting process before being placed in the SGIP's Catalog of Standards or being provided by NIST to the Commission.

Second, similar to the NAESB process (which the Commission has previously cited with approval), not only should a standard have approval of a "super-majority" of voting members, it should also have a level of support from all industry segments. Under current SGIP/Program Management Office ("PMO") rules, approval may be based solely on a 75% affirmative vote. However, if every Investor-Owned and Publicly-Owned Utility and State and Local Regulator who is a participating member in the SGIP voted against approval, consensus could still be deemed achieved by the SGIP by virtue of the fact that Investor-Owned and Publicly-Owned Utilities (45 participating members) and State and Local Regulators (11 participating members) collectively only constitute approximately 10% of the SGIP participating membership.

Third, and perhaps most important, the procedures adopted by the SGIP, the PMO, PAPs and related Working Groups to establish and confirm consensus should be subject to comment and approval by the entire SGIP (pursuant to a balanced voting process).

In addition, two checks on the consensus process would help provide assurance to the Commission that "sufficient consensus" has been achieved and that identified standards were ripe for the Commission's consideration.

First, NERC's formal review and reliability impact assessment of a standard should be a prerequisite to any standard being placed in the SGIP's Catalog of Standards or referred to the Commission.

Second, while broad stakeholder support is helpful, no voluntary standard should be referred to the Commission without the documented support of Commission-regulated entities. Similar to a recommendation that Southern understands will be made later this afternoon, Southern would support the establishment of a "review council," consisting of representatives of those primarily responsible for the safety and reliability of the grid, to review and approve any interoperability standard provided by NIST to the Commission.

In conclusion, Southern appreciates NIST's efforts to date, but urges NIST, the SGIP and their leadership to advance a more robust and balanced consensus-building process as described above. Such enhanced consensus process and the Commission's related analysis should recognize the unique responsibilities of the regulated entities, who, along with their customers, will be among those most directly impacted by any interoperability standards adopted by the Commission. Southern believes the changes it has suggested today would prove helpful not only in building and establishing real consensus, but also in helping ensure a proper foundation for any action ultimately taken by the Commission on interoperability standards.

Thank you again for convening this technical conference and providing us with an opportunity to participate in this important discussion. Southern looks forward to working with the Commission, NIST, the SGIP and other stakeholders to help develop and participate in a balanced, more robust process so that real and meaningful consensus on interoperability standards may be timely achieved.

Dated: January 31, 2011