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FERC Technical Conference on Priorities for Addressing Risks to the Bulk-Power System

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Thank you for the invitation to share my views

In July, I described the need for a collaborative approach among FERC, NERC and BES participants and offered five suggestions:

1. Increase communication among leaders responsible for reliability and with the public
2. Define a methodology for weighing reliability risk and cost to help set priorities
3. Support institutional structures that encourage the adoption of best practices
4. Move toward performance based standards
5. Address the implications of variable energy resources

We are encouraged that progress has been made, but believe much more needs to be done. With the time I have today I am going to focus on three of these issues – setting priorities, encouraging excellence, and improving communication.

From our perspective the area that most cries out for attention is defining a framework that will allow priorities to be set in a more transparent manner.

Current discussion tends to be about the specifics of standards and the occasional focus on high consequence events through NERC Alerts. Yet, there always has been and there always will be tradeoffs between risk to reliability and cost. We lack a conceptual framework that allows a cogent comparison of the level of cost and reliability risk that would be extremely useful for establishing priorities. Such a conceptual framework would also aid in engaging the public in a discussion about the level of reliability they are willing to pay for.

It sometimes seems that everything that could create a reliability event is a priority, when consumers would, we think, be better served if we used explicit criteria to identify and then focus on the highest risk, highest consequence events first. But we must have an evaluation methodology that allows us to make such a comparison.

Lacking such a methodology there are less sophisticated methods which could be better utilized to guide us for now. For example, simple evaluations to identify matters that create a high risk of a cascading outage would help to separate wheat from chaff for establishing near term priorities. This reflects the facts that drove the law – that an event on a neighboring system can have devastating reliability consequences for a party that is not in control of its destiny.

The translation of a known problem, the hurried adoption of vague standards, into more specific standards, is another area where progress is being made, but much more is needed. Even with expert help and good intentions, BES participants continue to find themselves attempting to interpret the standards and can find themselves at risk of sanctionable determinations despite the best of intentions.

This problem is exacerbated by a lack of priorities within the standards relating to level of risk to reliability, leaving audit teams likely to pursue any and all perceived violations with equal vigor.

Let me turn now to the establishment of an institutional structure that encourages “a strive for excellence” rather than mere “compliance with standards” culture.

Due to industry’s interest in this opportunity and the encouragement of the FERC chairman, the North American Transmission Forum is now up to participation representing 85 percent of the peak load within its footprint. But there are very significant issues on the horizon as the Forum is now formulating its strategic plan. Addressing the issues of the Forum’s scope and function and particularly its relationship with FERC and NERC will be critical to the ultimate success of the Forum. I cannot understate the importance of the need for a dialogue that assures FERC, NERC and the forum are on the same page. For example, standards can be developed in a manner that makes it more likely the Forum will be successful in its goal of striving for excellence or vice versa.

With respect to communications we would note:

- There is greater engagement of FERC with NERC and
- This technical forum is an example of improved dialogue.

While there has been progress since the July conference, the trust level among FERC, NERC and BES participants we believe continues to make it difficult to get to good public policy outcomes. An extraordinary amount of collaboration, comity, communication, and trust among regulators, quasi-regulators, and industry is key to establishing the unique regulatory structure put in place by the Congress. Today, there appears to be an inordinate focus on who will be held accountable for a reliability event rather than a sense of working collaboratively and progressively to improve reliability in a cost-effective fashion. Getting to the right culture is going to take a commitment from the top.

We believe something out of the ordinary will be needed to successfully pull this off.

We have filed a proposal with the Commission suggesting a forum to increase strategic, high level communication. We would not argue that this specific proposal is the perfect answer and would be pleased to work to refine the proposal with any party that is interested in improving collaboration, communication and trust.

We all share responsibility for a reliable electric power system, and we must work together to find an integrated strategic solution to these critical policy issues.