
FEDERAL ENERGY REGULATORY COMMISSION



WASHINGTON, D.C. 20426

NEWS RELEASE

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FOR IMMEDIATE RELEASE

February 9, 2005
Docket No. PL04-5-001

COMMISSION SUPPLEMENTS RELIABILITY POLICY STATEMENT TO AFFIRM COMPLIANCE WITH REVISED NERC STANDARDS

The Federal Energy Regulatory Commission today supplemented its April 2004 policy statement on power system reliability by affirming that “Good Utility Practice” required under the Commission’s open-access transmission tariff includes compliance with new reliability standards adopted by the North American Electric Reliability Council (NERC).

The Commission’s order supplementing the reliability policy statement came one day after the NERC Board of Trustees approved its “Version 0” reliability standards, which are slated to take effect April 1, 2005. The new standards are intended to state reliability goals in a manner that is unambiguous and measurable.

“NERC has taken an important step toward delivering on the promise of maintaining full grid reliability. We are counting on active NERC compliance audits to assure these standards are vigorously implemented,” said Chairman Pat Wood, III.

“The first step is to make reliability standards clear enough to be fairly enforced, and the next is to see that they are vigorously enforced,” Commissioner Joseph Kelliher said.

“Poor power quality is a huge drag on the nation’s economy. Through vigorous and transparent audits we can see that customers enjoy the highest levels of reliable service,” Commissioner Nora Mead Brownell said.

“With this landmark order, the Commission is doing everything it can under its existing Federal Power Act authority. We now look to Congress to close the loop and pass legislation providing a Federally enforceable regime of mandatory reliability,” Commissioner Suedeen Kelly said.

On August 14, 2003, an electric power blackout cascaded across large portions of the Northeast and Midwest United States and Ontario, Canada, affecting an estimated 50 million people and disrupting 61,800 megawatts of electric supply.

On April 5, 2004, a joint U.S.-Canadian task force, which the Commission participated in, issued a final report on its blackout investigation and identified the causes of the blackout. The report found that several entities violated NERC operating policies and planning standards, and those violations directly contributed to the start of the blackout. The report found that due to a variety of institutional issues, the NERC standards were unclear, ambiguous and nonspecific, making it possible for bulk power system participants to interpret these standards in widely varying ways.

The new NERC reliability standards are designed to help address this finding. The Commission has actively encouraged NERC's restatement of its standards, and taken many other steps to address the task force's findings on the blackout. With additional funding from Congress earmarked for power system reliability, the Commission has established a new Reliability Division within its Office of Markets Tariffs and Rates, and focused on responses and reports addressing the four general groups of causes that coincided on August 14, 2003 to produce the blackout:

- inadequate system understanding;
- inadequate situational awareness;
- inadequate tree trimming; and
- inadequate reliability coordinator diagnostic support.

The Commission strongly supports legislative reform to provide a clear Federal framework for developing and enforcing mandatory reliability rules. In the interim, the Commission is taking steps within its existing authority to promote greater reliability of the United States' bulk power system and its operation and to support industry efforts to improve the current voluntary industry based approach

The Commission's April 2004 policy statement on power system reliability said: "The Commission believes that NERC's reliability standards should represent a floor for grid operator and bulk system participants' reliability efforts, and not a ceiling. Utilities and other entities involved in transmission system reliability should strive toward achieving reliable transmission service and not simply act with the aim of meeting the minimum requirements that have been set forth in manuals and standards."

The policy statement further said: "In sum, the Commission expects public utilities to comply with NERC reliability standards and to remedy any deficiencies identified in NERC compliance audit reports and recommendations. The Commission will consider taking utility-specific action on a case-by-case basis to address significant reliability problems or compliance with Good Utility Practices, consistent with its authority. A failure to comply with such industry standards could in some circumstances affect Commission determinations as to whether rates are just and reasonable. For example, it may be appropriate to deny full cost recovery in circumstances where a transmission provider fails to provide full reliability of service."

