



FEDERAL ENERGY REGULATORY COMMISSION

Docket Nos. RM09-18-000

Item No. E-2

November 18, 2010

Commissioner John R. Norris

STATEMENT

Statement of Commissioner John R. Norris on Revision to Electric Reliability Organization Definition of Bulk Electric System

"In this Final Rule, we are directing that NERC, through the Reliability Standards Development Process, revise its current definition of "bulk electric system" to ensure that this term captures all of the facilities necessary to reliably operate the interconnected electric transmission network. This directive is based on significant concerns that are raised by NERC's current definition. The current definition of "bulk electric system" (used by NERC to determine what facilities are subject to mandatory reliability standards) allows the regions broad discretion in determining the facilities that fall within the scope of the definition. As the Final Rule describes in detail, this discretion can result in inconsistent treatment of facilities within and across regions, create gaps in the coverage of facilities, and generally undermine the effectiveness of the reliability standards

I want to highlight two aspects of this Final Rule that are important to me: the exemption process embodied in our proposed approach, and the discretion we afford NERC to develop an equally effective alternative.

The Final Rule identifies a proposed approach that we believe will be the most effective to address the problems we identify in the current definition. Under this proposed approach, the regional discretion in NERC's current definition would be eliminated, but the bright-line threshold putting all facilities operated at or above 100 kV within the definition would be retained. This bright line approach would be coupled with an exemption process to exclude those facilities operated at or above 100 kV that are not necessary for reliable operation of the integrated transmission network.

The exemption process in our proposed approach is important to me. I agree that it would be appropriate to establish a threshold baseline to determine facilities that should be in or out of the "bulk electric system". The exemption process is an essential feature of this approach, however, because it ensures that the threshold baseline does not capture facilities that are not necessary for reliable operation of the interconnected electric energy transmission network, and therefore should not be subject to mandatory reliability standards under section 215 of the Federal Power Act.

Should NERC pursue our proposed approach, as opposed to proposing an alternative definition that meets the requirements of the Final Rule, it will file a proposed exemption process for our review. In my view, an exemption process should be objective, transparent, and not overly burdensome for affected entities. Our Final Rule also importantly allows for a transition period from the date we approve an exemption process, to ensure that entities are not forced to incur compliance costs for facilities that may ultimately be exempted.

I also want to emphasize that while the Final Rule describes a proposed approach to address the Commission's concerns, we also give NERC discretion to use its technical expertise to develop an alternative proposal. An alternative proposal would need to be shown to be equally as effective, or more effective than, our proposed approach. The Commission is earnest when it says we will give NERC discretion to develop an alternative approach, provided that approach addresses our concerns with the current definition. I will have an open mind as to any proposal NERC and its stakeholders can develop that addresses our concerns.



FACTS

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I look forward to continuing to work collaboratively with NERC and the industry on this and other important reliability matters, as we pursue the common goal of a more reliable system.”