

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeen G. Kelly.

Policy Statement on Matters Related to
Bulk Power System Reliability

Docket No. PL04-5-001

SUPPLEMENT TO POLICY STATEMENT ON MATTERS RELATED TO BULK
POWER SYSTEM RELIABILITY

(Issued February 9, 2005)

1. On April 19, 2004, the Commission issued a policy statement that, among other things, explained that the Commission interpreted the term “Good Utility Practice” as that term is used in the *pro forma* open access transmission tariff (OATT) to include compliance with reliability standards developed by the North American Electric Reliability Council (NERC).¹ On February 8, 2005, the NERC Board of Trustees approved Version 0 Reliability Standards, to become effective April 1, 2005, which have the goal of restating existing standards in a manner that is unambiguous and measurable. In this order, the Commission supplements its reliability policy by making clear that the term Good Utility Practice as used in the OATT includes compliance with NERC’s Version 0 Reliability Standards.

Background

2. In the aftermath of the August 14, 2003 blackout, which affected large portions of the Northeast and Midwest United States and Ontario, Canada, a joint U.S.-Canada Power Outage Task Force (Task Force) was established to investigate the causes of the blackout and how to reduce the possibility of future outages. On April 5, 2004, the Task Force issued a Final Blackout Report, which described the blackout investigation

¹ *Policy Statement on Matters Related to Bulk Power System Reliability*, 107 FERC ¶ 61,052 (*Policy Statement*), clarified, 108 FERC ¶ 61,288 (2004).

findings, identified causes of the blackout and provided 46 recommendations to enhance grid reliability.²

3. The Final Blackout Report also indicated that several entities violated NERC operating policies and planning standards, and those violations directly contributed to the start of the blackout. However, as explained in the *Policy Statement*, the Final Blackout Report found that “due to a variety of institutional issues, the NERC standards are sufficiently unclear, ambiguous and non-specific that it was possible for bulk power system participants to interpret these standards in widely varying ways that, while producing low reliability, could still be considered to comply with the standards.”³ The Task Force recommended that “NERC should reevaluate its existing reliability standards development process and accelerate the adoption of enforceable standards.”⁴

4. The Commission, in the *Policy Statement*, recognized the need for NERC to accelerate the adoption of enforceable standards. The Commission noted that, in 2002, NERC began developing reliability standards under an American National Standards Institute (ANSI)-accredited process, and that the standards developed pursuant to this process will be clear and unambiguous as to “what needs to be done and who needs to do it” to achieve reliable grid operations.⁵ The Commission agreed that there was a critical need to replace current standards with standards that are clear, unambiguous, measurable and enforceable. Further, the Commission supported NERC’s commitment to have enforceable standards by early 2005.⁶

5. To expedite the development of clear and enforceable standards, NERC changed from a process of revising one standard at a time to developing a comprehensive set of new standards, known as the Version 0 Reliability Standards. The Version 0 Reliability Standards would replace NERC’s existing operating policies, planning standards and compliance requirements. Using the ANSI-accredited process, industry stakeholders voted to approve the Version 0 Reliability Standards, with over 90 percent voting in favor

² U.S.-Canada Power System Outage Task Force, Final Report on the August 14th Blackout in the United States and Canada: Causes and Recommendations (April 2004) (Final Blackout Report).

³ *Policy Statement*, 107 FERC ¶ 61,052 at P 6.

⁴ Final Blackout Report at 161 (Recommendation No. 25).

⁵ *Policy Statement*, 107 FERC ¶ 61,052 at P 13.

⁶ *Id.* at P 14.

of the standards. On February 8, 2005, the NERC Board of Trustees approved the Version 0 Reliability Standards, to become effective April 1, 2005.

Discussion

6. The *Policy Statement* noted that the *pro forma* OATT contains numerous provisions that reference “Good Utility Practice,” some of which specifically relate to the reliable operation of the transmission grid.⁷ The *Policy Statement* then explained:

the Commission interprets the term “Good Utility Practice” to include compliance with NERC standards or more stringent regional reliability council standards. Accordingly, public utilities that own, control or operate Commission-jurisdictional transmission systems should operate their systems in accordance with Good Utility Practice as set forth in the Commission’s *pro forma* OATT, including complying with NERC reliability standards.⁸

7. As discussed above, the NERC Board of Trustees recently voted to approve the Version 0 Reliability Standards. In accordance with the policy set forth in our April 2004 *Policy Statement*, and for the same reasons stated therein, the Commission interprets the term Good Utility Practice as used in the OATT to include compliance with NERC’s Version 0 Reliability Standards.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

⁷ *Id.* at P 21.

⁸ *Id.* at P 23.