

Sponsors: ElectriCities of North Carolina; NMPP Energy; Nebraska Public Power District

In Support of Reasonable Reliability Standards

1 The American Public Power Association (APPA) strongly supports efforts to maintain and improve the
2 reliability of the nation’s electric grid. In 1968, the North American Electric Reliability Corporation
3 (NERC) was founded by members of the electric utility industry to create and encourage voluntary
4 standards for the reliable operation of the transmission system in North America. The Energy Policy Act
5 of 2005 authorized the creation of an independent Electric Reliability Organization (ERO), that would be
6 overseen by the Federal Energy Regulatory Commission (FERC) and tasked with developing mandatory
7 and enforceable reliability standards to provide for the reliable operation of the bulk power system. APPA
8 supported these efforts as it would promote greater coordination and communication between and among
9 regional transmission organizations, independent system operators, and other transmission-owning
10 stakeholders, In 2006, FERC certified NERC as the nation’s ERO.

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12 Since then, NERC has developed and enforced reliability standards and monitored the bulk power system,
13 including evaluating resource adequacy and studying and reporting on risks to reliability. These efforts
14 have benefited overall system reliability and improved coordination among transmission owners and
15 operators, which benefits distribution utilities and their customers.

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17 APPA believes NERC has an important role to play in maintaining the reliability of the bulk power
18 system and as such should ensure its reliability standards are applicable only to utilities whose facilities
19 and activities substantially impact the bulk power system and, in general, should not propose reliability
20 standards where the impact on reliability would be minor and substantially disproportionate to the costs
21 imposed on utilities.

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23 **NOW, THEREFORE BE IT RESOLVED:** That the American Public Power Association (APPA)
24 strongly supports efforts to maintain and improve the reliability of the nation’s electric grid, including
25 through appropriate and reasonable reliability standards issued by the North American Electric Reliability
26 Corporation (NERC) to provide for the reliable operation of the bulk power system; and

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28 **BE IT FURTHER RESOLVED:** That APPA believes efforts to improve the reliability of the nation’s
29 electric grid should be based on the following principles:

- 30 • Risks that present the greatest potential threat to system reliability should receive the highest
- 31 • priority attention;
- 32 • Reliability enforcement should focus on activities that directly improve system reliability, with
- 33 less emphasis on paperwork and documentation requirements;
- 34 • National reliability efforts should focus on issues that threaten national or regional outages and
- 35 avoid interference with local control of distribution systems;
- 36 • Reliability standards are most successful when they are developed from the bottom up, utilizing
- 37 industry's expertise through NERC standards development process;
- 38 • In developing reliability standards, NERC should remain mindful that distribution facilities are
- 39 excluded from the definition of the bulk power system under the Federal Power Act; and
- 40 • Penalties for reliability violations should bear a reasonable relationship to the level of the risk the
- 41 violation creates for cascading outages and similar regionwide events; and

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43 **BE IT FURTHER RESOLVED:** That APPA believes that standards developed in a transparent,
44 collaborative, and fair process will be the most effective and encourages the Federal Energy Regulatory
45 Commission, NERC, and regional entities to:

- 46 • Support efforts to clarify existing mandatory reliability standards, and to include measurable
- 47 requirements in these standards to the extent feasible, to help registered entities prioritize
- 48 resources to satisfy compliance requirements;
- 49 • Support standards development procedures that appropriately recognize the need for stakeholder
- 50 input as part of an efficient and effective standards development process.
- 51 • Support efforts to provide greater transparency and consistency within and between regions in the
- 52 enforcement and auditing processes;
- 53 • Adopt procedures enabling utilities to seek informal advice from regional entities outside the
- 54 enforcement process, and procedures that enable regional entities to provide consistent advice
- 55 through real-time coordination with NERC;
- 56 • Adopt procedures that facilitate informal resolution without resort to Notices of Alleged
- 57 Violation;
- 58 • Reform NERC sanction guidelines to narrow the range of potential penalties, limit the application
- 59 of daily penalties, and require more empirical rigor in the application of mitigating and
- 60 aggravating factors relevant to the application of penalties;
- 61 • Give the views expressed in self-reports by registered entities their due weight, and foster

62 collaborative problem solving by allowing self-reports to facilitate informal communications
63 between registered entities and regulatory entities without penalizing registered entities for self-
64 reporting; and

- 65 • Employ procedures for education, cooperation, and informal resolution as primary resources in
66 the effort to enhance system reliability, with the assessment of penalties undertaken where
67 essential and after other efforts have failed.