

# Northwest Public Power Association

## Resolution 2010-10

### Reliability Standards and Enforcement Reform

#### Background

The Energy Policy Act of 2005 directed the Federal Energy Regulatory Commission (FERC) to establish new rules regarding the creation of an Electric Reliability Organization to develop and enforce Electric Reliability Standards. The mandatory reliability standards and associated compliance criteria, as they are currently being deployed, processed, and interpreted by FERC, the Regional Entities (RE), the North American Electric Reliability Corporation (NERC), have placed significant additional burdens on NWPPA members. NERC oversight relies on detailed reporting documentation that consumes resources and diverts utility engineering and operations personnel from actually maintaining and operating their system reliably. Additionally, NWPPA members are exposed to uncertain financial penalties that do not bear a reasonable relationship to the seriousness of violations and their potential consequences to Bulk Electric System reliability. While many mandatory standards benefit customers, the inordinate emphasis in the current standards documentation is costly, often does not have a direct and demonstrable positive impact on reliability, and may divert resources from activities that have a more direct positive effect on system reliability.

#### NWPPA's Position

- NWPPA supports efforts to reform existing standards, and to focus the development of new standards, on results-based requirements and metrics that address actual threats to system reliability rather than documentation or administrative requirements.
- NWPPA supports efforts to clarify existing mandatory reliability standards to the extent feasible, and to include measurable requirements in these standards to the extent feasible, to help registered entities prioritize resources to satisfy compliance requirements.
- NWPPA urges reforming NERC sanction guidelines to narrow the range of potential penalties, limit the application of daily penalties, and require more empirical rigor in the application of mitigating and aggravating factors relevant to the applications of penalties.
- NWPPA urges development of rules for enforcement of standards violations which call for a more direct relationship between potential penalties and the impact of violations on the Bulk Electric System.
- NWPPA supports efforts to provide greater transparency and consistency within and between regions in the enforcement and auditing processes.
- NWPPA urges adoption of procedures enabling utilities to seek informal advice from the REs outside the enforcement process, and procedures that enable the REs to provide consistent advice through real-time coordination with NERC.
- NWPPA urges adoption of procedures that facilitate informal resolution without resort to Notices of Alleged Violation.
- NWPPA urges FERC, NERC, and the REs to give the views expressed in self-reports by registered entities their due weight, and foster collaborative problem solving by allowing self-reports to facilitate informal communications between registered entities without penalizing registered entities.
- NWPPA urges FERC, NERC, and the REs to employ procedures for education, cooperation, and informal resolution as primary resources in the effort to enhance system reliability, with the assessment of penalties undertaken where essential and after other efforts have failed.

Origination Date: 2010. Approved 5-25-2010 by NWPPA membership.