

standards. As such, the IRC believes that it is important to bring the industry and the Commission together to assess what can be done to improve the various reliability standards processes.

The industry and regulators have a common goal in ensuring a strong, reliable bulk electric system. The IRC's member companies remain firmly committed to this goal; operating and planning a reliable power grid has been and remains their primary mission. Notwithstanding that the current standards development and enforcement processes are relatively new, they could benefit from some re-examination, based on practical experience, to assess whether any enhancements can be made. The IRC's comments below are intended to continue the dialogue on these important issues.

In summary, and as described further below, the IRC offers the following general comments to support the continued dialogue among the Commission, NERC and the industry:

- The IRC supports further communication and coordination among senior leadership of Registered Entities, NERC and the Commission and believes that one of the appropriate forums for these discussions is the quarterly NERC Board of Trustee and Member Representative Committee meetings. Commissioner attendance at these meetings, combined with a renewed focus on prioritization of standards, can go a long way to ensuring that the most important reliability concerns are promptly addressed through the Standard Development Process.
- NERC and the Commission should reinstate the concept that compliance audits are meant for the Responsible Entities to demonstrate that they meet reliability objectives, rather than for assessing violations and assigning penalties. Lessons learned from the audit process should be used to promote assessment of potential gaps and deficiencies in reliability standards, and for the development of mitigating measures. Further, NERC and the Commission must work together to distinguish between event analysis and compliance enforcement. This distinction is critical to fair enforcement and the prompt publication, to the industry, regulators, and policy makers, of lessons to be learned from system events.

- The IRC supports NERC’s recent efforts to provide more timely informal feedback in lieu of, or as a first step prior to, industry participants filing formal request for interpretation of standards. Such feedback will benefit reliability, reduce resource required to provide guidance and clarity, and guide the development of future standards. Still, the longer term goal should be clear and unambiguous standards; such feedback should be regarded as a stop-gap measure.
- The IRC urges the Commission to engage in technical discussions with NERC and the industry to identify, on the one hand, which reliability standards are critical to reliability and thus need to be retained or developed, and on the other hand, which standards or requirements are of a supportive or administrative nature and thus can be managed differently. The IRC also requests that the Commission engage in a review of the existing reliability performance targets and risk mitigation criteria which were adopted through the conversion of the Planning and Operations standards in the voluntary regime into the Version 0 standards in the mandatory regime. These objectives and targets should be reviewed to reconfirm their continued suitability for use as the basis for developing core reliability standards that are needed to maintain and enhance interconnected system reliability.

II. DISCUSSION

A. Greater Prioritization in the Standards Development Process Will Ensure That Resources Are Efficiently and Effectively Used To Address High-Risk Standards

At the July 6 conference, the Commission sought input on whether the current process for the development of standards was working and whether that process could be enhanced. The IRC believes that prioritization of the development (and, to some degree, enforcement) of reliability standards is critical in order to best utilize scarce resources. As noted by many of the participants at the July 6 technical conference, if everything is a priority, then nothing is a priority. Currently, more than 30 standards drafting teams are addressing new and revised standards, as well a number of compliance related directives from the Commission. Moreover, there are over 90 projects and work items posited by NERC on its “Standards under Development” web-page, many of which address multiple standards. In addition, many

standards are due for their five-year review. Without proper checks, the standards review process could balloon out of control. Quite simply, there is too much to do in a relatively short period. Prioritization is a must under these circumstances.

1. There Needs To Be A Greater Focus on Improving Those Standards that are Needed To Meet Core Reliability Objectives

To help alleviate this logjam, prioritization is needed so that the standards development process can focus its attention on resolving those issues that are most critical to, and have the greatest impact on, reliability, as opposed to addressing every outstanding issue at the same time. In the IRC's view, some of the existing standards are more critical to reliability than others and the fact that there are, "high", "medium" and "low" designations under the Violation Risk Factors supports this assessment. For example, some standards relate to real-time operations and are essential for the real-time, reliable operation of the bulk power system (*e.g.*, respecting IROLs). Undoubtedly, they are more critical than those standards relating to activities that play a supporting role in ensuring reliable operations (*e.g.*, standards mandating post-event documentation or administrative tasks). Prioritization might mean that requirements that have less of an impact on reliability, such as, administrative requirements, are deferred, but the overall goal should be to ensure the proper, comprehensive and well-thought out resolution of those issues that most significantly impact reliability. Stakeholders and regulators should be targeting their efforts on those requirements that are most critical to NERC's core mission.

To effectively accomplish this, the industry's and the Commission's limited resources should first and foremost be dedicated to the development of core standards and requirements that are most critical to maintaining reliability; they should not be diverted by placing the same level of importance and enforcement efforts on the more than 1600 requirements. Standards that do not directly affect reliability, such as administrative and documentation requirements should

be subsidiary. Similarly, enforcement efforts must be commensurate with requirement's effect on core reliability.

The IRC, therefore, urges the Commission to re-examine, in collaboration with the industry, which reliability standards are critical to reliability that need to be retained or developed, and which standards or requirements are of complementary or supportive nature that can be either eliminated or managed in a different manner. Key questions such as “Is this performance target or criterion needed to ensure reliability?”, “Should the objective be preventing interruption to load or is it to prevent wide-spread cascading?”, “Would the interconnected system be put to a high risk if certain performance targets are not met?”, etc., should be among the first set to develop the basic reliability premise for establishing the overarching objectives for developing reliability standards.

A results-based reliability standard concept provides a vehicle to accomplish the objective of identifying core reliability standards that contribute to specific performance and risk mitigation outcomes and filter out those that do not. A new standard template that can accommodate both the core reliability requirements and the procedural/administrative type of requirements and treating them in different manners is available for use to integrate the result-based standard development concept. The IRC urges the Commission to accept this concept moving forward in standard development and looks for an opportunity to work with the Commission to establish an in-depth understanding of how the results-based concept can help us accomplish this objective, and to jointly assess not only which existing standards really contribute to core reliability needs but also which standards the industry should focus on revising or developing to arrive at a set of core reliability standards.

2. The Need to Avoid or Minimize Setting Hard Target Dates to Meet Directives

When the Commission issues directives to revise standards, it should consider the reliability impacts of the directed revisions in developing the timeline for NERC, and the industry, to respond to these directives. New or revised standards that are not required to address a material reliability gap or imminent compliance issues should be assigned longer development times. At a minimum, there should be sufficient time for NERC and the industry to evaluate the priority of the directive and the appropriate time to respond. In addition, the Commission should attempt not to impose a hard date in meeting directives without first considering the impact on the already identified projects and the industry's (and NERC's) limited resource for those issues that can wait for the next revision cycle. For issues that must be addressed sooner, such as those needed to address a reliability gap, it is essential for the Commission to commence a dialogue with NERC and the industry regarding an appropriate target date. That will allow the parties that will be committing resource to meet the directive to provide inputs.

3. Proposed Solution

NERC's Annual Standards Development Process is the appropriate forum for the industry to attempt to reach consensus regarding prioritization. That is where priorities for the upcoming year typically are considered based on collaborative input from the Commission, NERC and the industry. Any collaborative process should give due weight to the technical expertise and professional judgment of the industry, while respecting NERC and industry resource constraints.

To this end, NERC is developing a project identification, prioritization and management process for new reliability standards. This process will allow NERC to revise a project's priority based on resource constraints and improve its ability to identify potential project delays. The

IRC proposes that this “project-filter” be reviewed by the Commission. The final product could then be used to prioritize any new or revised standards that the Commission and the industry want included in the work plan.

Finally, the IRC recommends that Commissioners attend quarterly NERC Board of Trustee and Member Representative Committee meetings to address Reliability Standards development, implementation, and compliance issues. The Commission may also wish to provide inputs on standard project needs and priority through the NERC Standards Committee’s annual process to develop a standards development work plan, and propose additional criteria that the Standards Committee may use as a “filter” to developing standard project priorities.

In sum, one of the primary impediments to the timely development of reliability standards is the sheer volume of expected activity and the corresponding lack of clear priority and focus. Also, the ability to prioritize tasks related to standards development and complete them in a timely manner is jeopardized by the often competing need to divert resources to address other directives and/or administrative requirements imposed by the Commission. As such, the IRC believes that the Commission, NERC and the industry need to work together to prioritize action items and focus first on those items that are material to the reliability of the bulk electric system. The Commission should “stage” its reliability standards-related Orders, NOPRs, and remands based on a prioritization scheme so that the industry can better focus its efforts and resources and not have to respond to a large number of items within a compressed timeframe.

B. The Compliance Enforcement Process Could Benefit from Further Enhancement and Clarity

The IRC supports establishing a modified enforcement process that allows Registered Entities to correct minor infractions and remedy technical violations that do not directly impact

reliability without being subject to penalties and sanctions for these incidents. This would help foster compliance, develop credibility of the enforcement process, and allow the Commission, NERC and the industry to better focus their limited resources on higher priority matters that affect core reliability. Unfortunately, although the amount of the penalty or sanction may vary, the current process applies with equal force to both minor infractions and to major violations. This results in delays in assessing non-compliance of the core requirements for reliability and impedes making use the lessons learned to initiate remedies, including changes to reliability standards. Further, this approach causes parties to incur unnecessary costs, without providing a corresponding benefit of increasing the overall reliability of the bulk electric system. The IRC believes that the use of “fix-it tickets” or written warnings (whichever is more appropriate under the specific circumstances) for minor and/or documentation infractions would better suit the minimal reliability impact of the infraction and allow the industry to increase their focus on operating and planning the bulk electric system in compliance with the core Reliability Standards that directly affect reliable grid operations, while still providing an appropriate means for identifying and remedying these minor infractions and thus improving processes and procedures.

Similarly, to a large extent, the enforcement process appears to place significant emphasis on assessing violations and assigning culpability, as opposed to encouraging the industry to perform instructive event analyses and undertake mitigating steps to prevent future occurrences of the event. This has created a perception by many in the industry that the standard enforcement process is geared toward “gotcha” violations. In this regard, the IRC believes that enforcement should be based upon the primary assumption that Registered Entities have a fundamental interest in reliability. As such, there should be an emphasis in the first instance, on root cause, or

event, investigations, and NERC should thus reserve the stronger enforcement measures for those instances that involve misconduct or gross negligence.

The results-based standard initiative being developed by NERC, supported by a new standard format, will put the administrative requirements of a standard, such as documentation, into a different category from the “core reliability” requirements. This supports the objective of focusing attention on the core requirements to improve reliability and is consistent with the principle of issuing “fix-it tickets” to remedy minor infractions, as noted above.

At the July 6 technical conference, the Commission also sought input on how the reliability standards development process could better utilize individual events to produce reliability improvements nationwide. The IRC submits that NERC and the Commission must work together to distinguish between event analysis and compliance enforcement.

Distinguishing between the two is critical to fair enforcement and prompt publication to the industry, regulators and policy makers of lessons to be learned from system events. The importance of aggressively pursuing a plan to produce timely “lessons learned” from events cannot be overstated. A robust, self-reporting and events analysis process that results in the sharing of “lessons learned” will assist the industry and regulatory entities in identifying the need for new tools, process changes, and appropriate changes to reliability standards. Making process changes based upon observed patterns is not a new concept; it has been employed by the manufacturing industry to assess quality control. The same principle applies here.

C. The Commission, NERC and the Industry Should Work Together to Develop an Efficient Process to Resolve Standard Ambiguities

The Commission has requested input on whether the current approaches for identifying and resolving standard ambiguities are working. At present, a number of standards are still in their Version 0 stage, while some others, though in subsequent versions, still largely resemble

their Version 0 predecessors. Many of these standards contain language that may have been suitable in the era of voluntary Planning Standards and Operations Policies but require improvement in order to ensure consistent enforcement and improve reliable practices.² The current Reliability Standards would benefit from greater clarity (*e.g.*, removal of passing language, clarifying what some interpret as implicitly-stated requirements, defining terms, defining scope of applicability), and a number of parties have sought to address such issues through the interpretation process. However, while the interpretation process is useful in addressing ambiguities in Reliability Standards on an ad-hoc basis, it should only be considered a temporary fix until such time that a standard can be properly revised.

In sum, the compliance enforcement process should recognize that many of the existing standards contain ambiguities that still require resolution, or, are imprecisely drafted. As noted, the use of “fix-it tickets” or written warnings (whichever is more appropriate under the specific circumstances) for the legitimate exercise of discretion in the context of inherently ambiguous terms would assist in mitigating the threat of inconsistent and inequitable imposition of sanctions in the interim period prior to the adoption of revised standards or a common interpretation. It is, therefore, imperative that projects to resolve ambiguities be placed at a high priority so that Registered Entities know their expected compliance obligations, and to reduce the number of interpretation requests which compete for the already limited ERO and industry resources. Ambiguous standards identified through the interpretation process and compliance audits should be included in the priority list for improvements to the Reliability Standards through a Standards Authorization Request. In this way, the industry, NERC and the Commission can be assured that

² In Order 693, the Commission repeatedly noted areas for Standard improvement, and NERC’s focus on ensuring that the Regional Entities consistently enforce Standards also highlights the current state of ambiguity within Standards.

there is an appropriate “feedback loop” between Standards Enforcement and Standards Development.

III. CONCLUSION

WHEREFORE, the IRC requests that the Commission consider these comments as discussed above.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for the captioned proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010)

Dated at Norristown, Pennsylvania this 26th day of July, 2010.



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