

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Reliability Standards Development and)
NERC and Regional Entity Enforcement

Docket No. AD10-14-000

PREPARED COMMENTS OF
WILLIAM O. BALL OF SOUTHERN COMPANY SERVICES, INC.
ON BEHALF OF EDISON ELECTRIC INSTITUTE

Good afternoon. My name is Billy Ball, and I am Executive Vice President of Southern Company Services, Inc. and serve as its Chief Transmission Officer. In this capacity, I am responsible for leading the Southern Company transmission organization. I have also been active in both NERC and SERC. I am a former member and former Chairman of the NERC Member Representatives Committee and have been a member of the Board of SERC. I am also active in various industry organizations including the North American Transmission Forum which I worked with others to help establish in 2006 (as the Transmission Owners and Operators Forum).

Like my colleague, Greg Abel, I am appearing on behalf of the Edison Electric Institute (EEI) of which Southern Company is a member. We appreciate the Commission and the Staff convening this conference. These topics are extremely important to our collective efforts to improve reliability. My comments today are intended to reflect the commitment of EEI member companies to work with the Commission, NERC, and the industry to develop standards for the reliable operation of the bulk-power system in accordance with Section 215 of the Federal Power Act. EEI supported the enactment of Section 215 for many years before 2005, and EEI will

continue to support improvements to the standards development process that will ultimately enhance reliability.

The primary purpose of today's conference is to discuss ways in which we can improve reliability standards and the standards development process. In doing so, we should acknowledge the progress that has been made over the last four years by the Commission, NERC, the Regions, and the industry to implement an entirely new regulatory regime for electric reliability while, at the same time, continuing to develop standards. While progress has been made, EEI members agree that there is room for improvement in the standards and in the process for developing them. With this in mind, EEI believes that a few areas of improvement will address many of the concerns with the standards development process.

Prioritizing Activities in the NERC Standards Development Plan

First, we believe that standards development activities need to be better prioritized based on their relative impact on reliability. This prioritization could be accomplished using NERC's Reliability Standards Development Plan that is filed annually with the Commission for informational purposes. The Development Plan "serves as a management tool to guide and coordinate the development of Reliability Standards and provide benchmarks for assessing progress."¹ In other words, the Development Plan sets forth the priorities and sequence for projects over the covered period. Importantly, NERC and the industry commit standards development resources according to the Development Plan.

¹ NERC's 2010 Reliability Standards Development Plan as filed with the Commission on December 2, 2009 is available at: http://www.nerc.com/files/FinalFiled_RSDPlan-2010-2012.pdf.

The Commission's March 18 Orders make it clear that more prioritization of standards development activities is needed to ensure that Commission directives are being properly addressed. EEI believes that more emphasis should be placed on prioritizing these projects based on their relative impact on reliability. The industry has committed significant resources to standards development in recent years. The Commission, NERC, and the industry should work together to better focus these activities and ensure that standards development resources are being used effectively. Accordingly, the time is right to adopt a more disciplined and structured method for prioritizing standards development projects.

In general, the key factor for prioritizing standards development activities should be the project's relative impact on system reliability. If NERC is to be successful in prioritizing these projects, the Commission must recognize the importance that NERC and the industry place on these standards development priorities. This means that if NERC prioritizes projects in a manner that the Commission has concerns with, then the Commission should identify those issues early on. The NERC Development Plan seems to be the best way for the Commission to do this. The Commission may wish to convene an annual meeting or workshop where it reviews the prioritization reflected in the Development Plan and invites discussion on it.

For NERC to be successful in completing these prioritized projects, the Commission will need to recognize the impact that orders with "new" directives (*i.e.*, those directives issued after the Development Plan is filed) may have on the current plan. These new directives may require an adjustment of resources and priorities in some circumstances. As a practical matter, there are limits on the amount of resources that NERC and the industry can effectively dedicate to standards development projects at a particular time. Thus, greater prioritization of our efforts will ensure that we are focusing on the most important projects.

If NERC and the industry are better able to prioritize standards development projects and focus their resources on those with the most significant impact, we should ultimately see better standards being developed with fewer rounds of revisions and ballots. It is also reasonable to expect that the Commission will need to include fewer directives in its orders and will need to consider fewer requests for post-approval interpretations.

Improving Communications on Standards Development Projects

The second area for improvement is communications. We need to consider ways to improve communications in the early stages of standards development. Reliability standards often involve highly technical issues, and as an industry, we need to do a better job of communicating when different parts of the industry have concerns with a particular standard. In order to do this, we need to collectively consider whether new methods should be established to allow the Commission and its Staff to provide more feedback while standards are being developed. If done correctly, we believe that both Commission concerns with draft standards and industry perspectives can be more constructively discussed *before* we are dealing with final orders or considering formal motions for rehearing. To this end, EEI believes that the Commission should consider -- at least on a limited basis initially -- adopting new avenues for communicating its technical concerns and questions about a draft standard *before* a NOPR is issued with a limited comment window. There are several ways that the Commission could consider doing this.

First, the Commission or its Staff could consider convening a technical conference or workshop on a draft standard to review Commission concerns or industry perspectives that, due to their technical nature, lend themselves to being discussed in that format. This could also be done using the pre-filing of proposed standards to facilitate such conferences or workshops.

Second, the Commission could consider issuing a preliminary Staff report on a proposed standard. In the proceeding leading up to the issuance of Order No. 693, Commission Staff issued a preliminary report on the draft standards and invited comment. We believe that communication cycle helped inform both the industry and Staff on differing perspectives and concerns before the subsequent NOPR was issued. In addition, the Commission could also consider issuing an Advanced Notice of Proposed Rulemaking on a proposed standard to facilitate discussion of any technical issues.

Third, in many cases, Commission Staff have participated in drafting teams and played a valuable and constructive role in developing standards. Of course, every team is different and some industry team members are not sure how they should respond to informal Staff guidance. In the future, if a drafting team is having a hard time managing a particular issue, the Standards Committee will bring in technical support to help the team resolve the impasse so they can move forward with their work. In this same vein, the Commission should consider whether in some circumstances it would be appropriate for Staff to share feedback through non-binding, written comments on behalf of the Staff so that their guidance can be more effectively discussed and considered by the team or the industry. In some situations, it may also be appropriate to convene an informal meeting with the drafting team, the NERC Standards Committee, and Staff from the Commission's Office of Electric Reliability to address the issues or concerns.

Additional Support for Drafting Teams

The third area of improvement is to enhance the drafting of standards by seeking to more actively incorporate personnel with a legal and regulatory background in the standards drafting process to help in identifying potential ambiguities in proposed requirements. Members of the drafting teams are often engineers and technical experts who may not see the ambiguities in

standards that they develop. Thus, it is incumbent on NERC and the industry to have personnel with a legal and regulatory background participate in the drafting process. NERC already has an effort along these lines underway, and EEI supports NERC in this approach. Ultimately, if these efforts are successful, it should help to reduce concerns that standards include ambiguous requirements and also reduce the need for post-approval interpretations.

Current NERC Efforts to Improve Standards Development

Finally, NERC has already done a great deal to improve the standards development process. For example, on June 10, 2010, NERC filed with the Commission proposed revisions to its standards development procedures which we believe will improve the speed and efficiency of the process. In addition, NERC is also studying the way in which standards are drafted and structured as part of an effort to focus more on risks, results, and competencies. It is expected that by approaching standards in this way that requirements will be more clearly understood and more effectively enforced. While this is an ongoing effort and there is much work to be done, we support NERC's goals in this area.

On behalf of EEI, we appreciate the Commission convening this technical conference and providing us with an opportunity to participate in this important discussion. We look forward to engaging in further dialogue on these and other topics that you may wish to explore.

Dated: July 6, 2010