

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Reliability Technical Conference
North American Electric Reliability
Corporation

Docket No. AD12-1-000
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Public Service Commission of South
Carolina and the South Carolina Office of
Regulatory Staff

Docket No. EL11-62-000

**WRITTEN STATEMENT OF
WILLIAM J. GALLAGHER
FOR THE NOVEMBER 29 TECHNICAL
CONFERENCE**

Thank you for inviting me to participate in today's technical conference on priorities. Getting the priorities right, and getting actions aligned with those priorities, is key to enabling the unique FERC-NERC-industry relationship to achieve the objectives everyone shares of cost-effectively maintaining and enhancing reliability.

I am the 2011-12 Chairman of the NERC Members Representatives Committee, a role that has given me direct exposure to the challenges of managing competing and ever-evolving priorities. As retired CEO of Vermont Public Power Supply Authority and consultant to TAPS—the Transmission Access Policy Study Group, an association of transmission dependent utilities in more than thirty states—I am acutely aware of both the importance of a reliable and secure Bulk Power System, as well as the heavy compliance burden borne by registered entities, even if they are small systems with limited impact on BPS reliability. From this vantage point, I will provide my views on questions posed to this panel.

I. HOW WE'VE DONE ON THE 2011 PRIORITIES; PRIORITIES FOR 2011-12

The recognition leading up to and at the February 2011 technical conference of the need to set priorities represents a giant step forward for reliability—as was rightly acknowledged, if everything is a priority, nothing is a priority. That being said, my experience as MRC Chairman reinforces what I've learned in my 49 years in this industry about the challenges of moving forward to address identified priorities on a timely basis in the face of rapidly changing developments. For NERC, it is new FERC directives that have the greatest impact on the ability to achieve identified priorities.

I support the priorities identified by NERC last February, but to be honest 2011 was largely dominated by the BES definition effort. We greatly appreciate the Commission's determination in its BES Order to give NERC and the industry the opportunity to develop a consistent definition of Bulk Electric System, along with procedures that will enable NERC to include and exclude facilities from that baseline definition, as appropriate. However, the Commission needs to appreciate the enormousness of the effort that has gone into meeting this directive in the time allowed by the Commission.

The BES effort has involved the intensive work of two standards drafting teams, and has called for significant involvement of the Standards Committee and the MRC, as well as the NERC Board itself, to keep things moving on the right track. Stakeholders have been heavily engaged in this effort at every stage of the process. Industry stakeholders and NERC have worked hard to develop a definition and process that address the wide range of configurations in a fair and technically competent manner that will meet the reliability-enhancing objectives of stakeholders, NERC, and FERC. To do

so, NERC and the Standards Committee have bifurcated the process into two phases, and made commitments to separately address as high priority issues for 2012 possible improvements that required development of technical information that could not be developed within the limited time allowed. I am very pleased that in the recent balloting, this effort has received overwhelming support for both the BES Definition and the Detailed Information to Support a Request for BES Exception, paving the way for timely consideration by the NERC Board and submission to this Commission. We hope that in addressing NERC's anticipated BES filing, the Commission will give due weight to the technical expertise NERC has harnessed through these intensive efforts as Section 215 instructs, and will respect NERC's commitment to make phase 2 of the BES process a high priority item for 2012.

We also recognize the tension between the objectives of moving forward rapidly and moving forward cost-effectively. We hope the Commission affords NERC some flexibility on implementation of CIP Version 4 *if* NERC and the industry meet the challenge of getting Version 5 done on a timeline that will have the potential of better and more quickly meeting our security objectives without making CIP Version 4 compliance investments that may become stranded. On the other hand, industry stakeholders and NERC have recognized the importance of keeping a forward momentum on addressing CIP issues through Version 4 *if* Version 5 gets delayed.

Another issue that should be accorded high priority by NERC to balance the tension between the objectives of moving forward rapidly and moving forward cost-effectively is GO/TO registration/standard specification. Registration of GO/GOPs with generator leads as TO/TOPs subject to the full compliance responsibility for the hundreds

of requirements would be overkill, imposing great hardship and expense for small GO/GOPs with limited facilities, while doing little if anything to advance reliability. Commission orders in this area recognize the need for and appropriateness of streamlining applicability of TO/TOP standards, while rightly avoiding prejudging the standard development process on this score.¹ The Project 2010-07 GO/TO standards drafting team's effort is out for initial industry comment. NERC's focus should be on supporting that effort, rather than rushing toward registrations that subject GO/GOPs to extremely costly compliance obligations that may be unnecessary.

II. IMPROVING PRIORITIES ON COMPLIANCE AND ENFORCEMENT

NERC has recently made significant strides to realign enforcement and compliance efforts of both the industry and NERC to better match the associated risk to the BPS. I urge the Commission to support this vital effort.

Up until recently, NERC has not significantly differentiated between the enforcement process applicable to violations of standards posing substantial risks to the BES and those that do not. Just processing an alleged violation of reliability standards is very costly from the NERC/RE perspective, as well as to the registered entity. Even where the Regional Entity agrees the violation is trivial, registered entities have been run through the full enforcement process traps. In addition to imposing costs not proportioned to reliability impacts, failure to use enforcement discretion to focus enforcement efforts where it counts has contributed to the mounting backlog, which creates significant uncertainty and may delay actions that could improve reliability. All

¹ See, e.g., *Cedar Creek Wind Energy, LLC*, 137 FERC ¶ 61,141, PP 25-26 (2011).

this detracts from, rather than enhancing, reliability. While the administrative citation process reflected some movement to calibrate enforcement to risk, its scope proved too limited to make a dent in the growing backlog.

At the end of September, NERC took an important leap forward by using its enforcement discretion under its existing Rules of Procedure to implement FFT—Find, Fix, Track and Report. NERC filed this major development with the Commission and has submitted two sets of informational filings applying this new approach to some 200 alleged violations with lesser risk to the BPS. FFT redirects enforcement efforts away from the minutia, allowing resources of NERC, its REs, and registered entities to be better focused on matters more significant to BPS reliability. FFT has garnered strong and nearly universal industry support.

FFT's priority is getting lesser risk reliability issues promptly corrected, without incurring the time and expense of determining whether a violation has in fact occurred, with the associated procedural hurdles and ramifications. At the same time, issues resolved by FFT will be noted on a registered entity's "permanent record" and tracked by NERC. This process not only provides for accountability on a registered entity basis, but should yield the data to enable FERC and the industry to hold NERC to its obligations to ensure consistent application within and across regions. Tracking should facilitate analysis of trends, allowing for more targeted industry education efforts that enhance reliability, as well as facilitating further refinement and evolution.

In short, FFT is a crucial initiative to prioritize enforcement. It seeks to better align enforcement resources of NERC and the industry to importance for BPS reliability,

while fostering a culture of compliance, prompt self-reports, and speedy fixes, thereby improving reliability. It merits the Commission's strong support.

III. CHALLENGES TO ADDRESSING PRIORITIES IN AN EFFECTIVE AND TIMELY MANNER

As I mentioned, imposition of new FERC directives can create significant challenges for timely addressing recognized priorities. Beyond that, a big obstacle is sheer volume and intensity of the required effort. There is so much going on just in NERC-related efforts, much less other major industry developments such as those on the agenda for tomorrow's portion of this conference, that it is very difficult for industry to maintain the level of engagement and involvement required to get the job done well and timely given necessarily limited resources. It is especially hard for small entities to make the substantial commitment of personnel required to staff the many drafting teams underway. We need to be concerned about reaching and exceeding a saturation point—only so many major initiatives can be effectively addressed simultaneously.

One unnecessary distraction that should be avoided is regional standards. Where there's a national or interconnection-wide standard in place, regions should have to meet a high threshold to justify the diversion of industry resources on the development of regional standards, not to mention the loss of consistency and additional compliance burden on multi-regional entities. While I recognize that the Commission's initial reliability rulemakings did not rule out regional standards that were more stringent than the NERC-wide standards, greater appreciation of the challenges of addressing priority issues argues against permitting a proliferation of regional standards. Our limited resources should be focused where they can make the greatest contribution to BPS reliability—getting the broad and sustained industry involvement required to get NERC

standards right and clear—rather than allowing regional standards development to siphon off needed resources to endeavors less productive for enhancing reliability.

The time has also come for NERC and its stakeholders to reexamine the standard development process to identify new ways for it to be streamlined, while creating standards that work for an industry with the diversity of the electric utility industry. As now structured and implemented, the process takes too long. But any revised process developed by NERC and the industry would have to carefully balance the need for greater expedition against the need to ensure an opportunity for meaningful input by a wide range of industry players. Retaining ANSI accreditation is also key to retaining legitimacy and respect. The delicacy involved in reassessing and revising this all-important process demands that the task be left to NERC and the industry to work through.

I look forward to your questions and the panel's discussion of these important issues.