

**UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION**

**Reliability Technical Conference  
North American Electric Reliability Corporation**

**Docket No. AD12-1-000  
RC-11-6-000**

**Prepared Statement of Kevin Burke**

November 22, 2011

Good morning Mr. Chairman and Commissioners. I am Kevin Burke, CEO of Consolidated Edison and am here this morning representing the Edison Electric Institute and its member companies. I serve as co-chair of the CEO Reliability Task Force at EEI. As the CEO of the company responsible for keeping the lights on in a major metropolitan area, I am strongly aware of the importance of reliability to our customers and therefore the importance of the issues we are covering today. I am pleased to be here to discuss follow-up to the February 8<sup>th</sup> technical conference.

Before I begin, I would like to briefly summarize the testimony I gave at that conference. I stated that while NERC is responsive and responsible, it would benefit from having clearer guidance on setting goals and priorities, and establishing reasonable expectations. I noted that I shared the Commission's view that we must identify the most cost-effective, expeditious way to address the risk of widespread cascading outages and uncontrolled system separation. Also, we must balance the demands of maintaining bulk power system reliability with the need to provide distribution system reliability, which is where most system outages occur. As I stated, this prioritization process should ultimately result in reliability actions falling into four categories: high priority, low priority, do not implement, and terminate implementation.

My proposals included reducing focus on minor administrative violations in order to focus on the major reliability risks. I also proposed that other organizations, such as the North American Transmission Forum, could perform some of NERC's tasks to allow NERC to focus on its core function, developing and enforcing standards through the standards making process. Finally, I stated that the Commission should seek to reduce technical directives and this theme was echoed by others at the conference.

I conclude my introduction by noting that NERC recently announced that it will continue to build on its "Four Pillars of Success" in order to become a successful organization, and they are: (1) addressing real problems to improve the reliability of the grid; (2) being accountable to customers, the industry and government for the performance of the grid; (3) enabling the industry to learn from experience to improve future reliability performance; and (4) focusing actions and programs on issues most important to grid reliability. EEI and I support the continued effort to build on these pillars and we believe that NERC has already made significant progress in establishing itself as the Electric Reliability Organization for North America.

### **Progress Made Since the February Technical Conference**

In setting this conference, the Commission asked whether progress has been made since February. I am pleased to report that we believe that progress has been made. In particular, NERC's recent filing of its find, fix and track (FFTR) compliance initiative is a good start. NERC, the regional entities and the industry expect that the implementation of FFTR will reduce time and resources devoted to resolving minor administrative matters and enable all to focus on the most significant reliability risks. While I recognize that developing metrics for success on this important initiative can be challenging, NERC should seek to develop ways to measure the success in order to be

able to report on its progress in the periodic filings that it plans to make with the Commission. Ultimately, the goal of maintaining bulk power system reliability in the most cost effective manner requires that we have an efficient compliance program that relies on only the minimum process necessary to achieve its goals.

The Commission also asked about progress on the NERC prioritization tool. I believe that it is making progress and was used to help make decisions on priorities this year. The NERC Board of Trustees recently approved the 2012 standards development plan, which is informed by the prioritization tool, and will soon file the plan at the Commission. I note that Con Edison uses a similar tool in its enterprise risk management process to help determine high priority items for our company. But we agree with the NERC Board's view that this tool should provide guidance to NERC management and its Board in setting priorities and should not substitute for management and the Board's discretion to determine, in consultation with stakeholders, the top reliability priorities.

Progress has also been made on the top priorities identified by Gerry Cauley in the priority list that was released on January 7, 2011. I stated at the technical conference that this was a good list but we should be cognizant that not all of the important reliability matters discussed there should be NERC's primary focus. In particular, the list appropriately identified cybersecurity as a top priority. I reported at the conference that the industry came together and supported Version 4 of the critical infrastructure protection (CIP) standards. NERC then filed Version 4 with the Commission on February 10, 2011, just two days after the technical conference. In its recent notice of proposed rulemaking on the NERC filing, the Commission proposed to

approve Version 4 and asked whether a deadline should be established for Version 5. I believe that the industry has appropriately come together to support a goal of September 2012 for the filing with the Commission of CIP Version 5 and then provide periodic reporting thereafter if the goal is not met (or, alternatively, first quarter of 2013 if a fixed date is absolutely critical). The industry supports a focused effort to ensure timely completion of Version 5 and filing for approval with the Commission of a comprehensive set of revisions to the CIP standards.

We all understand the need to develop the high priority items. But, at the same time we must also make sure that the stakeholder process retains its role as the best way to decide priorities and develop standards that are technically strong, responsive to directives, and reduce implementation and compliance problems. Finally, while we all desire that standards be adopted on a timely basis, standards need to continue evolving toward a performance-based structure and include more explicit consideration of cost effectiveness.

With respect to some other priorities from the January 7<sup>th</sup> list, we agree that system protection merits high priority attention, and we believe it is receiving that attention. With respect to high impact low frequency events, I would suggest focusing on geomagnetic disturbance (GMD) and not electromagnetic pulses (EMP). While both GMD and EMP can disrupt reliability, we believe that an EMP is most likely to result from a device launched by an attacker, which may be detonated at high altitude. These attacks are matters of national defense, and therefore not the responsibility of NERC or this Commission. Ultimately, the strongest protection available to the bulk power system may be to shut down facilities and plan for an efficient restoration of service

after these threats pass. I think we can all agree that we should not be spending customers' money on what could be some very expensive protection measures to protect against an extremely remote risk.

### **Role of the North American Transmission Forum**

At the February Technical Conference, I pointed out that other organizations, such as the North American Transmission Forum (NATF), can help shoulder the burden of addressing reliability issues outside of standards development, compliance and enforcement. The NATF continues to expand its scope of activities and plans a significant expansion in the next three years. NATF has the potential to manage such tasks as information sharing, learning from system events, developing best practices and discussing new technologies and their potential reliability impacts. Allowing NATF to cover these issues could help NERC to sharpen its focus on its core program requirements, managing the development of mandatory standards, and compliance and enforcement. Here, again, this is part of determining whether there are actions that NERC should terminate. This topic requires further discussion.

Thank you again for the opportunity to participate in this conference today and I look forward to our discussion.