

## **AD12-1-000 Reliability Technical Conference, November 29-30, 2011**

### Panel II: Incorporating Lessons Learned into a More Reliable Grid

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As a regulated entity that had the recent occasion to participate in the event analysis process this year, we at El Paso Electric Company (EPE) welcome the opportunity to be part of this important technical conference. EPE was among many regulated entities impacted by the cold weather event this past February. The Western Electricity Coordinating Council (WECC), the North American Electric Reliability Corporation (NERC) and the Federal Energy Regulatory Commission (FERC) were all involved in the review and evaluation of the February event. I'd like to share EPE's observations concerning the process and what worked well, and to offer some thoughts on process considerations going forward, using the Commission's agenda items as a frame of reference.

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| <b>a. How do lessons learned from events analysis get disseminated to industry?</b> |
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As part of the standard event analysis process within WECC for the February event, EPE memorialized in writing a series of "lessons learned" in the form of an appendix to the event analysis (Appendix D). We were asked to present the lessons before members of the WECC Operating Practices Subcommittee. The Subcommittee is comprised of representatives from regulated entities (both jurisdictional and non-jurisdictional) throughout the Western Interconnection.

Overall, we found that event analysis process that governed the February cold weather event worked well. We were in constant communications with WECC, not only during the event

itself, but also for the several months that followed and that culminated in the presentation of our analysis to WECC. Specifically:

- We were impressed with the fact that NERC and FERC proceeded in a joint, coordinated fashion.
- FERC and NERC Staff members were knowledgeable, no nonsense, and professional, without exception.
- Given the involvement of the Office of Enforcement, we had initial concerns about the distinction between an “inquiry” versus an “investigation.” In many ways, especially at the inception, the process resembled an investigation. As the process unfolded, however, we started to discern a difference. The emphasis appeared to be on fact finding without advocacy.
- The process was relatively quick – a total of six months from start to finish (February to August).
- The process worked. It was effective.
- The joint NERC/FERC report was noteworthy for its detail. One could tell that engineers (and not just lawyers) were involved in its development, and that the inquiry had been quite thorough.

Our administrative challenge was the sheer volume of the multiple simultaneous reporting requirements during and after the event. In addition to NERC/WECC, the United States Department of Energy and state and local regulators had their own reporting requirements. Even after the event concluded, when we were focused on the event analysis process, we were simultaneously responding to various requests from FERC, NERC and WECC stemming from the establishment of the inquiry. We understand the reason for the inquiry and the need for it to occur quickly, without delay, but for a company the size of EPE, it was a challenge to keep up with all fronts at the same time: our state and local regulators, our Reliability Coordinator (WECC), FERC and NERC, while we were also in the throes of the event analysis itself.

**b. How do NERC’s non-standards processes such as the Industry Alerts, Recommendations, Event Analysis, Essential Actions, Lessons Learned and Compliance Application Notices interact with the reliability standards? To what extent do these processes aid in identifying important reliability matters that are not addressed under the existing Reliability Standards?**

At EPE, we find that certain of the alerts directed to regulated entities (including those that are marked, “Essential Action”) can be helpful when they alert targeted recipients of an immediate threat. Many of the other non-standards postings, NERC Alerts in particular, are used frequently for other various purposes, such as to request information from regulated entities (presumably so that NERC representatives can pursue studies and other such activities), and are not triggered by concerns of urgency or immediate threats to reliability. In this respect, we find that the NERC Alerts are overused, and the result is that the sheer volume of alerts dilutes their perceived importance and impact.

The most important point I would like to make today is this: Non-standard issuances should not be used as a substitute for a clearly written and effective standard.

- If the NERC auditors discover substantial differences in the way in which entities are interpreting and/or complying with a standard, then please re-work the standard, instead of relying upon non-standard issuances.
- If a gap between standards is identified, then fill it – with a new or improved standard.

The emphasis should be on the standard itself – and having it state clearly and plainly what is required and by whom.

We are particularly concerned with the manner in which Compliance Application Notices (CANs) are being used. It is our understanding that CANs first developed because different auditors were evaluating compliance with certain standards differently. The goal was to establish greater uniformity in the evaluation of compliance across regions. The goal is a good one – to assist entities that are subject to the reliability standards in their audit preparedness by informing them the manner in which compliance will be determined. Yet, there are issues and challenges associated with the use of CANs. Consider the following situations:

- 1) When a CAN is issued long after the standard becomes effective, and is used to audit for compliance *retroactively*.

It is not unusual for a CAN to announce that companies will be audited for compliance, based upon the contents of a CAN, on conduct that far predates the CAN.

- Does the regulated entity have adequate notice that this is how compliance would be measured?
  - What if regulated entity's actions satisfy a plain reading of the standard, but do not satisfy the contents of the subsequent CAN? In this respect, the intended purpose of a CAN (to assist in audit preparedness) is not satisfied.
  - If the CAN vehicle is continued, it should be used as a tool for prospective application only.
- 2) When the substance of a CAN reaches *beyond* the substance of the associated standard itself.
    - We've seen CANs that set forth requirements that are not found in the standard itself – under anyone's plain reading of the standard. The test should be: would a plain reading of the standard alert the reader that this course of action is required? If not, then it's not the appropriate subject of a CAN. The appropriate course of action is to seek a change in the standard itself, with that change being made effective prospectively.
    - We've seen a CAN instruct specific compliance actions to be taken even before the effective date of the standard itself. Is this really guidance? Or does it begin to look more like a new standard, or a change in the effective date of an old standard? Doesn't FERC have to act in such situations in

order for the substance of the CAN to be made into a lawful and enforceable requirement?

The fact that a CAN is necessary (i.e., that auditors looking at the same standard are measuring compliance differently) reveals that the language in the standard itself may be subject to differing interpretations, all or most of which may be reasonable. If the auditors do not all share the same view of what constitutes compliance under a standard, could one reasonably expect to hold the entire industry to a single view? We are aware that FERC has said that issuances intended to provide guidance are not the equivalent of the standard and can't be enforced – that only the contents of the standard can be enforced. We agree.

**c. Is the alerts process getting the message out on issues of immediate importance?**

We find that the alert process is used for items of varying degrees of importance, which results in dilution of the process. Often, alerts convey information that is already widely known among regulated entities. We'd like to see the alert process, overall, reserved for items of urgency and immediate importance.

**d. How do you gauge whether industry is appropriately implementing NERC alerts or lessons learned from an event analysis?**

When an individual company experiences an event and identifies the lessons learned from the event, there is a high level of confidence that those lessons become ingrained within the company that experienced the event. That's been our experience.

In the aftermath of the February cold weather event, EPE engaged the engineering firm, Black & Veatch. We asked Black & Veatch to recommend what measures EPE might take to improve the ability of our local units to withstand and successfully operate during future extreme cold weather events. We also asked them to consider typical weatherization features of plants in

colder northern climates versus warmer southern climates. In conjunction with those efforts, we contacted a meteorological expert to investigate historical weather events and patterns in our area, so that we would know whether it has ever been as cold in El Paso as it was in February, and for how long, and when? The answer was that it was that cold in El Paso once before, in 1962, but not for such a prolonged period of time.

I raise this to make sure that our reliability regulators, FERC, through NERC and WECC, understand that the experience in my own organization is one example of how the event analysis process, and its identification of lessons learned, helps to facilitate the implementation of corrective measures. Our approach was to act quickly, with the event still fresh with immediacy in our minds, to move forward, as opposed to waiting until the regulators issued reports. Our actions, in many ways, surpass the recommendations reflected in the joint FERC/NERC report. We're proud of that.

What was instrumental to our action plan?

- *The event analysis process:* WECC was constantly on the phone with us. Asking questions, prompting quick turnarounds on the various written submissions that make up the event analysis reporting process, making sure we knew what the next steps in the process were and what we had to do to comply with them. WECC regularly asked us for status updates, promptly responded to any questions we had, and was our point of continuous contact throughout the duration of the process. They had us discuss our event and lessons learned with other regulated entities within WECC through the WECC Operating Practices Subcommittee process.
- *Direction throughout the company, coming from the highest level within the organization:* At EPE, our CEO, David Stevens, came out early on and declared publicly

that the outages and resulting load shedding were unacceptable. This set the tone and attitude for company personnel to find solutions.

- *Seeking expert help from outside the organization:* Turning to an outside engineering firm like Black & Veatch was helpful to our efforts to objectively assess our current vulnerabilities and to map out how to improve the ability of our plants to withstand extreme weather conditions like the ones experienced in February.
- *Using a sliding scale of priorities to help effectively and efficiently direct remedial actions:* This sounds simple and obvious. We're finding it helpful, as part of our effort with Black & Veatch, to establish priorities, to know their costs, and to go forward with implementation. This is helping us make certain that the items that need the most attention get it early in the remedial process. In fact, EPE completed all of the top priorities identified through this process last month, before the start of the winter season. In this respect, EPE found that by moving forward with the help of third-party experts in their fields, we were able to quickly and effectively identify and implement responsive measures, without waiting on NERC to issue an alert (or a CAN, or an Essential Action or a Lessons Learned posting), and without waiting on the standards development process to fill a gap in the standards – all which take time.

For El Paso, the February event was one of only *two times in the last 100 years* that weather conditions were so cold. The other time, 1962, was well before we had a NERC, much less an event analysis process like the one in place now. Unlike many other utilities in Texas, we were not part of the 1989 event that caused substantial load shedding throughout much of the State, but an event analysis process like the one we have today probably would have been helpful to facilitate responsive measures by those affected.

The challenge, in our view, is not so much having lessons learned result in better practices within the regulated entities who have experienced the event firsthand and undergone the full event analysis process within their NERC reliability region, but is more so in the dissemination of lessons learned to others in the industry *unaffected* by the event. Lessons learned are consolidated by NERC and posted in summary form, but is it enough information, disseminated quickly enough, to make a difference for those others who were outside the event? Maybe not. The February event may be the exception (not the norm) because the details are plentiful and are laid out methodically in the joint FERC/NERC report.

**e. Is there a feedback loop into the Reliability Standards development process to determine if there is a gap in the standards? If so, how has that been working? If not, should there be?**

The standards development process has so many steps from first draft to effectiveness. It can take years to go from a first draft to an effective standard. If a gap is discovered, the process does not lend itself to a quick solution. EPE would support streamlining of the standard development process, so that gaps can be remedied by corrective adjustments in the language of the standard itself.

Pending a quicker standard development process, one place to look to determine if there is a gap in the standards is to use the existing NERC Request for Interpretation process. It's a process that already exists. There is a format already established. It's not a cumbersome process, but it's a process that is limited in its use at present. We'd like to see it broadened so that it could be used to identify gaps (whether vetted by presenting to NERC an actual factual situation or a hypothetical scenario), so that the standards development process could more quickly work to fill those gaps.



In closing, allow me to offer a quick summary:

- EPE found that the event process that governed the February cold weather event worked well, overall.
- With respect to the various NERC non-standards postings, we're seeing that NERC Alerts are not always triggered by concerns of urgency or immediate threats to reliability, that they often relay information that has already been widely disseminated, and that the sheer volume of alerts dilutes their perceived importance and impact. We'd like to see the alert process reserved for items of urgency and importance.
- We are particularly concerned with the manner in which CANs are being used. If the CAN vehicle is continued, we'd like to see it used for prospective application only, with the understanding that a CAN is not the equivalent of a standard. The emphasis should be on the standard itself, and having it state clearly and plainly what is required and by whom.
- EPE's own experience with the event analysis process stemming from the February event, and its identification of lessons learned, illustrates that the event analysis process helps to facilitate implementation of corrective measures within the entities impacted by an event firsthand. The challenge is more so in the dissemination of lessons learned to others in the industry unaffected by the event.
- We'd like to see the standards development process streamlined so that as gaps in the standards are identified, or as it is discovered that either regulated entities or auditors (or both) have varying interpretations of what constitutes compliance under an existing standard, the standard can be quickly filled and/or clarified. In

the meantime, we see value in broadening the use of the NERC Request for Interpretation process so that it might serve as a more helpful tool in identifying gaps that require attention.