

**Comments of Nicholas Ingman, Manager, Operational Excellence – IESO  
on behalf of the Canadian Electricity Association  
FERC Commissioner –Led Technical Conference  
on  
Reliability Standards Development and NERC and Regional Entity  
Enforcement  
July 6, 2010**

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I would like to thank the Commission for the opportunity to speak today on issues related to the development and enforcement of mandatory reliability standards which apply across North America. My remarks will provide a Canadian perspective on the reliability standards development process and address a number of the questions raised by the Commission in their Notice of the Technical Conference.

I am appearing today on behalf of the Canadian Electricity Association (“CEA”). The CEA is the national forum and voice of the evolving electricity business in Canada, with members accounting for most of Canada’s installed generating capacity and high voltage transmission. U.S. and Canadian utilities are interconnected to one another and, as a significant part of the North American grid, Canadian utilities are critical to the energy security and electric reliability of North America.

The CEA is very supportive of the standard-setting model included in section 215 of the Federal Power Act. This model allows for effective participation by all North American stakeholders in the development of reliability standards. This standards development process is respectful of jurisdictional sovereignty by: 1) allowing for the approval of the resulting standards in all relevant jurisdictions, and 2) by the incorporation of the remand provision concept in the US and in a number of Canadian provinces. This standards development process assures that no governmental authority has the ability to unilaterally modify standards

that would apply to the whole system, and that any variances are accommodated through the collective process. At the same time, it gives public authorities the confidence that the system has a government backstop, providing governmental authorities on both sides of the border with the confidence that standards developed through that process reflect their concerns.

As a member of the Bilateral Electric Reliability Oversight Group ("Bilateral Group"), FERC has expressed its commitment to approaches that assure that NERC can work effectively on an international basis. The Terms of Reference, signed by all the members of the Bilateral Group, recognize the importance of coordination and cooperation of the relevant governmental authorities in exercising their respective responsibilities to assure the reliability of the international grid.

The Canadian governmental authorities are working with NERC and U.S. entities to ensure that, in Canadian jurisdictions, the Reliability Standards are approved in a form applicable to the jurisdiction and are mandatory and enforceable in that form. However, all the Canadian governmental authorities have engaged with NERC based on an understanding that the NERC standard-setting process would be respectful of the jurisdictional sovereignty of each of the Canadian provinces.

NERC is our certified Electric Reliability Organization (ERO) and NERC processes, endorsed by Canadian entities and governmental authorities during the formation of the ERO, are fundamental for developing and applying a consistent set of reliability standards on a continent-wide basis. For NERC to be an effective international ERO it is necessary that the

relevant governmental authorities trust the ERO standard-setting process for both developing and modifying reliability standards. NERC is in the best position to balance differing needs and concerns in the U.S. and Canada. CEA is concerned that FERC's recent actions, for example the March 18<sup>th</sup> orders, may hamper the effective functioning of NERC as an international standards setting body and undermine the industry-based standard-setting processes. The CEA believes that this could have unwelcome consequences for the ERO in respect of its relationships with Canada, and could certainly lead to the unfortunate adoption of different standards north and south of the Canada/U.S. border. This would be in direct conflict with the goal of a consistent set of reliability standards in force across North America to support the reliability of the North American grid.

In terms of the specific issues identified in the Agenda, Canadians believe that the current NERC processes for developing standards, based on ANSI guidelines, are generally working well. These processes ensure a collaborative approach and one that does NOT lead to lowest common denominator standards. The need for improved timeliness and additional flexibility has been recognized by NERC, and has been addressed in the recently revised Reliability Standards Development Process and other ongoing initiatives such as the informal guideline process and through enhanced project management. We would urge the Commission to allow the industry the time to demonstrate the improved efficiency of standards development using the revised processes. We do not support what appear to be arbitrary deadlines for the compliance with directives, but would encourage the Commission to consider working with NERC on the timing of compliance filings. It would also be practical for the Commission to reflect the significance to reliability of a particular directive when

establishing deadlines and to provide flexibility in the deadlines to recognize that priorities can change over time.

The CEA is supportive of NERC's move towards results (or performance) based standards and risk based compliance which is designed to focus on the core requirements that are critical to maintaining and improving reliability; as opposed to requirements that have a lesser impact on reliability, such as those of an administrative nature. Lessons learned from the analysis of major events should also be a key consideration for identifying standards that need revision on a high priority basis. For new standards, a prioritization exercise using the project "filter" that NERC has recently developed should be conducted during the annual standards development planning process.

We believe that the identification of priorities should be a collaborative effort between regulators, NERC, and industry. It is important that the Commission recognize and rely upon the technical expertise of NERC and industry when developing these priorities and also consideration of NERC and industry resource constraints.

Technical conferences, if held more frequently, could provide a forum for industry to inject technical inputs to Notice of Proposed Rulemakings and Orders in an open forum before they are issued.

Lastly, a comment on communication and cooperation between the Commission, NERC and industry - While the Commission's directives apply only to US entities and the US grid, many of these directives have consequences in Canada due to the interconnected and international nature of the electricity grid. For this reason, a number of Canadian entities regularly make submissions on matters before the Commission. The

Commission has always given consideration to these Canadian submissions and is commended for doing so. The Commission should continue to engage the industry and NERC through more informal discussions and technical conferences. The CEA would also suggest that NERC, the industry, and the Commission need to be more flexible in developing and approving standards and should be focussed on accepting standards that are judged to represent substantial improvement to reliability, rather than withholding approval until a standard is judged to be "perfect". The achievement of a perfect standard should be viewed as a long-term objective that is not necessarily achievable in a single-step process.

Such an approach would expedite the implementation of standards that are a clear improvement on existing ones, both by reducing the lengthy time required to develop and approve a standard within NERC, and avoiding rework directed by the Commission on NERC-approved standards. Also, such an approach will facilitate the implementation of the standards in Canada.

I would like to thank the Commission for their attention and would be happy to answer any questions that you may have.