



Legislation Needed to Ensure Reliability of the Electric Power System

Federal electric system reliability legislation "...is essential to enable the enforcement of reliability standards in our increasingly competitive wholesale electric power market. The prompt enactment of this legislation is important to assure the continued reliability of the western electric power grid."

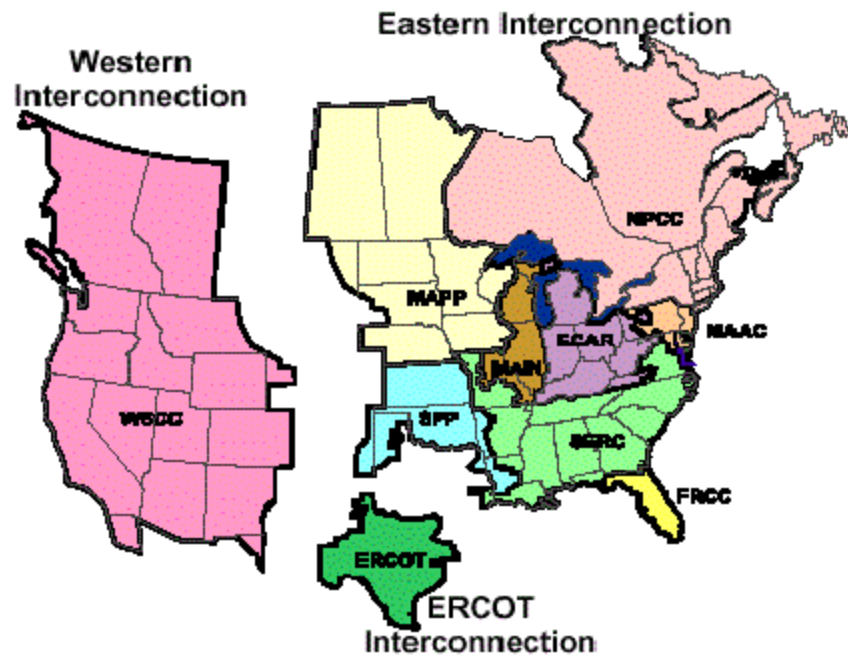
-- WGA Chairman Governor Dirk Kempthorne

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The Western electric power transmission system is under stress because of the growing demand for power and increasing competition to meet that demand. The current voluntary reliability standards worked well in the era of vertically-integrated utilities that were not competitors. However, all parties recognize that this voluntary system cannot be relied upon to maintain a reliable power grid in our increasingly competitive power market.¹

Action Needed

- T** The new Administration and Congress need to enact federal electric power reliability legislation similar to that which passed the Senate in June 2000.
- T** The Federal Energy Regulatory Commission needs to maintain a constructive dialogue with western states and provinces on the implementation of such legislation, including provisions that enable the Commission to defer to recommendations of regional advisory



Power grids and Industry Reliability Organizations²

Non-compliance with reliability standards can lead to widespread power outage such as those the Western Interconnection experienced in the summer of 1996. The cost of such outages is in the tens of millions of dollars. Such power outages threaten the position of the West as a leader in the development of computer-based technologies, damage other important sectors of the Western economy, and endanger the public health and safety.

Western states have worked with the western electric power industry to develop federal legislation that meets the needs of the region. Critical elements of such legislation are: deference to decisions made in the West; delegation of standard setting and enforcement authority to the West; and formation of regional advisory bodies of affected states and provinces in order to advise the Federal Energy Regulatory Commission and industry associations that set and enforce the standards.

These provisions were incorporated into legislation (S 2071 (link at <http://www.westgov.org/wieb/sb2071>)) by Senator Slade Gorton (R-WA) and Jeff Bingaman (D-NM) that passed the Senate in June 2000. Legislation then-pending in the House also contained these provisions. However, the bill was not enacted and the threat to the Western electricity system remains.

The electric power industry, together with states and Canadian provinces in the Western grid, are reorganizing grid management functions to enable the efficient implementation of reliability legislation. By the end of 2000, the merger of multiple existing institutions into a Western Interconnection

WGA Policy

“The transition to a more competitive market must ensure continued reliability and safety in the provision of electric power service. Western Governors encourage private sector solutions that promote system reliability. New approaches to establishing and enforcing regional reliability criteria need to be adopted. These new approaches should include federal legislation that, consistent with the Governors' policy statement 10 below, provides for:

- a. Use of a public process for setting reliability criteria.
- b. Review of proposed reliability criteria by states.
- c. Application of reliability criteria to all users of the grid.
- d. Enforceable sanctions for non-compliance with reliability criteria.
- e. Mandatory membership by operators and users of the transmission grid in regional reliability organizations.
- f. Deference by a North American electric reliability organization to interconnection-wide standards and practices developed in the West.
- g. The organization of regional advisory bodies of affected states and Canadian provinces to advise regional and North American reliability organizations, the Federal Energy Regulatory Commission (FERC) and appropriate Canadian and Mexican regulatory authorities on the governance of a regional reliability organization, proposed reliability standards and their enforcement, and fees to support system reliability activities. FERC should defer to the advice of such regional advisory bodies when the advisory bodies cover an entire interconnection.”

–Excerpt from WGA Resolution 00–009

Full text of the resolution at
<http://www.westgov.org/wga/policy/00/00009.htm>

Organization (WIO) is expected to be approved. If federal legislation is enacted, the WIO would be ready to implement the legislation in the second half of 2001. Background information on the WIO can be found at <http://www.wrta.net/wicfdocs.htm>.

In an October 2000 letter to Western industry associations, WGA Chairman Governor Kempthorne said, "The West needs a Western Interconnection Organization to ensure that decisions on the reliability of the transmission system in this increasingly competitive electricity market can be made efficiently through an open decision making process. Without the Western Interconnection Organization we are concerned that electric power decisions critical to the economy of the West and the health of our people will be made in Washington, D.C. instead of by the people and companies in the West who are directly affected by such decisions."

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Endnotes

1. "The existing voluntary system for setting and encouraging compliance with industry reliability standards for the transmission system is not sustainable in today's increasingly competitive electricity industry. -- David R. Nevius, Vice President North American Electric Reliability Council in testimony before the Energy and Power Subcommittee of the House of Representatives Commerce Committee, April 22, 1999.

"As competition grows, however, and many new entities enter the market, it has become increasingly apparent that the industry can no longer rely on a voluntary approach for reliability management. In a competitive electric industry, the rules of the road which govern all market participants should be clear, and applied uniformly and comparably." -- WSCC petition to FERC, December 28, 1998

"Today, the interconnected power system is being transformed from one that was primarily designed to serve the customers of full service utilities, each integrated across the generation, transmission and distribution functions, to one that will support a vibrant competitive market. This change makes the current system of voluntary compliance with reliability standards inadequate for ensuring reliability. Mandatory standards for bulk-power systems are needed to ensure the 'rules of the road' are in a straightforward and balanced manner." -- *1999 Report of the Department of Energy Power Outage Study Team*

2. The North American electric power transmission system is organized into three electrically distinct grids or Interconnections. In the Western Interconnection there is one industry reliability organization, the Western Systems Coordinating Council (WSCC). In the Eastern Interconnection there are eight such organizations, ECAR (East Central Reliability Coordination Agreement), FRCC (Florida Reliability Coordinating Council), MAAC (Mid-Atlantic Area Council), MAIN (Mid-America Interconnected Network), MAPP (Mid-Continent Area Power Pool), NPCC (Northeast Power Coordinating Council), SERC (Southeast Electric Reliability Council), and SPP (Southwest Power Pool). The Electric Reliability Council of Texas is its own separate interconnection.