



Western Interstate Energy Board/ WINB

October 6, 2006

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The Honorable Joseph T. Kelliher, Chairman
The Honorable Suedeen G. Kelly, Commissioner
The Honorable Philip D. Moeller, Commissioner
The Honorable Marc Spitzer, Commissioner
The Honorable Jon Wellinghoff, Commissioner
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Via Fax and U.S. Mail

Joanna Prukop
Chair

Dear Commissioners:

Douglas C. Larson
Executive Director

The Committee on Regional Electric Power Cooperation (CREPC) urges the Commission to approve the funding of Reliability Centers in the Western Interconnection from “statutory” assessments levied under Section 215 of the Federal Power Act. Western Interconnection Reliability Centers perform three critical tasks:

- Provide early warning of risks to the stability and security of the system;
- Issue directives when reliability violations are not corrected in a timely fashion; and
- Provide restoration leadership following major reliability events.

CREPC is a joint committee of the Western Interstate Energy Board and the Western Conference of Public Service Commissioners. It was formed in 1983. All regulatory, energy planning and siting agencies in the states and provinces in the Western Interconnection are eligible to participate in CREPC. Positions are taken by CREPC only if no state or province objects. The Western Interstate Energy Board is an organization of 12 Western states (AZ, CA, CO, ID, MT, NE, NV, NM, OR, UT, WA, WY) and three Western Canadian Provinces (AB, BC, SK). Its members are appointed by the Governor or Premier.

Its legal basis is an interstate compact approved by 12 states and Congress (PL 91-461). The Board serves as the technical energy arm of the Western Governors' Association. The Western Conference of Public Service Commissioners includes the PUCs from 11 states (AZ, CA, CO, ID, MT, NV, NM, OR, UT, WA, WY).

The Western Electricity Coordinating Council's (WECC) proposal to fund its Reliability Centers from monies derived under Section 215 is important to protect the reliability of the Western Interconnection grid for four reasons:

1. Reliability coordinators (or Reliability Centers, RCs as they are known in the Western Interconnection) would be performing a Section 215 function that is absolutely necessary to achieving the system reliability envisioned by Congress.

In its application to become the ERO, NERC identified "situational awareness and infrastructure security" as one of seven reliability activities to be included in a delegation agreement with a Regional Entity.¹ WECC and NERC will rely on reliability coordinators to conduct situation assessments and to achieve situational awareness.²

2. To ensure that Western Interconnection RCs are capable of fulfilling the role outlined by NERC and effectively contribute to the reliability of the Western Interconnection, WECC initiated a comprehensive review of RCs.

1 "174. In Exhibit E of its proposed *pro forma* delegation agreement, NERC describes the scope of activities to be funded through the ERO funding mechanism. Each Regional Entity must identify costs that will be incurred in support of delegated activities and activities that are in furtherance of NERC's responsibilities as the ERO under section 215, as specified in the NERC Rules. These activities include: (1) Reliability Standard development; (2) enforcement; (3) organization registration and certification; (4) reliability readiness review and improvement; (5) reliability assessment and performance analysis; (6) training and education; and (7) situational awareness and infrastructure security." Order Certifying North American Electric Reliability Organization as the Electric Reliability Organization and Ordering Compliance Filing, 116 FERC ¶ 61,062

2 For example, according to NERC, it will perform an initial situation assessment by contacting the appropriate reliability coordinator(s), and make a decision on whether to activate its crisis communications plan. *Request of the North American Electric Reliability Council and North American Electric Reliability Corporation for Certification as the Electric Reliability Organization, NERC Blackout and Disturbance Response Procedures*, p. 2, April 4, 2006.

WECC's Reliability Center Strategic Initiative³ is a constructive course of action to upgrade the functionality of the centers and streamline their operation.⁴ If funded, the upgraded Western Interconnection RCs would bring WECC into compliance with NERC standards. There are a total of 23 NERC Standards encompassing 137 specific requirements that apply to Reliability Coordinators. One of the most important is the requirement that reliability centers be capable of viewing in real-time the status of a broad geographic region.⁵ The improvements being implemented for WECC's Reliability Centers will enable

3 In July 2006, the WECC Board of Directors adopted the following principles that are guiding the reform of the RCs:

- Establish RC's that efficiently and effectively provide the reliability functions delegated to WECC by the ERO.
- Do this with two RC teams, located at two geographically separate sites.
- Provide each team with the same input data and analysis tools (from the Westwide System Model).
- Each team will focus on half the interconnection, but will model the entire interconnection and be trained and ready to instantly backup the other team.
- The RC's will be focused on reliability, not enforcement.
- Provide enhanced training to the team members, including rotational training and simulation training.
- Provide standards of conduct for the physical host relationship to insure autonomy and independence.
- Arrange for a single provider of the information technologies (IT) and communications infrastructure needed for the RC's.
- Link the two RC's with full time audio/video windows.
- Provide at least two coordinators on duty 24x7, but staff them with individuals having complimentary operations/analytical skills.
- Establish a Director of Reliability Coordination for WECC.

4 WECC is upgrading the capabilities of Western Interconnection Reliability Centers by: ensuring the existing RCs have an interconnection-wide perspective using a common set of tools (Westwide System Model, Western Interchange Tool) and the same set of data from which to work; improving the quantity and quality of staffing of RCs; reducing the number of RCs from three to two that will improve the operation of the centers and allow one center to provide instantaneous backup capability for the other center; and developing standards of conduct governing the relationship between the RC and any transmission owner or operator who may host an RC.

5 NERC Standard IRO-003-1 requires that "The Reliability Coordinator must have a wide area view of its own Reliability Coordinator Area and that of neighboring Reliability Coordinators...Each Reliability Coordinator shall monitor all Bulk Electric System facilities, which may include sub-transmission information, within its Reliability Coordinator Area and adjacent Reliability Coordinator Areas, as necessary to ensure that, at any time, regardless of prior planned or unplanned events, the Reliability Coordinator is able to determine any potential System Operating Limit and Interconnection Reliability Operating Limit violation within its Reliability Coordinator Area." Effective August 1, 2006.

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the RCs to view in real-time the operations of the power system throughout the Western Interconnection. Without funding of the improvements identified in WECC's Strategic Initiative, Western Interconnection RCs will not be in compliance with NERC standards and FERC will not be able to achieve the Congressional intent of Section 215.

3. Funding Western Interconnection Reliability Centers from Section 215 assessments will eliminate the potential problem of “free riders” who may not be willing to financially contribute to the common good provided by Reliability Centers.

Section 215 funding will also eliminate unproductive debates over allocation of the costs. It is important to remember that consumers will ultimately pay for RCs whether through assessments under Section 215 or tariffs or other cost allocation mechanisms. Funding of Western RCs should be equitable, efficient, predictable, and non-discriminatory -- characteristics which Section 215 funding would provide. Furthermore, there are no clear alternatives to Section 215 assessments that will ensure funding of Western Interconnection Reliability Centers.

4. Funding Western Reliability Centers from Section 215 funds will ensure the independence of Reliability Centers from specific owners and operators of the transmission system.

Funding western Reliability Centers from statutory assessments is essential to eliminate any potential conflict of interest where the Reliability Center is co-located with a host transmission owner and operator. Independence of Reliability Centers from host system owners and/or operators is consistent with the Commission’s policies favoring independent administration and enforcement of reliability-related functions. The absence of conflicts of interest has been a central theme in the Commission’s Orders implementing Section 215.⁶ The WECC proposal for funding Western Interconnection RCs will achieve the independence desired by the Commission.

CREPC appreciates the Commission’s attention to the method of funding Reliability Centers in the Western Interconnection. Adequately funded, independent RCs are central to the reliability of the Western Interconnection.

⁶ For example, in reference to comments that RTOs/ISOs should be eligible to become Regional Entities, the Commission stated that “A system operator/Regional Entity in a single corporation – absent a strong separation between oversight and operations function – should not oversee its own compliance with Reliability Standards.” 114 FERC ¶ 61,104 (Order No. 672) at ¶ 698 and “The separation plan must show full independence between the enforcement/Reliability Standard development and the transmission operations.” 114 FERC ¶ 61,104 (Order 672) at ¶ 700.

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Sincerely,

A handwritten signature in black ink that reads "John F. Savage". The signature is written in a cursive, flowing style.

John Savage, Chairman
Committee on Regional Electric Power Cooperation

cc: John Moot, General Counsel
Joe McClelland, Director, Division of Reliability
Louise McCarren, CEO, Western Electricity Coordinating Council