

Summary of April 2, 2008 WIRAB Meeting

The following members participated in the April 2, 2008 Western Interconnection Regional Advisory Body (WIRAB) meeting held in San Diego, California and constituted a quorum:

Alberta	Ian McKay
Arizona	Lori Faeth / Jessica Youle
British Columbia	Ed Higginbottom
California	Bill Chamberlain
Colorado	Morey Wolfson
Idaho	Marsha Smith
Mexico	Marcos Valenzuela
Montana	Art Compton
Nebraska	Tim Texel
Nevada	Rebecca Wagner
New Mexico	Joanna Prukop
Oregon	John Savage
South Dakota	Brian Rounds
Utah	Dianne Nielson
Washington	Tony Usibelli
Wyoming	Steve Ellenbecker

Also present were Joe McClelland / Shelton Cannon (FERC), David Nevius (NERC), Louise McCarren / Tom Schneider (WECC), Kevin Moran (WGA), Mike Balfour (SK), Rich Bayless (NTTG), Terri Eaton / Tim Woolley (Xcel Energy), Laura Manz / Den Ozenne (SDG&E), Alan Davis (Powerex), Jeff Burks (PNM Resources), Elisabeth Stipnicks (EEI), Wally Gibson (NWPPCC), Grace Anderson (CEC), Dave Warren (WA PUC Assoc), and Doug Larson / Tom Carr (WIRAB).

Introduction

Chair John Savage called the meeting to order, outlined the agenda and asked all participants to introduce themselves.

Perspectives of implementing mandatory reliability standards.

A panel consisting of representatives from NERC, WECC and FERC provided their perspectives on the implementation of mandatory reliability standards.

David Nevius (NERC) discussed the historical background of NERC, the origins of Section 215 of the Federal Power Act, the reliability standards development process, NERC's compliance and enforcement program and NERC's efforts to foster coordination among regional entities. NERC is currently busy pursuing 29 standards projects and 6 new regional standards projects. As to compliance, he noted NERC is faced with many

challenges in achieving its objective to get comparable results from different regional entities.

In response to questions, Nevius said that many of the standards needed refinement and noted that NERC's workplan contains 29 standards projects that include clarification of existing standards. He acknowledged that the current regulatory framework has caused some uncertainty in the industry, but recognized that we are in a transition process and that some anxiety is to be expected. He commented that it will take some time to work things out. In response to the question as to whether or not Congress got the regulatory structure right, Nevius reflected upon the long debates to define the ultimate statutory language and concluded that Congress did get it right and appropriately gave NERC due weight to its technical expertise.

Louise McCarren (WECC) described the initial implementation of reliability standards as a massive start up operation with 12 key players: eight regional entities, NERC, FERC and Canadian partners. The new system is a huge operation with the analog comparable to the divestiture of the Bell System. McCarren cited statistics about WECC to characterize the landscape. WECC has 490 registered entities -- the largest of all regional entities. Prior to June 18, 2007, WECC received 3000 self-reported violations and mitigation plans. After June 18, WECC received 913 self violations and 746 mitigation plans. WECC performed 12 audits in 2007 and will conduct another 18 audits in 2008. These tasks are imposing a resource challenge. Part of the challenge for WECC is to enforce standards that are inherently ambiguous. McCarren described four things that WECC must do: 1) "Transparency" so that every registrant needs to be able to know the process; 2) "Communications" to get the message out to all relevant entities; 3) "Consistency" so that there is an expectation of being treated in a comparable way; 4) Promote an ethic of "fairness, impartiality and professionalism" in the way WECC conducts business.

McCarren highlighted four big problems: (1) vegetation management; (2) relay maintenance and can an entity can provide evidence that the maintenance has been done; (3) cyber security; and (4) operator certification. McClelland cited the Commission's Violation Risk Factors order in which the Commission focused on violations related to items identified in the 2003 blackout report, relay setting, operating the system beyond established limits and training. He particularly noted that entities will be in trouble if they fail to implement an action identified in a mitigation report.

In response to questions, McCarren felt that Congress got it right in setting reliability standards. When asked whether WECC had adequate resources, McCarren stated that WECC had a 36% increase in assessments and that it probably does not have enough resources right now.

Joe McClelland (FERC) discussed some of the challenges that FERC faced in reacting to the Energy Policy Act and in implementing mandatory reliability standards. A key first step was approving the Electric Reliability Organization (ERO), a hybrid entity that combines industry expertise and government regulatory functions. The jump

from voluntary to mandatory reliability standards required a higher standard of precision or clarity than before. When FERC reviewed proposed reliability standards, the proposal for fill in the blank standards was not good enough for new mandatory standards. Additionally FERC directed that 56 of the proposed standards be modified. FERC directed the ERO to revise these standards because FERC cannot write the standards itself. McClelland noted that the statute states that FERC give “due weight” to NERC proposals and McClelland described this standard as being between “deference” and “no consideration.” McClelland proceeded to review FERC’s authority and roles. FERC has authority to call for modifications in emergency situations, it has appellate authority to review decisions, and it has investigative authority such as it is exercising in the recent Florida blackouts. It does not have authority to build new generation but expects regional entities to consider resource adequacy. FERC has engineering expertise that can help evaluate the state of the bulk-power system.

McClelland responded to questions and discussed resource adequacy, cyber security and regional planning. McClelland expressed a resource adequacy concern in the context of the growing number of coal power plant cancellations. He hoped that resource planning is sufficiently robust to prevent a situation where every utility is independently planning on future open market purchases and collectively no one is building new generation. McClelland stated that FERC takes a hard look at NERC’s Long Term Reliability Assessment. If FERC believes there is a problem, it can prepare a report and take the issue to Congress. McClelland stated that FERC is engaged in the NERC standards development process and will continue to give orders to clarify ambiguous and confusing standards. Cyber security is a high priority item at FERC. FERC felt compelled to object to certain terms (reasonable business judgment, acceptance of risk and technical feasibility) in the proposed standards and seek deletion or revisions. In response to a question about what FERC can do about resource adequacy, McClelland initially stated that if a situation of inadequate resources became apparent, it could become an operational issue and entities could be violating operational standards such as TPL-002. In subsequent discussions, the link of resource adequacy and operational reliability standards was questioned and viewed as tenuous. McClelland and Shelton Cannon emphasized the role of regional planning as the key to preventing resource shortages in advance.

Implementation of reliability standards in Alberta, British Columbia and Mexico.

WIRAB members from Alberta, British Columbia and Mexico were invited to discuss how their respective governmental authority is implementing reliability standards.

Ian McKay (AB) briefed WIRAB on Alberta’s process for adopting and enforcing Mandatory Reliability Standards (MRS). In January 2008, the Alberta Minister of Energy issued a Ministerial Order which recognized NERC as the Electric Reliability Organization (ERO), and subsequently directed the Alberta Electric System Operator (AESO) and the Alberta Utilities Commission (AUC) to work cooperatively with NERC to implement MRS in Alberta. Reliability standards that apply in Alberta will be those proposed by NERC/ERO, WECC, or AESO, adopted by the AESO after consultation

with market participants and approved by the AUC. The AESO has responsibility to monitor market participants and report suspected violations to the Market Surveillance Agency (MSA). The MSA has the responsibility to prosecute violations of the MRS. The MSA may enter into agreements with market participants that violate the MRS or prosecute the market participant before the AUC. The AESO is negotiating an operating agreement with WECC (subsequently approved by the WECC Board at the April Board meeting) regarding monitoring and enforcement of those standards that apply directly to AESO. Violations of MRS are subject to a maximum penalty of \$1 million per event per day, and any penalty levied must remain in Alberta. The AESO established the AESO Reliability Committee (ARC) which has begun the process of adopting standards for MRS. The ARC is reviewing 91 FERC approved standards and 8 WECC approved regional standards. The first set of standards is expected to be filed with the AUC by third quarter of 2008 and a second set should be filed by the fourth quarter 2008. The AESO is working with stakeholders to establish a compliance monitoring program.

Ed Higginbottom (BC) discussed the current status of British Columbia's implementation of mandatory reliability standards. British Columbia will remain consistent with reliability standards in the Western Interconnection. The British Columbia Utility Commission (BCUC) is the institutional entity that regulates the electrical sector in the province but lacks broad authority over all entities engaged in the market. British Columbia considered different models to effectively enforce reliability standards. Legislative amendments were introduced whereby, for purposes of reliability standards, the BCUC will enforce these standards over the electric sector including entities currently exempted from some or all aspects of BCUC regulation such as independent power producers, municipal utilities and others. There is ability under the *Utilities Commission Act* to levy fines for offences, and the proceeds of all such fines will stay in British Columbia. We understand that BCUC likely will enter an operating agreement with WECC regarding compliance and enforcement of reliability standards.

Marcos Valenzuela (CFE) presented Mexico's approach to implementing reliability standards. CFE is willing to adopt reliability standards and is currently making an assessment of 25 reliability standards. Valenzuela explained that there are two ways to expand the scope of authority for reliability standards in Mexico. The first approach is to make amendments to the current WECC RMS agreement. A second approach is to construct new agreements. Valenzuela preferred the first approach that amends the existing agreements. It will be important for CFE to analyze potential changes and the structure of Mexican law. He anticipated a potentially long review process that considers these issues. In the future, he noted there is a need to address the trade of electric energy which is not included under NAFTA.

Business Meeting

Public Comment

No public comments were received.

Election of officers

John Savage turned to the election of WIRAB officers. Marsha Smith nominated John Savage as Chair and Rebecca Wagner as Vice Chair. Bill Chamberlain seconded the motion. The motion was unanimously approved.

WIRAB work plan and budget and NEL

Doug Larson briefly outlined the staff [proposed work plan and budget](#). He asked members to look over the draft work plan and budget and be prepared to act on this matter in the next meeting. Larson also asked the members to look over the staff document that presents the Net Energy to Load (NEL) calculations and serves as the metric for voting shares in the WIRAB voting rules.

Meeting was adjourned. A joint WIRAB/Committee on Regional Electric Power Cooperation workshop on assessments was held the following day.