

Draft
Summary of October 29-30, 2008
Joint WIRAB/CREPC Meeting

The following WIRAB members participated in the October 29-30 joint WIRAB/Committee on Regional Electric Power Cooperation meeting in Santa Fe, New Mexico:

Alberta	Ian McKay
California	Jackie Pfannenstiel/ Bill Chamberlain
Colorado	Morey Wolfson
Idaho	Jim Kempton
Montana	Tom Kaiserski
Nevada	Rebecca Wagner
New Mexico	Joanna Prukop
Oregon	John Savage
Washington	Tony Usibelli
Wyoming	Steve Ellenbecker

The meeting attendee sign-up sheet is at <http://www.westgov.org/wieb/meetings/crepcf2008/signin.pdf> . WIRAB was very fortunate to have FERC Commissioner Suede Kelly, FERC General Counsel Cynthia Marlette, and the Director of FERC's Office of Electric Reliability, Joe McClelland, join the discussion.

From WIRAB's perspective, the purposes of joint meeting were to: engage FERC, WECC and a panel of diverse Registered Entities in a discussion of the experience with mandatory reliability standards; brief Western PUCs which are not members of WIRAB on the compliance and enforcement process; receive a briefing on the status of analysis of WIRAB's January request that WECC study transmission needs associated with a low-carbon scenario; and become aware of emerging issues in the Western Interconnection that may bear on WIRAB's work. The agenda and presentations can be found at <http://www.westgov.org/wieb/meetings/crepcf2008/10-08agen.htm> . This summary focuses on the discussion of the experience with mandatory reliability standards.

Primer on standards and compliance and enforcement

Steve McCoy (WECC) provided an [overview](#) of the history of standards compliance programs in the Western Interconnection and the major components of the WECC Compliance Monitoring and Enforcement Program, including monitoring processes, audit worksheets, sanction and penalty calculations, notices, settlements, hearings, and appeals.

Steve McCoy, Louise McCarren and Tom Schneider reviewed WECC's goals in the compliance and enforcement program, the status of violations of standards in the Western Interconnection including the top priority violation areas of vegetation management and relay maintenance, plans to eliminate the backlog, and registration issues. Louise McCarren, WECC CEO, introduced Taud Olson, the new WECC staff person in charge of outreach to Registered Entities. See [presentation slides](#).

Experience of registered entities

A diverse panel of Registered Entities was asked to discuss from their perspective what works, what doesn't work and where improvements can be made to standards compliance and enforcement efforts. The panelists were asked not to raise specific violations, except to illustrate a broader message.

Phil Porter from Calpine, a major independent power producer, reported that the process for enforcement of mandatory standards got the company's attention when they were required to register for various functions. The company geared up for compliance by hiring a consultant and additional staff. Site-specific corporate procedures were developed. The procedures had to be redeveloped as interpretation of standards changed. Calpine's compliance effort was a major company initiative. Mitigation plans have been finished. Calpine is now focusing on compliance with CIP standards.

In Calpine's view, the standards were largely written by vertically-integrated utilities and many standards do not apply to Calpine. The standards are not always clear and every new standard interpretation causes Calpine to revise company procedures for each of its power plants. Standards are now becoming clearer. There were very high stress levels in the company because the standards were not clear and the threat of million dollar penalties. Porter recommends that WECC and NERC make very conservative interpretations of standards and use the standards development process to deal with expansive interpretation issues.

Terry Eaton from Xcel provided the perspective of an organization with four operating companies located within the boundaries of three different Regional Entities (WECC, SPP and MISO). Xcel has had to register for nearly all functions (approximately 10-11 functions per region). It has experience with 7 of the 8 enforcement tools.

On the positive side, FERC, NERC and Regional Entities have the industry's attention. Xcel has witnessed growing level of sophistication in the audits. Audit staffs are professional; the WECC audit experience was positive. Companies are now documenting procedures which will make it easier as people change within the company.

However, Eaton identified areas needing improvement. The roles and responsibilities of NERC and the regions are not clear. NERC and the regions are not on same page. An August 18 letter from NERC CEO Rick Sergel confirms that the relationship between NERC and the regions has not worked out. Registered Entities can't figure out who to talk to and this leads to a lack of accountability. NERC should have a central web site on compliance issues rather than relying on coordination among the regions.

Companies can't understand the rules of the road. For example, there does not appear to be any process for resolving factual differences in audit reports. There are differences among regions on when to initiate settlement process. There are no rules surrounding

investigations. NERC says that Xcel cannot have attorneys present which is denying the company right to counsel. One region won't give credit for the company having a compliance program because to receive credit the compliance program has to be the best in the industry. However, the region won't provide information on where company compliance is failing.

FERC demands during disturbance events are hindering timely responses. For example, a thunderstorm resulted in islanding of the system within Xcel's area. FERC staff called the operations personnel during the event asked for reports within an hour which is not feasible for the person responding to the event.

There are problems with consistency among regions for companies that operate within the territory of more than one region. For example, regarding relay maintenance, Xcel was audited twice and passed. A third region asked for more information that uncovered a problem which Xcel should have fixed.

Rick Sergel's August 18 letter raised questions about the goals of the program because of the emphasis on pushing volume of violations through the process and in the future hoping for a better balance between enforcement and reliability improvements.

Louise McCarren concurred with Eaton's description of the challenges.

Maude Grantham-Richards from the City of Farmington, NM, a municipal utility, [presented](#) the city's experience. Farmington is registered for eight functions. It did not participate in the WECC Reliability Management System because of exposure to potential fines. Farmington has a very small staff and has encountered severe difficulties in attracting electrical engineering staff. It was able to hire its first compliance engineer in April. In the meantime it has relied on consultants.

Farmington's concerns focus on: the relatively closed process with little discussion or interaction; variances among regions; interpretation of standards not available from WECC staff; insufficient WECC staff to respond to calls/emails; an audit process that does not help the company build its capability to meeting standards; no field tests prior to standards becoming final and enforceable, the need for auditors to receive an introductory tour of company's facilities.

Grantham-Richards found that WECC auditors were professional, but overloaded. There are delays in acceptance of mitigation plans. The Section 215 process should consider costs imposed on employees and customers. She also questions the need for system contingency standards if the system is always operating under worst contingency.

Pat VanMide from San Diego Gas & Electric said the company is spending \$4 million/year on compliance. There is confusion about the roles under Section 215 of the California ISO and individual transmission owners. For example, the California ISO is operating as a transmission owner and each of the three IOUs are also registered at transmission owners.

Prior to the mandatory standards there was a schedule of what each entity had to do. SDG&E has subsequently been registered as a joint registrant. It is not clear whether the WECC web portal for compliance information can handle joint registrants.

Joe McClelland noted that FERC plans to continue its ability to monitor events on the bulk power system in real time. He did not feel it was the appropriate place to address each issue raised by the panel. McClelland spoke to the broader context that Congress decided to create a mandatory and enforceable reliability standard system. Entities have a right to participate in developing those standards. FERC has approved 83 standards and asked for numerous improvements. There are growing pains in this new process. Despite these problems, he felt confident that overall reliability is improving across the system.

Louise McCarren agreed with the comments from Terri Eaton. She reiterated that the goal is to improve reliability and not to get fines.

Steve McCoy said he was supportive of the issues raised and acknowledged that interpreting the standards is a challenge. He observed that the best avenue to make improvements is through the NERC 3 year work plan that intends to fix and improve standards.

Steve Ellenbecker (WY) suggested that WIRAB pay closer attention to the standards development process to promote resolution of interpretation ambiguities at that stage rather than in the enforcement process.

Chairman Savage concluded the panel by noting that the discussion has been informative and will be very useful to WIRAB as it crafts advice under Section 215 of the Federal Power Act.