

Summary of April 7, 2009 WIRAB Meeting

The following members participated in the April 7, 2009 Western Interconnection Regional Advisory Body (WIRAB) meeting and constituted a quorum:

Alberta	Ian McKay
British Columbia	Shelley Murphy
California	Bill Chamberlain
Colorado	Morey Wolfson/Jim Tarpey
Idaho	Marsha Smith
Nebraska	Tim Texel
Nevada	Rebecca Wagner
New Mexico	Joanna Prukop
Oregon	John Savage
South Dakota	Dusty Johnson
Utah	Dianne Nielson
Washington	Tony Usibelli
Wyoming	Steve Ellenbecker

Also present were Louise McCarren / Tom Schneider / Brad Nickell (WECC), Rick Sergel (NERC), Kevin Kelly / John Carlson / Elizabeth Blaug / Aileen Roder / Jennifer Shipley (FERC), Mary Cain (Senator Reid's Office), Doug Larson / Thomas Carr / Jim Williams / Victoria Ravenscroft (WIRAB), and other observers.

John Savage (OR) opened the meeting and welcomed the invited guests from WECC, NERC and FERC. The meeting turned to statements and discussion with three panelists consisting of Louise McCarren CEO of WECC, Rick Sergel, CEO of NERC, and Kevin Kelly, FERC.

Part 1: The first session was devoted to perspectives on the implementation Section 215 of the Federal Power Act.

Louise McCarren, WECC

McCarren described the legislation that created mandatory reliability standards under Section 215 of the Federal Power Act (FPA) as a huge political compromise. It created a system to develop reliability standards using a bottoms-up, industry stakeholder process with FERC oversight. FERC was not given authority to set standards directly. The standards development process ensures that standards will be fully vetted by the industry. NERC had done a good job reviewing and improving standards.

McCarren was not sure that FERC can live with the current standards development process. It can be a messy and time consuming process. Relay maintenance standards may be an example where NERC and FERC may have different views on where the line should be. She sees a real tension on this issue.

McCarren reflected upon WECC's experience developing regional reliability standards. She felt that WECC did its part in proposing and revising the Tier 1 standards. It was a process that WECC does not want to repeat. In retrospect, McCarren admits that WECC did not engage NERC early enough in the WECC standards development process. She said that WECC assumed that NERC understood what WECC was doing. WECC learned that it faces a risk if key players, such as NERC, are not engaged in important conversations. McCarren speculated whether WECC will pursue new regional standards. WECC may consider the use of a variance rather than seeking new regional reliability standards. WECC has found that it can be extremely time consuming to educate NERC participants outside of WECC about important technical issues and standards in the NERC standards development process. McCarren cited WECC's challenging experience in defending Remedial Action Scheme (RAS) and WECC's perspective in ATC standards. She noted that the WECC standards development process is driven by committee discussion as compared to the NERC process which is driven by a ballot process. The biggest challenge is now bringing clarity to standards.

New cyber security standards may well be the freight train coming down the tracks. New requirements for cyber security audits will double WECC's work load by adding 39 additional audits on top of the existing audit schedule.

Compliance and enforcement expectations have morphed dramatically over time. What WECC did early was not good enough. WECC learned there is a need to understand nuances, details, and come to closure in what is a giant regulatory process. WECC recently appointed Connie White as the new Vice President for Compliance. For a given violation, the enforcement review must get down into the details and look at 10 issues. This is a very labor intensive process to meet and there is a need for quality audits. McCarren was asked whether there a simpler model? She didn't know but suggested a need to eliminate silos between audits and enforcement and provide better education to registered entities on the quality of information needed.

Regarding governance, McCarren observed that Section 215 of the FPA approved hybrid boards. She said FERC is asking good questions in its audit of WECC this year. She wondered how this will play out over time.

McCarren observed that WIRAB has been successful and that WECC values WIRAB's opinions. She described WIRAB's advice and support as very valuable.

WIRAB members asked a series of questions for McCarren. Doug Larson asked if we are on the right approach? Is the system overloaded? If do need another approach, when does it kick in? McCarren responded that if we started over with a blank sheet, we would not have as many standards. Companies have learned a lot in the process. We have priorities on key standards such as vegetation management and relay maintenance. Companies are learning in the process. Tony Usibelli asked if we have the metrics to say we have a materially more reliable system? McCarren said we do have the metrics for violations and types of violations. The bigger question is whether we are improving

reliability. She believes reliability is better under a new culture of compliance. Marsha Smith recalled the efforts for the West to incorporate the concepts of delegation and deference incorporated into federal reliability legislation. She did not appreciate apologetic language in the characterization of WECC's effort to implement regional reliability standards.

Rick Sergel, NERC

Rich Sergel complimented WIRAB for its role in providing advice. He described WIRAB's advice as being timely, constructive, organized, and clear. He recognized WIRAB's unique perspectives on the bulk power system as international organization and with a public interest standard. Sergel provided a list of topics that are essential for WIRAB to address: interconnection-wide transmission planning; transmission investments in general; cyber security; and NERC's three-year assessment.

Sergel spoke initially about cyber security where he said more resources are needed. Preliminary survey results of regulated entities asked to identify their critical assets under standard CIP-002 showed that more than half of the respondents claimed they have no critical cyber critical assets. This was not a surprise for the large number of small organizations. But for a larger group of regulated entities (consisting of Balancing Authorities, Transmission Operators, and Reliability Coordinators) more than 60% of these entities responded that they did not have critical assets. This might be explained by the entities under the premise that not any single asset is critical and that there is redundancy in the system. But cyber assets are different. All could be vulnerable. We need to think collectively about cyber security. Sergel encouraged WIRAB to weigh in on cyber security because it will have a big impact on budgets for the regulated entities and with smart grid applications the distinction between transmission and distribution will diminish when addressing cyber security issues.

On NERC's three-year assessment, Sergel said that big issues will be on the table. He would have preferred to pursue this exercise in 4 or 5 years. NERC will issue a new draft assessment around April 25. They will allow a month for comments. The assessment will be discussed at the NERC Board of Trustees and the Member Representative meetings May 5-6, 2009. The final draft will be filed with FERC in July.

An important compliance issue for NERC is to achieve consistency across regions and across international borders.

NERC performs a number of assessments. These assessments are bottom-up processes. FERC wants NERC to have independent capability to perform assessments.

Regarding the development of benchmarks on reliability, Sergel said NERC does not have enough data to make judgments. NERC only accounts for category 4 and 5 outages and there are not many such outages. Thus, NERC must fall back to actions such as mitigation plans.

Sergel was asked if the standards development process is leading to the lowest common denominator. He responded that the question goes to the issue why standards should be set by industry. Reason 1 is that standards are so complex that we need the expertise of industry. Reason 2 is because all the players are in this together. In that setting, it is appropriate for industry to set the standards. Right now the industry is struggling to put up new cyber security standards.

Kevin Kelly, FERC

Kevin Kelly observed that he has been attending NERC Board meetings for many years and he has witnessed considerable improvement over two decades. He also expressed his pleasure for WIRAB's existence and hoped that other regions would develop their regional advisory bodies. He acknowledged the three-assessment on NERC is rather soon but the intent was to identify problems early. He observed that when the legislation was enacted it was assumed that NERC knew reliability and FERC knew enforcement. The statute was designed to maintain the existing system and provide a mechanism for Canadian entities to participate with comfort. Since then, FERC has added substantial engineering expertise. Kelly stated that he has been working on smart grid, demand response and cyber security issues. Joe McClelland (FERC) is taking a very strong position on cyber security.

Questions and discussion over a variety of issues completed the first half of the meeting.

Part 2: Emerging Issues – Transmission Planning, Carbon Regulation, and Wind Integration

Louise McCarren asserted that the stimulus bill does not change anything institutionally. It really increases what WECC would like to do. WECC wants to be the provider of high quality information. The job of bottoming up on transmission planning is something WECC will do.

Rick Sergel noted the distinction that the stimulus bill provides money for planning and other pending bills call for creating interconnection-wide plans. The East has no process of planning among all the groups, there is no single interconnection wide planning process in the East. Sergel stated that there is no question that WECC should perform interconnection-wide planning in the West. Sergel also said that NERC has no interest in engaging in interconnection-wide transmission planning.

Tom Schneider and Brad Nickell of WECC provided more information about WECC's transmission planning work. WECC does transmission planning through its Transmission Expansion Planning Policy Committee (TEPPC). WECC also sets path ratings on transmission paths in the region. TEPPC's transmission planning avoids selecting winners and losers. Its primary function is to perform big picture scenario analysis. Brad Nickell described the effect of stimulus bill funding for TEPPC as not changing the function but accelerating and augmenting the existing work.

John Savage asked the panelists their perspectives on looming carbon regulations. Louise McCarren responded that WECC looks at renewables, especially wind, as a reliability issue. Adding more wind on the system will require more ancillary services. This will put more pressure on balancing authorities to maintain reliability standards. Brad Nickell noted that renewables can be integrated reliably, but the question is whether we can achieve both reliability and efficiency. A number of things need to be addressed that happen at different times. Integration costs are not linear. Integration costs rise faster as more wind is added. There are opportunities to partner with neighboring balancing authorities. He expects that the industry will mature and get better over time integrating wind in the system.

Kevin Kelly was asked if FERC has the existing authority to require the development of interconnection-wide plans. John Carlson (FERC) and Kelly said that it is likely FERC has such authority and added that staff is thinking about the possibility of conditioning incentive rates of return for transmission projects on compliance with such plans.

There was a brief discussion whether FERC will allow a regional standard to be lowered if it is still above the continent-wide standard. Kevin Kelly said that he did not know. Sergel said that every standard needs to be re-justified every five years. If some wanted to reduce the stringency of standard they could do that.