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Subject: ELCON Comments
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Attached are comments of the Electricity Consumers Resource Council (ELCON) on the Strategic Plan.



**Comments of the Electricity Consumers Resource Council (ELCON)
On NERC's Proposed
Electric Reliability Organization
Enterprise Strategic Plan 2013 – 2016
February 28, 2013**

The Electricity Consumers Resource Council (ELCON) appreciates the opportunity to offer comments on NERC's proposed Electric Reliability Organization Enterprise Strategic Plan 2013 – 2016 (herein – the strategic Plan).

On the ERO's 10-year anniversary, ELCON highlights what we believe to be a serious shortcoming - the Strategic Plan does not convey a comprehensive view of how NERC will achieve an effective improvement in the state of reliability at the lowest practical cost. Instead it organizes its objectives into four strategic areas of standards; compliance, registration and certification; risks to reliability; and coordination and collaboration as largely independent activities with very little shared purpose. Although a significant improvement over the first 6 years of the ERO, the emphasis appears to remain on standards with a special emphasis on improving that process. The unfortunate result for all consumers is the continuing bias to new standards resulting in additional compliance costs. This comes at the expense of adopting a risk based approach that could serve as an indicator of the necessary few additional standards that would be required to make a measurable improvement to reliability, as well as support and accelerate the process of standards rationalization thereby benefitting compliance activity while simultaneously reducing registered entity's compliance cost. ELCON continues to be strong supporters of NERC, but we believe the ERO needs a much stronger sense of urgency about redirecting its efforts towards an effective risk based approach in collaboration with all its stakeholders to make a meaningful improvement in grid reliability. Activities that continue the legacy of a standards based 'work to rule' environment of compliance and enforcement lead only to the lowest common denominator of reliability at the highest possible cost.

Specific Comments:

Standards: Goal 1:

General concerns with Goal 1: Listing Standards as the number one goal and showing more depth of detail on the deliverables than other Goals creates an impression that this is the ERO's highest priority. ELCON would be reassured to see the Goals related to Risk, a Culture of Reliability Excellence and Collaboration more prominently displayed than Standards. Doing so would indicate NERC is focused on Risk and believes that collaborating with its customers is an equally important means to improving Reliability.

Specific comments on Goal 1:

Develop clear, reasonable and technically sound mandatory reliability standards in a timely and efficient manner:

Objectives and Valued Outcomes b. states that a Key Deliverable is: “Identify and file requirements to be retired (Paragraph 81 Phase 2).” While this is a desirable outcome, it is our understanding that NERC has decided NOT to move to Phase 2 as originally conceived. Rather, NERC will require Standards Drafting Teams to incorporate Paragraph 81 criteria in all future actions. After hearing the presentations at the NERC BOT meeting in San Diego, ELCON does not oppose this modified plan. However, ELCON does question whether resource limitations of either (or both) NERC or registered entities will be able to complete the ambitious schedule set forth for completion of 74 modified standards in 2013. If there are substantial delays, registered entities will not benefit from the reduced compliance burden as promised.

Objectives and Valued Outcomes b. also states: “Explore options for assessing the cost effectiveness of appropriate reliability standards.” ELCON strongly supports this Key Deliverable. In fact, the cost effectiveness of all reliability standards should be more than explored. Each standard should be justified in terms of risk against cost of implementation, maintenance and compliance. The sum of standards cost in total should be considered as well because the larger the number of specific requirements the less ability an entity has to focus on the significant few that are critical for reliability.

Specific comments on Goal 2:

Compliance, Registration and Certification: Be a strong enforcement authority that is independent, without conflict of interest, objective and fair:

Objectives and Valued Outcomes a. states: “Develop and implement BES exception process.” ELCON strongly supports this Key Deliverable. However, special attention should be given to facilities owned by large consumers that were never intended to be treated as utility-like assets. Such facilities may be swept into the BES without adding any value to reliability. It’s important for both the purpose of reliability and system cost to avoid registering an entity that poses little or no reliability risk. Failing to avoid low/no value registrations imposes a cost on that entity to adhere to numerous standards, a compliance cost for the ERO and REs to manage compliance and the risk of an enforcement cost all for no reliability benefit.

Objectives and Valued Outcomes a. states: “Develop framework and criteria for registration based on risk to the bulk power system.” ELCON strongly supports this activity and urges NERC to give it its highest priority. A cost effective “culture of reliability” will be impossible without full implementation of a risk-oriented view for registration, standards and enforcement

Objectives and Valued Outcomes: Objectives and Valued Outcomes b. states: Develop and implement Reliability Assurance Initiative (compliance reform). ELCON strongly

supports the stated intent of this effort. Unfortunately, up to now it appears that the only beneficiaries of the RAI effort may be NERC and the Regional Entities. A detailed reading of the NERC papers issued to date suggest that registered entities have not been considered and, in fact, it is entirely possible that registered entities may end up having greater compliance costs rather than less. A main focus of the RAI should be to bring lower costs to NERC, Regional Entities, AND REGISTERED ENTITIES while ensuring the system reliability is improved by recognizing not every requirement is of equal risk.

Specific comments on Goal 3:

Promote a culture of compliance that addresses reliability risks across the industry:

Objectives and Valued Outcomes a: First, it seems to us that NERC should be promoting a culture of reliability – not a culture of compliance. That said we are encouraged to see a Goal based on culture and hope that NERC is as motivated to implement activities directed to developing a culture shift as in promoting standards. We are unsure how internal controls will be developed. The deliverable statement uses the word ‘Make’. This unfortunately implies a top down ‘made at NERC’ result which would not likely have nearly the impact and buy-in associated with something produced by finding best examples among the registered entities. Including the distinction of what is the right degree of control based on the risk of the entity as part of the development of these models could encourage wider participation and application of the results. Conversely, adding additional Requirements around internal controls, will be defeating the purpose of less compliance focus and more reliability focus.

Objectives and Valued Outcomes b. states: “Continue to expand use of discretion through Find, Fix, and Track (FFT).” ELCON strongly supports this effort and were pleased to hear at the San Diego Board meeting that Phase 2 of FFT would continue. Also, this Goal again raises the RAI (see comments above).

Specific comments on Goals 4, 5 & 6:

Goal 4: Identify the most significant risks to reliability:

Goal 5: Be accountable for mitigating reliability risks:

Goal 6: Promote a culture of reliability excellence:

ELCON fully supports these efforts. If care is taken and registered entities see actual reductions in the compliance burden, efforts such as the RAI could help promote a culture of reliability excellence. If registered entities instead see an increase in requirements with no offsetting relief for low and moderate risk activities than it will quickly fail.

Specific comments on Goal 7:

Coordination and Collaboration:

Improving transparency, consistency, quality and timeliness of results; operate as a collaborative enterprise; and improve efficiencies and cost effectiveness:

Overall, ELCON strongly supports this Strategic Goal. Unfortunately, the Strategic Plan fails to incorporate any Key Deliverables supporting the “operate as a collaborative enterprise” part of the Goal. It is extremely disappointing that there simply is no mention of coordinating and collaborating with registered entities. Without true transparency and collaboration for all participants at every level of the system inside and outside of NERC, acceptance of reliability directives and requirements will always be less than they could have been.

Conclusion:

Overall, much more time and effort must be devoted in the Strategic Plan placing particular emphasis on metrics that would demonstrate real and measurable benefits to registered entities.

This could begin with a baseline of each line item’s existing performance along with a quantifiable measure of success. For example, one of the most important initiatives in the plan is captured under Goal 1a.

“Develop a bulk power system risk profile and assess standards compared to the profile, address the most important risk gaps.”

The correlation between a reliability requirement and BES performance is fundamental to an effective oversight process – and the reliability data is just now becoming available to make those connections. The ERO should consider signing onto a goal of assessing the top ten violated requirements in year 1 of the plan, perhaps 15 or 20 more in the following years.

A list of assumptions and challenges could be provided concurrently with each baseline and goal. In that way, an annual review of the ERO’s performance in accordance with the line item would account for their accuracy as well. Adjustments could be made at that time with the most current information available.

We are not suggesting that brand new measures and goals be created – only to use those that are already in place. These would most likely be rolled-up summary metrics, consistent with the high-level nature of the plan.