

**Proposed Comments for Oxy**  
**The ERO's Five-Year Performance Assessment**  
**March 17, 2014**

Proposed Comments

Ingleside Cogeneration LP (“ICLP”) agrees that the ERO has driven tangible improvement to the standards development, compliance, and enforcement processes in the last five years. Most of the original standards development initiatives have worked their way through the project pipeline and begun to take effect – including some of the most technically and logistically challenging. In addition, outage data clearly shows that wide-area electric system failures have significantly decreased since the start of the five-year review period. From our perspective, this is the pinnacle of achievement; and the ERO deserves much of the credit.

Furthermore, the ERO should be recognized for taking aggressive action in the deployment of risk-based principles. The Fix, Find, Track, and Report (FFT) initiative has increased the throughput of the compliance/enforcement pipeline by eliminating focus on low-risk violations. Similarly, the application of the Paragraph 81 criteria in retiring administrative or redundant reliability requirements has proven to be an efficiency enhancement as well.

However, we believe that we are far from “steady state”. Although many of reliability standards have been routinely incorporated into every Registered Entity’s compliance program, a key economic yardstick is not in place – the Cost Effectiveness Assessment Process (CEAP). In our view, neither the industry nor the ERO has yet been able to find a means to truly account for all the costs associated with regulatory initiatives. As such we consider this effort to be only in the very early stages of development.

In addition, ICLP does not believe that the ERO has most effectively applied the findings from outage data to drive efficiency. A very good example is NERC’s own analysis finding little correlation between the zero-tolerance Protection System maintenance requirements and BES events. The dollars that could be saved by entities and CEAs in allowing relief in this area are significant, but FERC has made it clear that they are not persuaded. In our view, the ERO and the industry needs to redouble their efforts in convincing the Commission that the results may be counter-intuitive, but are accurate.

Lastly, ICLP would like to point out that the results from last October’s industry survey shows an ongoing disconnect between Standards Development and Compliance/Enforcement. Although some of this can be interpreted as a generally negative perception associated with auditors and penalty assessors, it is clear that the intent and language of the standards as expressed during the development process is not being captured downstream. ICLP is supportive of the steps the ERO has taken to train audit teams and in co-developing RSAWs with the standards, but believes much more needs to be done in this area.