

NERC FIVE-YEAR PERFORMANCE ASSESSMENT

COMMENTS OF THE EDISON ELECTRIC INSTITUTE

On behalf of our member companies, the Edison Electric Institute (EEI) is pleased to provide these comments on NERC's Five-Year Performance Assessment. Overall, EEI supports the progress made and the direction being taken by NERC and the Regional Entities as the ERO Enterprise. However, EEI does have some concerns, particularly in the area of reforms to the compliance and enforcement program that we hope will help guide the ERO Enterprise going forward.

Standards Development

EEI believes that the standards development process continues to improve. The leadership of the Standards Committee coupled with the efforts of NERC management and staff in implementing the recommendations of the Standards Process Improvement Group (SPIG) have resulted in a more streamlined, efficient and effective standards development process. The establishment of the Reliability Issues Steering Committee (RISC) also provides essential input to the Standards Committee and NERC, including the Board of Trustees, to set priorities based on risk to the reliability of the BPS. NERC should continue to integrate the recommendations of RISC into its decision-making. In addition, experience has shown that not every risk to the reliability of the BPS is best-addressed by a standard. Asset owners, working through the Generator and Transmission Forums, are better able to develop responses to many reliability issues than through the NERC processes. The forum process, with its emphasis on information sharing and best practices, provides a better vehicle to address many reliability issues. NERC and the forums should increase this collaboration and NERC should seek out opportunities to request that the appropriate forum take over an issue. In addition, while alerts and advisories play an important role, in some cases, these procedures have been used to establish quasi-standards. This is not an appropriate use of these procedures. The Forums are better situated to handle many of these issues.

Compliance and Enforcement

EEI supports the planned reforms of the ERO compliance and enforcement program, including the Reliability Assurance Initiative (RAI). The "desired 'end state'" that allows NERC and Regional Entities discretion over whether to initiate an enforcement action or whether to address an issue outside of enforcement, for example, through compliance, will benefit the reliability of the BPS by assuring that the resources of FERC, NERC, Regional Entities and registered entities can be focused on those matters that pose the greatest risk to reliability.

As EEI has commented to NERC management and the Board of Trustees for years, we believe that far too many minor instances of non-compliance are brought into the enforcement net. While we believe

that FFT has shown some benefits, the benefits for registered entities have been less than those for NERC and the regional entities. An issue handled as an FFT is still considered as enforcement. The resources to handle these minimal risk issues far outweigh the benefits and in fact the current approach is detrimental to reliability by taking away resources from other more important issues. Minimal risk issues should never enter the enforcement process. The proposal to allow self-reports of minimal issues to be aggregated and submitted periodically is also an essential reform.

Therefore, it is essential that these reforms be implemented in a consistent manner across the entire ERO Enterprise as soon as possible and certainly before the implementation of Version 5 of the CIP Standards. While EEI appreciates that development of the reforms as well as the pilot programs take time, registered entities – and reliability of the BPS – cannot wait another few years for full implementation. EEI understands from its members that some regions are already employing RAI-like approaches in audits and other compliance and enforcement activities. While movement in that direction is laudable, all regions should be implementing an ERO-wide program as soon as possible.

Identification and Prioritization of Risk

EEI believes that the continued efforts of the RISC have furthered NERC's ability to identify and manage risk. The RISC should continue to play a central role.

EEI generally agrees with the identification of the top ERO reliability risks set forth in the Five Year Assessment. The changing resource mix, including the essential reliability services needed in view of the expansion of distributed generation are important topics that will benefit from NERC's analysis. EEI does question, however, the inclusion of the 345-kV breaker failures as a potential trend. EEI believes that the industry has responded to the NERC alert on this issue and that it not a risk to reliability.

In the Assessment, NERC refers to a new metric – “the daily severity risk index.” EEI requests that NERC give a more complete explanation of how this metric is used to help prioritize risks.

Information Sharing

EEI recognizes the expansion of the user base of the Electricity Sector Information Sharing and Analysis Center (ES-ISAC). The ISAC should continue its efforts to provide cross-sector information sharing. A critical aspect of achieving this is to maintain and strengthen the separation between information shared through the ISAC and NERC compliance and enforcement activities. EEI recommends that NERC explore a full functional separation of NERC and the ES-ISAC as recommended in the February 2014 Report from the Co-chairs of the Bipartisan Policy Center's Electric Grid Cybersecurity Initiative.¹

In the past year, the Electricity Sub-Sector Coordinating Council (ESCC) has been revamped to expand stakeholder participation and strengthen its role as the focus of communications between the electricity sector and government entities. As the electricity sector faces increased potential risks in the cyber and physical security areas, continued communication between the industry and government through the

¹ Cybersecurity and the North American Electric Grid: New Policy Approaches to Address an Evolving Threat at 11, 50 (Feb. 2014).

ESCC is essential. Additionally, there is a need to strengthen inter-sector coordination. The ES-ISAC should explore ways to provide information and support the activities of the ESCC.

Event Analysis Program

Programs like Event Analysis serve an important function but there needs to be an improvement in full publication (under appropriate confidentiality controls) to the users, owners and operators. This has been an issue for the past five years and although we have seen NERC Staff try very hard to remedy this situation, we are not there yet. But not all issues identified by the EA Program are issues that should become standards or even alerts. Getting out the information is important but then the asset owners and the forums are better suited to deal with these issues.