

Southwest Power Pool, Inc.

Comments on NERC 5 Year Assessment Filing to FERC

Draft of March 21, 2014

A. The ERO Is Implementing Numerous Reforms to Develop Clear, Reasonable and Technically Sound Mandatory Reliability Standards.

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“...reforming the development process to achieve a results-based focus,”

The NERC Reliability Standards Development Process cannot in and of itself make a standard “results-based focus”. The NERC RSDP is a procedural document with some guidance for the standards drafting teams to ensure standards embody certain fundamental principles and elements. We believe a more appropriate reference would be “...NERC has initiated activities that have begun to change the set of NERC standards into performance or results-based standards.” This is consistent with later sections of the assessment explaining change details. Also, this statement misses the point that the SPM was changed in order to streamline the process, not to focus on ‘results-based’ requirements. The sentence should be reworded to something like ‘...realigning management and accountability for Reliability Standards development, reforming the development process as outlined in the Standard Processes Manual, emphasizing a results-based focus, and restructuring...’. (More detail on this effort is included starting on Page 14 so it may not need mentioning here.) It might be noted that efforts are currently underway to evaluate the implemented changes for effectiveness and to explore other opportunities for improvements.

“ The panel’s recommendations set the course for delivering high quality, results-based Reliability Standards with sustainable requirements.”

While we do support the approach taken by the Independent Experts Review Panel, we believe this statement goes too far in assuming that all the recommendations will be adopted. It should instead state, “The panel’s recommendations are being considered in conjunction with other initiatives in an on-going effort to creating high quality, results-based, etc.”

At the end of that same paragraph:

“Standard Drafting Teams continue to apply Paragraph 81 criteria in other formal development projects.”

Expand this statement to include the IERP recommendations:

“Standard Drafting Teams continue to apply Paragraph 81 criteria and IERP Recommendations as a normal part of the standard development process.”

Pg 12 C. Paragraph 81

“It also enables industry stakeholders to focus their resources on reliability risk.”

This statement can be misconstrued that currently stakeholders are not focused on mitigating risk. It should be restated:

“It also enables industry stakeholders to first focus their resources on the highest reliability risk.”
Page 17 2) Conduct the required five-year reviews...

With the SPM changes, these reviews are to be conducted every 10 years. A similar reference in made on Page 24 in 7.a.(ii).

Pg 18 3. Improved Stakeholder Access to Reliability Standards Information

The Project Tracking Spreadsheet also contains information about upcoming projects so industry can plan for resource availability. (I couldn't find this line in Section 3 but your suggestion below is a good addition at the end of the section.) Expand this paragraph by adding:

“It also includes projects yet to be initiated with projected start dates so industry can plan for making resources available to support these initiatives.”

Page 21 5. Geomagnetic Disturbances

NERC shifts from BES to BPS in this section. Was this intentional? If so, why? Why was BES used up to this point?

Pg 24. 6. Vegetation Management

“FAC- 003-2 is the first results-based Reliability Standard approved by the Commission.”

There have been numerous references to “results-based standard” throughout the report thus far. However no detailed explanation as to how they improve reliability for the industry. There should be some explanatory text added to the end of the paragraph of this section, for example:

“This standard clearly states the objective of the standard and is written with actionable, and measureable requirements.”

Page 26 CEAP paragraph just before c. Continue GMD Efforts

Delete the 'is' at the end of the first line of this paragraph.

Page 27 d. Conduct Vegetation Management Research with EPRI

Last sentence of the first paragraph, insert a space between 'through' and '15-month'.

Page 29 “This effort should reduce the need for Interpretations and Compliance Application Notices.”

Since NERC is abandoning the CAN the reference here probably should be deleted. There currently isn't a need for CANs and NERC is working to eliminate those that are currently active. No new CANs are being developed.

C. The ERO Continues to Hold Registered Entities Accountable for Compliance and Enforcement in a Transparent Manner

This section of NERC's Performance Assessment essentially reviews the efforts that NERC has taken to construct a risk-based model for compliance monitoring and enforcement, by focusing on the Find, Fix, and Track (FFT) Program; changes to the FFT Program; and the evolution of the Reliability Assurance Initiative (RAI).

While the FFT Program is an improvement for handling minimal or moderate risk issues, anecdotal stories from the industry consistently indicate that the handling/processing of these issues still takes too long.

In order to increase transparency and consistency in compliance enforcement, and to expedite the disposition of issues that do not pose a serious or substantial risk to reliability of the BPS, SPP suggests that timeframes be associated with CEA actions to be taken during the disposition process. This will provide a tracking measure to help expedite what are supposed to be low reliability risk violations.

Further, there should be sufficient details provided to the industry regarding the different tracks for disposition of the compliance issues, how the CEA will make the determination as to which is the proper track for disposition, and how the oversight roles will be administered between the

CEA Compliance Staff, the CEA Enforcement Staff, NERC, and FERC.

The industry is cautiously optimistic that NERC's RAI will prove beneficial, however, there is broad-based industry concern regarding exactly how a Regional Entity's review of a Registered Entity's internal controls is going to provide the RE with a reasonable basis upon which to determine if that Entity is more, or less likely to pose a risk to the BES. The lack of specificity seems to be the main concern.

G. Coordination and Collaboration with Regional Entities and Stakeholders.

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“On April 19, 2013, the Commission approved all major activities that NERC proposed to undertake, with certain modifications, pursuant to FPA section 215.⁴⁵ NERC views these FPA section 215 criteria as a management tool to screen proposed activities in the annual business plan and budget. All major activities that NERC proposes to undertake in its 2014 Business Plan and Budget are within the Section 215 guidelines.”

NERC should report that certain non-statutory requirements were transitioned out of the NERC Business Plan and Budget. The Interchange Distribution Calculator has been taken on by the IDC Association. The E-Tag Registry has been transferred to the North American Energy Standards Board.