

May 29, 2009

BONNEVILLE POWER ADMINISTRATION (BPA) COMMENTS ON SECOND DRAFT OF THE NORTH AMERICAN ELECTRICITY RELIABILITY CORPORATION'S (NERC) THREE-YEAR ASSESSMENT

BPA applauds NERC and the Regional Reliability Organizations for doing a thorough assessment of the state of the Electric Reliability Organization. BPA submits the following input in response to NERC's April 27, 2009 request for comment on NERC's Three-Year Assessment.

BPA wants to recognize the progress made by NERC and the eight Regional Entities since June 2007. BPA believes that the industry as a whole is creating the foundation to improve reliability. Below are several items BPA would like NERC to consider.

Support of ANSI standards development process

- BPA strongly supports NERC continuing to utilize the current ANSI accredited standards development process.
- The technical subject matter experts within the industry need to continue to be the primary authors to the standards, requirements and measures. Compliance should be consulted for review as to clarity of enforcement.
- BPA would like a more detailed description of proposed NERC action and changes to the Standards process.
- BPA agrees that there is at least an appearance of too many Standards and Requirements in existence or that are under development. Proving compliance with each of the Standards requires significant documentation efforts. Therefore, it is prudent to ensure that active standards yield results that support improvement in bulk power system reliability.
- BPA concurs with the need to continue to work with the Compliance program to ensure that Measures (1) directly correspond to each requirement of each standard describing what an entity has to do to comply, (2) include examples of acceptable evidence without being overly restrictive, and (3) identify what documents are necessary to maintain and produce to demonstrate compliance. The Reliability Standard Audit Worksheet should be the vehicle to clearly convey these expectations to stakeholders.

Continued support for decentralized regulated model

BPA agrees that regulating the bulk power system is a massive task and agrees with NERC's statement in the 3-year assessment (page 7) "The bulk power system is possibly the largest, most complex machine humans have yet to devise".

With these points in mind, BPA continues to support the decentralized regulated model for the following reasons:

- There are regional differences due to geography and unique electrical characteristics of each portion of Bulk Electric System.
- Each region has a vast history and knowledge base for the utilities and systems within their footprint.
- Each region is familiar with unique circumstances that may call for region specific standards.
- Each region has tailored outreach efforts to best meet the needs and address the concerns of their registered entities.
- Each region has the best capability to effectively and efficiently complete the settlement process including determining the proposed sanction amounts.
- BPA is concerned with the apparent contradiction of the ERO framework that NERC seems to be suggesting with the following statement found on page 27 of the 3-year assessment. NERC is clearly defined as the overseer and has the “appellate authority” over the compliance program “...provide for participation by NERC earlier in the CMEP processes as they are implemented by the Regional Entities....”
- BPA is encouraged by the recent efforts to improve consistency, efficiency and timeliness WECC has been undertaking. BPA encourages NERC to continue to allow regions to mature the delegated compliance authority.
- BPA continues to support the regions efforts to collaborate on best practices and supports continued collaboration to ensure consistency among regions.
- BPA believes that FERC and NERC continue to support and work collaboratively to improve the delegated model of enforcement.

Compliance Monitoring and Enforcement

- BPA agrees that both NERC and WECC Compliance Programs have provided considerable guidance to date. However, more is needed. BPA agrees that NERC should put more emphasis on training, education, and assistance regarding what it takes to comply with, and to demonstrate compliance with, reliability standards. BPA recognizes that during the “start up” mode of the Programs, many Reliability Standards Audit Worksheets (RSAWs) were not yet developed for a number of standards.
- BPA agrees that many NERC RSAWs are unclear, poorly written, and lack the specificity needed for a compliance audit, etc. Continued development and refinement of the RSAWs will provide additional insight to the stakeholders that are responsible to complete them. BPA supports the effort of a complete review and revision (where appropriate) of the RSAWs.

- BPA supports the development of a process by which registered entities can submit hypothetical or proposed means of complying and demonstrating compliance with particular standards for review and guidance by NERC and WECC.

Compliance Program Governance

BPA strongly disagrees with NERC's statement on page 30 of the 3 year assessment claiming "the time has come for all compliance programs to report to independent directors."

- BPA supports that WECC has a balanced, hybrid board consisting of 32 members that reflect the makeup of entities within the Western Interconnection.
- BPA continues to strongly support a balanced stakeholder WECC board as authorized by Federal Power Act Section 215(e)(4)(A)(2).
- BPA participates in many industry forums and can not recall the creation of an independent compliance board being raised as an issue of concern.
- The Compliance and Enforcement group at WECC is not under the direct control of the Board, but instead reports to the CEO who is selected by the Board.

BPA thanks NERC for the opportunity to comment.