

July 26, 2012

Mr. Mark Maher
Western Electricity Coordinating Council
155 North 400 West, Suite 200
Salt Lake City, UT 84103

Dear Mark,

On May 1, 2012, the Federal Energy Regulatory Commission (FERC) and NERC released a joint report summarizing the causes and findings of our eight-month review of the September 8, 2011 Southwest event affecting nearly three million customers in Southern California, Arizona, and Baja California, Mexico. The report identified 27 recommendations for preventing similar future events in the West.

I appreciate your responsive leadership since the issuance of the report to initiate quick remediation of many of the most urgent issues needed to ensure a reliable Western Interconnection through the peak summer period. The weekly calls to review progress have also been helpful. I understand also that you are working on longer term plans to address all of the recommendations in the report.

Additionally, I want to thank you for the timely response to the June 5, 2012 letter issued by David Nevius, NERC's executive director of the event review, requesting a status report on follow-up actions by registered entities and WECC itself. To date there appears to be substantive and responsive actions to remediate a number of the specific causes of the September 8 event. I have also had a number of follow-up meetings with senior executives from the West, including with the WECC board in late June and the Western Electric Industry Leaders group in July, and I am pleased with the level of acknowledgement of a need for substantive changes and improvements to the management of reliability in the Western Interconnection.

I believe, however, that many of the findings of the report point to underlying systemic or institutional issues with the management of reliable interconnected operations and planning, and with the culture of reliability in the Western Interconnection. These concerns are reinforced by some of the initial gaps identified in your July 20 white paper outlining aggregated responses to a survey conducted by WECC. The responses indicate broad gaps involving entities beyond the parties involved in the September 8 event with regard to situational awareness, reliability information sharing, system reliability analysis and planning, and system protection coordination, to name a few.

The purpose of this letter is to request that you provide to NERC, no later than August 31, 2012, a detailed report outlining near-term remediation actions completed or in progress to date, and plans for additional actions going forward. The forward-looking portion of the report should provide a description of the objectives and deliverables planned to address the 27 recommendations from the FERC-NERC report, as well as the eight broader systemic issues I have outlined below. I understand that by August 31, some of the longer-term actions may only have a plan of action, but may not yet

have been initiated. For each recommendation and issue below, the report should provide a summary of actions planned and a timetable of milestones by which we can track progress with you.

Although there may be other specific remediation plans with individual entities directly involved in the September 8 event, I think there is a great opportunity for WECC, under your leadership, to pull together the comprehensive, Interconnection-wide response to address the recommendations and issues from this event.

The systemic or institutional concerns that I have identified are summarized below. Some of these issues are related to one or more of the recommendations from the FERC-NERC report, while others address broader underlying concerns:

1. WECC Reliability Coordinator Tools, Authorities, Capabilities and Support

- Ensure sufficient staff resources, tools, and training.
- Ensure that registered entities understand and expect reliability coordinator authority will be exercised when needed, and with the appropriate degree of urgency in cases of potential cascading situations.
- Ensure the reliability coordinator is willing to assert authority when a reliability issue is identified.
- Ensure reliability coordinator has situational awareness of the entire bulk electric system in the Western Interconnection.
- Benchmark reliability coordinator capabilities and performance compared to other reliability coordinators.

2. WECC Organization, Governance and Conflict of Interest

- Consider separating governance of functions delegated by NERC from registered entity functions.
- Consider establishing a smaller, more effective board for the regional entity functions; consider what is an effective balance of independent directors and stakeholder directors.
- Ensure additional roles for the region (e.g. reliability coordinator, planning coordinator, energy imbalance market, etc.) are separated from NERC delegated functions; NERC has no opinion on the governance of these other functions.

3. WECC Path Ratings and Interconnection Reliability Operating Limits (IROLs)

- Ensure all IROLs are identified and updated dynamically based on changing system configuration.
- Ensure path limits are updated; not depending solely on long-term or seasonal studies.
- Resolve path operator responsibilities – who has Transmission Operator (TOP)/Transmission Owner (TO) responsibilities for all facilities that comprise each rated path.

4. System Protection, Remedial Action Schemes, and Special Protection Systems

- Evaluate any potential risks introduced by a proliferation of remedial and special protection schemes and safety nets; ensure all schemes are coordinated with each other and general system protection.
- Ensure awareness, recognition, and communication of operating limits created by relay settings.

5. Data Sharing, Non-Disclosure and Data Confidentiality Agreements

- Establish a culture of trust in reliability data sharing; overcome current barriers to data sharing.
- All reliability coordinators, transmission operators, and balancing authorities should have access to all reliability data necessary to perform their next-day and real-time reliability assessments; includes neighboring systems and in some cases interconnection-wide data.
- Complete the execution of the universal NDA to allow data sharing for next-day studies among all transmission operators, balancing authorities and reliability coordinators.

6. Roles and Responsibilities of Reliability Coordinator (RC), Balancing Authorities, and TOPs

- Evaluate and clarify roles and responsibilities of all entities, including small, local entities.
- Ensure transmission operators, including small ones, have adequate situational awareness and system visibility and are conducting same-day real-time contingency analysis.
- De-register entities not capable of performing functions for which registered and transfer their responsibilities or require joint registration organizations.

7. Awareness and Recognition of Impacts of Sub-100 kV Systems on Bulk Power System Reliability

- Evaluate the entire system to identify any sub-100 kV facilities that could potentially lead to cascading outages.
- Ensure active monitoring and alarming of all such facilities by the WECC RC.

8. ERO/Regional Entity (RE) Processes

- In collaboration with NERC, review the history of ERO and WECC RE reliability oversight to understand why underlying conditions were not identified and addressed; to include regional studies and modeling; compliance monitoring activities and what actions should be taken going forward.

Once again, thank you for your responsive leadership at this critical time in addressing the issues outlined in the report and in this letter. I also want to thank the executive leadership within the Western Interconnection for stepping up at this critical time to help you lead these efforts, particularly the Western Electric Industry Leaders group, whom I have copied on this letter.

Sincerely,



Gerry Cauley
President and CEO

cc: Western Electric Industry Leaders
Chairman Jon Wellinohoff, Federal Energy Regulatory Commission
Honorable Phillip D. Moeller, Federal Energy Regulatory Commission
Honorable John R. Norris, Federal Energy Regulatory Commission
Honorable Cheryl A. LaFleur, Federal Energy Regulatory Commission
Honorable Tony Clark, Federal Energy Regulatory Commission
Mr. Jim Pederson, Federal Energy Regulatory Commission
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