May 11, 2009

Mr. Dave Nevius
Senior Vice President
North American Electric Reliability Corporation
116-390 Village Boulevard
Princeton, NJ 0540

Transmitted via e-mail

Re: Planning Committee Comments for the NERC Three-Year Performance Assessment

Dear Dave,

On behalf of the NERC Planning Committee, attached are the comments of the Planning Committee regarding NERC's three-year performance assessment, which NERC is currently developing. These comments are **not** in response to the draft performance assessment report dated April 27, 2009; they are independent of that report. I am also sending a copy of these comments to the mailbox that has been established to receive comments on the performance assessment.

If a Word version of the comments would be helpful, please let me know.

Sincerely,

John Seelke

John Seelke
Secretary, NERC Planning Committee

Attachment: PC Comments for the NERC Three-Year Performance Assessment

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pc_plus@nerc.com

Planning Committee Comments for the NERC Three-Year Performance Assessment
May 11, 2009

The Planning Committee respectfully requests that NERC incorporate and reflect upon the observations and considerations provided below. These are offered in response to the solicitation for feedback regarding the NERC Three-Year Performance Assessment in support of its certification as Electric Reliability Organization. While the NERC disseminated a comprehensive survey to a wide range of industry participants and observers, these comments and observations reflect the unique perspective of the Planning Committee as one of the key technical standing committees, comprised of industry experts and diverse perspectives encompassing all industry segments.

These comments are provided in two key categories – 1) observations about the assessment of the performance of the Planning Committee as a key NERC technical committee, and 2) observations about the effectiveness of the interactions among the Planning Committee constituents, NERC, and others. These consolidated comments are intended to represent, and have received the endorsement of the Executive Committee, the composite perspective of broad industry and technical expertise.

To facilitate the development of these overall comments, the Planning Committee members were requested to provide key issues from the following vantage points:

1) how the roles and responsibilities can be more effectively conducted,
2) are there more fundamental and effective ways to extract the technical expertise from the assembled members,
3) can the roles/functions be more effectively leveraged to the collective advantage of the industry and BES reliability,
4) are there examples of the PC effectiveness that illustrate advances that have been initiated, and
5) any other aspect of importance from the representative sectors' perspective.

Observations of Planning Committee Performance:

Over the initial three-year ERO period, the PC concentrated on enhancing the effectiveness and contributions extracting the technical expertise of the representative segment members. As one of the key functions of the PC, the reliability assessments have been dramatically improved to provide more uniformity, consistency, and technical content, thus providing the industry, NERC, and regulatory entities improved perspectives about long-term and seasonal reliability. The RAITF (reliability assessment improvement task force) was commissioned over a limited term to provide both short range, as well as long term enhancements including a programmatic approach for continuing improvements. These are already reflecting in recent assessment reports, the development of a Reliability Assessment Guidebook, and integrated in Reliability Assessment Subcommittee functions.

The PC re-evaluated its organizational structure in order to provide organizational efficiencies, better extract member expertise, and provide technical alignment that fostered the program support objectives. The result was a comprehensive review and adjustment of the entire committee arrangement, certain efficiency improvements, and long-term support of technical planning contributions to the reliability of the bulk electric system.

The respective subcommittees provided comprehensive contributions to the technical foundations for long-term enhancements to the reliability of the grid. Among them is the work by the TIS in formulating a sound understanding of the implications of fault-induced delayed voltage recovery associated with concentrated air-conditioner loads in urban centers. The System Protection and Control Subcommittee provided comprehensive guidebooks and sound responses to protection system enhancements improving integrity of the grid.

The PC provided key foundations for development of the elements/characteristics of the Board of Trustee's approved definition of Adequate Level of Reliability. In a parallel and related effort, the PC established the Reliability Metrics WG in concert with the Operating Committee to develop sound technical approaches to gauge the level of reliability in the overall bulk electric system. Finally, the PC sponsored the development of Transmission Availability Data architecture to accumulate relevant information about transmission system reliability.

In order to provide enhanced long-term perspectives of the aspects of the bulk electric system that could impact reliability, the PC formalized an integrated approach to both identify and rank the potential significance of emerging reliability issues and conduct comprehensive scenario analysis surrounding the key aspects. One of the principle emerging issues affecting reliability was the impacts of integrating large scale variable generation resources. The PC sponsored, along with the OC, the IVG TF to conduct this evaluation producing a comprehensive road map report identifying key issues and actions needed to address both planning and operational aspects.

Finally, in order to provide enhanced prioritization and focus to the efforts of the PC and its related sub-committees, task forces, and working groups, a comprehensive three-year work plan has been adopted and annually updated. This plan forms the foundation for summarizing and prioritizing all anticipated and required actions and deliverables.

Observations of Effectiveness of NERC in Regard to Planning Committee:

To item #1 – More Effective Actions:
As a technical committee, it is incumbent upon the group to act to provide unbiased, sound technical advice and recommendations. If we continue to water down the technical results of our reports to make them more politically acceptable, we are doing the consumer, the regulators, the industry, and overall reliability an injustice. The emphasis of the PC needs to state the facts, technically sound conclusions, and let others put the political or advocacy perspective on it.

To item #5 – Other aspects:
The demands for ever increasing accumulation of responsibilities demonstrates the need for continued improvement and enhanced prioritization of PC projects – with those most critically associated with enhancing the reliability of the Bulk Electric System receiving the highest focus. This implies that some actions/activities with lower reliability consequences with the current PC structure may not be pursued (or other alternatives identified) and the PC should avoid attempts at doing a volume business. It is more important to focus actions/attention on focused efforts to efficiently deliver the right technical

insights/recommendations the first time providing the crucial reliability enhancements, rather than to meet an artificially imposed or unreasonable deadline, with the consequence that the matter must be addressed more fully after the consequences are realized. With the economic downturn and the industry facing more and more with budgetary constraints and reduced resources, it is important to realize that the "volunteer army" (the industry technical representatives) who are the subject matter experts are not without limitations yet are committed to providing technical expertise that enhances BES reliability . The development of more and more, TFs, WGs and Subcommittees without fully considering the impact of these limitations is dangerously taxing the expertise that the committees bring to the tasks at hand.

NERC is increasingly taking actions that align it as part of a federal bureaucracy, in particular reflecting its relationship to FERC, and in turn lessening its focus on the foundations of reliability in a strong Self-Regulating Reliability Organization and the significant expertise role of its registered entity members. The PC, in turn, is expected to support the priorities of such NERC initiatives in an increasingly quasi-federal government direction, even if the technical experts increasingly identify problems with BES reliability. At the same time it is crucially important for technical groups such as the PC to engage in sound technical evaluation/assessment of potential reliability implications, as that advice is critical for the industry, regulators, and customers – the study of the reliability implications of integration of large scale wind generation an example of the latter.

More and more data is being collected without regard to cost versus benefit or the impact on electric industry entity resources. We discuss proposals for gathering additional data at virtually every PC meeting. The Reliability Assessments will soon collapse under their own weight. While the completeness and accuracy of such data is obviously critical to reaching sound technical conclusions, a balance on the amount/impact that such collections impose on the registered entities must be secured, so that the right data can be collected efficiently, accurately, and securely.

The NERC standards development process is sometimes circumvented for what appears to be political expediency, not referencing the cyber security here as there are recognized special problems presented by cyber challenges. However the accelerated comment periods and taking matters directly to the Board in certain circumstances, bypasses established processes and undermines the integrity of the standards development process and the supporting technical foundation provided by the PC and the OC, notably the technical expertise of their respective members.

FERC's objective, through its orders and conclusions regarding assessments and compliance enforcement, increasingly seems pointed toward a gold-plated, 100% reliable BES – the prime example of which is the underlying assumption that every BES disturbance implicates compliance findings. To the extent that NERC endorses such approaches in its initiatives and filings with the FERC (see above), it is thereby fostering analogous efforts and initiatives with similar aims. While enhanced reliability is certainly within the aim of efforts within the PC and other technical groups, for example developing the elements of the adequate level of reliability, a more measured approach to ensuring the long-term improvement of the BES reliability should be the explicit objective. Otherwise it would simply be unachievable and efforts to reach it extremely and unreasonably costly. The PC and others' priorities continue

to reflect the sincere necessity for enhanced prioritization of efforts – those that most directly enhance the reliability of the BES.

NERC is supporting FERC in its policy expansion into distribution and resource adequacy, responsibilities and jurisdiction traditionally under the purview of the states. This further extends the scope of the PC functions with potentially limited reliability benefits.

There is a reticence and serious reluctance on the part of NERC to push back on any FERC directives, even those that may be ill-advised or without adequate support, nor to rely upon the technical expertise of the standing committees to provide a supporting foundation – the hallmark of a strong self-regulating reliability organization.

Overall, NERC continues to be too compliance-based and not enough performance-based. No doubt, compliance with a list of requirements is easier to measure. But, it is possible to meet all requirements and still have a reliability issue, thus emphasizing the necessity to focus the requirements on those that are key to reliability and conducting compliance accordingly.

Cost is simply not allowed to be a consideration in development of new standards, which in the current economic environment is untenable. Frequently repeated at NERC meetings, "Cost is not to be a consideration."

There is much talk of interconnection-wide planning, green transmission backbones and climate control. The Planning Committee should be identifying, quantifying and communicating special reliability challenges these concepts may represent, rather than serve to provide the basis for others advocacy of particular aspects of these proposals.

Summary

The aspects that summarize the overall concerns, states or customers, regulated or deregulated, RTO or vertically-integrated, are as follows:

We want a reliable…but not perfect…grid. We simply cannot afford perfection.

We want a healthy electric industry. They not only supply electricity, but are key components of our states' economic development programs, energy efficiency initiatives and are tremendous corporate citizens in their communities.

We want affordable electric rates. As has been said (and others have also said), we don't want our ratepayers to have to choose between electricity, food or medicine.

From a state regulatory perspective, a discussion of actions to improve reliability without considering the associated cost is simply an incomplete discussion. Many of the issues we discuss (defining transmission as anything above 100KV, consideration of certain N-2 contingencies, extremely precise and timely data measurements, etc.) should be analyzed on a risk basis and only adopted if the benefits outweigh the costs. Otherwise we will be, as a technical committee and as an industry, faced with a series of unfunded mandates. Ultimately, the customers are obligated to pay for those.

Some observers conclude that the "perfect storm" that is coming together in the electric industry, all driving toward higher electric rates for the consumer: increased environmental compliance costs; the need for new base-load generation; climate change mitigation costs; higher fuel costs; demands for ever-higher levels of grid reliability. The list goes on.

Members of the PC, including state regulators, care about the outcome of the reliability deliberations on the PC and stand ready to provide sound technical foundations that enhance BES reliability and to do what has to be done to balance the interests of the utilities and the ratepayers. That may mean some investments in transmission infrastructure should not be made if those investments are not found prudent. That may mean negative votes on proposed NERC standards if the outcome may mean unreasonably high costs to consumers for the benefits to be derived. That will mean advocating for balance and consideration of costs in proposed actions by NERC, FERC and other federal agencies.