



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

February 17, 2011

Federal Energy Regulatory Commission
Attn: Keith O'Neal
888 First Street, NW
Washington, DC 20426

Re: Recommendation to Industry: Consideration of Actual Field Conditions in
Determination of Facility Ratings Issued October 7, 2010 and Revised November 30, 2010

Dear Mr. O'Neal:


This is NERC's first report following issuance of the "Facility Ratings Recommendation" on October 7, 2010. Given the scope of the potential issues and the effort necessary to assess and mitigate those issues, this project will extend over a significant period of time. NERC expects its work to be of a continuing nature and plans to submit follow-on reports to report on the state of its activities and what it continues to learn about how the industry is addressing the facility ratings issues.

Background

NERC and the Regional Entities have become aware of discrepancies between the design and actual field conditions of transmission facilities, including transmission conductors. These discrepancies may be both significant and widespread, with the potential to result in discrepancies in line ratings. The terms "transmission facilities" and "transmission lines" as used herein include generator tie lines, radial lines and interconnection facilities that are included in the scope of the current NERC-approved definition of Bulk Electric System.

Actions Taken

On October 7, 2010, NERC distributed a Level 2 Alert, the *Recommendation to Industry: Consideration of Actual Field Conditions in Determination of Facility Ratings* (hereinafter "alert" or "Facility Ratings Recommendation"). In this alert, NERC recommends that Transmission Owners and Generation Owners of transmission facilities that are considered part of the Bulk Electric System review their current Facility Ratings Methodology for solely and jointly owned transmission lines to verify that the methodology used to determine facility ratings is based on actual field conditions. In the initial version of the alert, NERC provided that facility owners issue their plans for assessing their facilities by December 15, 2010, report any discrepancies that were identified in the assessment by



April 7, 2011, and then mitigate issues by October, 2012 unless otherwise extended by NERC. Facility owners were expected to respond to the alert by submitting answers to a series of survey questions accompanying the alert. The alert was also distributed to Reliability Coordinators, Transmission Operators, Generator Operators, Transmission Planners, and Planning Authorities in order to coordinate any changes in facility ratings with the appropriate operating and planning entities.

NERC hosted a webinar on October 28, 2010 to discuss alert expectations and engaged in considerable discussions with entities responsible for responding to the alert at the November, 2010 NERC Member Representatives Committee and NERC Board meetings. As a result of those discussions, NERC issued a revised alert on November 30, 2010 that provided entities an additional one month extension of time to and including January 18, 2011 to submit their assessment plans using a modified implementation strategy. The revised alert recommended that entities submit their assessment plans using a prioritized approach: high priority facilities (as determined by the facility owner) assessed by the end of 2011; medium priority facilities by the end of 2012; and the remaining facilities by the end of 2013. In addition, if owners were to identify discrepancies that resulted in potentially incorrect facility ratings, the revised alert provided they have one year from the date the issue is identified to mitigate the issue, unless an extension is granted by NERC.

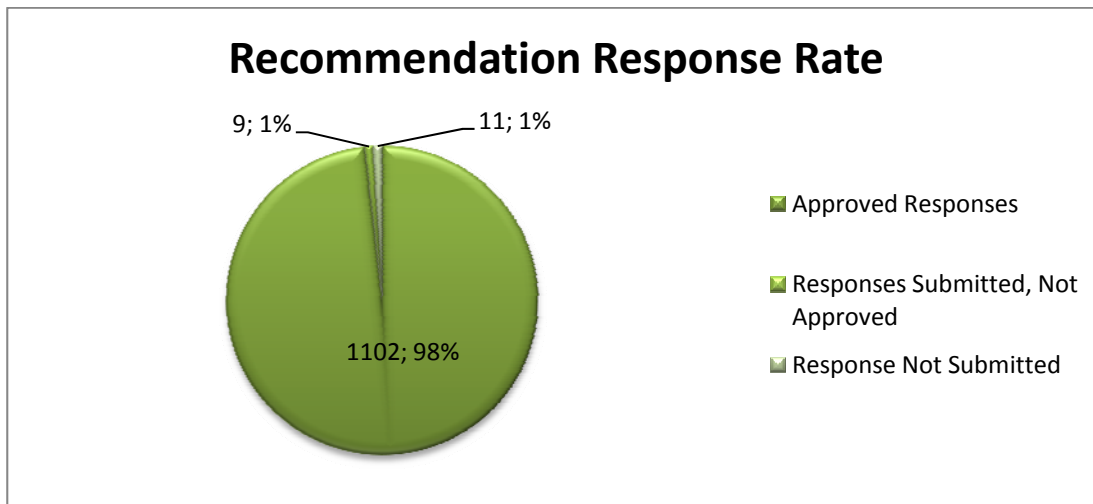
To support this modification, NERC conducted a second industry webinar on November 29, 2010, issued a letter from President Gerry Cauley outlining revised expectations, provided a compliance application notice, and published a question and answer document to support the alert effort. This guidance is intended to maintain a focus on reliability while providing an avenue for the industry to maintain the appropriate emphasis on associated compliance activities in a positive, proactive manner. These documents are posted on the NERC website.

Facility owners provided responses to the alert on or around the January 18, 2011 submission date. NERC is currently working with the Regional Entities to review the submitted responses and accompanying assessment plans. The information below reflects high level summaries of the data that was compiled from the approved responses. In this report, NERC is not providing a breakdown of the individual responses to the survey questions as significantly greater analysis is required to develop meaningful summaries of the data. NERC will continue to analyze this data and is targeting the end of the second quarter 2011 to provide a follow-up report to FERC.

Facility Ratings Recommendation Response

The following provides a summary description of the response to the Facility Ratings Recommendation. The terms employed in the chart are defined as follows. The specific actions identified are those taken by the entities to which the alert was distributed and recorded in the NERC Alerts System. Any reference to “approval” is approval by a company officer or designee of the responding entity and does not reflect any NERC action or quality judgment regarding the entity’s submission.

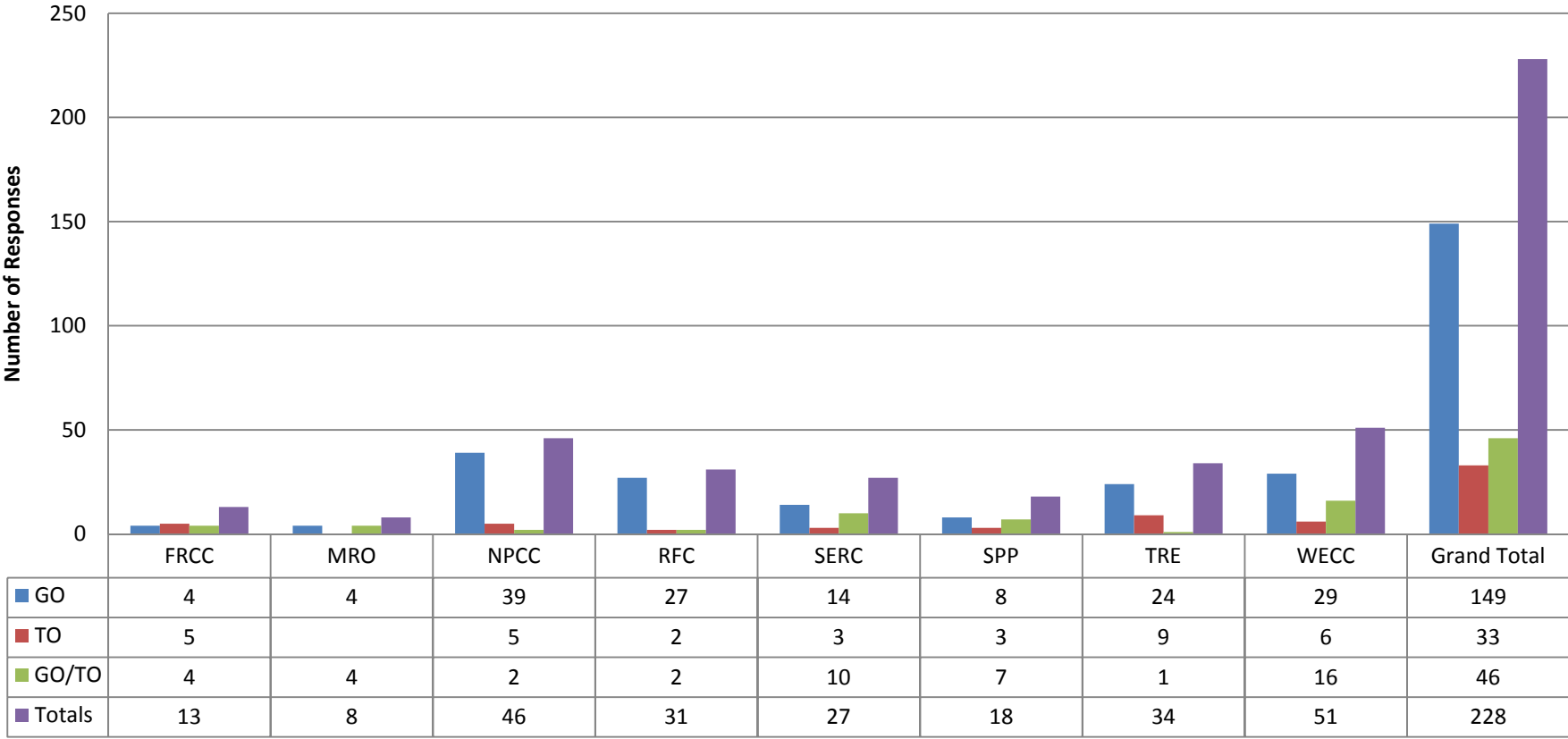
- Approved Responses – the responding entity submitted a response in the NERC Alerts System that was approved by its designated company officer.
- Responses Submitted, Not Approved - the responding entity submitted a response in the NERC Alerts System but the response was not approved by its designated company officer. This usually occurs when an entity has not completed its response for executive officer approval or is a procedural oversight.
- Response Not Submitted - the responding entity did not submit a response in the NERC Alerts System.
- Acknowledged - an entity acknowledged receiving the alert.
- Not Acknowledged - an entity did not acknowledge receiving the alert.



- 1,122 NERC Registered Entities in the United States were targeted to receive this Level 2 Alert (Facility Ratings Recommendation to Industry)
- 98% submitted a response that was approved by a company officer or designee
- 930 responses were submitted by Transmission Owners and/or Generation Owners;

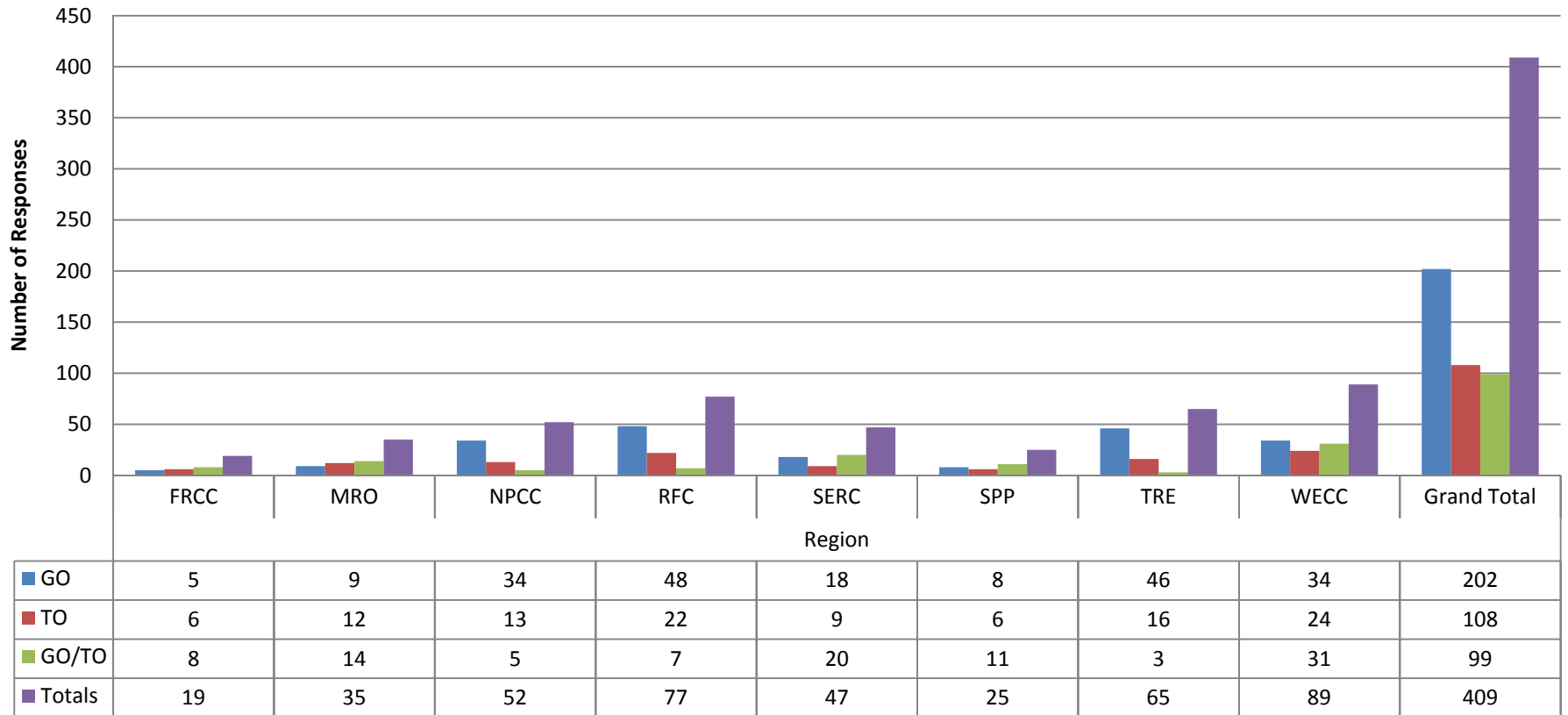


Facility Owners Responding They Have Addressed The Facility Ratings Recommendation



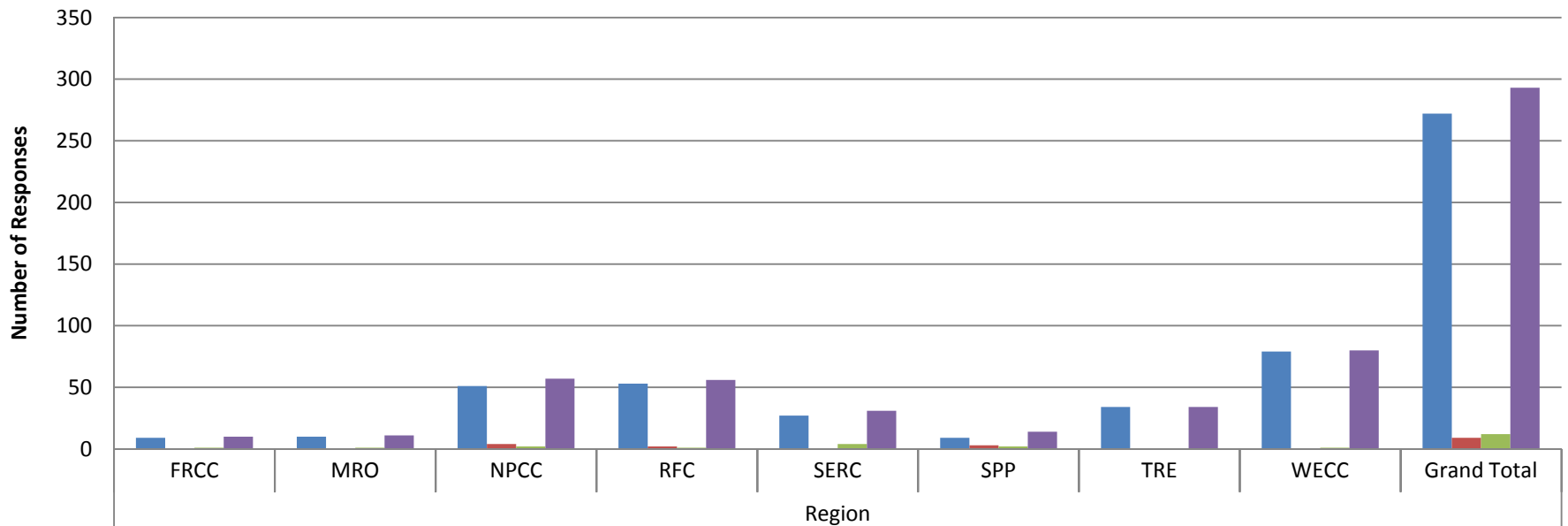
- This chart represents the cross-section of Generator Owners and Transmission Owners who have responded that they believe they have adequately addressed the issues included in the Facility Ratings Recommendation, segmented by the regions in which they operate. NERC and the eight Regional Entities have not provided any judgment as to the quality or adequacy of the submitted responses and will continue to analyze the data for inclusion in a subsequent report.

Facility Owners Submitting Assessment Plans to Address Facility Ratings Recommendation



- This chart represents the cross-section of Generator Owners and Transmission Owners who have responded that they believe they have not adequately addressed the issues included in the Facility Ratings Recommendation. They have each submitted an assessment plan, and they are segmented by the regions in which they operate. NERC and the eight Regional Entities have not provided any judgment as to the quality or adequacy of the submitted responses or the assessment plans and will continue to analyze the data for inclusion in a subsequent report.

Facility Owners Responding the Facility Rating Recommendation Is Not Applicable



	FRCC	MRO	NPCC	RFC	SERC	SPP	TRE	WECC	Grand Total
■ GO	9	10	51	53	27	9	34	79	272
■ TO			4	2		3			9
■ GO/TO	1	1	2	1	4	2		1	12
■ Totals	10	11	57	56	31	14	34	80	293

- This chart represents the cross-section of Generator Owners and Transmission Owners who have responded that they believe the Facility Rating Recommendation does not apply to them, segmented by the regions in which they operate. This data is exclusive of the data captured in the previous two charts. NERC and its eight Regional Entities have not provided any judgment as to the quality or adequacy of the submitted responses and will continue to analyze the data for inclusion in a subsequent report.

Conclusion:

NERC is pleased with the industry responsiveness to the Facility Ratings Recommendation, to which 98% of entities who received the alert provided a response approved by their company officer. Of the 930 facility owners who responded to the alert, nearly 25% believe they have already addressed the recommendation, 44% submitted assessment plans to address the recommendation, and the remainder believe the recommendation is not applicable to their facilities.

NERC and the Regional Entities will continue to analyze and evaluate the approved responses and associated assessment plans from facility owners within their regions. Based upon review and analysis of the alert responses and associated assessment plans, NERC and the Regional Entities will determine whether supplemental information will be requested from selected facility owners to better understand their plans or whether suggested modification to the priority assignments are necessary. NERC and the Regional Entities will continue to work with the responsible facility owners to provide guidance on the form and format of the assessment plan information and associated mitigation strategies. NERC is targeting the end of the second quarter 2011 to provide an updated report to FERC on these activities.

NERC looks forward to working with the facility owners to complete these and future related activities.

If you have any additional questions, you may contact Gerry Adamski at 609-524-7049 or gerry.adamski@nerc.net.

Best Regards,

/s/

Gerry Adamski
Director – Situation Awareness and Training
North American Electric Reliability
Corporation
Office: 609-524-7049
Cell: 609-439-8529