



NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

August 12, 2011

Federal Energy Regulatory Commission  
Attn: Keith O'Neal, Director, Division of Reliability  
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 second report following issuance of the "Facility Ratings Recommendation" on October 7, 2010 and November 30, 2010, which NERC is submitting to the Federal Energy Regulatory Commission ("FERC") pursuant to Rule 810 of the NERC Rules of Procedure. NERC submitted its initial report, based on responses received from NERC registered entities on January 18, 2011, to FERC on February 17, 2011. Since the January 18, 2011 response due date, NERC registered entities were provided two update opportunities, the first on July 15, 2011 and the second on January 15, 2012, to send NERC information on completion of their assessment activities for the high priority transmission facilities. On July 15, 2011, NERC received updated responses from NERC registered entities indicating that there were a total of 278 assessments performed by the registered entities with approximately 248 reported discrepancies. Of the discrepancies reported, registered entities have indicated approximately 68% are already mitigated. This report provides an overview of the responses received on July 15, 2011.

### **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*. In this alert, NERC recommends that Transmission Owners and Generation Owners of




transmission facilities that are considered part of the Bulk Electric System should 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 recommendation, NERC provided that facility owners issue their plans for assessing their facilities by December 15, 2010, report any discrepancies that result from the assessment by April 7, 2011, and then mitigate issues by October, 2012 unless otherwise extended by NERC. Facility owners were also 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 the concerns expressed, NERC issued a revised recommendation on November 30, 2010 that provided entities an additional month (until January 18, 2011) to submit their assessment plans using a modified implementation strategy. The revised alert recommends 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 identify discrepancies that result in potentially incorrect facility ratings, they have one year from the date the issue is identified to mitigate the issue, unless an extension is granted.

To support this modification, NERC conducted a second industry webinar on November 29, 2010, issued a letter by 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 was 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 available on the NERC Website.

Of the 1122 NERC registered entities targeted to receive the Alert Recommendation, approximately 98% submitted a response, that was approved by a Company Officer or designee, on or around the January 18, 2011 submission date. NERC, with the Regional Entities, reviewed the submitted responses and accompanying assessment plans. NERC and the Regional Entities worked with the registered entities over the next three months providing guidance on the expectations of the Recommendation. To assist in this effort, NERC developed the Assessment Plan Review Criteria and posted in onto the NERC website on May 11, 2011 and then conducted a third industry webinar on May 12 to discuss the review criteria and to answer questions about the Alert Recommendation.

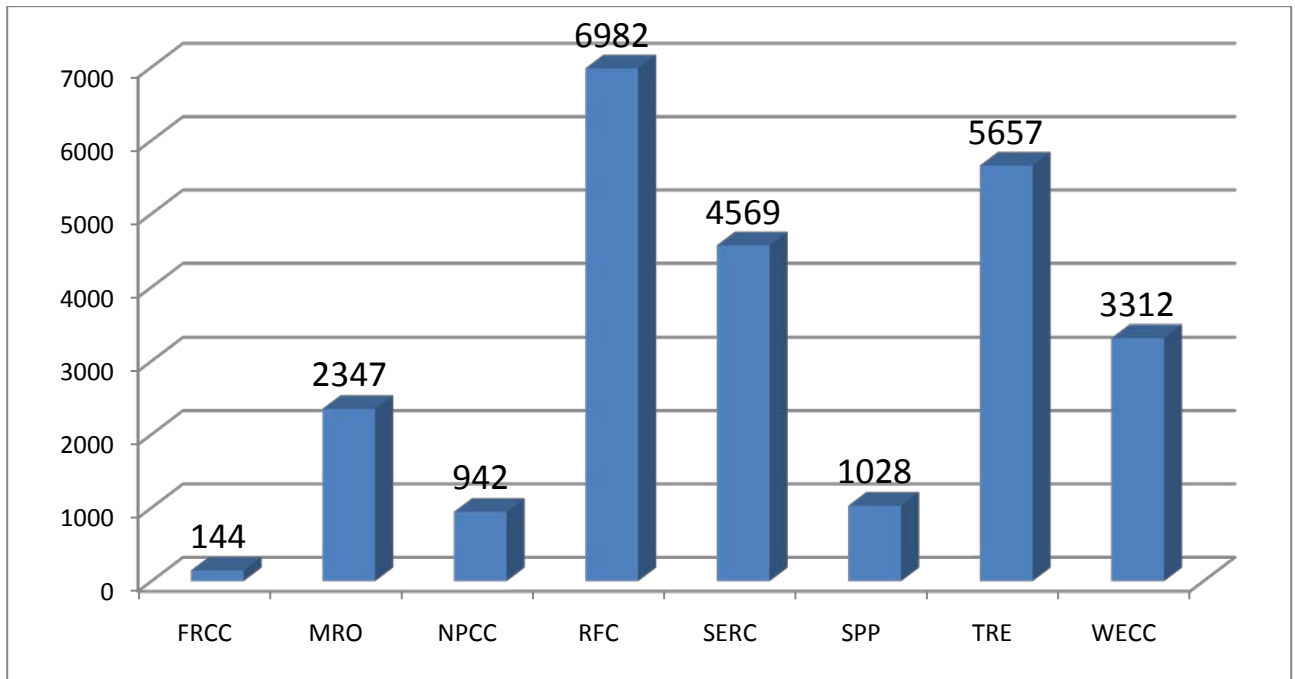


NERC developed responses to each of the questions posed during the Webinar and posted them onto the FAC Recommendation Alert Webpage on the NERC website on June 14, 2011.

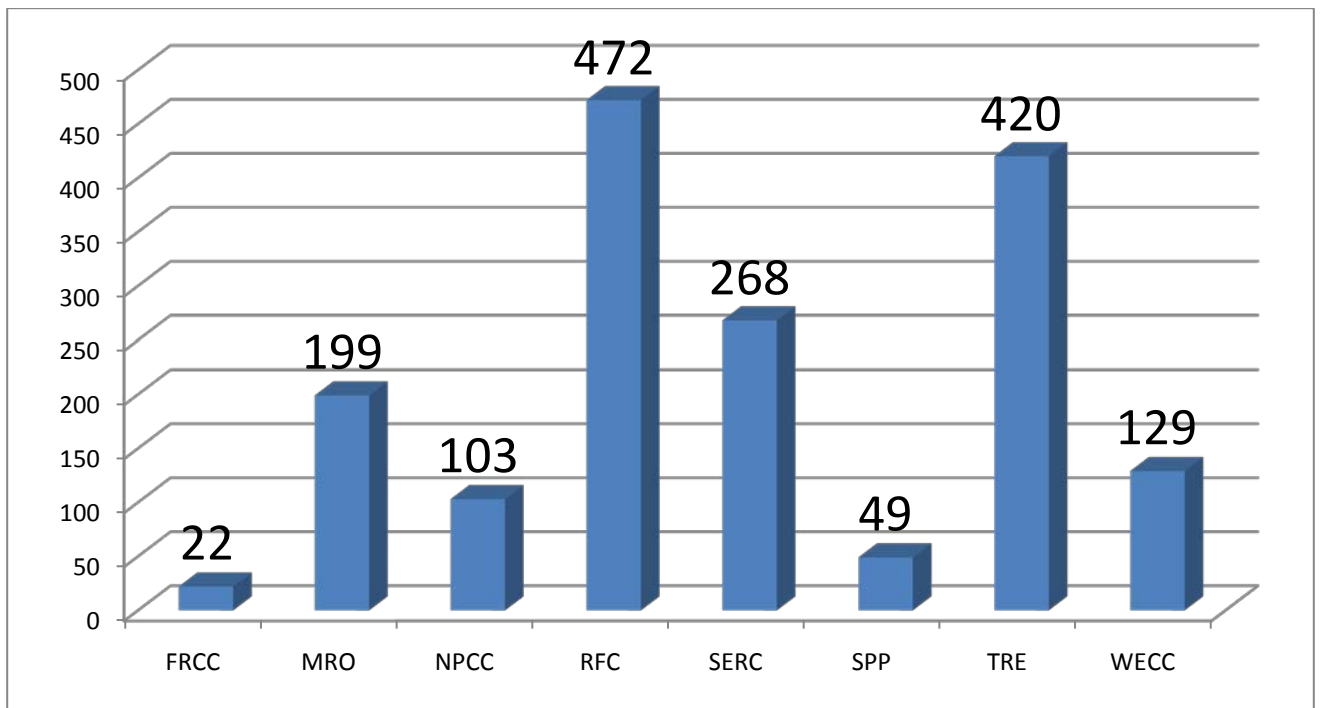
**July 15<sup>th</sup> High Priority Assessment Report:**

The first assessment plan report due date on the progress each registered entity has made in completing its assessment plans was July 15, 2011. Registered entities were provided two update opportunities to send NERC information on the completion of their assessment plans. NERC set a July 15, 2011 and a January 15, 2012 report due date for the high priority transmission facilities. For the July 15 report date, there were 278 assessments performed by the registered entities with approximately 248 reported discrepancies. Of those discrepancies reported, registered entities indicated approximately 68% have already been mitigated. Included below is additional information on the assessments reported.

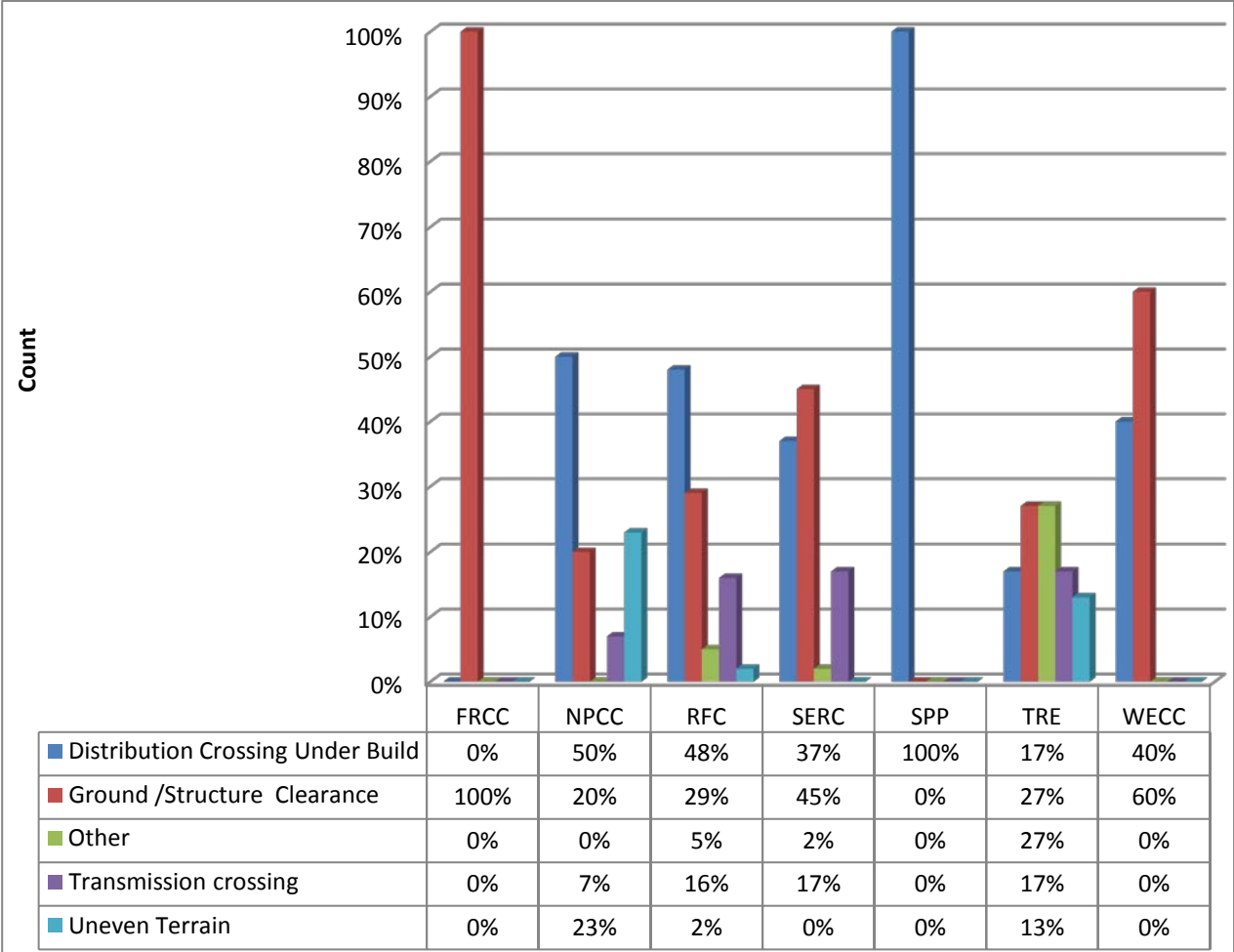
## Miles Assessed: Regional Basis



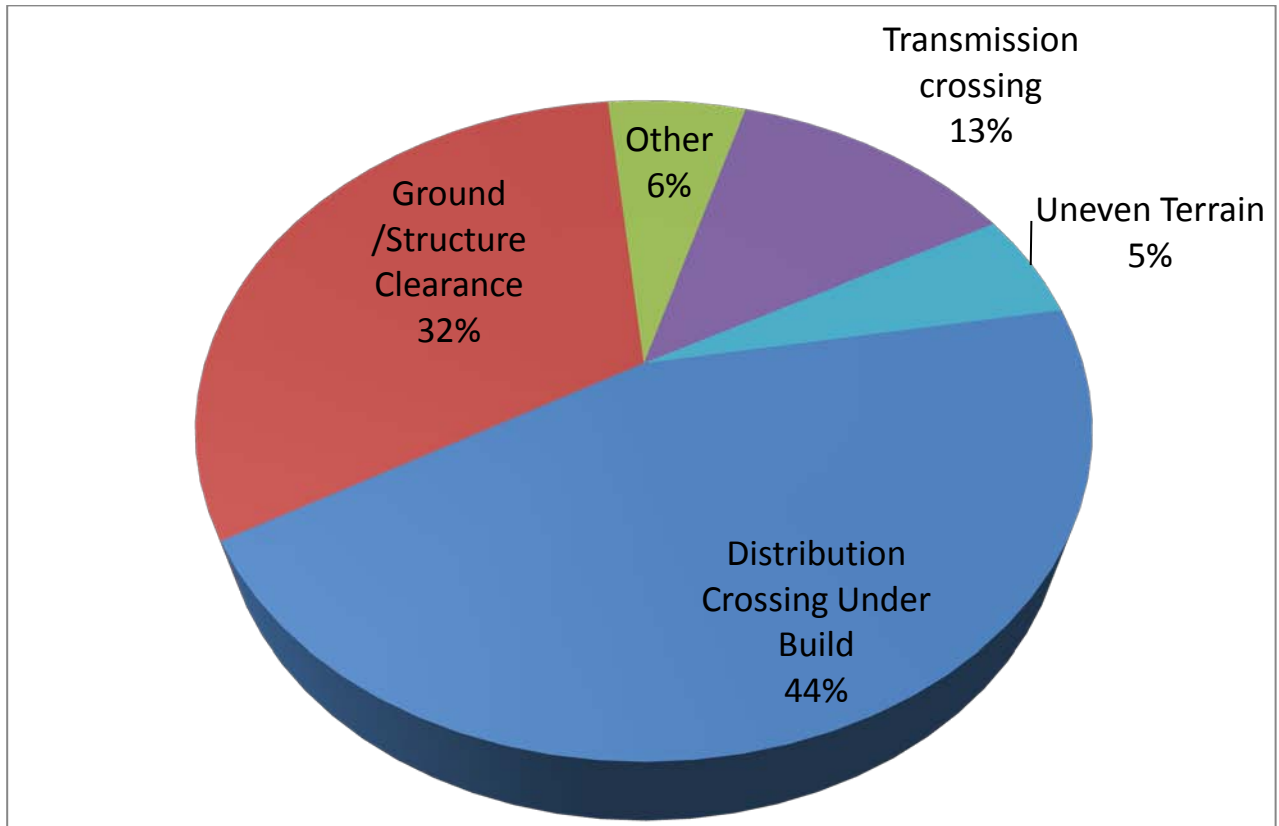
## Circuits Assessed Total: Regional Basis



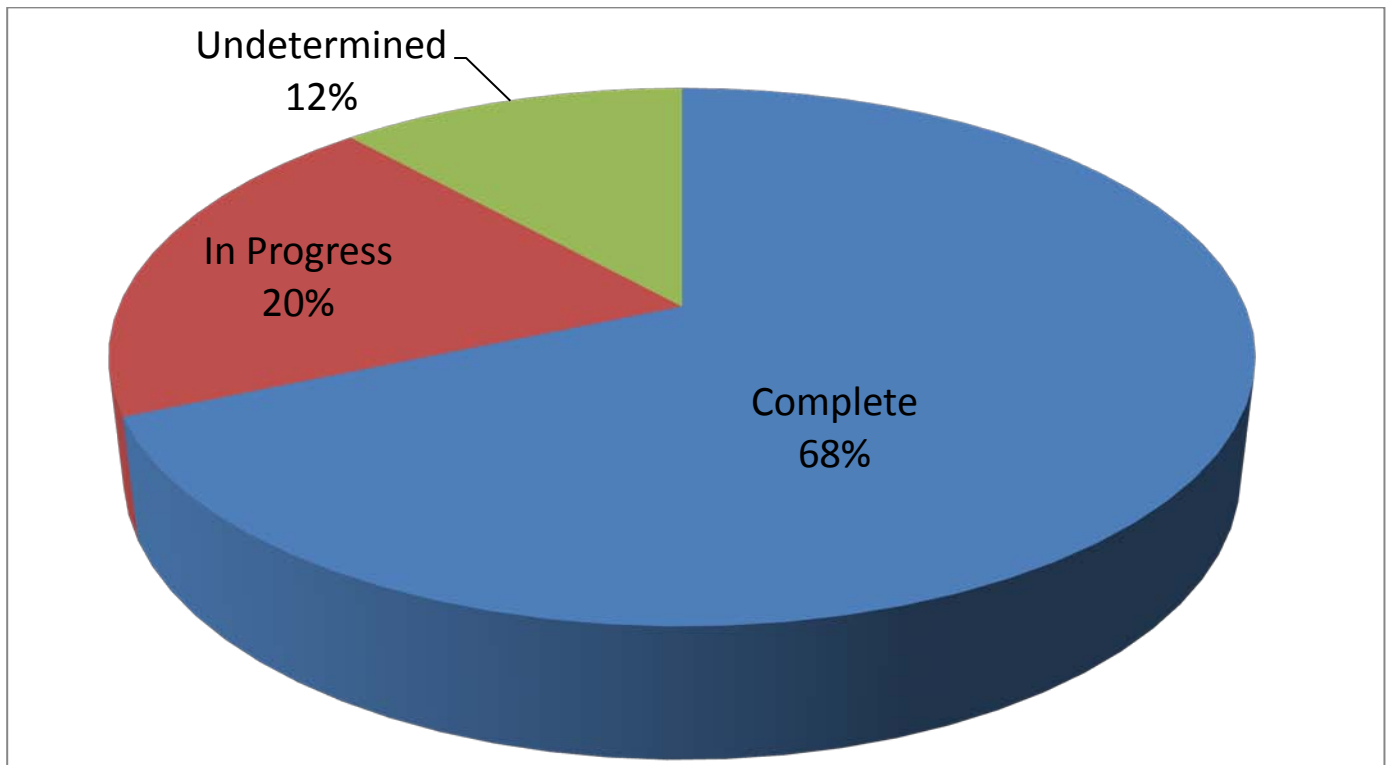
# Regional Breakdown by Type of Discrepancies



## Discrepancy Category Breakdown

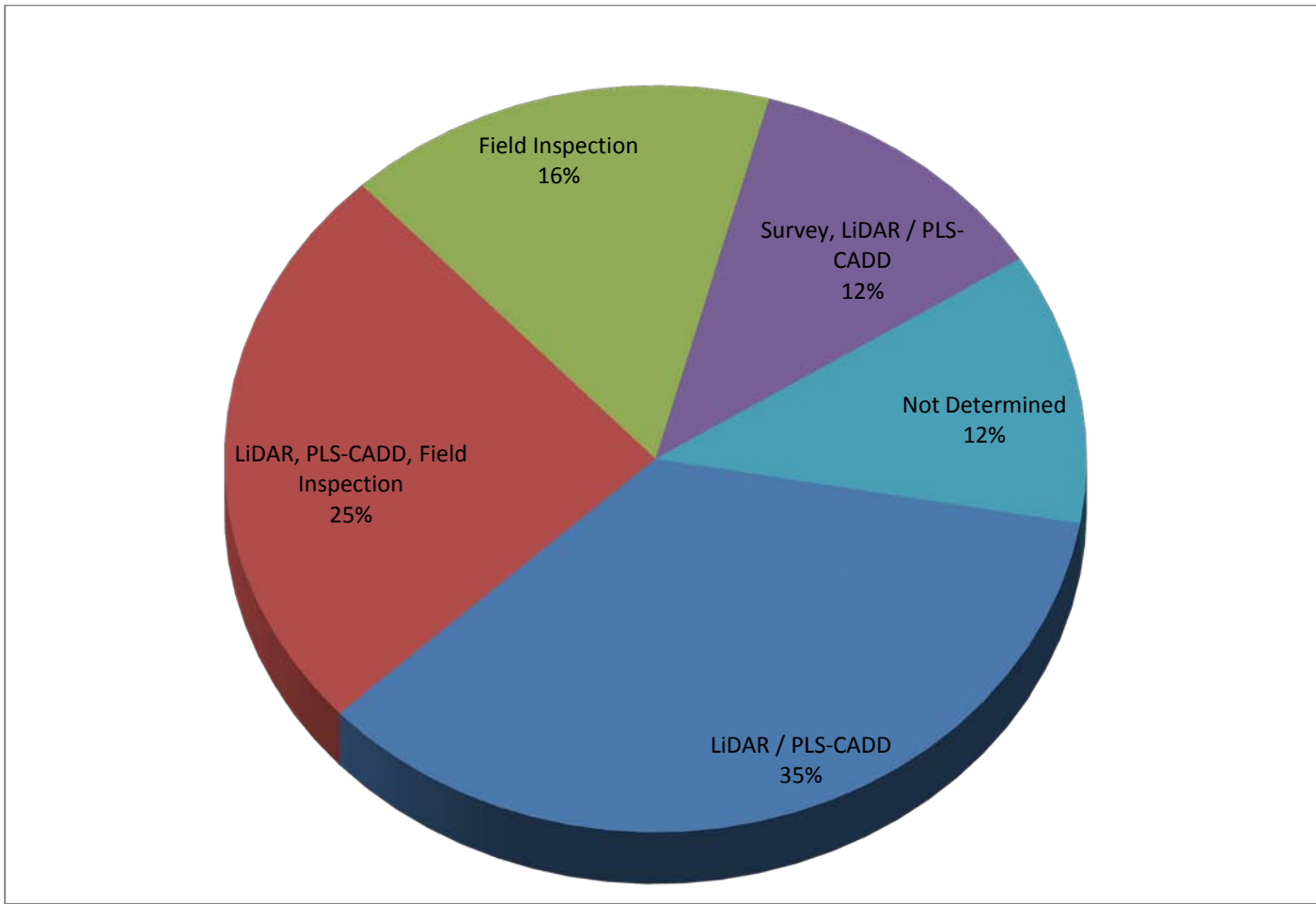


## Overall Remediation Status





## Top 7 Inspection Methods for Assessments





**Conclusion:**

NERC is satisfied with the level of approved responses to the Alert, which demonstrate that progress is being made on the assessments. In response to the Facility Ratings Recommendation, 98% of entities receiving the alert provided a response by the initial January 18, 2011 response due date.

The information provided in the July 15 assessment report indicates the registered entities have assessed and identified discrepancies (approximately 248) and responded well in remediating them (68 % indicated as being completed already). Additionally, registered entities reported they have assessed approximately 48 % of their total high priority miles of transmission lines as of July 15, 2011.

NERC will continue to provide oversight for the FAC Alert Recommendation activities and work with the facility owners as they complete remaining assessments and remediation activities on described schedules, consistent with the relative importance of the risks involved.

If you have any additional questions, please contact Tom Galloway at 404-446-2562 or [tom.galloway@nerc.net](mailto:tom.galloway@nerc.net) .

Best Regards,

      /s/      

Tom Galloway  
Senior Vice President and Chief Reliability Officer  
North American Electric Reliability Corporation