

March 2, 2012

Federal Energy Regulatory Commission
Attn: Mr. 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 third report following issuance of the "Facility Ratings Recommendation" on October 7, 2010. NERC submitted its initial report to FERC on February 17, 2011 based on responses received by January 18, 2011 from NERC registered entities. For their high priority transmission facilities, NERC registered entities were provided two update opportunities, the first by July 15, 2011 and the second by January 15, 2012. In these two reports, the registered entities sent NERC and the Regional Entities information on their completion of their assessment plans for the high priority transmission facilities. This report provides an overview of the cumulative responses received in January 2012.

Background

NERC and the Regional Entities became aware of discrepancies between the design and actual field conditions of transmission facilities, including transmission conductors. These discrepancies were thought to 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 (BES).

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 the alert, NERC recommended that transmission owners and generation owners of transmission facilities that were considered part of the BES 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 requested 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 and the Regional Entity. 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.

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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 of Trustees 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, President and CEO Gerry Cauley issued a letter 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 applicable 1122 NERC registered transmission owners and generator owners receiving the Alert Recommendation, approximately 98 percent 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 it onto the NERC FAC Alert website on May 11, 2011 and then conducted a third industry webinar on May 12, 2011 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 it onto the FAC Alert Recommendation webpage on the NERC website on June 14, 2011.

July 15th, 2011 High Priority Assessment Report:

For the July 15, 2011 report date, NERC received assessment responses from registered entities indicating that in all a total of 278 transmission line assessments were performed with approximately 248 of these assessments reporting discrepancies. Of the discrepancies reported in the July 2011 report, approximately 68 percent had been mitigated.

January 15th, 2012 High Priority Assessment Report:

The second assessment plan report date on the progress each registered entity made in completing its high priority assessment plans was January 15, 2012. NERC and the Regional Entities received this second of two “high priority” assessment responses from 200 NERC facility owners. Including the information from both the July 2011 and January 2012 responses, the following high priority information was observed:

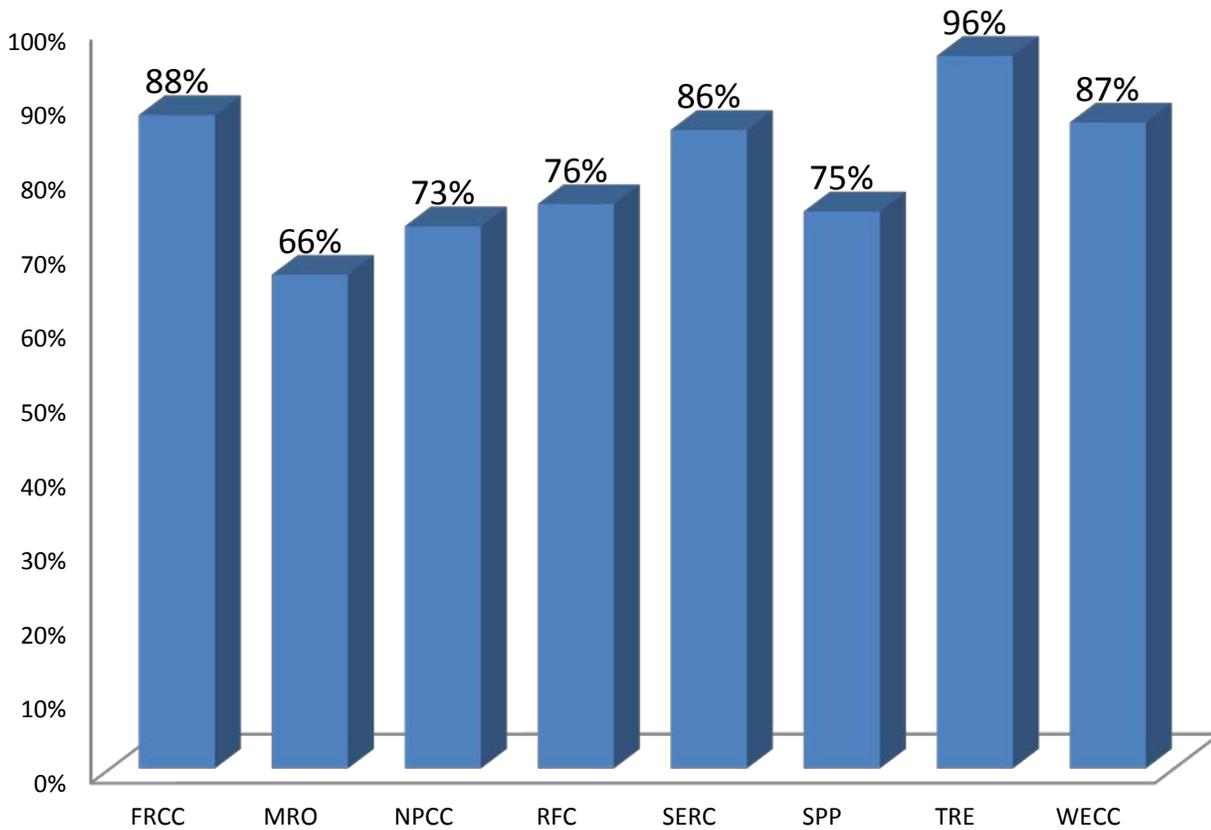
- A **97 percent response** rate by registered entities was achieved in providing summaries of their high priority assessments.
- Approximately **4,300 circuits were assessed**.

- Approximately **73,000 miles** of line were assessed.
- Approximately **5,100 discrepancies were discovered**. Of these discrepancies, approximately **42 percent have been mitigated** as of January 15, 2012.

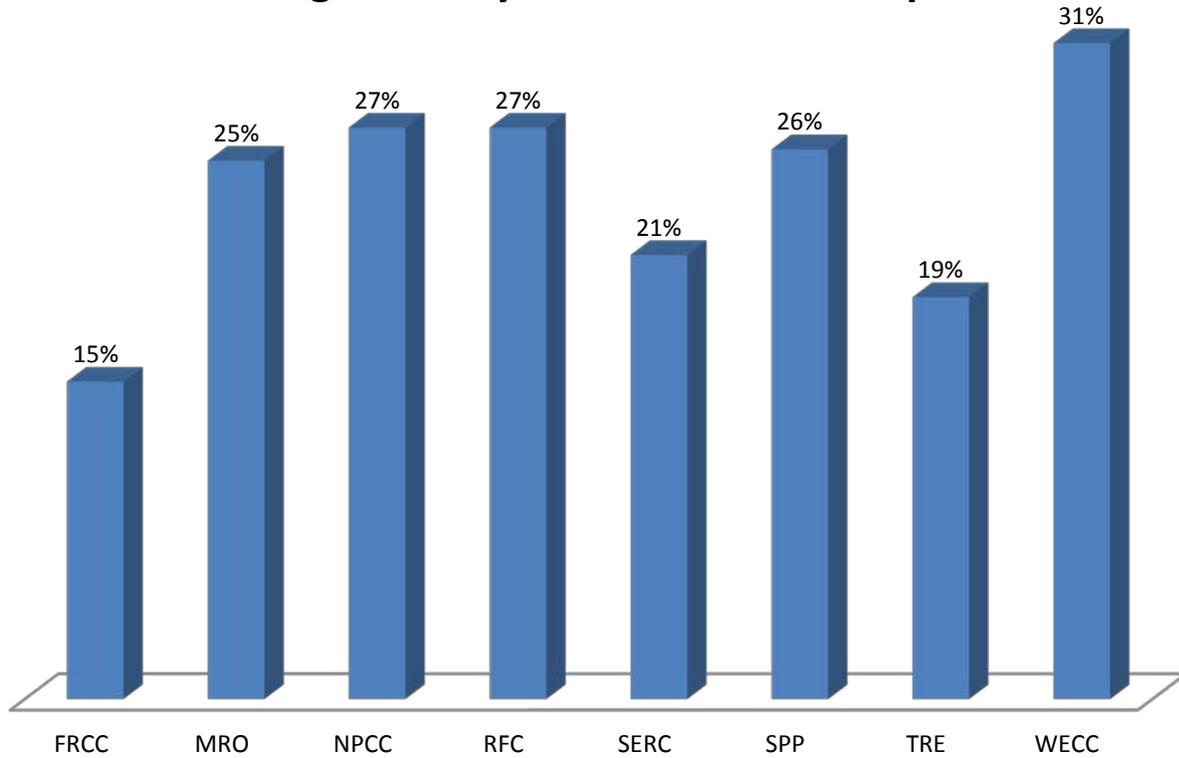
Approximately 10 percent of the facility owners were not entirely finished with their assessments and requested an extension. Most were due to Lidar vendors not completing their analysis.

The graphs below provide statistical information on the assessments reported:

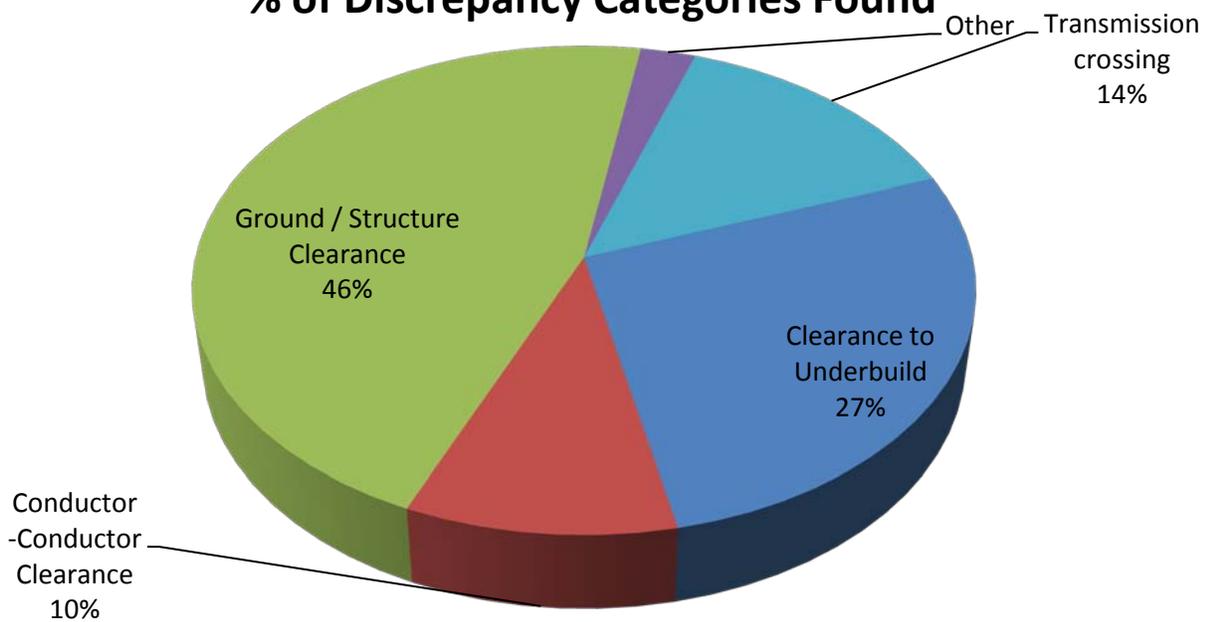
% of Miles Assessed for High Priority Lines



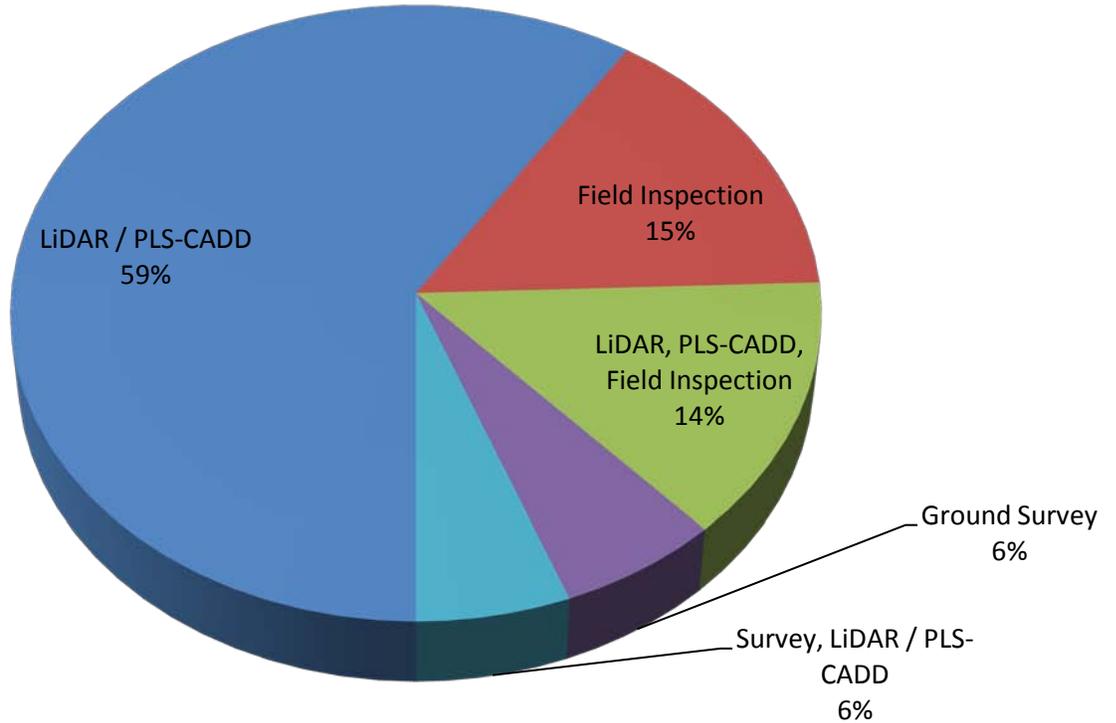
% of High Priority Circuits with Discrepancies



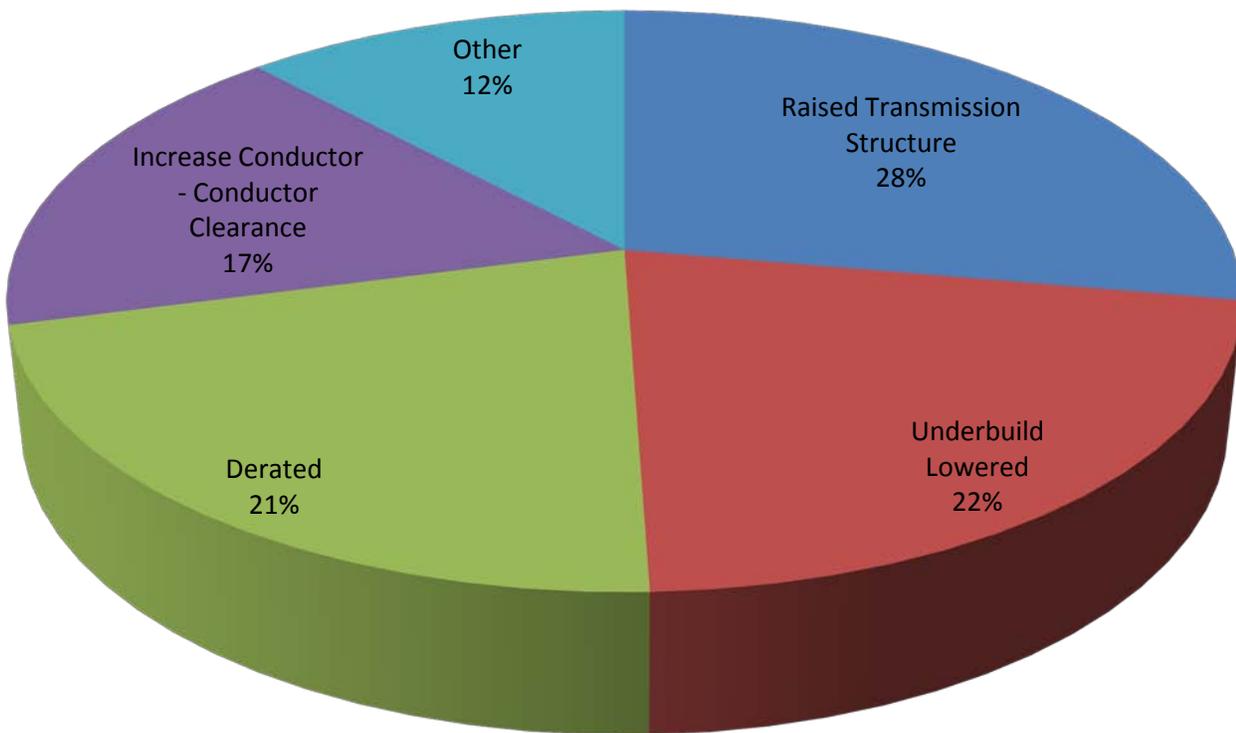
Top 5 % of Discrepancy Categories Found



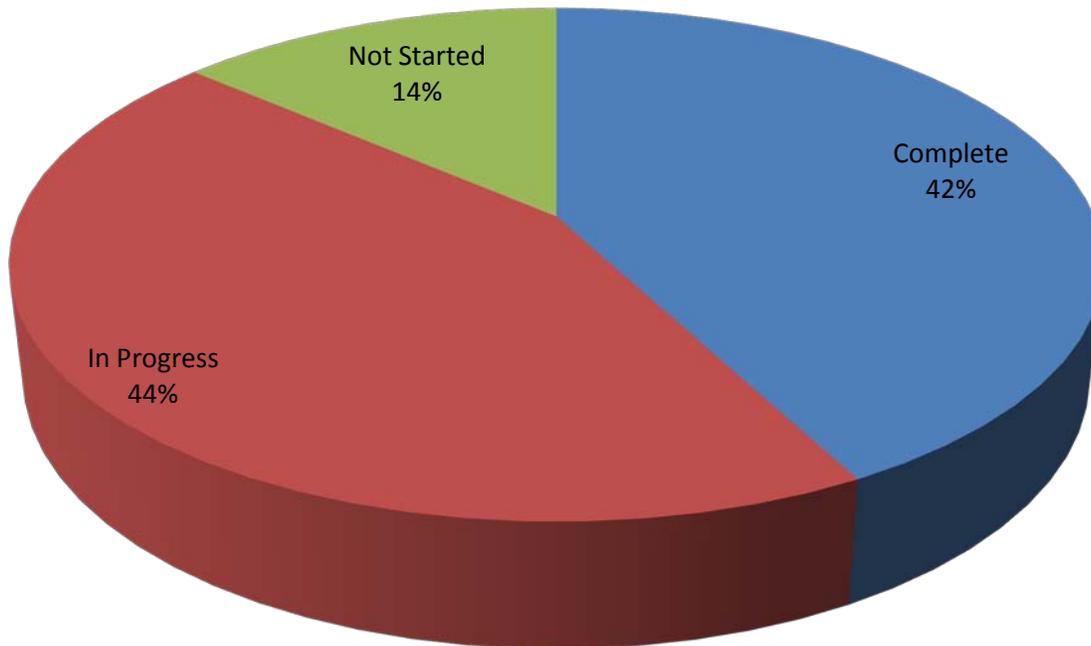
Top 5 Inspection Types



Top 5 Remediation Categories



Remediation Status Breakdown



Conclusion:

NERC is satisfied with the 97 percent response rate by registered entities in providing summaries of their high priority assessments. Approximately 90 percent of the registered entities have completed the assessments of all their high priority transmission lines with the remaining 10 percent requesting an extension. The majority of extension requests are a direct result of Lidar technology vendors not completing their analysis of the information obtained. The completed assessments account for slightly more than 86 percent, or 73,000 miles, of the total miles of high priority transmission lines being assessed. This represents approximately 4,300 circuits and resulted in 5,100 discrepancies being identified. Forty two percent of these discrepancies have been mitigated as of January 15, 2012.

NERC continues to work with the Regional Entities and each facility owner that has not yet started remediation (14 percent) or whose remediation is still in progress (42 percent) to ensure completion. Additionally, NERC looks forward to working with the Regional Entities and the facility owners as they complete their subsequent assessments on their medium and low priority transmission lines and mitigation actions on an organized basis and reasonable schedule, consistent with the relative importance of the risks involved.

If you have any additional questions, please do not hesitate to contact Roman Carter at 609-651-1496.

Respectfully submitted,

Roman Carter
Manager- Bulk Power System Awareness