

October 10, 2012

Federal Energy Regulatory Commission  
Office of Electric Reliability  
Attn: Mr. Keith O’Neal, Director, Division of Reliability Standards  
888 First Street, N.E.  
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 fourth report following issuance of the “Facility Ratings Recommendation” on October 7, 2010<sup>1</sup> and updated November 30, 2010<sup>2</sup> (Recommendation), which NERC is submitting to the Federal Energy Regulatory Commission (FERC or the Commission) pursuant to Rule 810 of the NERC Rules of Procedure. This fourth report provides both an update on the progress registered entities have made toward completing their remediation plans for discrepancies discovered on high priority transmission facilities and on the completion of their assessment plans for the first of two updates on their “medium” priority transmission facilities. This first update on each registered entity’s medium priority transmission facilities was due by July 17, 2012 and the second will be due by January 15, 2013. While NERC’s fourth report was due to the Commission on August 17, 2012 (30 days after July 17, 2012), additional time was necessary to process the volume of information received. A summary describing the issuance of the Recommendation and NERC’s past reports to the Commission is also included below along with the latest report information.

## **Background**

In 2010, 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 the Recommendation as a Level 2 Alert. In the Recommendation, NERC recommended that transmission owners and generation owners of transmission facilities that were considered part of the BES review their current Facility Ratings Methodology for solely

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<sup>1</sup> *Recommendation to Industry Consideration of Actual Field Conditions in Determination of Facility Ratings*, Oct. 7, 2010, available at

[http://www.nerc.com/fileUploads/File/Events%20Analysis/Ratings\\_Recommendation\\_to\\_Industry\\_20100929Final.pdf](http://www.nerc.com/fileUploads/File/Events%20Analysis/Ratings_Recommendation_to_Industry_20100929Final.pdf)

<sup>2</sup> *Recommendation to Industry Consideration of Actual Field Conditions in Determination of Facility Ratings*, Nov. 30, 2010, available at

<http://www.nerc.com/fileUploads/File/Events%20Analysis/Ratings%20Recommendation%20to%20Industry%20FINAL-REVISED.pdf>

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.

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 (MRC) and NERC Board of Trustees (BOT) 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 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 identify discrepancies that result in potentially incorrect facility ratings, they should have one year from the date the issue is identified to mitigate the issue, unless an extension was granted.

To support this modification, NERC conducted a second industry webinar on November 29, 2010, and Gerry Cauley, NERC's President and CEO, issued a letter outlining revised expectations. In addition, NERC 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 1,122 NERC registered transmission owners and generator owners receiving the 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, in conjunction 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 NERC's FAC Alert Recommendation webpage on the NERC website on May 11, 2011. NERC also conducted a third industry webinar on May 12, 2011 to discuss the review criteria and to answer questions about the Recommendation. NERC developed responses to each of the questions posed during the webinar and posted the responses onto the same FAC Alert Recommendation webpage on June 14, 2011.

The first, second, and third reports updating the Commission on the progress registered entities have made toward completing their remediation plans were sent on February, 17, 2011, August 12, 2011, and March 2, 2012 respectively. A summary of each report and the information for this fourth report follow.

### **February 17, 2011 Report to FERC**

NERC submitted its initial report to FERC on February 17, 2011 based on responses received from NERC registered entities by January 18, 2011. NERC reported that 98 percent 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 percent reported that they had already addressed the Recommendation, 44 percent had submitted assessment plans to address the Recommendation and the remainder reported that the Recommendation was not applicable to their facilities.

### **August 12, 2012 Report to FERC on High Priority Transmission Facilities**

After 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. By 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. The August 12 report provided an overview of the responses received by July 15, 2011.

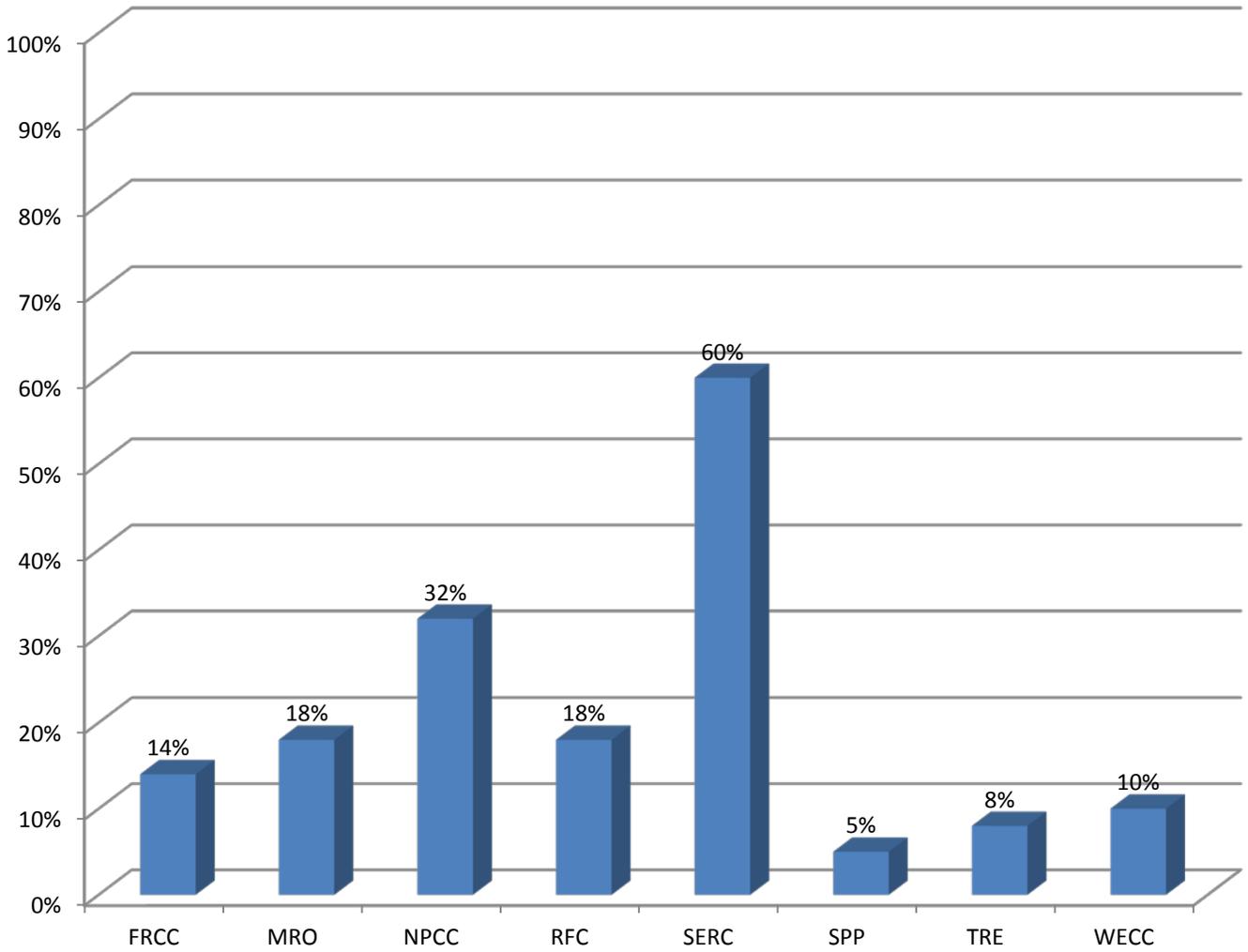
### **March 2, 2012 Report to FERC on High Priority Transmission Facilities:**

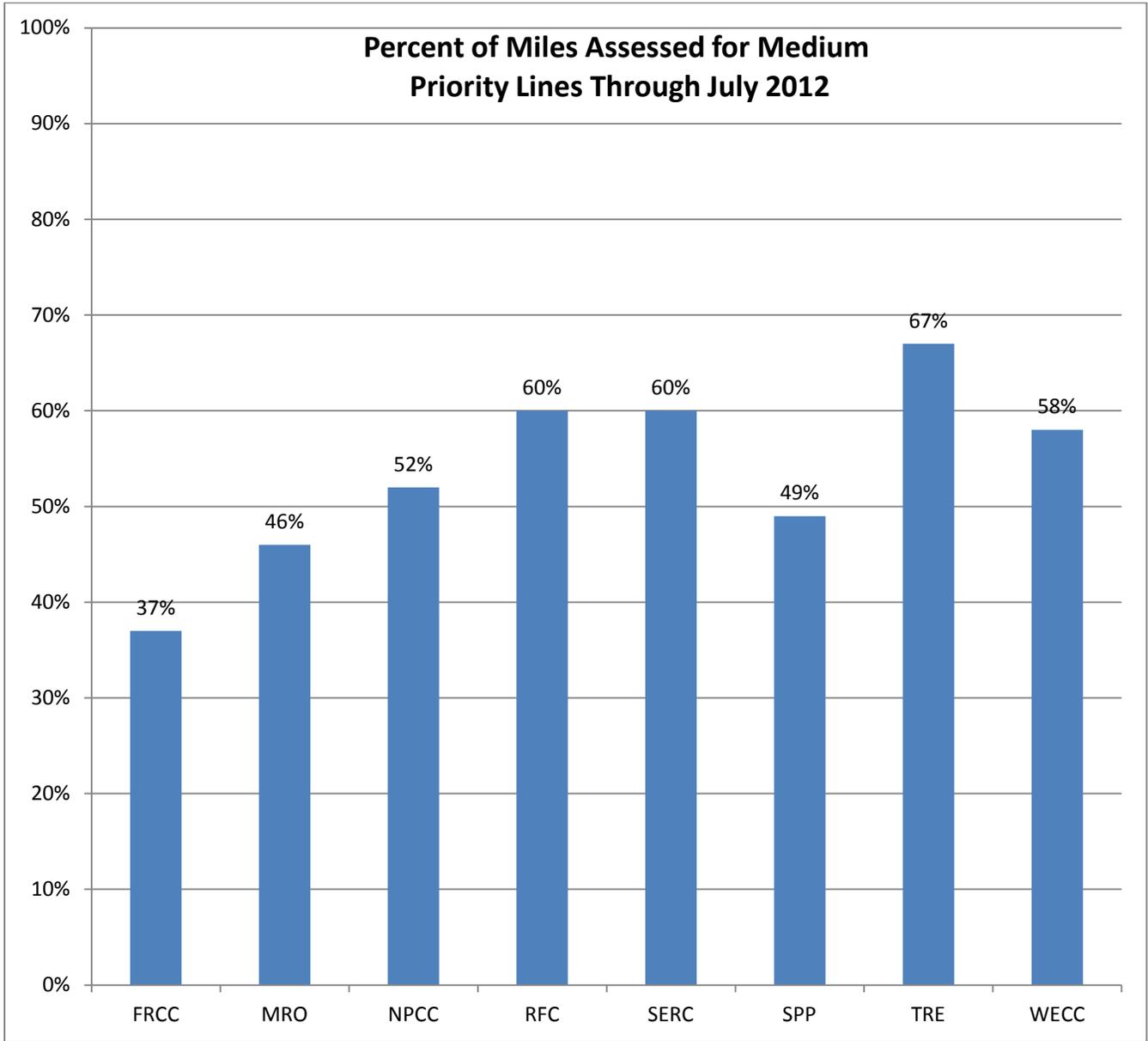
The March 2 report provided an overview of the cumulative responses received by January 15, 2012. Including the information from the July 2011 responses, the January 2012 responses, and responses from entities granted extensions, over 6,900 circuits and 84,000 miles of line were assessed and approximately 10,000 discrepancies were discovered. Of these discrepancies, approximately 52 percent had been mitigated as of July 17, 2012.

### **July 17, 2012 Report to FERC on Medium Priority Transmission Facilities:**

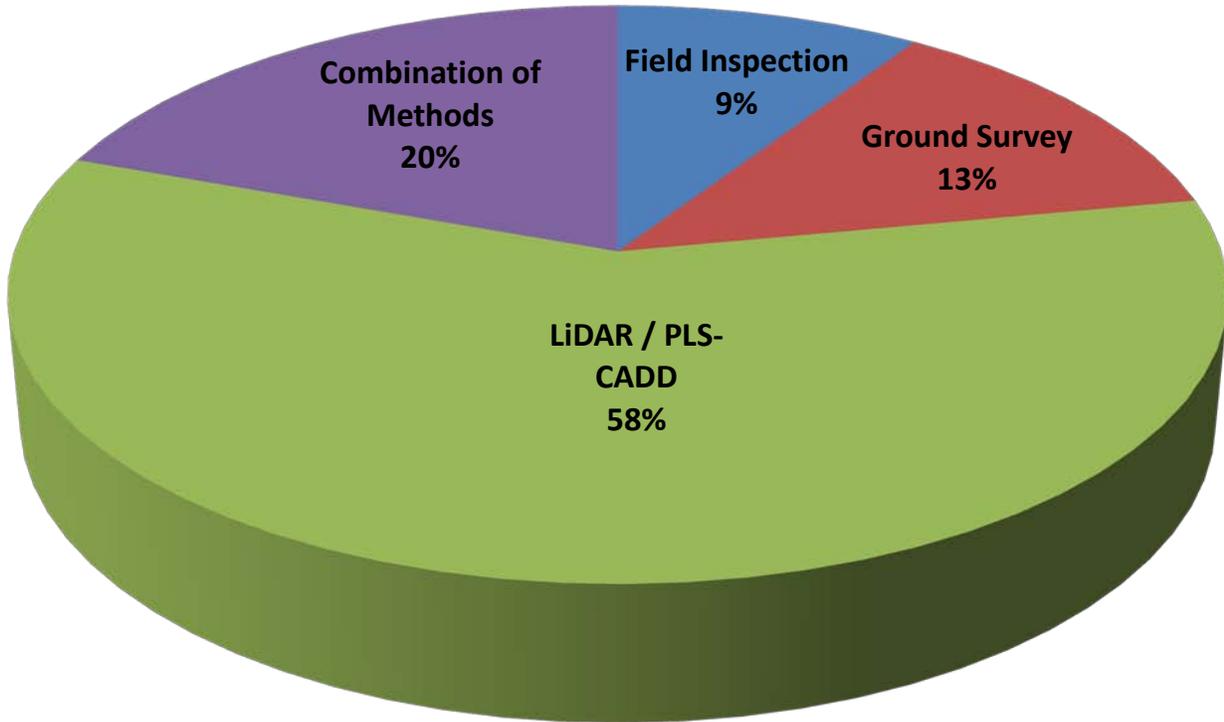
The due date for assessment plans for the first of two updates on each registered entity's medium priority transmission facilities was July 17, 2012. NERC received assessment responses from 83 percent of the registered entities indicating approximately 28 percent of the total medium priority transmission circuits were assessed with nearly 5,700 discrepancies discovered. In addition, approximately 56 percent of the total miles of medium priority transmission lines have been assessed. Of the discrepancies reported in the July 17, 2012 report, approximately 38 percent have been mitigated. The graphs below provide other statistical information on the assessments reported:

**Percent of Assessed Medium Circuits with Discrepancies Through July, 2012**

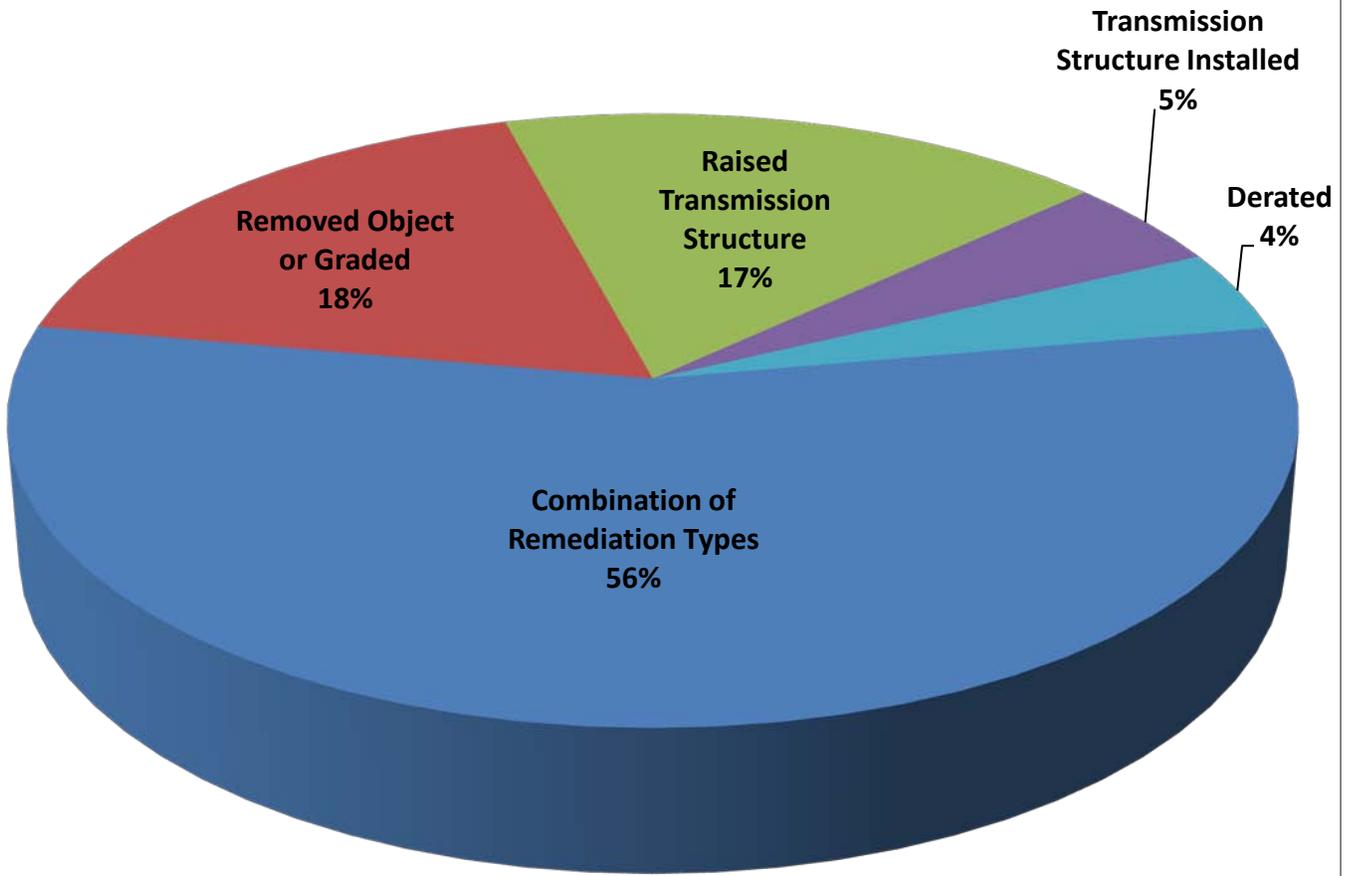




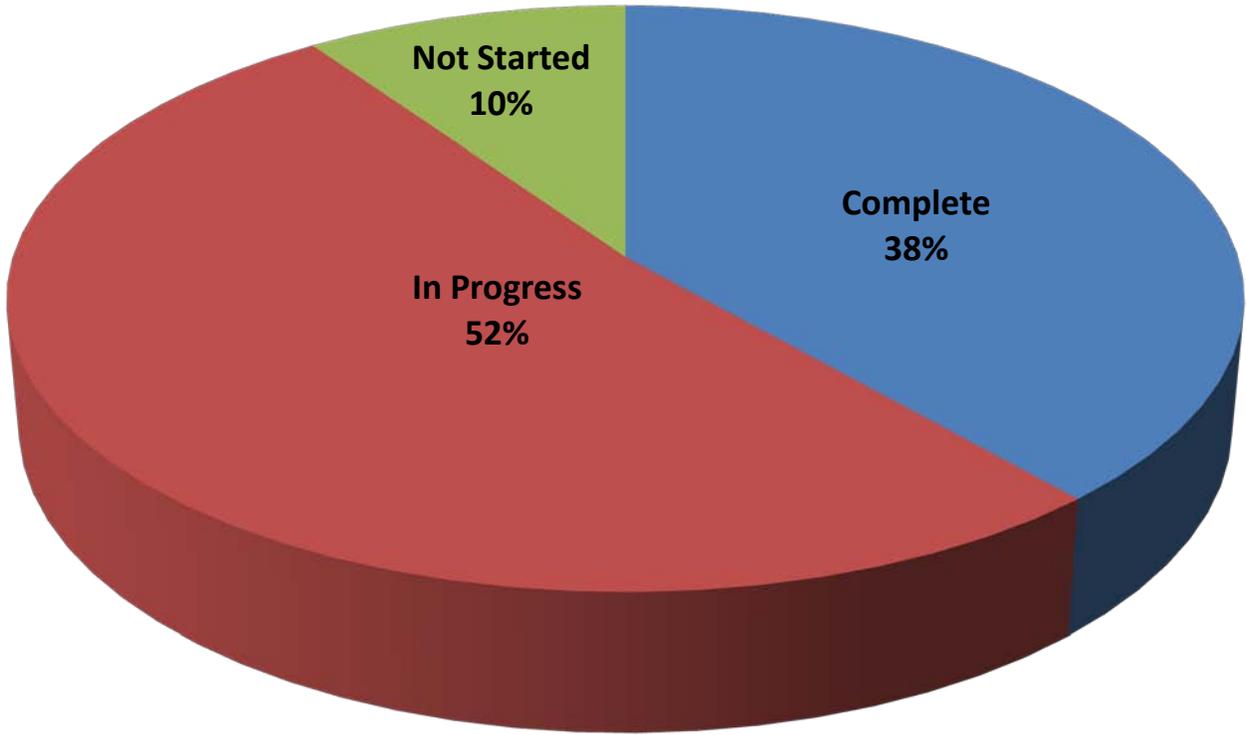
Medium: Top Inspection Types



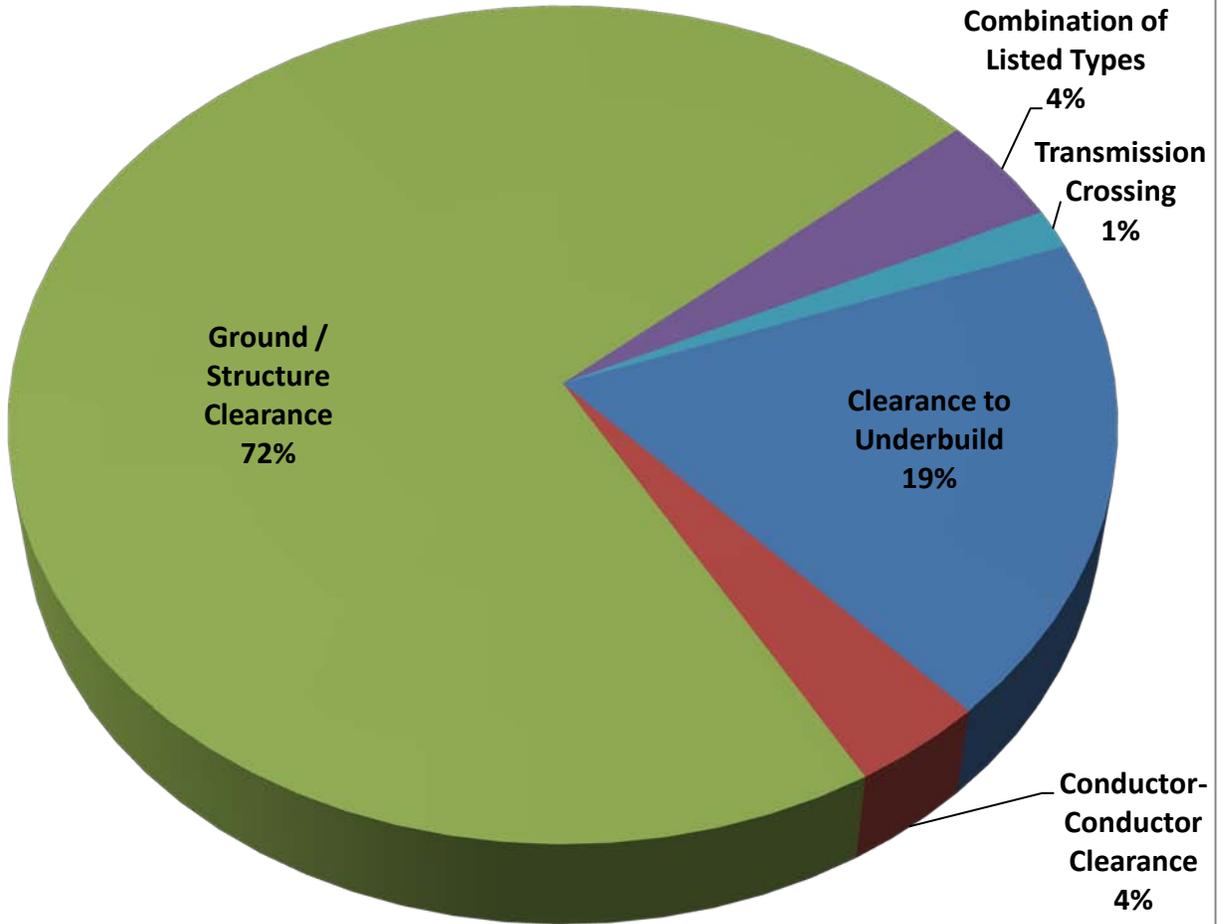
Medium: Top 5 Remediation Categories



Medium: Remediation Status Breakdown



**Medium:  
Top 5 Discrepancy Categories**



**Conclusion**

Registered Entities are making satisfactory progress as indicated by the 83 percent response rate in providing summaries of their first medium priority assessment. Approximately 28 percent of the total medium priority transmission circuits were assessed with nearly 5,700 discrepancies discovered. The completed assessments account for slightly more than 56 percent of the total miles of medium priority transmission lines by the registered entities. Approximately 38 percent of the registered entities who have assessed their medium transmission facilities have completed their mitigation plans.

With respect to the high priority transmission line assessments, approximately 52 percent of registered entities with high priority transmission lines have completed their mitigation plans to resolve known discrepancies.

NERC continues to work with the registered entities and each facility owner that has not yet started or completed their mitigation plans for both the high and medium priority transmission lines. Additionally, NERC will work 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.

If you have additional questions, please do not hesitate to contact Roman Carter at 609-651-1496 or via email at [roman.carter@nerc.net](mailto:roman.carter@nerc.net).

Respectfully submitted,

Roman Carter  
Manager of Reliability Risk Assurance