

Resolution Supporting the North American Electric Reliability Corporation Find, Fix and Track Report Compliance Monitoring and Enforcement Mechanism

WHEREAS, State utility regulatory commissions have a statutory obligation to ensure that electric utilities operate and maintain the electric system in a reliable manner and that consumers receive safe, reliable electric service at just and reasonable rates; *and*

WHEREAS, Retail ratepayers ultimately bear both investment and compliance costs associated with reliability standards; *and*

WHEREAS, The North American Electric Reliability Corporation (NERC) is designated by the Federal Energy Regulatory Commission (FERC) as the Electric Reliability Organization (ERO) responsible nationally for the development and enforcement of mandatory electric reliability standards; *and*

WHEREAS, NARUC has supported and encouraged NERC to demonstrate that its requirements provide benefits to consumers that justify the associated compliance costs; *and*

WHEREAS, NERC and its eight regional entities have a current backlog of approximately 3,000 violations waiting to be processed, are receiving new issues and violations at a rate of approximately 250 per month, and estimate it will take several years to catch up and fully process under the initial compliance monitoring and enforcement program; *and*

WHEREAS, Over 50% of the reported violations are estimated to be minor and of minimal impact, NERC has recognized the need for comprehensive reform to refocus reliability enforcement on a risk-based approach directed at standards with the greatest reliability consequence; *and*

WHEREAS, The vast majority of the service interruptions that consumers experience are distribution-related, and the resources devoted to addressing violations that have a minor or minimal impact can divert attention from activities that could have a much greater impact on reliability for consumers; *and*

WHEREAS, Enforcing every self-reported reliability violation undermines effective reliability regulation, diverting enforcement resources away from serious reliability violations and dissipating the compliance resources of regulated entities; *and*

WHEREAS, NERC developed a new compliance enforcement mechanism, known as Find, Fix and Track Report (FFT), that provides NERC and its eight regional entities enhanced discretion in dealing with violations of reliability standards that pose a lesser risk to the reliability of the bulk power system; *and*

WHEREAS, The new FFT process is expected to result in efficiency gains while preserving system reliability, requiring all potential violations to continue to be reported to FERC in a timely manner, mitigated and made part of the entity's compliance history; *and*

WHEREAS, NERC and industry representatives, including Edison Electric Institute, American Public Power Association, National Rural Electric Cooperative Association, Large Public Power Council, Electric Power Supply Association, Electricity Consumers Resource Council, and

Transmission Access Policy Study Group, indicate that FFT should increase the efficiency and effectiveness of the NERC compliance monitoring and enforcement program; *and*

WHEREAS, On September 30, 2011, NERC filed its Petition Requesting Approval of New Enforcement Mechanisms and Submittal of Initial Informational Filing Regarding its Efforts to Refocus Implementation of Compliance Monitoring and Enforcement Program with FERC; *now, therefore be it*

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners, convened at its 2012 Winter Committee Meetings in Washington, D.C., supports NERC's efforts to better focus on violations that pose a higher risk to the reliability of the bulk power system; *and be it further*

RESOLVED, That NARUC encourages FERC to take appropriate steps to support NERC efforts to continue to increase the efficiency and effectiveness of the reliability compliance enforcement program and reliability overall; *and be it further*

RESOLVED, That NARUC encourages NERC to measure the results of the FFT process to ensure the efficient allocation of industry resources to those areas that pose a higher risk to the reliability of the bulk power system; *and be it further*

RESOLVED, That NARUC supports changes to the NERC compliance monitoring and enforcement program that improve reliability benefits to consumers in a cost-effective manner.

*Sponsored by the Committees on Electricity, Energy Resources and the Environment,
& Consumer Affairs*

Adopted by the NARUC Board of Directors February 8, 2012