

***Resolution Requesting Ongoing Consideration of Costs and Benefits
in the Standards Development Process for Electric Reliability Standards***

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 for the bulk power system; *and*

WHEREAS, NERC's 2014 State of Reliability Report highlights that overall, the bulk power system is operating year-over-year with a high level of performance and reliability; *and*

WHEREAS, NERC should be commended for the substantial progress it has made to identify reliability risks to the bulk power system and develop solutions through its standards development process to address those risks; *and*

WHEREAS, The electric power industry is implementing those standards, with the related costs being borne by customers; *and*

WHEREAS, NERC should be commended for shifting focus to emphasize its compliance monitoring efforts to areas that pose the greatest risk to reliability, thereby reducing administrative burden and cost; *and*

WHEREAS, The electric power industry faces numerous challenges that increase ratepayer costs, both regulatory and non-regulatory, including the need for infrastructure investments and improving reliability of the bulk power system to improve grid resiliency to account for storms, and other physical security risks, cyber security risks as well as the need to modernize the grid; *and*

WHEREAS, NERC responded to NARUC's 2011 resolution calling for standards that "demonstratively provide reliability benefits to consumers that justify their costs" by creating and approving the Cost Effectiveness Analysis Process (CEAP) pilot in October 2012; *and*

WHEREAS, While the reliability of the bulk power system is vitally important, as new potential reliability risks are identified and new standards are developed and applied to an already reliable bulk power system, minimal reliability gains may be realized at too high a cost to consumers; *and*

WHEREAS, NERC will be developing a methodology in 2014 to quantify the impact of proposed standards with a cost-effectiveness tool, as part of its three-year Strategic Plan and its 2014 Budget; *now, therefore be it*

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners, convened at its Summer Committee Meeting in Dallas, Texas continues to strongly encourage that new or revised NERC standards provide demonstrable benefits to consumers that justify their costs; *and be it further*

RESOLVED, That NARUC lauds NERC for approving and piloting the CEAP process and encourages, where appropriate, that more standards projects be identified for analysis using this process; *and be it further*

RESOLVED, That NARUC believes that if the CEAP process proves too burdensome a process to consider costs, that an alternate approach for more broadly considering costs be applied; *and be it further*

RESOLVED, That NARUC encourages NERC to include with all releases of electric reliability standards a statement about the extent to which costs were considered, and if costs were not considered, an explanation for why they were not.

*Passed by the Committee on Critical Infrastructure and by the Committee on Electricity.
Approved by the NARUC Board of Directors July 16, 2014.*