

Resolution on Electric System Reliability

WHEREAS, The reliability of electric service, including the adequacy of supply and the security of system operations, is essential to the economic well-being and domestic security of the nation; *and*

WHEREAS, There is a national interest in a transmission network that is reliable and available to support competitive and efficient electricity markets; *and*

WHEREAS, Historically, the high level of electric reliability experienced in the United States has been achieved through the voluntary efforts of the electric utility industry, through the North American Electric Reliability Council (NERC) and the regional reliability councils, to police themselves with federal and state regulatory oversight; *and*

WHEREAS, More competition in the electricity industry means the commercial incentives affecting both the owners of the transmission system and the parties transacting business on the system will be complex and not always consistent with the voluntary spirit of cooperation on which the NERC system relies; *and*

WHEREAS, The existing NERC system is already facing pressures from the expansion of wholesale competition regardless of the pace at which retail competition may be broadly introduced; *and*

WHEREAS, Facility siting, environmental standards, and energy policy issues are currently in the purview of many of the states; *and*

WHEREAS, Some states have established and exercise the authority to impose sanctions against those who engage in actions which abuse, misuse, or manipulate the grid in a manner which threatens reliability to the detriment of the state's local retail markets; *and*

WHEREAS, Absolute reliability is not physically possible and reliability of transmission does not have infinite economic value; *and*

WHEREAS, The public interest in a reliable and cost-efficient transmission system requires that the level of reliability to be achieved and the standards and criteria to be complied with be established with public input and oversight; *now, therefore, be it*

RESOLVED, By the National Association of Regulatory Utility Commissioners, convened at its 109th Annual Convention in Boston, Massachusetts, that actions by Congress and the States to ensure a reliable electricity transmission system should be consistent with, or include the following:

1. Reliability standards and criteria addressing both the planning and the operation for the bulk transmission system should be comprehensive and should consider: the economic value of reliability, the practical engineering of the network, and a full range of alternatives to additional transmission line investments.
2. The level of reliability to be achieved and the standards and criteria to be complied with must be established with public input and oversight. This is necessary to both preserve the public interest and prevent anti-competitive abuses with respect to the transmission system.

Governance of the NERC and the regional councils should be fairly representative of all industry interests and should include mechanisms to allow input from federal and state regulatory authorities and other public interest groups while preserving independent regulatory oversight. Meetings to establish reliability criteria and standards should be open to public input.

3. Federal agencies and federal legislation should facilitate effective decision-making by the states and recognize the authority of the states to create regional mechanisms including but not limited to inter-state compacts, or regional reliability boards, for the purpose of addressing transmission reliability issues.

4. Where state authority exists to impose sanctions against those who engage in actions which abuse, misuse, or manipulate the grid in a manner which threatens reliability to the detriment of the state's local retail markets, it should be preserved.

5. Responsibility for compliance with both operational and planning reliability standards and criteria should be clearly established. Sanctions for violation of standards and criteria should be clearly established, and sufficient authority should exist to enforce compliance and impose sanctions if necessary. Enforcement of compliance with reliability standards and criteria should be non-discriminatory. Enforcement of operational standards and criteria should be supervised by the FERC in cooperation with the states through existing state authority, joint boards, or other mechanisms. Enforcement of compliance with planning and system adequacy standards should rest first with the states and regional bodies.

6. The NERC and regional reliability council system should be strengthened to enable reliability standards and criteria to be mandatory for those who own, operate, or use the transmission network. Any reliability standards or operational criteria, the compliance with which is to be made mandatory, must be subject to government regulatory oversight; *and be it further*

RESOLVED, That, either separately or as part of any electric industry restructuring legislation, Congress should, consistent with the preceding six principles, explicitly affirm the public interest in transmission grid reliability, the need for mandatory compliance with reliability standards, and provision of an explicit grant of authority to the states and to FERC to act in cooperation to enforce the necessary standards; *and be it further*

RESOLVED, That the working group on reliability shall further study, refine, and define the principles set forth in this resolution and make recommendations to the appropriate NARUC standing committees.

*Sponsored by Committee on Electricity
Adopted November 12, 1997*