

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

Priorities for Addressing Risks to the  
Reliability of the Bulk-Power System

Docket No. AD11-6-000

**SUPPLEMENTAL COMMENTS OF THE CANADIAN ELECTRICITY ASSOCIATION  
ON THE FEBRUARY 8, 2011 TECHNICAL CONFERENCE**

**I. Introduction**

The Canadian Electricity Association (“CEA”)<sup>1</sup> is pleased to submit this filing pursuant to the Federal Energy Regulatory Commission’s (“FERC” or “the Commission”) Notice Establishing Date for Comments regarding the matters discussed at the Technical Conference (“the Conference”) held on February 8, 2011 to discuss priorities for addressing risks to the reliability of the bulk power system.<sup>2</sup> These comments are submitted as a supplement to the remarks delivered at the Conference by Ed Tymofichuk (Vice-President, Transmission, Manitoba Hydro) on behalf of CEA.<sup>3</sup> CEA thanks the Commission for extending an invitation to participate in the Conference and looks forward to engaging in future discussions in similar forums.

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<sup>1</sup> Founded in 1891, CEA is the national forum and voice of the evolving electricity business in Canada. The Association contributes to the regional, national and international success of its members through the delivery of quality value-added services. At the heart of CEA is a core of corporate utility member companies. In addition, major electrical manufacturers and corporate consulting companies and several hundred other company and individual members are grouped within CEA's broad structure. CEA members generate, transmit and distribute electrical energy to industrial, commercial, residential and institutional customers across Canada every day. From vertically integrated electric utilities, to power marketers, to the manufacturers and suppliers of materials, technology and services that keep the industry running smoothly – all are represented by this national industry association.

<sup>2</sup> *Notice Establishing Date for Comments* (February 17, 2011).

<sup>3</sup> Mr. Tymofichuk’s prepared statement is available online at:  
<http://www.ferc.gov/EventCalendar/Files/20110208090002-Tymofichuk,%20Manitoba%20Hydro.pdf>

## **II. General Comments**

### **A. Improvements in Communication and Collaboration between FERC, Canadian Governmental Authorities, Industry and NERC**

CEA wishes to echo the comments expressed at the Conference by several FERC Commissioners and numerous panelists regarding the encouraging progress made since March 2010 in improving communication and collaboration amongst governmental authorities, industry and the North American Electric Reliability Corporation (“NERC”).

Arguably, much of this success is attributable to efforts on the part of stakeholders to work within existing processes and forums to improve communication, clarify expectations and identify priorities. For example, Mr. Tymofichuk, who served as Chairman of the NERC Member Representatives Committee (“MRC”) from February 2010 to February 2011, highlighted in his testimony how enhanced participation in the work and meetings of the MRC has helped deliver positive results since March 2010 in strengthening cooperation and maintaining open channels of communication amongst stakeholders. CEA continues to believe that increased high-level engagement at the MRC from industry participants and governmental authorities in Canada and the U.S. will yield numerous benefits in terms of setting and addressing reliability priorities.

Likewise, CEA supports the comments expressed by the strong majority of Conference panelists, who cautioned against the recommendation of Bonneville Power Administration CEO Stephen Wright to establish a new senior-level forum for facilitating strategic dialogue and collaboration on reliability priorities. Mr. Wright first floated this proposal during the July 6, 2010 FERC Technical Conference on reliability standards development. In supplemental comments to the Commission on issues raised during the July event, CEA opposed the concept, emphasizing the value of strengthening existing points of interface between government,

industry and NERC, and expressing concern over the costs to be incurred in creating a duplicative body.

Based on the significant improvements made in government-industry-NERC communication throughout 2010 and on current signals forecasting ongoing advancement in this regard, CEA remains fully persuaded that new structures are not necessary and that increasing high-level engagement in existing forums<sup>4</sup> should remain the central area of focus.

### **B. Collaboration with the Appropriate Governmental Authorities in Canada to Establish Priorities for Addressing Risks to the Bulk Power System**

CEA believes that a clear take-away from the Conference is the need for consensus amongst governmental authorities, industry and NERC on current and emerging reliability risks requiring priority attention and on the necessary course of action for addressing them.

In terms of reaching such a consensus, CEA agrees that the list of top priority issues for bulk power system reliability released by NERC President & CEO Gerry Cauley in early January 2011 represents a constructive starting point for dialogue. In identifying eight priorities, this list seeks to stimulate discussion around focusing the Electric Reliability Organization's ("ERO") work – standards setting, compliance, training and education – on those areas most likely to have a positive impact on reliability.

Several Conference panelists urged the Commission to communicate feedback – either formally or informally – on the blueprint set out by Mr. Cauley, in order to provide NERC with the support and certainty it requires to move forward alongside industry in addressing priorities.

CEA wishes to repeat Mr. Tymofichuk's appeal for FERC to engage governmental authorities in Canada, as FERC looks to support NERC's efforts on priority setting. From

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<sup>4</sup> Examples of existing forums which would benefit from increased high-level engagement include the quarterly meetings of the NERC MRC and Board of Trustees; FERC- and NERC-hosted technical conferences; the North American Transmission Forum; and, the Trilateral Electric Reliability Oversight Group.

CEA's perspective, such a collaborative approach would be more beneficial and effective than one ERO governmental authority seeking through the issuance of a directive to order NERC to adopt certain priorities.

CEA notes that Commissioner LaFleur responded positively to Mr. Tymofichuk's request and signaled an intention to examine how best to engage Canadian governmental authorities.<sup>5</sup> Similarly, as acknowledged in Mr. Tymofichuk's testimony, CEA welcomed FERC's affirmation in a September 2010 Order of the need for working together with governmental authorities in Canada, so that NERC can truly operate on an international basis:

The Commission and its staff reconfirm our commitment to consult regularly with Canadian and Mexican regulators on topics of mutual interest...through existing forums such as the reliability tri-lateral meetings and technical conferences.<sup>6</sup>

CEA strongly encourages FERC to follow through on its expressed intentions by collaborating with its Canadian counterparts in determining how to most effectively assist NERC in prioritizing and addressing reliability risks.

### **C. Recommended Addition to NERC President & CEO's List of Top Priority Issues for Bulk Power System Reliability**

Overall, CEA believes that Mr. Cauley has identified risks which warrant priority attention and action. While CEA remains unsure about the rank order of certain priorities (for example, non-traditional threats via cyber security vulnerabilities should rank higher, while right-of-way maintenance ought to occupy a lower position), we concur with those Conference panelists who expressed support for using the list as a basis for concentrating the efforts of governmental authorities, industry and NERC to collaborate in addressing reliability risks.

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<sup>5</sup> Conference Transcript, p. 257, lines 1-5.

<sup>6</sup> *North American Electric Reliability Corporation*, 132 FERC ¶ 61,218 (September 16, 2010) at P 61.

Nevertheless, CEA believes that for the purposes of any meaningful discussion and action on addressing top risks to bulk power system reliability, the issue of aging infrastructure should feature prominently. Across North America, there is a growing need for significant investment in renewing, rebuilding and replacing aging assets in the electricity system. Many of these elements and facilities were constructed several decades ago and were designed to serve the load demands of those periods. Since then, growth in electricity demand has not always been matched with commensurate investment in grid reinforcement and expansion, meaning that current constraints on the system are significant. What's more, in view of the increasingly challenging barriers impeding investment in new electrical infrastructure – from complex legislative and regulatory regimes to public opposition to new projects – these constraints appear likely to persist and intensify.

From a reliability perspective, the continued use and operation of aging electricity system assets presents serious risks, including the specter of industry's ability to deliver a reliable power supply to consumers in Canada and the United States being compromised. CEA therefore strongly recommends that Canadian governmental authorities, FERC, industry and NERC afford the issue of aging infrastructure the priority consideration it merits in conversations regarding major risks to bulk power system reliability. The inclusion of this issue would strengthen Mr. Cauley's list of top priorities appreciably.

#### **D. Prioritization of ERO Workload**

A recurring theme at the Conference was that effective prioritization of efforts to address reliability risks means identifying those issues which are not priorities, in addition to those areas requiring priority focus.

CEA members fully support this view. Since the inception of the ERO regime, CEA has consistently called for a narrow focus on fulfilling the core aspects of NERC's mandate – namely, the development of high-quality standards to ensure bulk power system reliability.

While the momentum emerging from the Conference around a more collaborative approach to setting and addressing priorities is encouraging, CEA nevertheless remains concerned that progress in this regard may be forestalled by the onerous workload which NERC continues to shoulder. For example, in an informational filing submitted to FERC on March 16, 2011, NERC indicated that it has catalogued over 800 specific FERC-directed actions which remain outstanding since the issuance of several FERC Orders in recent years.<sup>7</sup> This figure serves as compelling evidence that, in the absence of an accompanying push to diminish or displace the elements of NERC's backlogged workload which offer little to no benefit for reliability, it will be extremely difficult to focus NERC program areas on urgent priorities. In short, NERC cannot be expected to succeed in focusing on the eight priorities identified in Mr. Cauley's list when it is simultaneously being pulled in 800 different directions.

Accordingly, CEA was encouraged by remarks from various Commissioners regarding the need to alleviate some of the pressure applied to NERC to fulfill requirements set forth in previous regulatory directives which may not yield a material benefit to system reliability.<sup>8</sup> Continued flexibility and forbearance on the Commission's part will be valuable in reducing the risk of overburdening NERC with unmanageable responsibilities which it is unable to fulfill.

In the face of a shifting risk landscape, CEA believes that it is incumbent upon ERO governmental authorities, industry and NERC to retain an adaptive approach to addressing

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<sup>7</sup> Informational Filing of the North American Electric Reliability Corporation in Response to the Federal Energy Regulatory Commission's September 16, 2010 Order (March 16, 2011), p. 17.

<sup>8</sup> Remarks made by Commissioner Norris serve as an illustrative example. See Conference Transcript, pp. 113-114, lines 18-25 and 1-4.

reliability risks, with resources and attention allocated to any given issue in proportion to its priority or non-priority status.

### **III. Conclusion**

CEA remains encouraged by recent progress in fostering stronger communication and closer cooperation amongst all of the key players involved in the North American reliability regime. Going forward, CEA believes it is in the interests of all stakeholders to continue working through existing forums to set priorities for addressing reliability risks. CEA also invites the Commission to strengthen its collaboration with its counterparts in Canada, with the aim of fostering broad support from governmental authorities for NERC's efforts to identify and address priorities. In addition, CEA advises that aging infrastructure assume a more prominent place amongst the top risks warranting priority attention and that a concerted effort be undertaken to balance the focus on priority risks with reduced activity in other ERO program areas offering limited benefit.

CEA respectfully requests that the Commission consider these comments, as FERC continues to collaborate with stakeholders in building a collective understanding of a common direction for improving reliability in North America.

Respectfully submitted,

*/s/ Pierre A. Guimond*  
Pierre A. Guimond  
President and CEO  
Canadian Electricity Association  
350 Sparks Street, Suite 1100  
Ottawa, Ontario K1R 7S8  
Canada

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