



**Federal Energy Regulatory Commission
November 18, 2010
Open Commission Meeting
Staff Presentation
Item E-2**

"Good morning Mr. Chairman and Commissioners. In my presentation, I will address E-2, the draft Final Rule on *Revisions to Electric Reliability Organization Definition of Bulk Electric System* before you today.

The draft Final Rule identifies a significant concern with the ERO's current definition of the term "bulk electric system." Specifically, the current definition allows broad regional discretion in identifying the facilities necessary for operating an interconnected electric transmission network. Such discretion has led to inconsistencies across regions and gaps in coverage of facilities subject to the Reliability Standards. The draft Final Rule will result in development of a revised definition of the term "bulk electric system," which will help to ensure that the Reliability Standards cover all the facilities necessary for the reliable operation of the interconnected electric transmission network.

This draft Final Rule directs the ERO to revise its definition of "bulk electric system" through the ERO's Reliability Standards Development Process to address the issues identified by the Commission and ensure that the definition encompasses all facilities necessary for reliably operating an interconnected electric transmission network. The draft Final Rule does not direct a specific approach to address the issues identified by the Commission. Rather, the draft Final Rule indicates that one way to accomplish these goals is to establish a bright-line threshold encompassing all facilities operated at or above 100 kV, except defined radial facilities. The draft Final Rule also proposes that the ERO develop an exemption process for excluding facilities that are not necessary, as well as for including those below 100 kV that are necessary, for reliably operating the interconnected transmission network. The draft Final Rule provides the ERO with discretion in developing an exemption process, provided that the process is open and transparent, and based on objective criteria.

The draft Final Rule also recognizes that the ERO may develop an alternative proposal for addressing the Commission's concerns and provides guidance in that regard. The ERO would need to show, with a sufficient technical record, how any such alternative is as effective as, or more effective than, the Commission's proposed approach, and does not result in a reduction in reliability.

The draft Final Rule is a significant step towards improving the reliability of the grid and fulfilling the Commission's responsibilities under section 215 of the Federal Power Act.

Thank you. This concludes our presentation."