

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

Technical Conference on Penalty Guidelines ) Docket No. PL10-4-000

**COMMENTS OF THE ISO/RTO COUNCIL  
FOLLOWING THE TECHNICAL CONFERENCE ON PENALTY GUIDELINES**

Pursuant to the Second Notice of Technical Conference on Penalty Guidelines, issued on October 27, 2011 in the above-captioned proceeding, the ISO/RTO Council (“IRC”) hereby submits comments on the Federal Energy Regulatory Commission’s (“Commission” or “FERC”) penalty guidelines and their application.

The IRC supports the Commission’s efforts to “increase fairness, consistency, and transparency in its enforcement program.”<sup>1</sup> With that goal in mind, the IRC respectfully suggests that it would be helpful for the Commission to clarify that, in the context of its reliability standards program its civil penalty authority is limited to compliance matters related to the mandatory reliability standards promulgated by the North American Electric Reliability Corporation (“NERC”) and approved by the Commission.<sup>2</sup>

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<sup>1</sup> Statement of Chairman Jon Wellinohoff on Policy Statement on Penalty Guidelines, issued March 29, 2010 in Docket No. PL10-4-000.

<sup>2</sup> These comments are limited to the reliability standards program and non-FERC approved rules, practices and policies that may be adopted by organizations in that context. The IRC recognizes that the Commission has enforcement authority over the provisions in FERC-approved documents, for example, tariff provisions.

## **I. DESCRIPTION OF THE IRC**

The IRC is comprised of the Alberta Electric System Operator (“AESO”), the California Independent System Operator, Electric Reliability Council of Texas , the Independent Electricity System Operator of Ontario, Inc. (“IESO”), ISO New England Inc., Midwest Independent Transmission System Operator, Inc., New York Independent System Operator, Inc., PJM Interconnection, L.L.C., Southwest Power Pool, Inc., and New Brunswick System Operator (“NBSO”).<sup>3</sup> The IRC’s mission is to work collaboratively to develop effective processes, tools and standard methods for improving the competitive electricity markets across North America. In fulfilling this mission, it is the IRC’s goal to provide a perspective that balances reliability standards with market practices so that each complements the other, thereby resulting in efficient, robust markets that provide competitive and reliable service to customers.

IRC members conduct their operations in compliance with the NERC Reliability Standards. IRC members operate the bulk power system, administer the organized wholesale electricity markets, and act as the planning authorities within their respective regions.

## **II. COMMENTS**

The Energy Policy Act of 2005<sup>4</sup> (“EPAAct 2005”) “empowers the Commission to exercise direct enforcement authority over the [mandatory] Reliability Standards”

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<sup>3</sup> The IESO, AESO and NBSO are not subject to the Commission’s jurisdiction, and these comments do not constitute agreement or acknowledgement that they can be subject to the Commission’s jurisdiction.

<sup>4</sup> 42 U.S.C. § 15801, *et seq.* (2006).

promulgated by NERC.<sup>5</sup> In Susan N. Kelly's Statement on behalf of the American Public Power Association ("APPA") for the Technical Conference held on November 17, 2011, she shared comments regarding the penalty guidelines from APPA members.

The IRC noted with particular interest the following APPA member comment:

We had a violation for not documenting a test in violation of our own protocol, which was more rigorous than the applicable reliability standard. We did not violate the standard. We paid a fine for violating our own protocol. The conclusion is that a utility should not adopt a more rigorous internal policy than required.<sup>6</sup>

The IRC believes that the enforcement of FERC's authority over mandatory reliability standards is crucial to the sustained reliability of the transmission grid. However, the members of the IRC all have various standards and practices some of which may exceed the requirements of certain mandatory reliability standards. The Commission should not exert its civil penalty authority, in the context of its reliability standards program, beyond the scope of violations of reliability standards. This exercise of authority would be beyond the legal authority delegated by Congress in EAct 2005. Moreover, it would discourage companies from adopting incremental rules, protocols and practices, which may be beyond the basic requirements of the mandatory reliability standards, yet are intended to support system reliability. For this reason, the Commission should direct those with auditing and enforcement roles in the reliability standards program that the scope of violations for reliability standards is limited to violations of the actual reliability standards.

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<sup>5</sup> 132 FERC ¶ 61, 216 (2010) at P 48.

<sup>6</sup> Written Statement of Susan N. Kelly on Behalf of the American Public Power Association for the November 17, 2011 Technical Conference, filed in Docket No. PL10-4, *Technical Conference on Penalty Guidelines*, on November 18, 2011 at p. 8.

### III. CONCLUSION

For the foregoing reasons, the IRC respectfully requests that the Commission clarify that, in the context of its reliability standards program, its penalty authority is limited to violations of the mandatory reliability standards, and does not extend to violations of organizations' reliability rules, practices, procedures and policies that are incremental to, and might be more rigorous than, the mandatory NERC reliability standards.

Respectfully submitted,

**/s/ Craig Glazer**

Craig Glazer  
Vice President – Federal Government  
Policy  
Steven R. Pincus  
Assistant General Counsel  
**PJM Interconnection, L.L.C.**  
1200 G Street, N.W. Suite 600  
Washington, D.C. 20005

**/s/ Stephen G. Kozey**

Stephen G. Kozey  
Vice President, General Counsel,  
and Secretary  
**Midwest Independent Transmission  
System Operator, Inc.**  
P.O. Box 4202  
Carmel, Indiana 46082-4202

**/s/ Raymond W. Hepper**

Raymond W. Hepper  
Vice President, General Counsel, and  
Secretary  
Theodore J. Paradise  
**Assistant General Counsel,  
Operations and Planning**  
ISO New England Inc.  
One Sullivan Road  
Holyoke, Massachusetts 01040

**/s/ Brian Rivard**

Brian Rivard  
Manager, Regulatory Affairs  
**Ontario's Independent Electricity  
System Operator**  
655 Bay Street, Suite 410  
Toronto, Ontario  
M5G 2K4

**/s/ Andrew Ulmer**

Nancy Saracino  
General Counsel  
Andrew Ulmer  
Director, Federal Regulatory Affairs  
**California Independent System  
Operator Corporation**  
250 Outcropping Way  
Folsom, California 95630

**/s/ Heather Starnes**

Heather Starnes  
Manager, Regulatory Policy  
**Southwest Power Pool**  
415 North McKinley  
#140 Plaza West  
Little Rock, Arkansas 72205

**/s/ Carl F. Patka**

Carl F. Patka  
Assistant General Counsel  
Raymond Stalter  
Director, Regulatory Affairs  
**New York Independent System  
Operator, Inc.**  
10 Krey Blvd  
Rensselaer, New York 12144

**/s/ Matthew Morais**

Matthew Morais  
Assistant General Counsel  
**Electric Reliability Council of Texas,  
Inc.**  
2705 West Lake Drive  
Taylor, Texas 76574

Date: December 19, 2011

## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service lists for the above referenced proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2011).

Dated at Folsom, California this 19<sup>th</sup> day of December, 2011.

*/s/ Anna Pascuzzo*

Anna Pascuzzo