



Reliability Principles for Federal Legislation

The current system of establishing electric reliability standards through voluntary industry organizations without enforcement authority is not adequate in an increasingly competitive environment. TAPS believes that the reliability of the bulk electric generation and transmission system is of paramount importance to health and safety and our nation's economy. For this reason, federal electric restructuring legislation should provide for a system of mandatory reliability standards that apply to all market participants. The following principles should be included in such legislation:

- FERC should be granted jurisdiction over a national electric reliability organization (ERO), including any subordinate structure, all system operators, and all users of the bulk power system, for the purposes of approving and enforcing compliance with reliability standards.
- Reliability standards, and associated commercial practices for wholesale transmission, should be developed by the ERO, subject to FERC approval as just, reasonable and not unduly discriminatory or preferential and in the public interest. FERC should give due weight to the technical expertise of the ERO with respect to the content of standards, but should not defer with respect to the effect of standards and practices on competition.
- In order to be approved by FERC, the ERO must have independent governance; a standards development process that is open, balanced, and provides for due process; and balanced decision-making in any committee or subordinate organizational structure.
- FERC should be responsible for enforcing, or overseeing enforcement of, approved reliability standards. To the extent reliability standards are included in RTO tariffs, RTOs may have a role in monitoring and enforcing compliance by tariff users, subject to FERC review; however, FERC must monitor and enforce compliance by RTOs.
- The ERO should be an international organization, encompassing Canada and Mexico, with adoption and enforcement left to each country.
- FERC should approve the ERO's budget and collection of those costs based on end-use load.
- The legislation should preserve state jurisdiction over distribution system reliability, safety and adequacy.