



Portland General Electric Company
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January 3, 2007

Magalie R. Salas, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

RE: Mandatory Reliability Standards for the Bulk-Power System
Docket No. RM06-16-000

Dear Secretary Salas:

Pursuant to the Notice of Proposed Rulemaking issued October 20, 2006, in the above-referenced docket, please accept these electronically filed comments of Portland General Electric Company.

Sincerely,

/s/ Pamela G. Lesh

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

Mandatory Reliability Standards for the) Docket No. RM06-16
Bulk-Power System

**COMMENTS OF PORTLAND GENERAL ELECTRIC COMPANY
ON THE NOTICE OF PROPOSED RULEMAKING**

Portland General Electric Company (PGE) submits these comments in response to the Federal Energy Regulatory Commission's (Commission) Notice of Proposed Rulemaking issued on October 19, 2006 in the above captioned docket (NOPR)¹. In this NOPR the Commission proposes to approve with modifications 83 of the 107 Reliability Standards for the nation's bulk-power system that were proposed by the North American Electric Reliability Corporation (NERC).

I. INTRODUCTION

PGE is a regulated, vertically-integrated electric utility with its headquarters in Portland, Oregon. Additional information about PGE can be found in Appendix A.

In these comments, PGE endorses the comments of Western Electricity Coordinating Council (WECC) and the comments of Edison Electric Institute (EEI). In addition, PGE offers three general arguments: (1) A standard should include specific measures and levels of non-compliance; (2) The Commission should continue to work with NERC and the Regional Entities in the development of reliability standards; and (3) There should be a trial period of at least one year during which the standards are enforced but no penalties are applied.

In addition, PGE offers specific comments on several of the reliability standards in Appendix B.

¹ *Mandatory Reliability Standards for the Bulk-Power System*, 117 FERC ¶ 61,084 (2006).

II. NOTICE

The following persons are authorized to receive notices and communications in the above captioned docket:

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III. PGE ENDORSES THE COMMENTS OF EDISON ELECTRIC INSTITUTE

Portland General Electric is a member of EEI, and has followed the development of EEI's comments in this docket. PGE endorses these comments. In particular, PGE adds its support to EEI's comments on the individual technical standards, which are a product of careful and thorough work on the part of EEI's constituent members.

IV. PGE ENDORSES THE COMMENTS OF WESTERN ELECTRICITY COORDINATING COUNCIL

PGE also endorses the comments filed by WECC in this docket on December 22, 2006. WECC is seeking FERC approval of its Delegation Agreement with NERC, which would establish it as the Regional Entity responsible for enforcing reliability standards within the Western Interconnection. As such, its expertise is to be given "due weight" by the Commission under Section 215(d)(2) of the Federal Power Act. The members of WECC as well as the staff of the organization have brought their expertise to bear in the development of their comments in this docket.

V. GENERAL COMMENTS

In leading the transition into a new era of reliability standards under the Energy Policy Act of 2005,² there are several principles that PGE urges the Commission to keep in mind.

A. Reliability Standards Must Include Clear Measures and Levels of Non-Compliance

In the NOPR, the Commission summarizes its findings in Order No. 672³ regarding the general factors used to test whether a proposed standard is “just and reasonable”:

It must be designed to achieve a specified reliability goal and must contain a technically sound means to achieve this goal. The proposed Reliability Standard should be clear and unambiguous regarding what is required and who is required to comply. The possible consequences for violating a proposed Reliability Standard should be clear and understandable to those who must comply. There should be a clear criterion or measure of whether an entity is in compliance with a proposed Reliability Standard.

NOPR at P 16. The adoption of standards that do not yet have clear measures or explicit levels of non-compliance, as is contemplated in P 112 of the NOPR, would fail to meet the above criteria, and would put PGE and other owners, users and operators of the Bulk-Power System in an untenable position.

As the Commission outlines in the NOPR, each of the Reliability Standards proposed by NERC is intended to have five organizational elements: Introduction, Requirements, Measures, Compliance, and Regional Differences. NOPR at P 103. However, the Commission proposes to approve standards that do not yet include measures (Section C of each standard) or levels of compliance (Section D of each standard). For example, Reliability Standard IRO-005-2

² The Energy Policy Act of 2005, Pub. L. No 109-58, Title XII, Subtitle A, 119 Stat. 594, 941 (2005).

³ Rules Concerning Certification of the Electric Reliability Organization; Procedures for the Establishment, Approval and Enforcement of Electric Reliability Standards, Order No. 672, 71 FR 8662 (February 17, 2006), FERC Stats. & Regs. ¶ 31,204 (2006), order on reh’g. Order No. 672-A, 71 FR 19814 (April 18, 2006), FERC Stats. & Regs. ¶ 31,212 (2006).

includes 17 different requirements, but no measures for meeting these requirements, and no criteria for judging the severity of non-compliance with the Standard.

The Commission contends that the most important part of a Reliability Standard is the requirements. NOPR at P 105. The Commission's approach treats the measures as if they only come into play when the standards are being enforced, and are therefore not necessary for a company to begin complying with the standards. In actuality, the measures are an integral part of each standard. Companies will need to know the measures so that they can build them into their compliance efforts from the very beginning. The owners, users, and operators of the Bulk-Power System need to know how their compliance with each standard will be measured in order to build a system to comply with that standard.

Many of the measures include explicit requirements regarding document retention. PGE agrees with WECC's argument that meeting these measures will place on entities an additional burden of documentation above and beyond the requirements. The Commission fails to take this additional burden into account in its estimate of the cost of complying with the reliability standards.

Section 215 of the Federal Power Act instructs the Commission to "approve, by rule or order, a proposed reliability standard or modification to a reliability standard if it determines that the standard is just, reasonable, not unduly discriminatory or preferential, and in the public interest." In Order No. 672, the Commission outlined the factors it will use to make such a determination, including a "clear criterion or measure of whether an entity is in compliance with a proposed Reliability Standard." Reliability Standards that do not have measures or levels of non-compliance associated with them do not meet this requirement.

B. The Commission Should Continue to Work in Close Connection with NERC and the Regional Entities to Develop Reliability Standards

Section 215(d)(2) of the Federal Power Act requires the Commission to “give due weight to the technical expertise of the Electric Reliability Organization with respect to the content of a proposed standard or modification to a reliability standard and to the technical expertise of a regional entity organized on an Interconnection-wide basis with respect to a reliability standard to be applicable within that Interconnection” In Order No. 672-A, the Commission sought to assure concerned parties that it did not seek to supplant NERC’s role in drafting standards: “We clarify that it is not our intent to prescribe the text or substance of a Reliability Standard.”⁴ In this NOPR, the Commission recognizes that the latest version of the reliability standards “represents a significant effort by NERC, the industry representatives who serve on NERC’s standards development teams, and the entities that participate in NERC’s Reliability Standards development process.” NOPR at P 5.

PGE encourages the Commission to continue to take maximum advantage of NERC’s process for setting reliability standards. This process is outlined in NERC’s Reliability Standards Development Procedure. It allows for extensive technical analysis and study by drafting teams made up of technical experts from throughout the industry with assistance from NERC Staff. The process is open to any stakeholders who wish to participate, including the Regional Entities, and proposed standards are put to a vote of stakeholders before being submitted to the Commission. The Commission recognized the strength of this process in its Electric Reliability Organization (ERO) Certification Order.⁵

⁴ Order No. 672-A, 114 FERC ¶ 61,238, at P 3.

⁵ Order Certifying North American Electric Reliability Corporation as the Electric Reliability Organization and Ordering Compliance Filing, July 20, 2006, 116 FERC ¶ 61,062.

PGE believes that it is important for the technical expertise which NERC brings to bear on the standard-setting process to be given all due weight in the setting of reliability standards, and for the Commission to defer to the specific language crafted during that process. PGE further encourages the Commission to continue to give deference to regional entities such as the WECC in approving reliability standards, in accordance with Order No. 672, which allows for regional differences that are “necessitated by a physical difference in the Bulk-Power System.”⁶

C. The Standards Should be Phased In With a Trial Period

In the ERO Certification Order, the Commission endorsed a six-month “notice period” during which the standards would be enforced but no penalties for non-compliance would be assessed. In doing so, FERC acknowledged that a balance needed to be struck between “the time needed for NERC to implement the Sanction Guidelines [and] the countervailing interest in activating the mandatory Compliance Enforcement program as rapidly as possible.”⁷ However, in this NOPR, FERC has proposed to eliminate a formal trial period in the interest of “mandatory and enforceable Reliability Standards being in effect by next summer.” NOPR at P 92. PGE believes that a trial period of at least one year, during which the Reliability Standards are enforced but no penalties are assessed, is essential for companies to develop a robust compliance regime for achieving these standards.

The Commission contends in the NOPR that those entities which have already been complying with the standards on a voluntary basis should have a familiarity with what is required under these standards, and that a trial period is therefore not necessary. As WECC points out in its comments, even those entities that have been voluntarily following the standards

⁶ Order No. 672 at P 291.

⁷ ERO Certification Order, 116 FERC ¶ 61,062, at P 462.

to the best of their abilities are still going to have to make procedural changes to comply with what are now mandatory standards and to meet new requirements for measuring that compliance.

A trial period of one year would allow for entities to collaborate with each other in developing and testing procedures to meet the new standards. Such collaboration often occurs at regional meetings that only take place a few times a year; if the standards were to go in effect immediately, entities could not take advantage of this resource. Entities will need one full year to test their procedures and ensure they are effective in responding to all of the situations that arise over the course of a year. Additionally, the reliability standards will have resource implications that will have to be integrated into the budgeting process, which takes place 12 months or more in advance.

A trial period would foster a climate of open communication and cooperation between entities and the Regional Entities who will be enforcing the standards. During the trial period compliance with the Reliability Standards would be expected, monitored, and assessed by the Regional Entities, but no penalties would be assigned. Such a trial period would allow for a smooth transition to a regime of compliance with the new mandatory standards.

The Commission proposes that NERC and the Regional Entities use enforcement discretion for some entities “that have not historically participated in the voluntary system” NOPR at P 93. However, such an approach would require the Regional Entities to determine which entities had complied with the standards on a voluntary basis, and then to administer two separate sets of enforcement standards. PGE recommends that the Commission treat all entities equally rather than trying to create two separate classes of compliance. There should be a trial period of one year for all entities during which the reliability standards would be enforced but no penalties for non-compliance would be assessed. If NERC and the Regional Entities are

requested to use their discretion in enforcement of the reliability standards, they should be empowered to extend this discretion to all entities, not only to those entities that are judged to have not participated in the voluntary standards regime.

V. COMMENTS ON SPECIFIC STANDARDS

PGE offers its comments on specific reliability standards in Appendix B to these comments.

IV. CONCLUSION

PGE strongly supports the efforts of the Commission, NERC and the Regional Entities to strengthen the reliability of the nation's electric transmission and distribution system. The reliability standards proposed by NERC are the product of a robust process in which great weight is given to technical expertise. We encourage the Commission to continue to support NERC in the development of clear, explicit and enforceable reliability standards.

DATED this 3rd day of January, 2007.

Respectfully submitted,

/s/Pamela G. Lesh

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**COMMENTS OF PORTLAND GENERAL ELECTRIC COMPANY
FERC DOCKET NO. RM06-16**

**APPENDIX A
BACKGROUND INFORMATION ON PORTLAND GENERAL ELECTRIC COMPANY**

PGE is a regulated, vertically-integrated electric utility located in Western Electricity Coordinating Council (WECC) that provides electric service to over 750,000 residential and commercial customers. PGE's service territory is 4,105 square miles and includes a population of 1.5 million people. PGE owns and operates 4,781 miles of transmission lines and 41,103 miles of distribution lines. PGE operates 1,975 MW of generation and has an average annual demand of 2,266 aMW.

Portland General Electric originated the nation's first long-distance transmission of electric power in 1889, transmitting electricity 14 miles from the Willamette Falls generation plant at Oregon City to Portland. Since that time, PGE has been continuously committed to maintaining and enhancing the reliability of its transmission and distribution system. As a constituent member of WECC, PGE has long been involved in the development of reliability standards and the application of those standards to PGE's system.

**COMMENTS OF PORTLAND GENERAL ELECTRIC COMPANY
FERC DOCKET NO. RM06-16**

APPENDIX B – COMMENTS ON SPECIFIC STANDARDS

PGE endorses all of the comments of the Edison Electric Institute (EEI) regarding specific Reliability Standards. In addition, PGE offers the following comments:

FAC-008-1: Facility Ratings Methodology

PGE strongly agrees with EEI that the Commission's third proposed modification to this standard, as outlined in P 408 of the NOPR, would be counterproductive. Requiring facility owners to identify the limiting component(s) and define for all critical facilities the increase in rating based on the next limiting component(s) would be overly burdensome on PGE without providing any useful information. Such information can be obtained from a transmission provider by submitting a transmission or interconnection request when ATC is not posted or not available.

MOD-010-0: Steady-State Data for Transmission System Modeling and Simulation

MOD-012-0: Dynamics Data for Transmission System Modeling and Simulation

In Mod-010-0, the Commission proposes a new requirement to provide the list of contingencies used for performing system operation and planning studies. In MOD-012-0, the Commission proposes a new requirement that transmission owners provide the list of faults or disturbances they use in performing dynamic stability analysis. PGE believes that each of these new requirements would lead to unnecessary duplication of effort. These issues can be studied more effectively in other contexts. PGE encourages the Commission to approve each of these two standards without modification.

TPL-001-0: System Performance Under Normal Conditions

PGE agrees with EEI that this requirement, which addresses a system's performance under normal conditions, should not be modified to include planned outages of critical equipment. PGE is required by the Northwest Power Pool to post notice of such a planned outage at least 60 days before the outage occurs. This gives PGE adequate time during which to plan for the outage and take appropriate steps to mitigate its effects. Moreover, PGE believes that the variation of power factor is not a reliable variable in determining critical conditions, and thus should not be included in the sensitivity studies the Commission proposes to require under this standard.

TPL-003-0: System Performance Following Loss of Two or More BES Elements

TPL-004-0: System Performance Following Extreme BES Events

PGE agrees with EEI's analysis regarding the Commission's proposed modifications to these standards. Given the extreme unlikelihood of the simultaneous occurrence of two contingencies for major load pockets, as contemplated under TPL-003-0, or of even more extreme multiple contingency events, as in TPL-004-0, the Commission's additional requirements are unnecessary. Mitigation plans should only be required for outages that cascade outside of an entity's system.