

Statement

By

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Before the

Committee on Energy and Natural Resources

U.S. Senate

Tuesday, February 24, 2004

Good morning, Mr. Chairman, Senator Bingaman, and other members of the Committee. My name is Jimmy Glotfelty. I am Director of the Office of Electric Transmission and Distribution (OETD), and currently serve as the U.S. Director of the Power System Outage Task Force. I appreciate the opportunity to participate in this hearing and to express the Department of Energy's (DOE) views on several matters related to the reliability of the bulk electric systems in North America.

Let me begin by noting that the Interim report of the Task Force released in November, 2003, found that the blackout on August 14, 2003 had several direct causes and contributing factors, including

- Inadequate vegetation management
- Failure to ensure operation within secure limits
- Failure to identify emergency conditions and communicate that status to neighboring systems
- Inadequate operator training
- Inadequate regional-scale visibility over the bulk power system.

Although the initiation of the August 14, 2003, blackout was caused by the identified deficiencies in specific practices, equipment, and human decisions that coincided that afternoon, the Task Force also noted that many of the causes are strikingly similar to causes of earlier blackouts in the U.S.

The Task Force's Interim Report also noted that after each major blackout in North America since 1965, an expert team of investigators had probed the causes of the blackout, has written a detailed technical report, and issued a list of recommendations to prevent or minimize the scope of future blackouts. The report clearly found that recommendations from prior reports have not been sufficiently implemented, sustained, or enforced.

Despite the problems in our reliability institutions and practices that have been identified to date in the Task Force's investigation of the August 14 blackout – with invaluable support and cooperation from NERC and other industry experts across the U.S. and

Canada – I believe that our electric system is being operated more conservatively today than it was on, say, August 13, and this could mean greater reliability. This is due to a combination of actions and factors, including:

- The letter from NERC’s Board of Trustees on October 10, 2003, directing the heads of all control area and reliability coordinator organizations to take a series of near-term actions to protect reliability.
- The Federal Energy Regulatory Commission’s (FERC) order of December 24, 2003 to FirstEnergy, directing the company to implement a series of remedial actions by June 30, 2004.
- Initiatives undertaken by the Midwest Independent System Operator (MISO) to address the deficiencies in its tools and procedures identified in the Task Force’s Interim Report as well as their new joint operating agreement with PJM.
- A general heightening of awareness since August 14, particularly due to the issuance of the Interim Report, of the importance of reliability. One of the challenges we face now, and which the Task Force will address in its recommendations, is how to sustain that awareness for the long term.

In addition, the Department of Energy strongly supports the more recent action by NERC’s Board on February 10 when it issued fourteen very clear and forceful directives to NERC’s regional councils, committees, and members concerning near-term and long-term actions to be taken to correct problems identified in the course of the Task Force’s investigation. I am pleased to add that FERC, Regional Transmission Organization and Independent System Operator presidents, and appropriate authorities in Canada have also indicated their strong support for these actions.

Important though NERC’s directives are, it is also important to note that they cover only part of the spectrum of issues relevant to maintaining reliability for the long term. That is, they cover the things that NERC is able to do now, on its own, given its current legal status as a voluntary organization funded by its members. There is another set of reliability concerns that have been raised that would need to be addressed by government

actors, including the Congress, federal agencies such as FERC, DOE, state legislatures and regulatory agencies, and appropriate authorities in Canada. These include:

- The need to make compliance with reliability standards mandatory and enforceable by enacting comprehensive energy legislation.
- The need to establish a mechanism for funding NERC or a future reliability organization and the regional reliability councils that is independent of the entities they oversee.
- The need to clarify that prudent expenditures and investments to maintain or improve reliability will be recoverable through transmission rates.
- The need to require all entities operating as part of the bulk power system to be members of the regional reliability council (or councils) for the regions in which they operate.
- The need to develop accountability metrics for NERC and its Board. And finally,
- The need to ensure that the highest levels of corporate governance support and sign off on reliability plans and audits.

Many of these issues will be addressed in further detail when the Task Force issues its Final Report in March.

Mr. Chairman, as you know, the Task Force sponsored a series of public meetings at several U.S. and Canadian sites to hear the suggestions of the public, industry, and a wide variety of other organizations concerning what should be done to prevent future blackouts and minimize the scope of any that nonetheless occur.

Interested parties have also submitted a large body of written comments and material to the Task Force, all of which is publicly available at U.S. and Canadian websites (www.electricity.doe.gov).

NERC's initiatives of February 10 were submitted to us and made publicly available in both draft and final form as part of this process. The Task Force will draw on these

inputs and the findings of its investigation in preparing its recommendations for its Final Report. Members of the Task Force, such as FERC Chairman Pat Wood, have already expressed strong support for NERC's actions of February 10. Nevertheless, the Task Force may conclude that certain elements in NERC's package should be expanded, and if so it will suggest appropriate changes.

In closing, Mr. Chairman, I want to emphasize that although there is a wide range of actions that many parties need to take to maintain reliability, there is one action that is absolutely essential. The Congress must enact comprehensive energy legislation with mandatory reliability provisions as a critical component. If that were done, many of the other needed actions could be accomplished readily in the course of implementing the legislation. Without the solid legal foundation legislation would provide, our institutional infrastructure for maintaining reliability will continue to have significant weaknesses.

Thank you very much. I will be happy to answer your questions.