

Before the
DEPARTMENT OF ENERGY
OFFICE OF POLICY
OFFICE OF ECONOMIC, ELECTRICITY AND NATURAL
GAS ANALYSIS

Comment Request

on

**Whether to Initiate a Rulemaking to Impose Mandatory Electric
Reliability Standards**

**Comments submitted by the
PUBLIC UTILITIES COMMISSION OF OHIO**

JANUARY 4, 2001

**COMMENTS ON
WHETHER TO INITIATE A RULEMAKING TO IMPOSE MANDATORY
ELECTRIC RELIABILITY STANDARDS
BY
THE PUBLIC UTILITIES COMMISSION OF OHIO**

The Public Utilities Commission of Ohio would like to thank The Department of Energy for inviting comments that will guide its investigation of potential electric reliability rulemaking. In the Notice of Inquiry the Department of Energy poses seven questions for comment. Instead of addressing these specific questions the Public Utilities Commission of Ohio would like to address the general question of what are the appropriate roles for Federal and State regulation of system reliability.

Over the years the Public Utilities Commission of Ohio and Commission Staff have been involved in addressing the roles of Federal and State regulatory coordination to assure electric system reliability. Ohio has participated and supported efforts at the National Association of Regulatory Utility Commissioners to address Federal/State Coordination through a regional mechanism that would allow for responsiveness on a local basis. Last year an Ohio Commissioner spoke before the United States House of Representatives Subcommittee on Energy and Power, Committee on Commerce. In his presentation he addressed the need for State and Federal coordination. Also within Ohio, the recently passed state electric restructuring legislation provided for the Public Utilities Commission of Ohio's participation in regional cooperative arrangements to effectuate regional transmission regulation through compacts with other State agencies.

Because the provision of electric service may have both interstate and intrastate qualities it is critical that a combined plan is formulated that addresses individual state requirements while recognizing the national and international nature of the transmission markets. As individual states implement retail access programs which allow competitive markets to develop, an obvious need exists for reliability of service across regions. This can only be achieved through minimum uniform, mandatory operation rules. This need stems from the idea that with competitive markets, economic consequence will impact decisions made to assure reliability. As the Department of Energy contemplates national reliability rules, it cannot ignore the efforts of the National Electric Reliability Council / North American Electric Reliability Organization (NERC/NAERO) and regional transmission organizations as well as individual state requirements to assure reliability.

This state commission supports the efforts of the NERC/NAERO as it develops minimum mandatory reliability standards. The Public Utilities Commission of Ohio also sees a necessary component of any reliability law as one of optimal responsiveness to market conditions. Federal legislation can facilitate local responsiveness by empowering states to create regional mechanisms, where appropriate, to address reliability concerns. Regional mechanisms may include regional transmission reliability boards comprised of state regulatory agencies.

There are many benefits to addressing reliability issues on a more localized level. Over the past three years the Public Utilities Commission of Ohio conducted a “summer assessment” of the conditions and preparedness of the electric utilities to meet customer

demand. The Ohio Commission issued a report on the findings that described the conditions in the state and how the utilities plan to meet demand. Additionally during the summer months each utility was required to file a daily report to the Ohio Commission of current conditions. This procedure allowed the Ohio Commission to act as an information clearinghouse and at times coordinate with other agencies and utilities to avoid potential misunderstandings during periods of tight reserves. Also during this period customers throughout Ohio contacted the Public Utilities Commission of Ohio when interruptions of supply occurred. Many times the Commission Staff acted as a means for informal dispute resolution over contract misunderstanding or when emergency conditions required companies to terminate service for brief periods of time. Ohio also has state energy emergency response powers and responsibility.

While NERC/NAERO is addressing and improving the operational requirements for providing transmission service, many states have regulatory requirements that assure reliability and improve the responsiveness to real-time market conditions. As the Department of Energy considers what can be done on a federal level to improve system reliability, it must include local requirements that exist to address local issues.

In closing, the PUCO wishes to thank the Department for the opportunity to file comments in this proceeding.

Respectfully submitted,

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