

NERC/ERO Compliance Services

It is vitally important to electric consumers that the North American electric system is reliable, adequate, and secure. As a result of the August 2003 Northeast Blackout, more attention has been focused on reliability, adequacy, and security at the federal level. The Energy Policy Act of 2005 granted the Federal Energy Regulatory Commission (FERC) the authority to enforce a set of newly mandated Reliability Standards.



These Reliability Standards, developed by the North American Electric Reliability Council (NERC) and established by Congress as part of the Energy Policy Act of 2005, will now be enforced by FERC through the Electric Reliability Organization (ERO). With the advent of the new mandatory Reliability Standards, it is extremely important that every user, owner, and operator of the bulk electric system understand the requirements and be ready to comply. GDS Transmission Services is experienced in assisting load-serving entities, transmission providers, transmission owners, balancing authorities, and generation owners in meeting their respective NERC and ERO compliance requirements. GDS offers expertise in the compliance programs in many of the Reliability Regions as well as NERC.

FERC AND ERO DEVELOPMENTS

The development of mandatory, enforceable reliability standards can have a substantial impact on load serving entities and generation and transmission owners and operators. It is important to understand how current and proposed reliability standards can affect operational practices, reporting requirements and ultimately, the bottom line. GDS staff has assisted several clients by following the new industry developments and preparing them for the upcoming mandatory standards.

- Review FERC Orders and Rulemakings
- Review and develop comments on Standards
- Participate in Technical Conferences and other meetings
- Participate in Industry Groups
- Evaluate client use of the Bulk Electric System and determine the impact of new legislation and policy

NERC AND REGIONAL RELIABILITY ORGANIZATION COMPLIANCE

NERC has developed over 100 Reliability Standards which contain over 3,000 individual requirements. These Reliability Standards and requirements have been submitted to FERC for review and will become mandatory for all users of the Bulk Electric System once approved. The ERO will be assisted by several Regional Reliability Organizations (RRO) in implementing and enforcing the mandatory Reliability Standards. The RRO will be similar to the current Reliability Region and is expected to maintain compliance programs much in the same manner as the region does today. GDS Transmission Services assists clients in complying with the present NERC and regional standards and will continue to provide assistance and guidance in complying with the new mandatory ERO and RRO standards.

- Review Reliability Standards and requirements
- Assess client's operation to determine which Standards and requirements apply
- File quarterly and annual compliance reports with the RRO
- Attend RRO and NERC compliance seminars and meetings
- Participate in NERC and RRO Working Groups and Committees





RELIABILITY AUDITS AND ASSESSMENTS

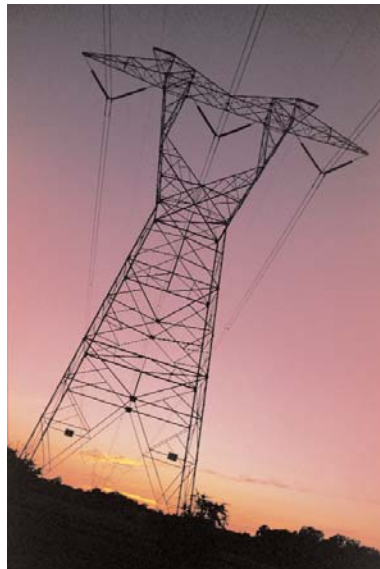
As part of the implementation of the mandatory Reliability Standards, NERC, through the RRO, will conduct Reliability Readiness Audits and Assessments to help entities identify their current compliance with the standards. GDS assists its clients with preparation for these audits and assessments in order to ensure auditable compliance. In addition, GDS can assist clients with implementing any recommended changes that might be necessary to achieve full compliance with the Reliability Standards.

- Develop documentation required for audits
- Review audit questionnaires and responses
- Conduct mock audits
- Perform "post mortem" analysis on compliance audit recommendations
- Identify areas for improvement and develop applicable processes

RELIABILITY RISK MANAGEMENT

FERC, through the ERO, will assess financial penalties to entities that are not compliant with the mandatory Reliability Standards. These penalties will vary based on the level of non-compliance, the size of the entity, and the type of Reliability Standard and requirement which the utility was found to be not in compliance. FERC has the statutory authority to assess a fine of up to \$1,000,000 per day for non-compliance. GDS is equipped to assist clients in understanding the risks associated with non-compliance and to make an informed business decision regarding compliance with the relevant Reliability Standards and requirements.

GDS stands ready to assist with any NERC and regional compliance needs. If you would like further information please contact Bill Bateman at 770-425-8100 or bill.bateman@gdsassociates.com.



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