

# ***Transmission Reliability and Oversight:***

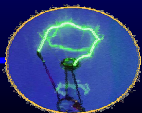
***A Large Industrial End-Use Customer  
Perspective***

**Indiana Energy Conference**

**September 20, 2005**

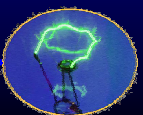
**Jim Dauphinais**

***Brubaker & Associates, Inc.***



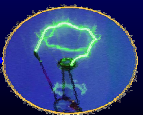
# *Reliability is Paramount*

- The price may not matter if level of involuntary interruption is intolerable
- Involuntary interruptions can be costly
  - ▣ Equipment damage and lost materials
  - ▣ Lost production
    - Commodities: Replacement cost
    - Non-Commodities: Revenues and reputation



# ***Voluntary Reliability Associations***

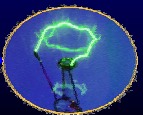
- **Worked well with universal vertical integration and no competitive pressures**
- **Has not worked as well with competitive pressures**
  - ⌘ **Western blackouts**
  - ⌘ **Leaning on the interconnection**
  - ⌘ **August 14, 2003 Blackout**



# ***Energy Policy Act of 2005***

## ***Title XII, Subtitle A***

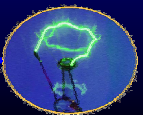
- **FERC certifies an Electric Reliability Organization (ERO)**
- **ERO establishes and enforces mandatory bulk-power system reliability standards subject to FERC review**
- **FERC must give due weight to the technical expertise of the ERO**
- **ERO rebuttable presumption in regard to Interconnection-wide regional entities**



# ***ERO Concerns***

## ***Stakeholder Participation***

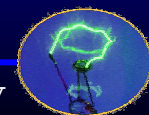
- **Concept of Membership**
- **Double charging nature of dues**
  - **End-user Net-energy-for-load**
- **Voting rights**
- **Segment Composition**
  - **Load should be 50% of any vote**



# ***ERO Concerns***

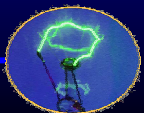
## ***Delegation to Regional Entities***

- ERO should be a “top down” organization
- Deference should not be given to less than interconnection-wide regional entities
- Variances from interconnection-wide standards should be justified and necessary
  - ↳ Regional entity should have burden of proof
- Regional entities should address the same “membership” issues as the ERO



# ***Reliability First Corporation***

- **Conceptually support merging of reliability organizations in Eastern Interconnection**
- **Concerns**
  - ▮ **Who's in charge – RFC vs. RTOs**
  - ▮ **Membership**
  - ▮ **Proposed Sector Structure**
    - **Appears to limit end-users to 100 MW and higher**
    - **Lumps them in with Small LSEs**



# Questions?

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