

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

Reliability Readiness Reviews)	Docket No. PL04-13-000
Technical Conference,)	
September 29th, 2004)	

**COMMENTS OF THE ONTARIO INDEPENDENT
ELECTRICITY MARKET OPERATOR**

On July 28, 2004, FERC Chairman Pat Wood sent a letter and draft Agenda for a proposed Joint NERC/FERC Reliability Readiness Audit Conference to NERC President and CEO Michehl Gent. The letter addressed thirteen points intended to improve the effectiveness of the audit process, while the draft Agenda included such topics as the performance of electricity grid operators, patterns and trends in reliability and capability, and the strengths and weaknesses of the NERC reliability readiness audit process. On August 27th, 2004 FERC issued a Notice of Technical Conference regarding the event. The Independent Electricity Market Operator for Ontario (“the IMO”) wishes to address areas for improvement in the audit process, and to that end respectfully provides the following comments.

I. Description of the Ontario Independent Market Operator

The IMO, created in 1999 as part of Ontario’s restructuring of its electricity sector, is a not-for-profit corporation without share capital established pursuant to the Ontario *Electricity Act, 1998*. The IMO is the Reliability Coordinator and Control Area operator in Ontario, Canada, and directs the operation and maintains the reliability of the IMO-controlled electric power grid.

The IMO is the organization in Ontario responsible for establishing and administering wholesale markets and directing the operation of the integrated power

system. Its responsibilities include a broad range of integrated operations, from operations planning, security assessment and scheduling, to real time co-ordination of the power system. The IMO-controlled electric power grid is interconnected with grids in two provinces and three states. As Reliability Coordinator and Control Area operator for Ontario, the IMO was the subject of a recent NERC reliability readiness audit. It therefore has an interest in both the process and findings of the NERC reliability readiness audits, as well as in the improvement of the audit process.

II. Comments

The IMO appreciates the efforts and interest of NERC and FERC in maintaining and improving electric reliability in North America, including this conference.

The IMO recognizes that the recent readiness audits were constrained by the accelerated schedule adopted in response to the August 14, 2003 blackout. Chairman Wood's letter to Michehl Gent recommends ways in which the audits could be improved in future, and the IMO is in general agreement with the thirteen points made in that document. Similarly, the following comments are intended to enhance the effectiveness of future audits, with the ultimate aim of ensuring and improving the reliability of the American and Canadian electric systems.

a. The thoroughness and rigour of audits should be enhanced

In general, the IMO stresses that the rigour and thoroughness of future audits must be enhanced. The recently completed audits were valuable and appropriate as an initial response to the blackout. However, the IMO feels that the scope and depth of future audits should be increased, in order to gain complete insight into reliability practices.

b. The length of time allowed for a review should be increased and not subject to an arbitrary upper limit

As noted, the review schedule must allow adequate time to complete a thorough assessment, particularly if issues arise which require special attention. The IMO agrees with point ten of the letter that the review duration should be extended. However, the IMO is of the view that a comprehensive evaluation cannot generally be completed in three business days. At the same time, any suggested timeframe for evaluation should be a minimum rather than a ceiling, with the ultimate schedule governed by the complexity and particulars of the entity and situation under review.

c. An independent and experienced auditor should be included in each audit team

The independence and experience of the reviewers is critical to the success of the audit process. The IMO agrees with points seven and eight of Chairman Wood's letter calling for increased independence and breadth of expertise of the review teams. In addition to the recommendations made in those points, however, the IMO proposes that each review team include at least one professional auditor drawn from outside the electric industry.

The participation of technical staff from regulatory authorities in Canada and from FERC would be welcomed by the IMO in any audit review to which it is subject.

d. All operators whose actions could significantly affect interconnected reliability should be subject to the readiness audits

While reliability is the primary responsibility of Control Areas and Reliability Coordinators, it is also significantly impacted by the practices of other entities. For instance, the operating procedures of generation and transmission owners and operators can have a considerable effect on overall system stability. To the extent that such entities are required to comply with reliability standards, they should be subject to the readiness

audits. While the authority to audit any and all entities should be established, discretion as to whether any particular audit is necessary should be permitted.

e. The audit process should be based on a uniform audit plan

In order to draw the greatest insight from the findings of the readiness review process, the results of the various audits should be as directly comparable as possible. To that end, it is important that each Control Area/Reliability Coordinator be reviewed on the basis of a consistent audit plan that is made known in advance. The plan should clearly identify the objectives of the audit and the criteria that will be used to assess compliance. A uniform set of questions could also be used in the implementation of the plan, so long as it is acknowledged that auditors may ask questions beyond those that are included in the set. Such standardization would also enhance the identification of best practices.

The IMO notes that uniformity of the review process is not inconsistent with the need to probe to different depths in different circumstances. That is, documentation and supporting material provided by the auditee should be validated to the degree required by the particular situation.

The IMO's concern regarding uniformity is in general accordance with points two and three of the July 28 letter, which recommend more focussed information gathering and increased formality and consistency of the audit process. The IMO similarly agrees with points four and five, which state that auditors should be given sufficient flexibility to explore issues to a greater depth when appropriate.

f. Auditable standards for the derivation of Interconnection Reliability Operating Limits (IROLs) should be developed

Understanding the ways in which different areas of the interconnected electricity system impact one another is essential to maintaining reliability. In particular, the process by which Interconnection Reliability Operating Limits (IROLs) are to be derived across the industry needs to be standardized, so that the derivation of such limits can be audited. A formal audit covering the derivation of these limits would contribute to a common understanding and application of IROLs, providing a consistent level of reliability across the industry and enhancing overall system reliability.

g. Follow-up mechanisms must be instituted

Follow-up should be an integral part of any audit review. That is, a formal mechanism should be established for tracking deficiencies identified by the audits, and the ways in which these deficiencies are being corrected. The IMO position in this respect is similar to recommendation twelve of Chairman Wood's letter, which calls for explicit follow-up practices for deficiencies.

Respectfully submitted,

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