

State of Florida



Public Service Commission

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COMMISSION
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-M-E-M-O-R-A-N-D-U-M-

DATE: August 18, 2005

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Office of the General Counsel (Moore, Brown) *CTM MCB MCB*
Division of Economic Regulation (Harlow) *JSH JTB RLT*

RE: Docket No. 050531-EU – Petition to initiate rulemaking to adopt Rule 25-6.0186, F.A.C., Bulk Power System Reliability Standards, by Florida Reliability Coordinating Council, Inc.

AGENDA: 08/30/05 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Edgar

CRITICAL DATES: 30 day statutory deadline – September 3, 2005

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\GCL\WP\050531.RCM.DOC

Case Background

On August 4, 2005, the Florida Reliability Coordinating Council, Inc. (FRCC), filed a Petition to Initiate Rulemaking with the Commission. The FRCC proposes a rule governing bulk power system reliability standards for electric utilities in Florida.

Pursuant to Subsection 120.54(7), Florida Statutes, the Commission must act on the Petition within 30 days of its filing. The 30-day period ends on September 3, 2005.

DOCUMENT NUMBER-DATE

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Discussion of Issues

Issue 1: Should the Commission grant the Florida Reliability Coordinating Council, Inc.'s (FRCC) Petition to Initiate Rulemaking to adopt the FRCC's proposed rule governing bulk power system reliability standards for electric utilities in Florida?

Recommendation: The Commission should grant the petition in part. A rule development workshop should be held before the Commission decides whether to propose the proposed rule in the form requested by the FRCC. (Moore, Brown, Harlow)

Staff Analysis: The FRCC asks that its proposed new rule regarding bulk reliability standards for electric utilities be adopted. The rule draft is included as Attachment A.

The FRCC states in its Petition that the proposed rule includes the reliability standards developed by the North American Electric Reliability Council (NERC) and the Florida-specific standards developed by the FRCC. The FRCC believes that the adoption of the proposed rule is in accordance with "the February 16, 2005, resolution of the National Association of Regulatory Commissioners (NARUC) Board of Directors encouraging the states to consider making NERC standards and RRC [Regional Reliability Councils] (e.g. FRCC) criteria mandatory for jurisdictional utilities." Staff notes that Title XII, Subtitle A, of the recently enacted Energy Policy Act of 2005 also addresses electric reliability standards.

Staff needs additional information before it can adequately analyze the FRCC's proposed rule. Therefore, staff recommends that the Commission should grant the petition in part, and a rule development workshop should be held.

If the Commission approves staff's recommendation, then a Notice of Rule Development will be issued in the Florida Administrative Weekly and a workshop will be held on October 6, 2005. This will give Commissioners and staff an opportunity to collect information from the FRCC and other interested parties that is needed to evaluate the proposed rule.

Issue 2: Should this docket be closed?

Recommendation: No. (Moore)

Staff Analysis: If the Commission accepts staff's recommendation to grant the FRCC's Petition to Initiate Rulemaking, this docket should remain open.

Attachment

RULES OF THE FLORIDA PUBLIC SERVICE COMMISSION

CHAPTER 25-6 ELECTRIC SERVICE BY ELECTRIC PUBLIC UTILITIES

Chapter 25-6 of the Rules of the Florida Public Service Commission is amended to add the following:

25-6.0186 Bulk Power System Reliability Standards

(1) Application and Scope.

(a) In order to assure reliability within a coordinated electric power grid in Peninsular Florida, each Electric utility shall comply with the Reliability Standards in accordance with the provisions of these rules. Electric utilities shall jointly use the Florida Reliability Coordinating Council to comply with the provisions of this rule as provided in this rule.

(b) No Electric utility operating in Peninsular Florida shall allow the control or operation of its Bulk Power System by a non-Electric utility System Operator absent an agreement by the System Operator to comply with the provisions of this rule.

(2) Definitions.

(a) "Bulk Power System". As defined by the Florida Reliability Coordinating Council, the electrical generation resources, transmission lines, interconnections with neighboring systems, and associated equipment, generally operated at voltages of 100kV or higher. Radial transmission facilities serving only load with one transmission source are generally not included in this definition.

(b) "Commission", Unless a different intent clearly appears from the context, the word "Commission" shall be construed to mean the Florida Public Service Commission.

(c) "Electric utility", as used in this rule, shall have the same meaning as set out for "Electric utility" in Section 366.02(2), F.S. Notwithstanding the foregoing, for purposes of this Rule, this definition shall not include Gulf Power Company.

(d) "FRCC" as used in this rule means the Florida Reliability Coordinating Council, Inc.

(e) "Peninsular Florida" as used in this rule means that geographic area of Florida east of the Apalachicola River.

(f) "Reliability Standard" as used in this rule means a standard developed and approved by the North American Electric Reliability Council and adopted by the Florida Reliability Coordinating Council, or a standard developed and approved by the Florida Reliability Coordinating Council, all of which have been adopted by the Florida Public Service Commission by order to assure reliability within a coordinated electric power grid in Peninsular Florida.

(g) "System Operator" as used in this rule means any entity that operates or is responsible for the operation of any part of the Bulk Power System in Peninsular Florida.

(3) Adoption of Reliability Standards.

Electric utilities and other FRCC members operating in Peninsular Florida shall jointly develop and approve reliability standards specific to the Bulk Power System in Peninsular Florida under the auspices and procedures of the FRCC and/or the North American Electric Reliability Council. Such reliability standards which the FRCC determines should be mandatory and enforceable shall be filed with the Commission for adoption for inclusion as Reliability Standards, subject to this Rule. Should the Commission fail to adopt a Reliability Standard submitted by the FRCC, the Commission will remand such Reliability Standard to the FRCC to address the issues as appropriate.

(4) Compliance and Enforcement.

(a) The Commission adopts the FRCC's "Reliability Standards Compliance, Monitoring and Enforcement Program" dated July 26, 2005 to monitor and enforce compliance with the Reliability Standards adopted by the Commission. The FRCC has responsibility for implementation of the program.

(b) Non-compliance with a Reliability Standard shall be dealt with in accordance with the FRCC's "Reliability Standards Compliance, Monitoring and Enforcement Program". The FRCC shall submit to the Commission for Commission action any non-compliance matter of an Electric utility which the FRCC has been unable to resolve voluntarily through the FRCC's "Reliability Standards Compliance, Monitoring and Enforcement Program".

(c) The Commission, upon notification by the FRCC and after notice and an opportunity for a hearing by the Commission, may order compliance with a Reliability Standard and may impose a penalty, limitation of activities, functions, or operations or other disciplinary action that it finds appropriate against an Electric utility to address violations of a Commission adopted Reliability Standard.

(d) The FRCC shall have standing as a party to any proceeding to seek Commission enforcement of a Reliability Standard.

(5) Reliability Reports.

Electric utilities and other FRCC members operating in Peninsular Florida, acting jointly through the FRCC, shall conduct periodic assessments of the reliability of the interconnected Bulk Power System in Peninsular Florida through the FRCC. The FRCC shall report annually to the Commission its findings and recommendations for system reliability.