



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: MARCH 7, 2017**

FROM: PUBLIC UTILITIES DEPARTMENT **WARDS: ALL**

**SUBJECT: NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION-WESTERN
ELECTRICITY COORDINATING COUNCIL INTERNAL COMPLIANCE
PROGRAM UPDATE**

ISSUE:

Approve the third amendment to the Internal Compliance Program governing Riverside Public Utilities' compliance with North American Electric Reliability Corporation Reliability Standards applicable to all users, owners and operators of the bulk power system.

RECOMMENDATIONS:

That the City Council:

1. Adopt a resolution approving the attached third Amendment to the Riverside Public Utilities Internal Compliance Program; and
2. Authorize the City Manager, or his designee, to approve substantive modifications to the Riverside Public Utilities Internal Compliance Program which are necessary to comply with additional or revised Federal Energy Regulatory Commission, North American Electric Reliability Corporation, and/or the Western Electricity Coordinating Council regulations.

BOARD OF PUBLIC UTILITIES RECOMMENDATIONS:

The Board of Public Utilities, by unanimous vote with eight members present (one seat vacant) at their meeting January 23, 2017, recommended the City Council adopt a resolution approving the attached third Amendment to the Riverside Public Utilities Internal Compliance Program; and authorize the City Manager, or his designee, to approve substantive modifications to the Riverside Public Utilities Internal Compliance Program which are necessary to comply with additional or revised Federal Energy Regulatory Commission, North American Electric Reliability Corporation, and/or the Western Electricity Coordinating Council regulations.

BACKGROUND:

The United States Energy Policy Act of 2005 authorized the creation of a self-regulatory “electric reliability organization” that would span North America, with Federal Energy Regulatory Commission (“FERC”) oversight in the U.S. The legislation stated that compliance with reliability standards would be mandatory and enforceable. To help ensure reliable operation of the bulk electric system, FERC approved the first set of the North American Electric Reliability Corporation (“NERC”) Reliability Standards, legally enforceable standards for the U.S. bulk power system, effective June 4, 2007. All bulk power system owners, operators, and users are required to register with NERC through the appropriate Regional Entity and must comply with NERC-approved Reliability Standards. The Western Energy Electricity Council (“WECC”) is one of eight regional entities with the delegated authority from NERC to monitor compliance with the Reliability Standards. WECC is responsible for coordinating and promoting electric system reliability for the Western Interconnection which includes the City of Riverside.

Riverside Public Utilities (RPU) was initially registered with NERC for six Functional Entities (“Functional Entity” means an entity responsible for a function that is required to ensure the Reliable Operation of the electric grid as identified in the NERC Reliability Standards.) Due to changes to the NERC Rules of Procedure, RPU is registered for two Functional Entities; Distribution Provider and Resource Planner. Currently, there are a total of 113 mandatory Reliability Standards and RPU must comply with 25. However, Reliability Standards are continually evolving through revisions, retirements or the approval of new standards to keep pace with technological and regulatory changes so the number of applicable Reliability Standards fluctuates.

DISCUSSION:

The purpose of the Internal Compliance Program (ICP) is to ensure that RPU sustains a strong atmosphere of compliance with respect to the Reliability Standards. While an ICP is not a mandatory requirement, FERC views ICPs as an important proactive tool and will take into consideration the presence of an effective program in determining the magnitude of penalties in the event of a Reliability Standard violation.

The City Council adopted RPU’s ICP in 2008 and it was amended in 2011 and 2013 in order to comply with revised FERC, NERC, and WECC regulations. The ICP requires an annual review and changes made as practicable. After a thorough review process in 2016, which included RPU’s Risk Management Committee and the City Attorney’s Office, it is recommended that the ICP be amended with the following changes:

1. Replace the Utilities Chief Operations title with Deputy General Manager.
2. Delete the terms Load-Serving Entity and Purchasing/Selling Entity. These functions have been deactivated in accordance with FERC Orders.
3. Update the compliance program review process in Section 4.2 and include a description of risk assessments.

4. Amend the contact information for anonymous reporting.

FISCAL IMPACT:

There is no fiscal impact in amending RPU's ICP. Non-compliance with the NERC Reliability Standards could result in sanctions and penalties and an ICP can help mitigate their magnitude.

Prepared by:	Girish Balachandran, Public Utilities General Manager
Certified as to	
Availability of funds:	Scott G. Miller, PhD, Chief Financial Officer/City Treasurer
Approved by:	John A. Russo, City Manager
Approved as to form:	Gary G. Geuss, City Attorney

Attachments:

1. RPU Internal Compliance Program (red-lined)
2. Resolution (with Amended RPU Internal Compliance Program)
3. Board Minutes