



**NORTH AMERICAN  
ELECTRIC  
RELIABILITY  
COUNCIL**

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### **NERC Issues First Reliability Assessment as the ERO — Calls for Action**

PRINCETON, N.J., Oct. 16, 2006 — The adequacy of North America's electricity system will decline unless changes are made soon, Rick Sergel, president and CEO of the North American Electric Reliability Council (NERC) announced today, in conjunction with the release of NERC's first reliability assessment since being named the Electric Reliability Organization (ERO) for the United States. NERC is working to gain recognition as the ERO in the various jurisdictions in Canada by the end of the year.

NERC's *2006 Long-Term Reliability Assessment Report* analyzes the adequacy of electricity supply and transmission reliability in North America through 2015, and calls for actions to improve bulk power system reliability.

Demand for electricity is expected to increase over the next ten years by 19 percent in the U.S., but confirmed power capacity will increase by only 6 percent. Capacity margins are projected to drop below minimum target levels in Texas, New England, the Mid-Atlantic area, the Midwest, and the Rocky Mountain area, in the next two to three years, with other portions of the Northeastern U.S., Southwest, and Western U.S. falling below minimum target levels later in the period. In Canada, projected margins are adequate except in Western Canada, where additional resources will be needed as soon as 2008.

The transmission system requires additional investment to address reliability issues and economic impacts, according to Sergel. Expansion and strengthening of the transmission system continues to lag demand growth and expansion of generating resources in most areas. Total transmission miles are projected to increase by less than 7 percent in the U.S. and by only 3.5 percent in Canada through 2015.

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The adequacy of electricity supplies depends, in part, on the reliability of fuel supply and delivery systems, not just the installed capacity of generators, according to Sergel. Gas-fired generating capacity additions are projected to account for almost half of the resource additions over the 2006–2015 period, with coal accounting for the other half. Strengthening coal and gas delivery infrastructures, and firming up gas supply and delivery contracts, will reduce the potential for shortages in electricity due to fuel disruptions.

“Our economy and quality of life are more reliant on electricity every day, yet the operation and planning for a reliable and adequate electricity system is becoming increasingly difficult. These convergent trends require industry and government to work together to adopt a longer-term, more coordinated planning strategy. This report is intended to provide a factual basis for implementing such a strategy,” said Sergel.

The NERC report identifies 22 necessary actions that encompass all areas of the bulk power system including generation, transmission, fuel supply and delivery, and demand response. Specific recommended actions include:

- Addition of power generation facilities;
- New and upgraded transmission facilities;
- Stronger contracts and other arrangements for the reliable supply and delivery of fuel to power generation facilities;
- More “demand-side” measures such as business and consumer energy-efficiency programs; and
- Addressing aging workforce issues in the electric industry.

“Smart growth of the system requires diverse solutions. A reliable and adequate electricity system depends on a combination of adequate generation and transmission, diversified fuel sources, energy efficiency, demand response, and other industry/customer programs,” explains Sergel. “This will require a concerted and cooperative effort by industry, government, and customers,” he said.

NERC’s mission is to improve the reliability and security of the bulk power system in North America. To achieve that, NERC develops and enforces reliability standards; monitors the bulk power system; assesses future adequacy; audits owners, operators, and users for preparedness; and educates and trains industry personnel. NERC is a self-regulatory organization that relies on the diverse and collective expertise of industry participants. As the Electric Reliability Organization, NERC is subject to audit by the U.S. Federal Energy Regulatory Commission and governmental authorities in Canada.

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