The Energy Policy Act of 2005 authorized the creation of a self-regulatory electric reliability organization (ERO) that spans North America, with Federal Energy Regulatory Commission (FERC) oversight in the United States. The legislation makes compliance with North American Electric Reliability Council (NERC) and regional reliability standards mandatory and enforceable; presently compliance is voluntary in the United States. The legislation respects the international character of the bulk electric system by ensuring that the ERO applies for and receives comparable recognition and approvals from government authorities in Canada.

On July 20, 2006 FERC issued an order certifying NERC as the ERO for the United States. The order requires NERC to make a compliance filing within 90 days providing changes and clarifications required by the order.

NERC is also seeking recognition as the ERO from governmental authorities in Canada and submitted applications with the National Energy Board and the provinces of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, and New Brunswick. In anticipation of becoming the ERO, NERC has already taken several steps to meet the requirements of the reliability legislation:

- NERC modified its governance to meet the independence requirements of the reliability legislation by appointing an independent Board of Trustees and a balanced Stakeholders Committee.
- NERC developed a funding model to ensure that adequate resources will be available to develop and implement reliability rules.
- NERC implemented an American National Standards Institute-accredited standards development process that is fair, open, balanced, and inclusive.
- NERC substantially revised and strengthened its existing reliability standards and is developing and implementing new standards.
- NERC established a program to monitor and enforce compliance with NERC and regional reliability standards, and publicly discloses violations of those standards.
- NERC reorganized and is expanding its staff to enhance its organizational effectiveness and efficiency as the ERO.

Upcoming activities in support of NERC’s implementation of its new ERO status include submission of its budget for 2007 to FERC, further work on reliability standards, and completion of agreements with regional entities delegating standards development and enforcement authority.