communication process needs to be more interactive and efficient.

(2) Because the primary function of these communications will be the exchange of proposals and their justification, data must be provided on the current safety level or baseline and the expected levels resulting from the program. The data development process and cost must be practical.

(3) Because assessing the program is a critical but new function, the performance measurement activity will likely advance incrementally.

IV. Risk Management Demonstration Project Objectives

OPS offers the following risk management demonstration project objectives for public comment and discussion:

• To give a limited number of qualified interstate transmission operators the opportunity to conduct risk management demonstration projects.

• To determine whether risk management provides equal or greater safety than a compliance-based approach.

• To help each operator comprehensively assess threats to integrity, whatever the scope of the project, or whatever aspect of its system is involved in the project.

• To demonstrate how appropriately the draft risk management standards address risks and can be applied effectively.

• To determine how operators consider low probability—high consequence incidents in addition to past accident or component failure history.

• To determine how operators evaluate smaller precursor events that could lead to larger failures.

• To have operators demonstrate how an integrated review of safety operations across the company can expedite prompt response to situations that could lead to failures.

• To have operators systematically correlate data, rank planned actions according to their potential to reduce risk, and follow through on these actions.

• To promote technological innovation.

OPS seeks comment on whether these objectives are appropriate for a four year demonstration project.

V. Program Framework Elements

This program administrative framework to receive, analyze, approve, monitor and revise risk management plans is being considered for interstate natural gas transmission and hazardous liquid pipeline companies that would submit proposals for risk management demonstration projects.

The framework being considered would have four primary elements, appropriate to the features and characteristics of risk management. The first two elements would be developed through industry standards processes. The contents would be similar to the description in II D of this document. The second two OPS would construct:

- Industry Technical Process Standard (R1), covering Risk Assessment, Risk Control and Decision-making, and Performance Measurement.
- (2) Industry Quality Program Standard (Q1), covering the operator's management framework that implements and supports this process, and puts risk management into daily operations.
- (3) Federally developed risk management program participation requirements for communications and reporting, planned oversight and evaluation.
- (4) Third party review to simultaneously validate the quality and adequacy of the technical review and administrative process used by OPS.

Elements (1) and (2) of the program framework would be the basis for operators to apply for and OPS to accept a risk management program demonstration project.

To develop knowledge and skill in the application and use of the industry standards, OPS envisions a cooperative effort to develop risk management training curriculum concurrently with the standards. Further, OPS expects that trade groups, OPS, and state agencies would participate in design and development.

OPS would encourage a broad range of stakeholders, including Federal and State pipeline safety officials, to participate in review of the draft industry standards. This process is expected to begin under the auspices of the several trade organizations. While developing and approving Risk Management standards (R1 and Q1) would be a multi-year process, a basic draft would be considered as a point of reference for the demonstration program preliminary review.

The third element, Federally developed requirements likely to be subject to public notice and comment, should identify the project administrative framework components, particularly requirements for applying for the program, obtaining interim project approval, participating in longterm evaluation and monitoring, conflict resolution, penalties, incentives, and program maintenance.

VI. Third Element: Possible Elements of the Administrative Risk Management Demonstration Project Process

(1) An Informal Consultation with OPS and States. The interstate transmission operator would consult OPS Headquarters staff, Regional Directors and State pipeline safety program officials affected by the pipeline system to declare program technical objectives. These regulatory officials would express safety concerns and give advice before formal proposals are submitted.

Identifying risk management proposal objectives would begin with the operator submitting a letter of intent. The letter would describe the initial proposal including a request for a consultation with OPS and other pipeline safety regulators on the proposal and justification. In the consultation, the operator would discuss such issues as how hazards are assessed and how risks are currently managed, baseline performance data to indicate the safety level under current regulatory activities and future indicators, program goals, and the scope of the demonstration program.

During the consultation with OPS and state pipeline safety regulators, an operator would explain the risks it intends to address and the nature and extent of its proposal. The operator would demonstrate why it believes the proposal could make its pipeline operate at least as safely as it does by adhering to the current federal safety requirements. Federal and State pipeline regulators would actively participate in the consultation, responding to the operator and raising any concerns.

(2) Formal Written Proposal. An operator would submit a formal written proposal to OPS, resulting from the consultation. The proposal would state how the operator would apply the two industry risk management standards and how the plan is expected to meet or exceed the safety level achieved through the current regulatory program.

The proposal would describe the risk assessment process, the means for and the technical rationales for ranking actions, improvement targets, and a preliminary risk reduction plan with decision points for action. Also included would be baseline performance measures against which process targets can be set. Organizational structure, financial capability, and engineering control accountability and integrated evaluation would be briefly described. An operator