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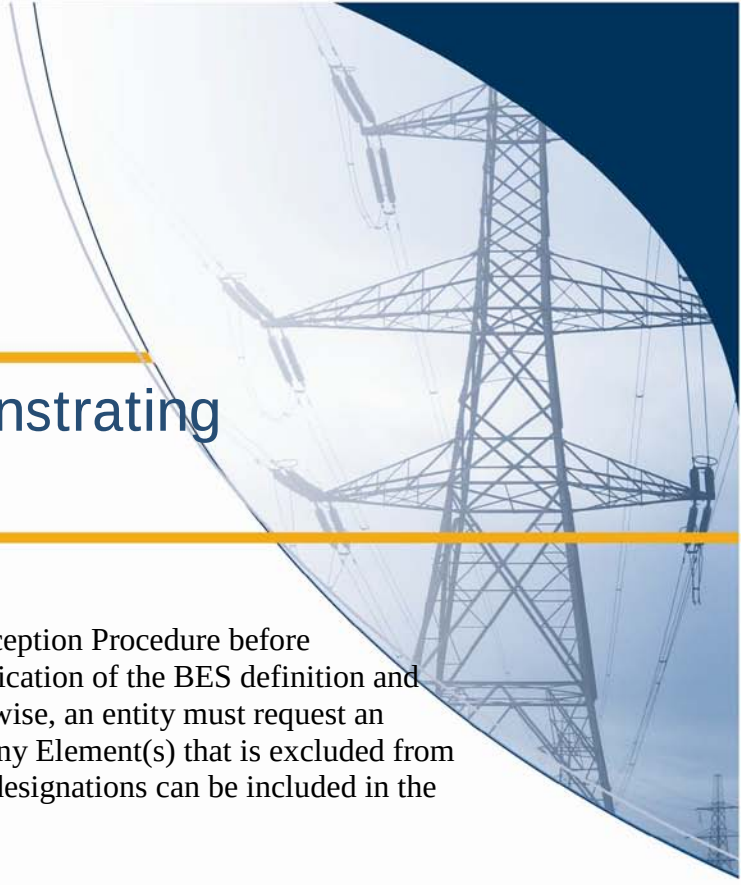
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

Technical Principles for Demonstrating BES Exceptions



An entity must request an exception under this Exception Procedure before any Element(s) that is included in the BES by application of the BES definition and designations can be excluded from the BES. Likewise, an entity must request an exception under this Exception Procedure before any Element(s) that is excluded from the BES by application of the BES definition and designations can be included in the BES.

Due to the importance of Blackstart Resources and their designated blackstart Cranking Paths to restoration efforts, no exceptions will be allowed for those items.

Entities that have Element(s) already designated as excluded under the BES definition and designations do not have to seek exception under the Exception Procedure.

The reasonableness of any such demonstration will be subject to review and remand by the ERO itself, or by any agency having regulatory or statutory oversight of NERC as the ERO (e.g., FERC or appropriate Canadian authorities).

Specific content of the application is spelled out elsewhere in this appendix.

Exception Criteria – Exclusions

Entities can submit an application to seek an exception from the BES definition, including designations, by demonstrating the Element(s) are not necessary to reliably operate the interconnected transmission network as demonstrated by one or both of the following:

1. The Element(s) meet all of the following characteristics:
    a. System Element(s) are located in close electrical proximity to Load.
        i. Electrical proximity is a measurement of system impedance between the interconnected transmission network and the Load centers connected to the Element(s) within the system seeking exception. Loads within the system seeking exception are in close electrical proximity if they are separated by an impedance of no greater than TBD.

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ii. Evidence to support this position could include impedance cut-sheets or power flow data.

b. System Elements are treated as radial in character.
   i. This can be demonstrated by the way the connections to the BES are operated, e.g., the Elements(s) are not operated as part of the BES with disconnection procedures for when a Disturbance occurs.
   ii. This can also be demonstrated by the way the Element(s) are treated in operations, for example, they are not included in a regional dispatch.
   iii. Evidence to support this position could include a one-line diagram and pertinent Operating Procedures.

c. Power flows into the system, but rarely flows out.
   i. This can be demonstrated through transactional records where it is shown that flow out occurs only under a very limited set of conditions and for a limited quantity of energy.
   ii. The limited set of conditions must clearly state the conditions where power flows out, for example, only under specified Contingency events.
   iii. Transactional records provided must be for the same time specified in the Exception Rules of Procedure for performing periodic exception self-certifications (presently two years).
   iv. The maximum amount of energy flowing out is TBD MWh per year.
   v. Evidence to support this position could include hourly energy data (MWh) for the most recent 12 month period.

d. Power entering the system is not intentionally transported through the system to some other system.
   i. This can be demonstrated by operational procedures that restrict use of delivered power to that system.
   ii. Evidence to support this position could include pertinent Operating Procedures.

OR,

2. The Element(s) in question can be demonstrated as not being necessary for reliable operation of the interconnected transmission network as follows:
   a. Based on the model used in the most recent applicable planning assessment:
      i. If required, update the model to reflect your local conditions.
      ii. If the model was updated, then run TPL studies for the first two years of the Near-term Transmission Planning Horizon.
      iii. Document all assumptions made in the analysis.
      iv. Analyze the subject Element(s) against the following criteria:
         1. Having a distribution factor of TBD% for any other Element.

2. Allowable transient voltage dip – criteria TBD
3. Allowable transient frequency excursion – criteria TBD
4. Voltage deviation – criteria TBD
5. Transient Stability – positively damped
6. Steady-state Stability – positively damped
7. No cascading outages
8. Other

v. If within the criteria in all cases, then the Element(s) can be excluded.
vi. If not within the criteria, then the Element(s) can't be excluded.

b. The ERO can override this criterion but would need to provide additional justification to support their finding.

Exception Criteria – Inclusions

Entities can submit an application to seek an exception for an inclusion in the BES based on the following condition:

1. The Element(s) in question can be demonstrated as being necessary for reliable operation of the interconnected transmission network as follows:
   a. Run TPL studies based on the existing model used in the most recent applicable planning assessment.
   b. Monitor the contribution of the disputed Element(s).
   c. Analyze against criteria set by SDT through industry feedback.
      1. Having a distribution factor of TBD% for any other Element.
      2. Allowable transient voltage dip – criteria TBD
      3. Allowable transient frequency excursion – criteria TBD
      4. Voltage deviation – criteria TBD
      5. Transient Stability – not positively damped
      6. Steady-state Stability – not positively damped
      7. Cascading outages
      8. Other
   d. If within the criteria, then the Element(s) can't be included.
   e. If not within the criteria, then the Element(s) can be included.
   f. The ERO can override this criterion but would need to provide additional justification to support their finding.