

A. Introduction

- 1. Title:** Contingency Reserve
- 2. Number:** BAL-002-WECC-2a
- 3. Purpose:** To specify the quantity and types of Contingency Reserve required to ensure reliability under normal and abnormal conditions.
- 4. Applicability:**
 - 4.1** Balancing Authority
 - 4.1.1.** The Balancing Authority is the responsible entity unless the Balancing Authority is a member of a Reserve Sharing Group, in which case, the Reserve Sharing Group becomes the responsible entity.
 - 4.2** Reserve Sharing Group
 - 4.2.1.** The Reserve Sharing Group when comprised of a Source Balancing Authority becomes the source Reserve Sharing Group.
 - 4.2.2.** The Reserve Sharing Group when comprised of a Sink Balancing Authority becomes the sink Reserve Sharing Group.
- 5. Effective Date:** On the first day of the third quarter following applicable regulatory approval.

B. Requirements and Measures

- R1.** Each Balancing Authority and each Reserve Sharing Group shall maintain a minimum amount of Contingency Reserve, except within the first sixty minutes following an event requiring the activation of Contingency Reserve, that is: [*Violation Risk Factor: High*] [*Time Horizon: Real-time operations*]
 - 1.1** The greater of either:
 - The amount of Contingency Reserve equal to the loss of the most severe single contingency;
 - The amount of Contingency Reserve equal to the sum of three percent of hourly integrated Load plus three percent of hourly integrated generation.
 - 1.2** Comprised of any combination of the reserve types specified below:

- Operating Reserve – Spinning
- Operating Reserve - Supplemental
- Interchange Transactions designated by the Source Balancing Authority as Operating Reserve – Supplemental
- Reserve held by other entities by agreement that is deliverable on Firm Transmission Service
- A resource, other than generation or load, that can provide energy or reduce energy consumption
- Load, including demand response resources, Demand-Side Management resources, Direct Control Load Management, Interruptible Load or Interruptible Demand, or any other Load made available for curtailment by the Balancing Authority or the Reserve Sharing Group via contract or agreement.
- All other load, not identified above, once the Reliability Coordinator has declared an energy emergency alert signifying that firm load interruption is imminent or in progress.

1.3 Based on real-time hourly load and generating energy values averaged over each Clock Hour (excluding Qualifying Facilities covered in 18 C.F.R. § 292.101, as addressed in FERC Order 464).

1.4 An amount of capacity from a resource that is deployable within ten minutes.

M1. Each Balancing Authority and each Reserve Sharing Group will have documentation demonstrating its Contingency Reserve was maintained, except within the first sixty minutes following an event requiring the activation of Contingency Reserve.

Part 1.1

Each Balancing Authority and each Reserve Sharing Group will have dated documentation that demonstrates its Contingency Reserve was maintained in accordance with the amounts identified in Requirement R1, Part 1.1, except within the first sixty minutes following an event requiring the activation of Contingency Reserve.

Attachment A is a practical illustration showing how the generation amount may be calculated under Requirement R1.

- Where Dynamic Schedules are used as part of the generation amount upon which Contingency Reserve is predicated, additional evidence of compliance with Requirement R1, Part 1.1 may include, but is not limited

to, documentation showing a reciprocal acknowledgement as to which entity is carrying the reserves. This transfer may be all or some portion of the physical generator and is not limited to the entire physical capability of the generator.

- Where Pseudo-Ties are used as part of the generation amount upon which Contingency Reserve is predicated, additional evidence of compliance with Requirement R1, Part 1.1, may include, but is not limited to, documentation accounting for the transfers included in the Pseudo-Ties.

Part 1.2

Each Balancing Authority and each Reserve Sharing Group will have dated documentation that demonstrates compliance with Requirement R1, Part 1.2. Evidence may include, but is not limited to, documentation that reserves were comprised of the types listed in Requirement R1, Part 1.2 for purposes of meeting the Contingency Reserve obligation of Requirement R1. Additionally, for purposes of the last bullet of Requirement R1, Part 1.2, evidence of compliance may include, but is not limited to, documentation that the reliability coordinator had issued an energy emergency alert, indicating that firm Load interruption was imminent or was in progress.

Part 1.3

Each Balancing Authority and each Reserve Sharing Group will have dated documentation that demonstrates compliance with Requirement R1, Part 1.3. Evidence of compliance with Requirement R1, Part 1.3 may include, but is not limited to, documentation that Contingency Reserve amounts are based upon load and generating data averaged over each Clock Hour and excludes Qualifying Facilities covered in 18 C.F.R. § 292.101, as addressed in FERC Order 464.

Part 1.4

Evidence of compliance with Requirement R1, Part 1.4 may include, but is not limited to, documentation that the reserves maintained to comply with Requirement R1, Part 1.4 are fully deployable within ten minutes.

- R2.** Each Balancing Authority and each Reserve Sharing Group shall maintain at least half of its minimum amount of Contingency Reserve identified in Requirement R1, as Operating Reserve – Spinning that meets both of the following reserve characteristics. *[Violation Risk Factor: High] [Time Horizon: Real-time operations]*

- 2.1** Reserve that is immediately and automatically responsive to frequency deviations through the action of a governor or other control system;

2.2 Reserve that is capable of fully responding within ten minutes.

- M2.** Each Balancing Authority and each Reserve Sharing Group will have dated documentation that demonstrates it maintained at least half of the Contingency Reserve identified in Requirement R1 as Operating Reserve – Spinning, averaged over each Clock Hour, that met both of the reserve characteristics identified in Requirement R2, Part 2.1 and Requirement R2, Part 2.2.
- R3.** Each Sink Balancing Authority and each sink Reserve Sharing Group shall maintain an amount of Operating Reserve, in addition to the minimum Contingency Reserve in Requirement R1, equal to the amount of Operating Reserve–Supplemental for any Interchange Transaction designated as part of the Source Balancing Authority’s Operating Reserve–Supplemental or source Reserve Sharing Group’s Operating Reserve–Supplemental, except within the first sixty minutes following an event requiring the activation of Contingency Reserve. *[Violation Risk Factor: High] [Time Horizon: Real-time operations]*
- M3.** Each Sink Balancing Authority and each sink Reserve Sharing Group will have dated documentation demonstrating it maintained an amount of Operating Reserve, in addition to the Contingency Reserve identified in Requirement R1, equal to the amount of Operating Reserve–Supplemental for any Interchange Transaction designated as part of the Source Balancing Authority’s Operating Reserve–Supplemental or source Reserve Sharing Group’s Operating Reserve–Supplemental, for the entire period of the transaction, except within the first sixty minutes following an event requiring the activation of Contingency Reserves, in accordance with Requirement 3.
- R4.** Each Source Balancing Authority and each source Reserve Sharing Group shall maintain an amount of Operating Reserve, in addition to the minimum Contingency Reserve amounts identified in Requirement R1, equal to the amount and type of Operating Reserves for any Operating Reserve transactions for which it is the Source Balancing Authority or source Reserve Sharing Group. *[Violation Risk Factor: High] [Time Horizon: Real-time operations]*
- M4.** Each Source Balancing Authority and each source Reserve Sharing Group will have dated documentation that demonstrates it maintained an amount of additional Operating Reserves identified in Requirement R1, greater than or equal to the amount and type of that identified in Requirement 4, for the entire period of the transaction.

C. Compliance

1. Compliance Monitoring Process

1.1 Compliance Enforcement Authority

For entities that do not work for the Regional Entity, the Regional Entity shall serve as the Compliance Enforcement Authority.

For Reliability Coordinators and other functional entities that work for their Regional Entity, the ERO or a Regional Entity approved by the ERO and FERC or other applicable governmental authorities shall serve as the Compliance Enforcement Authority.

For responsible entities that are also Regional Entities, the ERO or a Regional Entity approved by the ERO and FERC or other applicable governmental authorities shall serve as the Compliance Enforcement Authority.

1.2 Compliance Monitoring and Assessment Processes:

Compliance Audit

Self-Certification

Spot Checking

Compliance Investigation

Self-Reporting

Complaint

1.3 Evidence Retention

The following evidence retention periods identify the period of time an entity is required to retain specific evidence to demonstrate compliance. For instances where the evidence retention period specified below is shorter than the time since the last audit, the Compliance Enforcement Authority may ask an entity to provide other evidence to show that it was compliant for the full time period since the last audit.

Each Balancing Authority and each Reserve Sharing Group shall keep evidence for Requirement R1 through R4 for three years plus calendar current.

1.4. Additional Compliance Information

1.4.1. This Standard shall apply to each Balancing Authority and each Reserve Sharing Group that has registered with WECC as provided in Part 1.4.2 of Section C.

Each Balancing Authority identified in the registration with WECC as provided in Part 1.4.2 of Section C shall be responsible for compliance with this Standard through its participation in the Reserve Sharing Group and not on an individual basis.

- 1.4.2.** A Reserve Sharing Group may register as the Responsible Entity for purposes of compliance with this Standard by providing written notice to the WECC: 1) indicating that the Reserve Sharing Group is registering as the Responsible Entity for purposes of compliance with this Standard, 2) identifying each Balancing Authority that is a member of the Reserve Sharing Group, and 3) identifying the person or organization that will serve as agent on behalf of the Reserve Sharing Group for purposes of communications and data submissions related to or required by this Standard.
- 1.4.3.** If an agent properly designated in accordance with Part 1.4.2 of Section C identifies individual Balancing Authorities within the Reserve Sharing Group responsible for noncompliance at the time of data submission, together with the percentage of responsibility attributable to each identified Balancing Authority, then, except as may otherwise be finally determined through a duly conducted review or appeal of the initial finding of noncompliance: 1) any penalties assessed for noncompliance by the Reserve Sharing Group shall be allocated to the individual Balancing Authorities identified in the applicable data submission in proportion to their respective percentages of responsibility as specified in the data submission, 2) each Balancing Authority shall be solely responsible for all penalties allocated to it according to its percentage of responsibility as provided in subsection 1) of this Part 1.4.3 of Section C, and 3) neither the Reserve Sharing Group nor any member of the Reserve Sharing Group shall be responsible for any portion of a penalty assessed against another member of the Reserve Sharing Group in accordance with subsection 1) of this Part 1.4.3 of Section C (even if the member of Reserve Sharing Group against which the penalty is assessed is not subject to or otherwise fails to pay its allocated share of the penalty).
- 1.4.4.** If an agent properly designated in accordance with Part 1.4.2 of Section C fails to identify individual Balancing Authorities within the Reserve Sharing Group responsible for noncompliance at the time of data submission or fails to specify percentages of responsibility attributable to each identified Balancing Authority, any penalties for noncompliance shall be assessed against the agent on behalf of the Reserve Sharing Group, and it shall be the responsibility of the members of the Reserve Sharing Group to allocate responsibility for such noncompliance.
- 1.4.5.** Any Balancing Authority that is a member of a Reserve Sharing Group that has failed to register as provided in Part 1.4.2 of Section C shall be subject to this Standard on an individual basis.

Table of Compliance Elements

R	Time Horizon	VRF	Violation Severity Levels			
			Lower VSL	Moderate VSL	High VSL	Severe VSL
R1	Real-time Operations	High	The Balancing Authority or the Reserve Sharing Group that incurs one Clock Hour, during a calendar month, in which Contingency Reserve is less than 100% but greater than or equal to 90% of the required Contingency Reserve amount, with the characteristics specified in Requirement R1.	The Balancing Authority or the Reserve Sharing Group that incurs one Clock Hour, during a calendar month, in which Contingency Reserve is less than 90% but greater than or equal to 80% of the required Contingency Reserve amount, with the characteristics specified in Requirement R1.	The Balancing Authority or the Reserve Sharing Group that incurs one Clock Hour, during a calendar month, in which Contingency Reserve is less than 80% but greater than or equal to 70% of the required Contingency Reserve amount, with the characteristics specified in Requirement R1.	The Balancing Authority or the Reserve Sharing Group that incurs one Clock Hour, during a calendar month, in which Contingency Reserve is less than 70% of the required Contingency Reserve amount, with the characteristics specified in Requirement R1.
R2	Real-time Operations	High	The Balancing Authority or the Reserve Sharing Group that incurs one Clock Hour, during a calendar month, in which Contingency Reserve Operating Reserve - Spinning is less than 100% but greater than or equal to 90% of the required	The Balancing Authority or the Reserve Sharing Group that incurs one Clock Hour, during a calendar month, in which Contingency Reserve Operating Reserve - Spinning is less than 90% but greater than or equal to 80% of	The Balancing Authority or the Reserve Sharing Group that incurs one Clock Hour, during a calendar month, in which Contingency Reserve Operating Reserve - Spinning is less than 80% but greater than or equal to 70% of	The Balancing Authority or the Reserve Sharing Group that incurs one Clock Hour, during a calendar month, in which Contingency Reserve Operating Reserve - Spinning is less than 70% of the required Operating

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R	Time Horizon	VRF	Violation Severity Levels			
			Lower VSL	Moderate VSL	High VSL	Severe VSL
			Operating Reserve–Spinning amount specified in Requirement R2, and both characteristics were met.	the required Operating Reserve–Spinning amount specified in Requirement R2, and both characteristics were met.	the required Operating Reserve–Spinning amount specified in Requirement R2, and both characteristics were met.	Reserve–Spinning amount specified in Requirement R2, and both characteristics were met.
R3	Real-time Operations	High	The Balancing Authority or the Reserve Sharing Group that incurs one hour, during a calendar month, in which Contingency Reserve is less than 100% but greater than or equal to 90% of the required Operating Reserve amount specified in Requirement R3.	The Balancing Authority or the Reserve Sharing Group that incurs one hour, during a calendar month, in which Contingency Reserve is less than 90% but greater than or equal to 80% of the required Operating Reserve amount specified in Requirement R3.	The Balancing Authority or the Reserve Sharing Group that incurs one hour, during a calendar month, in which Contingency Reserve is less than 80% but greater than or equal to 70% of the required Operating Reserve amount specified in Requirement R3.	The Balancing Authority or the Reserve Sharing Group that incurs one hour, during a calendar month, in which Contingency Reserve is less than 70% of the required Operating Reserve amount specified in Requirement R3.
R4	Real-time Operations	High	The Balancing Authority or the Reserve Sharing Group that incurs one hour, during a calendar month, in which Contingency Reserve Operating	The Balancing Authority or the Reserve Sharing Group that incurs one hour, during a calendar month, in which Contingency Reserve Operating	The Balancing Authority or the Reserve Sharing Group that incurs one hour, during a calendar month, in which Contingency Reserve Operating	The Balancing Authority or the Reserve Sharing Group that incurs one hour, during a calendar month, in which Contingency Reserve Operating

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R	Time Horizon	VRF	Violation Severity Levels			
			Lower VSL	Moderate VSL	High VSL	Severe VSL
			Reserve is less than 100% but greater than or equal to 90% of the required Operating Reserve amount specified in Requirement R4.	Reserve is less than 90% but greater than or equal to 80% of the required Operating Reserve amount specified in Requirement R4.	Reserve is less than 80% but greater than or equal to 70% of the required Operating Reserve amount specified in Requirement R4.	Reserve is less than 70% of the required Operating Reserve amount specified in Requirement R4.

D. Regional Variances

None.

E. Interpretations

Interpretation Requested

Arizona Public Service (APS) sought clarification that for purposes of BAL-002-WECC-2, Requirement R2, APS and other Balancing Authorities and/or Reserve Sharing Groups can include “technologies, such as batteries, both contemplated and not yet contemplated...as potential resources [to meet the Operating Reserve – Spinning requirement of BAL-002-WECC-2, Requirement R2] – so long as the...resource can meet the response characteristics described in the standard.”

A standards interpretation team comprised of members of the original BAL drafting team concluded that APS’ understanding was correct.

“[N]on-traditional resources, including electric storage facilities, may qualify as “Operating Reserve – Spinning” so long as they meet the technical and performance requirements in Requirement R2 (i.e., that the resources must be immediately and automatically responsive to frequency deviations through the action of a control system and capable of fully responding within ten minutes).¹

¹ FERC Order 789, P47. July 18, 2013.

See also FERC Order 740, Section E, Demand-Side Management as a Resource, at P 50: “The Commission clarified that the purpose of this directive was to ensure comparable treatment of demand-side management with conventional generation or any other technology and to allow demand-side management to be considered as a resource for contingency reserves on this basis without requiring the use of any particular contingency reserve option.”

In Order 789, Paragraph 48, the Federal Energy Regulatory Commission (Commission) responded to the California Independent System Operator that:

Commission Determination

48. The Commission determines that non-traditional resources, including electric storage facilities, may qualify as “Operating Reserve – Spinning” provided those resources satisfy the technical and performance requirements in Requirement R2. Our determination is supported by the standard drafting team’s response to a comment during the standard drafting process where the standard drafting team stated that “technologies, such as batteries, both contemplated and not yet contemplated are included in the standard as potential resources – so long as the undefined resource can meet the response characteristics described in the standard ...The language does not preclude any specific technology; rather, the language delineates how that technology must [] respond.”² We also note that non-traditional resources could contribute to contingency reserve under the regional Reliability Standard if they are resources, “other than generation or load, that can provide energy or reduce energy consumption.”

² “Fn 44 Petition, Exhibit C at 20.”

F. Associated Documents

None.

Attachment A

Attachment A is illustrative only; it is not a requirement. Requirement R1 calls for an amount of Contingency Reserve to be maintained, predicated on an amount of generation and load required in Requirement R1, Part 1.1., specifically:

“1.1 The greater of either:

- The amount of Contingency Reserve equal to the loss of the most severe single contingency;
- The amount of Contingency Reserve equal to the sum of three percent of hourly integrated Load plus three percent of hourly integrated generation.”

Attachment A illustrates one possible way to account for and calculate the amount of generation upon which the Contingency Reserve amount is predicated.

Below is a practical illustration showing how the generation amount may be calculated under Requirement R1 for Balancing Authorities (BA) and Reserve Sharing Groups (RSG).

BA1 / RSG 1	Generation	Part of Generator
Generator 1	300 MWs online	Yes
Generator 2	200 MWs online	Yes
Generator 3 (Pseudo-Tied out to BA2)	100 MWs online	No
Generator 4 QF (has backup contract)	10 MWs online	No
Generator 5 QF in EMS	10 MWs online	Yes
Generator 6	0 MWs online	Yes
<u>Dynamic Schedule to BA2 from BA1³</u>	<u>(50 MWs)</u>	
Generation	620 MWs	(The sum of gen 1-6)
BA generation (EMS)	510 MWs	(The sum of gen 1, 2, and 5)
Generation to use Under BAL-002-WECC-1	460 MWs**	(The sum of gen 1, 2 and 5 minus Dynamic Schedule)

** Assumes BA1 and BA2 agree on Dynamic Schedule treatment. If no agreement, BA1 would maintain reserves based on 510 MWs Generation.

BA2 / RSG2	Generation	Part of Generator
Generator 11	100 MWs	Yes

³ Note: This Dynamic Schedule is not the same as the Generator 3 Pseudo-Tie.

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Generator 12	100 MWs	Yes
Generator 3 (Pseudo-Tied in from BA1)	100 MWs	Yes
<u>Dynamic Schedule from BA1 to BA2</u>	<u>50 MWs</u>	<u>Yes</u>
Generation	300 MWs	(The sum of gen 11, 12 and 3.)
BA generation (EMS)	300 MWs	(The sum of gen 11, 12 and 3)
Generation to use Under BAL-002-WECC-1	350 MWs**	(The sum of gen 11, 12 and 3 plus Dynamic Schedule)

** Assumes BA1 and BA2 agree on Dynamic Schedule treatment. If no agreement, BA1 would have to maintain reserves based on 510MWs Generation and BA2 would determine its generation to be 300 MWs.

Guideline and Technical Basis

A Guidance Document addressing implementation of this standard has been filed with this standard.

Version History

Version	Date	Action	Change Tracking
1	October 29, 2008	Adopted by NERC Board of Trustees	
1	October 21, 2010	Order issued remanding BAL-002-WECC-1	
2	November 7, 2012	Adopted by NERC Board of Trustees	
2	November 21, 2013	FERC Order issued approving BAL-002-WECC-2. (Order becomes effective 1/28/14.)	