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Standard Authorization Request Form

Title of Proposed Standard	Revision to Standards Process to include cost, risk and benefit analysis
Request Date	October 10, 2005

SAR Requestor Information	SAR Type (Put an 'x' in front of one of these selections)
Name FRCC	<input type="checkbox"/> New Standard
Primary Contact Ken Wiley	<input checked="" type="checkbox"/> Revision to existing Process Manual
Telephone 813-289-5644 Fax 813-289-5646	<input type="checkbox"/> Withdrawal of existing Standard
E-mail kwiley@frcc.com	<input type="checkbox"/> Urgent Action

Purpose/Industry Need (Provide one or two sentences)

The NERC Reliability Standards Process Manual should be revised to require the development of a costs, risks and benefits analysis with each standard that is developed to aid in judging the appropriateness of proposed penalties and sanctions, and to provide information to the Board of Trustees on the costs to implement the proposed standard in order to assess the benefits of increased reliability the proposed standard would provide, against the costs of achieving that benefit. For example: if a Reliability Standard were proposed to solve a deficiency in the Bulk Power System that could have an enormous impact, such as causing cascading failures, and the costs to implement such a Reliability Standard were great, the Board of Trustees and FERC should have this information made available to them and they may well conclude that the cost is justified. However, if a Reliability Standard being proposed to the Board of Trustees and FERC sought to solve a deficiency in the Bulk Power System that had very little impact, relatively speaking, but that would impose a very high cost, the Board of Trustees and FERC might direct the ERO to seek a less costly solution to solve the deficiency.

Reliability Functions

The Standard will Apply to the Following Functions (Check box for each one that applies by double clicking the grey boxes.)		
<input checked="" type="checkbox"/>	Reliability Authority	Ensures the reliability of the bulk transmission system within its Reliability Authority area. This is the highest reliability authority.
<input checked="" type="checkbox"/>	Balancing Authority	Integrates resource plans ahead of time, and maintains load-interchange-resource balance within its metered boundary and supports system frequency in real time
<input checked="" type="checkbox"/>	Interchange Authority	Authorizes valid and balanced Interchange Schedules
<input checked="" type="checkbox"/>	Planning Authority	Plans the bulk electric system
<input checked="" type="checkbox"/>	Resource Planner	Develops a long-term (>1year) plan for the resource adequacy of specific loads within a Planning Authority area.
<input checked="" type="checkbox"/>	Transmission Planner	Develops a long-term (>1 year) plan for the reliability of transmission systems within its portion of the Planning Authority area.
<input checked="" type="checkbox"/>	Transmission Service Provider	Provides transmission services to qualified market participants under applicable transmission service agreements
<input checked="" type="checkbox"/>	Transmission Owner	Owens transmission facilities
<input checked="" type="checkbox"/>	Transmission Operator	Operates and maintains the transmission facilities, and executes switching orders
<input checked="" type="checkbox"/>	Distribution Provider	Provides and operates the "wires" between the transmission system and the customer
<input checked="" type="checkbox"/>	Generator Owner	Owens and maintains generation unit(s)
<input checked="" type="checkbox"/>	Generator Operator	Operates generation unit(s) and performs the functions of supplying energy and Interconnected Operations Services
<input checked="" type="checkbox"/>	Purchasing-Selling Entity	The function of purchasing or selling energy, capacity and all necessary Interconnected Operations Services as required
<input checked="" type="checkbox"/>	Market Operator	Integrates energy, capacity, balancing, and transmission resources to achieve an economic, reliability-constrained dispatch.
<input checked="" type="checkbox"/>	Load-Serving Entity	Secures energy and transmission (and related generation services) to serve the end user

Reliability and Market Interface Principles

Applicable Reliability Principles (Check boxes for all that apply by double clicking the grey boxes.)	
<input checked="" type="checkbox"/>	1. Interconnected bulk electric systems shall be planned and operated in a coordinated manner to perform reliably under normal and abnormal conditions as defined in the NERC Standards.
<input checked="" type="checkbox"/>	2. The frequency and voltage of interconnected bulk electric systems shall be controlled within defined limits through the balancing of real and reactive power supply and demand.
<input checked="" type="checkbox"/>	3. Information necessary for the planning and operation of interconnected bulk electric systems shall be made available to those entities responsible for planning and operating the systems reliably.
<input checked="" type="checkbox"/>	4. Plans for emergency operation and system restoration of interconnected bulk electric systems shall be developed, coordinated, maintained and implemented.
<input checked="" type="checkbox"/>	5. Facilities for communication, monitoring and control shall be provided, used and maintained for the reliability of interconnected bulk electric systems.
<input checked="" type="checkbox"/>	6. Personnel responsible for planning and operating interconnected bulk electric systems shall be trained, qualified and have the responsibility and authority to implement actions.
<input checked="" type="checkbox"/>	7. The security of the interconnected bulk electric systems shall be assessed, monitored and maintained on a wide area basis.
Does the proposed Standard comply with all of the following Market Interface Principles? (Select 'yes' or 'no' from the drop-down box by double clicking the grey area.)	
1. The planning and operation of bulk electric systems shall recognize that reliability is an essential requirement of a robust North American economy. YES	
2. An Organization Standard shall not give any market participant an unfair competitive advantage. YES	
3. An Organization Standard shall neither mandate nor prohibit any specific market structure. YES	
4. An Organization Standard shall not preclude market solutions to achieving compliance with that Standard. YES	
5. An Organization Standard shall not require the public disclosure of commercially sensitive information. All market participants shall have equal opportunity to access commercially non-sensitive information that is required for compliance with reliability standards. YES	

Detailed Description (Provide enough detail so that an independent entity familiar with the industry could draft, modify, or withdraw a Standard based on this description.)

The standards process currently contains a step (Step 7) that allows for field-testing of a proposed reliability standard to validate the concepts, requirements, measures and compliance elements. This step would be completed before a proposed standard would go to ballot.

As NERC moves forward to become the ERO, it appears an important piece of information needed about a proposed standard is missing. As NERC submits a reliability standard to the Board of Trustees and to FERC for approval, it should include an analysis of the costs, risks and benefits of the proposed reliability standard. This information would provide a necessary economic rigor to the standards development process. The understanding of the costs, risks and benefits of a reliability standard would give the Board of Trustees and FERC the basis on which to assess the appropriateness of the proposed penalties and sanctions for that reliability standard and an opportunity to judge whether the additional reliability benefits the proposed standard provides, merits the costs of achieving the additional reliability benefits. This would allow the Board of Trustees and FERC to have a sound basis to accept or reject a proposed standard. The Board would also be in a position to assure that the proposed standard is the "least cost" method to accomplish the reliability objective being sought. In addition, this information may also benefit the registered ballot body in their analysis of the need for the standard as proposed.

This analysis requirement could be added to the current process after the field-testing step, but prior to the balloting step. In fact, field-testing may be needed to determine the cost to the industry to implement a proposed reliability standard.

Related Standards

Standard No.	Explanation
	N/A

Related SARs

SAR ID	Explanation
	N/A

Regional Differences

Region	Explanation
ECAR	N/A
ERCOT	
FRCC	
MAAC	
MAIN	
MRO	
NPCC	
SERC	
SPP	
WECC	