



September 30, 2009

Ms. Maureen Long
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Re: Level 1 Appeal of Revised Interpretation of EOP-002-2 – Capacity Emergencies
Requirement R6.3 and Requirement R7.1 for Brookfield Power

Pursuant to the NERC Reliability Standards Development Procedure, the Edison Electric Institute (EEI), on behalf of its members, is submitting a Level 1 Appeal of the interpretation of EOP-002-2. EEI is submitting this appeal because the interpretation creates a conflict between the Reliability Standard and the FERC Open Access Tariff provisions Curtailment of Firm Transmission Service (Section 13.6) on Designated Network Resources (DNR) in that: (1) requires a Balancing Authority (BA) to curtail exports in a manner that may be inconsistent with FERC Order 890 and transmission open access policies; and (2) it requires a source BA to take action based on whether a resource is considered a DNR in the sink BA—information that may not be available to the source BA. The proposed interpretation raises the concern that compliance with EOP-002 in a manner consistent with the proposed interpretation could put companies at risk for being out of compliance with provisions of FERC Order No. 890 applicable to Transmission Service Providers.

The basis for the appeal is that (1) the interpretation does not address the question posed in the interpretation request; (2) the interpretation expands the Reliability Standard into territory that is subject to FERC Order 890 and open access transmission policies and thereby materially changes the requirement. EEI believes that is appropriate to ask the Standards Drafting Team (SDT) to reconsider the interpretation in view of the concerns raised by several commenters and in this appeal.

In January 2008, Brookfield Power, an IPP in Ontario, requested an interpretation of Requirements 6.3 and 7.1 of EOP-002. It states:

Specifically Brookfield Power seeks the interpretation of R6.3 and R7.1 with respect to the type of export to be curtailed in conjunction with curtailment of interruptible load and firm load, respectively, to address a Balancing Authority area's control performance and disturbance issues.

Brookfield Power interprets that, to assist in complying with the Control Performance and Disturbance Control Standards, R6.3 requires that only non-firm

export shall be curtailed when interruptible load is curtailed, whereas R7.1 requires that firm export shall be curtailed when firm load is curtailed.

The NERC Glossary does not contain a definition of “firm exports.” Therefore, to determine the “firmness” of an export, the SDT responding to the interpretation request used the definitions of “Network Resource” and “Designation of Network Resources” in Order No. 890.¹ The approved interpretation states:

When considering actions to be taken to comply with ... R6.3, all exports originating within the boundaries of the [BA] experiencing the deficiency, firm and non-firm, are available for curtailment with the exception of those exports designated as network resources for an external [BA]. If a capacity or energy emergency still exists after all exports have been curtailed with the exception of those related to a network resources designated to an external [BA] then ...R7.1 would take effect and firm load would be shed while the designated network resource transaction would continue to flow.

EEI believes that the proposed interpretation wrongly adds a curtailment priority to the Reliability Standard by stating that all export transactions, except those transactions involving designated network resources (DNR) for export, are available for curtailment. Under FERC comparability principles, a DNR export transaction from the source BA using firm point-to-point transmission service shares the same curtailment priority as network service inside the BA. This interpretation therefore, in some circumstances, contravenes FERC open access policy.² While other language in the proposed interpretation rightly states that EOP-002 does not specify curtailment sequence, the addition of FERC tariff definitions does, in fact, add such specificity and, therefore, alters the requirement -- and in a manner inconsistent with FERC rules. Further, a source BA’s ability to comply with the interpretation is questionable given that in many cases the source BA does not have access to information about the status of a resource as a designated

¹ EEI also questions whether it was appropriate to incorporate a FERC tariff term into a request made by a Canadian entity, when it is not clear that the request was made with respect to transactions within the U.S.

² Transmission curtailment priorities are as follows. As shown, firm point-to-point transmission service (which might be used for export from a DNR) and network integration transmission service share the same curtailment priority.

- Priority 1. Service over secondary receipt and delivery points
- Priority 2. Non-Firm Point-to-Point Hourly Service
- Priority 3. Non-Firm Point-to-Point Daily Service
- Priority 4. Non-Firm Point-to-Point Weekly Service
- Priority 5. Non-Firm Point-to-Point Monthly Service
- Priority 6. Network Integration Transmission Service from sources not designated as network resources
- Priority 7. Firm Point-to-Point Transmission Service and Network Integration Transmission Service from Designated Resources

network resource (or not) in the sink BA. Additionally, the interpretation ignores completely the fact that R6.6 clearly lists firm load curtailment as a remedy available under R6.

As a result, the interpretation is not responsive to the narrow question posed by Brookfield. It goes beyond what was requested and materially changes the standard by introducing the DNR concept. It imposes a curtailment priority that under certain cases is inconsistent with FERC Order 890 and requires the source BA to rely on information it may not have thereby creating the potential that the BA will be faced with the conflict of either violating the Reliability Standard or the tariff provision. In addition, OATT tariff language reserves curtailment as the exclusive right of Transmission Service Providers, and not Balancing Authorities, thus raising a basic conflict between the proposed interpretation and FERC-approved transmission tariffs.

The conflicts between the proposed interpretation and the OATT were raised by several commenters but EEI believes that due to the complexity of the issues, members of the SDT and the ballot body may not have understood the full implications of the proposed interpretation. For example, Midwest ISO submitted a comment stating that the interpretation request appears to be using the Standards interpretation process to inject a change to the tariff. Curtailment of schedules (or curtailing only certain schedules) during an emergency will have no measurable effect on Control Performance Standard (CPS), which has monthly and yearly measures. Disturbance Control Standard (DCS) is also not applicable as interchange schedules generally cannot be curtailed in time to have an impact on DCS. To the extent that the BA is experiencing a situation that they are burdening others or the Bulk Power System cannot survive the next contingency, they have the authority to take whatever actions deemed necessary to preserve reliability.

As discussed above, the proposed interpretation raises several complex issues. EEI is concerned that neither the SDT nor the ballot body may have been sufficiently aware of these concerns, although they were raised by several commenters. Because of this, EEI believes it is appropriate to ask the SDT to reconsider the proposed interpretation in light of these concerns before submitting it to the NERC Board of Trustees for approval and therefore is submitting this appeal.

Thank you for your consideration.

Yours truly,

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