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**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**VERSION ONE REGIONAL RELIABILITY                    )     Docket No. RM09-15-000**  
**STANDARD FOR RESOURCE AND                        )**  
**DEMAND BALANCING                                    )**

**COMMENTS OF THE  
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION  
IN RESPONSE TO NOTICE OF PROPOSED RULEMAKING**

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May 24, 2010

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## I. INTRODUCTION

The North American Electric Reliability Corporation (“NERC”)<sup>1</sup> hereby provides these comments in response to the Federal Energy Regulatory Commission’s (“FERC” or “Commission”) Notice of Proposed Rulemaking (“NOPR”)<sup>2</sup> regarding Regional Reliability Standard BAL-002-WECC-1. In the NOPR, the Commission proposed to remand the revised Regional Reliability Standard developed by the Western Electricity Coordinating Council (“WECC”) and approved by NERC. This Regional Reliability Standard would revise Contingency Reserve requirements that help ensure a Reserve Sharing Group or a Balancing Authority that is not a member of a Reserve Sharing Group has the ability to maintain scheduled frequency and avoid loss of firm load following transmission or generation contingencies. The Commission proposes to remand this standard due to concerns that, absent sufficient technical justification, it establishes less stringent requirements than those in the currently effective WECC Regional Reliability Standard, and that it may be less stringent than the corresponding NERC continent-wide Reliability Standard pertaining to contingency reserves.<sup>3</sup>

By this filing, NERC submits its response to the NOPR.

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<sup>1</sup> The Federal Energy Regulatory Commission (“FERC” or “Commission”) certified NERC as the electric reliability organization (“ERO”) in its order issued on July 20, 2006 in Docket No. RR06-1-000. *North American Electric Reliability Corporation*, “Order Certifying North American Electric Reliability Corporation as the Electric Reliability Organization and Ordering Compliance Filing,” 116 FERC ¶ 61,062 (July 20, 2006).

<sup>2</sup> *Version One Regional Reliability Standard for Resource and Demand Balancing*, 130 FERC ¶ 61,202 (2010) (“NOPR”).

<sup>3</sup> *Id.* at P 2.

## II. NOTICES AND COMMUNICATIONS

Notices and communications with respect to this filing may be addressed to:

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## III. DISCUSSION

### A. The Proposed Regional Reliability Standard Complies with Prior Commission Directives.

On June 8, 2007, the Commission approved eight Regional Reliability Standards for WECC, including the currently effective Regional Reliability Standard for operating reserves, WECC-BAL-STD-002-0.<sup>4</sup> When it approved WECC-BAL-STD-002-0, the Commission noted that WECC required a more stringent minimum reserve requirement than the continent-wide requirement and that WECC's requirement to restore contingency reserves within 60 minutes was more stringent than the 90 minute restoration period.<sup>5</sup> The Commission then directed NERC to develop specific modifications to WECC-BAL-STD-002-0 with regards to regional

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<sup>4</sup> *North American Electric Reliability Corporation*, "Order Approving Regional Reliability Standards for Western Interconnection and Directing Modifications," 119 FERC ¶ 61,260 (June 8, 2007) ("June 2007 Order").

<sup>5</sup> NOPR at P 8.

definitions, referenced documents, and consistency between Regional Reliability Standards and NERC Reliability Standards.<sup>6</sup>

On March 25, 2009, NERC filed a request for Commission approval of BAL-002-WECC-1 and concurrent retirement of WECC-BAL-STD-002-0.<sup>7</sup> The proposed BAL-002-WECC-1, which replaces in its entirety WECC-BAL-STD-002-0, conforms to the Commission's June 2007 Order directing WECC to make certain modifications in response to NERC comments and Commission determinations. Specifically from the June 2007 Order, and summarized in the NOPR, the Commission: (1) determined that (a) regional definitions should conform to definitions set forth in the NERC Glossary of Terms Used in Reliability Standards ("NERC Glossary"), unless a specific deviation has been justified, and (b) documents that are referenced in the Reliability Standard should be attached to the Reliability Standard; (2) found that it is important that Regional Reliability Standards and NERC Reliability Standards achieve a reasonable level of consistency in their structure so that there is a common understanding of the elements; and (3) directed WECC to address stakeholder concerns regarding ambiguities in the terms "load responsibility" and "firm transaction."<sup>8</sup> Other changes the Commission directed WECC to make included the following modifications:

- Address the inconsistency between the NERC and WECC definition of the terms "Automatic Generation Control," "Disturbance," "Frequency Bias," and "Non-Spinning Reserve"
- Ensure that documents that are referenced are attached to the standard
- Remove the Sanctions Table (that is inconsistent with NERC's Sanction Guidelines)
- Develop Violation Risk Factors and Violations Severity Levels that conform to the NERC standards
- Eliminate the "excuse of performance" provision of the Regional Reliability Standard which is inconsistent with NERC's format

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<sup>6</sup> June 2007 Order at PP 54-55.

<sup>7</sup> *North American Electric Reliability Corporation*, "Petition of the North American Electric Reliability Corporation for Approval of Proposed Western Electricity Coordinating Council Regional Reliability Standard Regarding Contingency Reserves," Docket No. RM09-15-000 (March 25, 2009).

<sup>8</sup> NOPR at P 9.

- Clarify the ambiguities related to the use of terms “load responsibility” and “firm transaction”
- Address NERC’s formatting concerns<sup>9</sup>

As the March 25, 2009 filing made clear, the proposed Regional Reliability Standard utilizes the NERC Glossary term, Spinning Reserves, rather than the WECC term contained in the same NERC Glossary. While the proposed WECC standard is more stringent, the WECC Regional Reliability Standard and the NERC continent-wide standard have consistent structures. Finally, in developing the proposed Regional Reliability Standard, WECC:

- Removed the conflicting definitions of “Automatic Generation Control,” “Disturbance,” “Frequency Bias,” and “Non-Spinning Reserve”
- Removed references to other documents
- Removed the Sanctions Table
- Developed Violation Risk Factors and Violation Severity Levels
- Removed the “excuse of performance” provision
- Eliminated the use of the term “load responsibility” and revised the requirements to clearly establish minimum reserve requirements
- Did not use term “firm transaction” in the proposed standard, rather used NERC-defined term Firm Transmission Service
- Addressed NERC’s formatting concerns

Nevertheless, the Commission proposes in the NOPR to remand the proposed Regional Reliability Standard. In response to the NOPR, WECC has provided additional data and information in support of BAL-002-WECC-1, which demonstrate a technical basis for the proposed requirements. In particular, WECC’s response addresses the fundamental concerns the Commission stated in the NOPR regarding technical sufficiency of the contingency reserve approach and the additional risk impact of the change in the contingency reserve restoration period.

**B. WECC’s Proposed Standard Meets Criteria for Approval of a Regional Reliability Standard and Should be Approved.**

The basis for NERC to approve a Regional Reliability Standard is because the standard is more stringent than a continent-wide Reliability Standard or covers topics not covered by NERC’s

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<sup>9</sup> June 8, 2007 Order at PP 54-55.

continent-wide standards; or that it is necessitated by a physical difference in the system. WECC provides additional support that the proposed standard is more stringent than the NERC continent-wide standard, BAL-002-0 Disturbance Control Performance and provides the bases for its assertions. While the restoration periods in BAL-002-0 Disturbance Control Performance and BAL-002-WECC-1 Contingency Reserves are now the same, the proposed Regional Reliability Standard still contains requirements that are more stringent than the NERC standard or are not covered by the NERC standard. In particular, the minimum contingency reserve requirements in WECC's proposed standard (the greater of 3% load/3% generation or Most Severe Single Contingency ("MSSC")) are more stringent than NERC's continent-wide standard (reserves cover only the MSSC). WECC's proposed standard also includes a requirement that half of the contingency reserves must immediately and automatically respond proportionally to frequency deviations, *e.g.*, through the action of a governor or other control systems. NERC's existing BAL-002-0 does not include these requirements.

Consequently, because proposed BAL-002-WECC-1 Regional Reliability Standard contains requirements that are more stringent than the continent-wide standard, the proposed Regional Reliability Standard should be approved.

Further, because WECC is a Regional Entity organized on an Interconnection-wide basis, NERC must rebuttably presume that the standard is just, reasonable, not unduly preferential, and in the public interest. In Order No. 693, the Commission recognized the need to allow differences in Regional Reliability Standards that are more stringent than continent-wide standards or that are required by physical differences in the bulk power system.<sup>10</sup> Section 215 of the Federal Power Act

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<sup>10</sup> *Mandatory Reliability Standards for the Bulk-Power System*, 118 FERC ¶ 61,218, FERC Stats. & Regs. ¶ 31,242 at P 298 (2007) (Order No. 693).

requires that the Commission must give due weight to the technical expertise of a Regional Entity organized on an interconnection-wide basis.<sup>11</sup>

(2) The Commission may approve, by rule or order, a proposed reliability standard or modification to a reliability standard if it determines that the standard is just, reasonable, not unduly discriminatory or preferential, and in the public interest. The Commission shall give due weight to the technical expertise of the Electric Reliability Organization with respect to the content of a proposed standard or modification to a reliability standard and to the technical expertise of a regional entity organized on an Interconnection-wide basis with respect to a reliability standard to be applicable within that Interconnection, but shall not defer with respect to the effect of a standard on competition. A proposed standard or modification shall take effect upon approval by the Commission.

(3) The Electric Reliability Organization shall rebuttably presume that a proposal from a regional entity organized on an Interconnection-wide basis for a reliability standard or modification to a reliability standard to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest.

WECC is organized on an Interconnection-wide basis and has exercised its technical expertise in regard to this Interconnection-wide standard, supplemented by the additional technical analyses provided in its response. The Commission should give due weight to that technical expertise. For these reasons, BAL-002-WECC-1 should be approved as a Regional Reliability Standard as filed. NERC notes that, as a Regional Reliability Standard, the approval of BAL-002-WECC-1 would not exempt WECC entities from complying with the requirements in NERC's continent-wide standard, BAL-002-0.

Regarding the concern over the inclusion of firm load per R3.6 in BAL-002-WECC-1, NERC agrees with WECC that a Reliability Coordinator must declare a capacity or energy emergency before firm load could be considered to maintain contingency reserves but also agrees that greater specificity of the appropriate Energy Emergency Alert (“EEA”) level that must be declared would be helpful. However, NERC does not believe this issue solely should preclude the

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<sup>11</sup> 16 U.S.C. §824o(d)(2).

approval of BAL-002-WECC-1 when the proposed standard clearly meets the requirements for approval as a Regional Reliability Standard in that it is more stringent than its continent-wide counterpart.

On the whole, the proposed Regional Reliability Standard BAL-002-WECC-1 is a considerable improvement over the prior standard, and it satisfies the specific directives that the Commission gave to WECC and NERC. NERC requests that the Commission reverse its proposal to remand the standard and approve it, directing further modifications, to the extent necessary.

**C. Modifications to Glossary Terms Must Be Developed Through the Applicable Reliability Standards Development Process.**

In addition, by this filing NERC responds to two other issues raised in the NOPR with respect to the NERC Glossary. The NOPR proposes to direct NERC:

1. To remove the term Spinning Reserve from the NERC Glossary upon retirement of the current Regional Reliability Standard considering that the term Spinning Reserve is not used in any approved Reliability Standard other than the current Regional Reliability Standard, WECC-BAL-STD-002-0.<sup>12</sup>
2. To develop modifications to the definitions of Operating Reserve-Spinning and Operating Reserve-Supplemental to provide for the inclusion of other technologies that could reliably contribute to operating reserves, including demand-side management.<sup>13</sup>

The NERC-defined term Spinning Reserve was approved by the Commission with the approval of the NERC Glossary of Terms in Order No. 693 in 2007.<sup>14</sup> The Commission correctly identified that the term is currently not used in an approved NERC Reliability Standard; however, NERC points out that the proposed Regional Reliability Standard, BAL-002-WECC-1, uses the NERC-defined term Spinning Reserve in Requirement R1, Requirement R2 and Requirement R3 as defined in the NERC Glossary of Terms. The NERC Glossary also contains a FERC-approved WECC definition of

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<sup>12</sup> NOPR at P 46.

<sup>13</sup> NOPR at P 47.

<sup>14</sup> Order No. 693 at P 1893.

Spinning Reserve that was approved along with the existing BAL-STD-002-0 standard in 2007.<sup>15</sup> In the March 25, 2009 filing (at 40), WECC noted that:

the drafting team wrote the BAL-002-WECC-1 Standard to permit load, Demand-Side Management,[] generation, or another resource technology that qualifies as Spinning Reserve[] or Contingency Reserve[] to be used as such.

Footnote 22 of the March 25, 2009 filing cites the NERC-defined term from the Glossary of Terms, which defines Spinning Reserve as “[u]nloaded generation that is synchronized and ready to serve additional demand,” rather than the FERC-approved WECC definition of Spinning Reserve. As a result, WECC intended to rely on the NERC-defined term Spinning Reserve.

Therefore, NERC submits that the more appropriate approach would be to retain the NERC-defined term and retire the WECC term for Spinning Reserve when the Commission approves the replacement standard, BAL-002-WECC-1. This action would also address FERC’s concern raised in the June 2007 Order about the need for regional definitions to conform to definitions set forth in the NERC Glossary, unless a specific deviation has been justified. However, WECC would need to address this action through its Regional Standard Development Process and present it to the NERC Board of Trustees for approval prior to FERC action.

The terms Operating Reserve-Spinning and Operating Reserve-Supplemental are used in the NERC continent-wide BAL-002-0 – Disturbance Control Standard. Modifications to these terms to include Demand-Side Management as the Commission suggests an appropriate modifications of the existing definitions for industry consideration. The revisions to the terms to include Demand-Side Management options are being addressed in Project 2007-05 Balancing Authority Controls, which is currently revising BAL-002-0 – Disturbance Control Standard, as well as other standards. Just as modifications to Reliability Standards must go through the NERC Reliability Standards Development Process, modifications to the Glossary of Terms used in the Reliability Standards must

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<sup>15</sup> June 2007 Order at P 53.

also go through the NERC Reliability Standards Development Process. The definitions in the Glossary of Terms are an integral part of the Reliability Standards in which they are used.

Furthermore, NERC agrees that greater clarity is necessary regarding the terms Operating Reserve - Spinning and Operating Reserve - Supplemental to specify the terms “load fully removable from the system.” In NERC’s continent-wide standard, BAL-002-0, Requirement R1 states that Contingency Reserve may be supplied from generation, controllable load resources, or coordinated adjustments to Interchange Schedules. Further, Requirement R2.3 specifies the permissible mix of Operating Reserve - Spinning and Operating Reserve - Supplemental that may be included in Contingency Reserves. Because Contingency Reserves comprise, in part, “controllable load resources,” it is not clear that the term “load fully removable from the system” refers only to “controllable load” as posited by Requirement R1. Therefore, NERC agrees with the need to clarify the terms to remove the potential for multiple interpretations. These modifications or an interpretation of them must proceed through NERC’s Reliability Standards Development Process to address such matters.

#### IV. CONCLUSION

NERC respectfully requests that the Commission take action consistent with these comments when it issues its Final Rule regarding Regional Reliability Standard BAL-002-WECC-1.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that I have served a copy of the foregoing document upon all parties listed on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 24th day of May, 2010.

*/s/ Rebecca J. Michael*

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