

**MEMORANDUM**

**TO:** NERC Standards Committee

**FROM:** NERC Legal and Standards Departments

**DATE:** April 10, 2012

**SUBJECT:** Use of “Bulk Power System” versus “Bulk Electric System” in Reliability Standards

The purpose of this memo is to explain the difference between the use of “Bulk Electric System” (“BES”) and “bulk power system” (“BPS”) in NERC Reliability Standards.

**Statutory Authority of BPS versus BES**

The term “Bulk Power System” comes from the Energy Policy Act of 2005 (the “Energy Policy Act”) and is set forth in Section 215 of the Federal Power Act.<sup>1</sup> It states:

- (1) The term “bulk-power system” means—
- (A) facilities and control systems necessary for operating an interconnected electric energy transmission network (or any portion thereof); and
  - (B) electric energy from generation facilities needed to maintain transmission system reliability.
- The term does not include facilities used in the local distribution of electric energy.

The Commission has addressed the BPS versus BES issue in several different orders. The Commission has made clear that BPS defines the extent of its jurisdiction, and that definition has not been delegated to the ERO. However, the Energy Policy Act extends NERC and FERC’s authority over the BPS, which, as confirmed by the Commission, reaches farther than those facilities that are included in the BES. The BES identifies who must comply with Reliability Standards and is developed through the Standards Development Process.

Paragraph 76 of Order No. 693<sup>2</sup> states:

... [S]ection 215 of the FPA broadly defines the Bulk-Power System as “facilities and control systems necessary for operating an interconnected electric energy transmission network (or any portion thereof) [and] electric energy from

<sup>1</sup> 16 U.S.C. § 824o (2011).

<sup>2</sup> *Mandatory Reliability Standards for the Bulk-Power System*, Order No. 693, FERC Stats. & Regs. ¶ 31,242 (2007), *order on reh’g* Order No. 693-A, 120 FERC ¶ 61,053 (2007)(“Order No. 693”) at PP 76.

generating facilities needed to maintain transmission system reliability. Therefore, the Commission confirms its statements in the NOPR that the Bulk-Power System reaches farther than those facilities that are included in NERC's definition of the bulk electric system.

Footnote 50 of Order No. 693<sup>3</sup> states:

For these same reasons, the Commission rejects the position of those commenters that suggest the statutory definition of Bulk-Power System is more limited than the NERC definition of bulk electric system.

Additionally, the Commission-approved Statement of Compliance Registry Criteria provides:

Entities that use, own or operate Elements of the Bulk Electric System as established by NERC's approved definition of Bulk Electric System below are (i) owners, operators, and users of the Bulk Power System and (ii) candidates for Registration.

On November 18, 2010, FERC issued Order No. 743 (amended by Order No. 743-A)<sup>4</sup> and directed NERC to revise the definition of BES so that the definition encompasses all Elements and Facilities necessary for the reliable operation and planning of the interconnected bulk power system. Footnote 60 in the BES Final Rule, Order No. 743 provides:

While the Commission seeks to ensure that the definition of "bulk electric system" includes all facilities 100 kV or above that are necessary for reliable operation, our action here is not intended to determine the extent of the facilities included in the Bulk-Power System. As stated in Order No. 693-A, the Commission believes that the Bulk-Power System reaches farther than those facilities that are included in NERC's definition of the bulk electric system, but we have not definitively defined the extent of the facilities covered by the Bulk-Power System, and we are not doing so here (emphasis added).

The Commission also declined to define BPS in Order No. 743-A.

In addition, NERC was directed in Order No. 743 and 743-A to develop a process for identifying any Elements or Facilities that should be excluded from the BES. On January 25, 2012, NERC filed petitions requesting approval of a revised definition of BES, an exemption process that includes criteria for exempting facilities that are not necessary for operating the interconnected transmission grid, and an exception process included in the NERC Rules of Procedure for

<sup>3</sup> Order No. 693 at fn. 50.

<sup>4</sup> *Revision to Electric Reliability Organization Definition of Bulk Electric System*, 133 FERC ¶ 61,150 (2011) ("Order No. 743"), at PP 29-33; *Order on Rehearing*, 134 FERC ¶ 61,210 (2011) ("Order No. 743-A").

requesting and receiving exceptions from the NERC definition of Bulk Electric System. Those petitions are currently pending approval at FERC.

### **NERC Rules of Procedure and Glossary of Terms Definitions**

The NERC Rules of Procedure and the *NERC Glossary of Terms Used in NERC Reliability Standards* define the BES as:

“Bulk Electric System” means, as defined by the Regional Entity, the electrical generation resources, transmission lines, interconnections with neighboring systems, and associated equipment, generally operated at voltages of 100 kV or higher. Radial transmission facilities serving only load with one transmission source are generally not included in this definition.<sup>5</sup>

The NERC Rules of Procedure define the BPS as:

“Bulk Power System” means, depending on the context: (i) Facilities and control systems necessary for operating an interconnected electric energy supply and transmission network (or any portion thereof), and electric energy from generating facilities needed to maintain transmission system reliability. The term does not include facilities used in the local distribution of electric energy.

### **When Should BPS and/or BES Be Used?**

Both “BES” and “BPS” are acceptable to use in light of NERC’s scope of authority in the Energy Policy Act. “BPS” is the term to use when generally speaking about the interconnected network or power grid. “BES” is a FERC-approved term in the *NERC Glossary of Terms Used in NERC Reliability Standards*. In Order No. 693, FERC found that “BES” was acceptable and should be used in the context of the applicability of Reliability Standards or NERC’s monitoring and enforcement of compliance with the Reliability Standards. BES is the portion of the *bulk power system* to which the standards apply and should be used when that specific meaning is intended.

Accordingly, the NERC Reliability Standards generally apply to the BES. However, NERC’s authority extends beyond the BES to the BPS. Stated differently, the BES is a subset of the BPS. Therefore, while the NERC Reliability Standards generally apply to the BES, the Energy Policy Act grants authority to NERC over the BPS. Therefore, standards should be written to apply to the BES (or portions of the BES) but may also include other elements necessary for the reliable operation of the bulk power system.

---

<sup>5</sup> Note that this definition will change upon FERC’s approval of NERC’s revised definition of the BES filed with FERC on January 25, 2012 in response to Order No. 743 and 743-A.