



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Michael Moon
Director, Compliance Operations

April 26, 2010

Charles Dawsey
Benton Rural Electric Association
402 7th Street
P.O. Box 1150
Prosser, WA 99350

Benton Rural Electric Association, RA070052

Dear Mr. Charles Dawsey:

Enclosed is the decision of the NERC Board of Trustees Compliance Committee on the appeal of Benton Rural Electric Association regarding its inclusion on the NERC Compliance Registry within Western Electricity Coordinating Corporation's footprint for the functions of Distribution Provider and Load Serving Entity.

Benton Rural Electric Association has the right to file an appeal of this ruling with the Federal Energy Regulatory Commission within 21 days of the issuance of this decision, as specified in Rule 501.1.3.4 of NERC's *Rules of Procedure*.

Sincerely,

Michael Moon
Director, Compliance Operations

Enclosure

Cc: Louise McCarren – Chief Executive Officer, WECC
Connie White – Vice President of Compliance, WECC
Richard Mabry – Manager of Compliance Registration, WECC
Craig Lawrence, Manager of Organization Registration and Certification, NERC
Rebecca Michael, Assistant General Counsel, NERC
John Porter – Manager of Finance and Administration, Benton REA
Steven McCoy – McCoy Power Consultants LLC

**Board of Trustees Compliance Committee
Decision on Appeals of Compliance Registry Determinations
(Issued April 26, 2010)**

In this decision, the NERC Board of Trustees Compliance Committee affirms the decision of the Western Electricity Coordinating Council (WECC) to include Benton Rural Electric Association (BREA) on the NERC Compliance Registry as a Distribution Provider (DP) and Load Serving Entity (LSE).

Statement of Appeal

On April 30, 2007, BREA filed an appeal of its inclusion on the NERC Compliance Registry within the WECC Region for the functions of DP and LSE.

BREA is a rural electric cooperative serving 1,300 square miles in Benton and Yakima counties in eastern Washington, and its company headquarters are located in Prosser, Washington. BREA is a member of Western Public Agency Group (WPAG)¹ and a full requirements customer of the Bonneville Power Administration (BPA). BREA services residential, commercial, industrial, and agriculture/irrigation members.²

BREA has 112 MW of peak load and 19 take out points, 17 of which are located in the BPA Balancing Authority (BA) footprint, and two of which are located in the PacifiCorp BA footprint. BREA owns 14 transformers at its 19 delivery points.³ Seventeen of the take out points are metered at 12.5 kV, one at 34.5 kV, and one at 115 kV. Nine of the 17 take out points are radial taps off BPA's 115 kV lines, six are radial taps from Benton County PUD's 115 kV lines, and two are radial taps off BPA's 230 kV lines. The remaining two take out points are radial taps from PacifiCorp's 115 kV system.⁴ BREA owns and operates a seven-mile segment of radial 115 kV transmission line that serves a single substation owned and operated by BREA.⁵ BPA owns, operates, and maintains all of the bulk power system (BPS) facilities that interconnect the 17 BREA take out points to the grid in the BPA BA footprint, and PacifiCorp owns, operates, and maintains the remaining two take out points in the PacifiCorp BA footprint.⁶

BREA does not dispute that it meets the voltage and load numerical values set forth in the NERC *Statement of Compliance Registry Criteria (Rev. 5.0) (Registry Criteria)* to qualify as a DP and LSE. Yet, BREA contends that it has no material impact on the BPS and should be de-registered as DP and LSE. In support of this claim, BREA submitted a

¹ WECC Letter to BREA on NERC Registration, May 5, 2009, at pp. 1-2.

² BREA Analysis of NERC Registration, April 20, 2009, at p. 4.

³ BREA Response to WECC Regional Assessment, at p. 1 October 19, 2009 (BREA Response to WECC Assessment).

⁴ WECC Regional Assessment at p. 2.

⁵ BREA Letter December 1, 2006; WECC Regional Assessment at p. 2.

⁶ See BREA Analysis on NERC Registration April 20, 2009, at p. 5. See also WECC Regional Assessment at p. 2.

technical evaluation (BREA Analysis) to WECC, in which BREA asserts that it lacks a material impact on the BPS.⁷

BREA also contends that it should be deregistered as a DP and LSE because it does not meet the Under Voltage Load Shedding (UVLS), Under Frequency Load Shedding (UFLS), Special Protection Systems (SPS), or transmission protection systems criteria, specified in the NERC *Registry Criteria*.⁸

Rule

Rule 501.1.2.5 of NERC's *Rules of Procedure* states that, "[an] entity directly connected to the bulk power system selling, purchasing, or transmitting electric energy over the bulk power system will generally be considered a user of the bulk power system, unless the entity's actions or facilities have no material impact on the bulk power system." Rule 501.1.2.2 states that all "electrical generation resources, transmission lines, interconnections with neighboring systems, and associated equipment, generally operated at voltages of 100 kV or higher will be considered part of the bulk power system." Rule 501.1.4 further provides that, "[f]or all geographical or electrical areas of the bulk power system, the registration process shall ensure that (1) no areas are lacking any entities to perform the duties and tasks identified in and required by the reliability standards to the fullest extent practical, and (2) there is no duplication of such coverage or of required oversight of such coverage."

In addition, NERC maintains a Compliance Registry of the BPS owners, operators, and users that are subject to approved Reliability Standards.

The criteria set forth in the NERC *Registry Criteria* that apply to this case for the DP designation is Section II, which defines a DP as an entity that "[p]rovides and operates the "wires" between the transmission system and the end-use customer. For those end-use customers who are served at transmission voltages, the Transmission Owner also serves as the DP. Thus, the DP is not defined by a specific voltage, but rather as performing the Distribution function at any voltage." In addition, Section III.b.1 applies to a: "Distribution provider system serving >25 MW of peak load that is directly connected to the bulk power system." An exclusion to the DP criteria provides that:

A distribution provider will not be registered based on this criterion if responsibilities for compliance with approved NERC reliability standards or associated requirements including reporting have been transferred by written agreement to another entity that has registered for the appropriate function for the transferred responsibilities, such as a load-serving entity, balancing authority, transmission operator, G&T cooperative, or joint action agency as described in Sections 501 and 507 of the NERC Rules of Procedure.

⁷ Attachment to BREA Letter to WECC, May 7, 2009.

⁸ BREA April 30, 2007 Appeal (BREA Appeal) at p. 2.

Section II of the *Registry Criteria* defines an LSE as an entity that “[s]ecures energy and transmission service (and related interconnected operations services) to serve the electrical demand and energy requirements of its end-use customers.”

Section III.a.1 states: “Load-serving entity peak load is > 25 MW and is directly connected to the bulk power (>100 kV) system.” An exclusion to this LSE criteria provides that:

A load-serving entity will not be registered based on these criteria if responsibilities for compliance with approved NERC reliability standards or associated requirements including reporting have been transferred by written agreement to another entity that has registered for the appropriate function for the transferred responsibilities, such as a load-serving entity, balancing authority, transmission operator, G&T cooperative or joint action agency as described in Sections 501 and 507 of the NERC Rules of Procedure.

The NERC *Registry Criteria* specifies that the Regional Entity may take into consideration the aggregate effect of a group of entities on the BPS. Note four to the Registry Criteria specifically states: “If an entity is part of a class of entities excluded based on the criteria above as individually being unlikely to have a material impact on the reliability of the bulk power system, but that in aggregate have been demonstrated to have such an impact it may be registered for applicable standards and requirements irrespective of other considerations.”⁹

The NERC *Registry Criteria* also provides that any entity reasonably deemed material to the reliability of the bulk power system will be registered, irrespective of other considerations.

Procedures

On April 30, 2007, BREA submitted a formal appeal to NERC regarding its registration as an LSE and DP on the NERC Compliance Registry. Subsequently, the BREA Appeal was placed on hold by NERC pending discussions between BREA and WECC regarding BREA’s registration. On May 5, 2009, WECC requested that BREA submit a “detailed system study which clearly demonstrates that Benton has no material impact to the BPS” to WECC in support of their appeal.¹⁰ On May 7, 2009, BREA provided a technical evaluation, dated April 20, 2009, to identify any material impact BREA has on the BPS (BRE Analysis). On August 11, 2009, BREA sent a letter to NERC requesting that the BRE Appeal be reinstated. On August 20, 2009, BREA provided supplemental information to NERC regarding its appeal. On August 28, 2009, WECC filed a Request for Extension of Time to File Assessment until October 9, 2009. Subsequently, on

⁹ See *NERC Statement of Compliance Registry Criteria (Rev. 5.0)* at p. 10.

¹⁰ WECC Letter to BREA May 5, 2009 at p. 2.

September 9, 2009, NERC granted WECC's request for an extension. On October 9, 2009, WECC provided a detailed basis for including BREA as a DP and LSE on the NERC Compliance Registry (WECC Regional Assessment). On October 19, 2009, BREA submitted a response to the WECC Regional Assessment (BREA Response to WECC Regional Assessment).

On March 10, April 12 and April 23, 2010, the NERC Board of Trustees Compliance Committee considered the BREA Appeal, WECC's Regional Assessment, and BREA's Response to the WECC Regional Assessment, in accordance with the provisions of Rule 501 of NERC's *Rules of Procedure*.

Statement of Facts

WECC's Position

WECC states that it registered BREA for the functions of DP and LSE based on Rule 501 of NERC's *Rules of Procedure* and Sections I, II, and III of the *Registry Criteria*.¹¹

Section I of the NERC *Registry Criteria* defines the BPS as:

As defined by the Regional Reliability Organization, 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.¹²

WECC found that BREA qualifies as a user, owner or operator of the BPS, as defined by Section I of the *Registry Criteria* because "its system is interconnected at voltages greater than 100 kV."¹³ Furthermore, WECC found that BREA meets the definition of a DP in Section II of the NERC *Registry Criteria* because it "[p]rovides and operates the "wires" between the transmission system and the end-use customer."¹⁴

WECC notes that the *Registry Criteria* provide that, "[f]or those end-use customers who are served at transmission voltages, the Transmission Owner also serves as the DP. Thus, the DP is not defined by a specific voltage, but rather as performing the Distribution function at any voltage."¹⁵

¹¹ WECC Regional Assessment at pp. 1-3.

¹² However, ownership of radial transmission facilities intended to be covered by the vegetation management standard (applicable to transmission lines 200 kV and above) would be included in this definition.

¹³ WECC Regional Assessment at p. 3.

¹⁴ WECC Regional Assessment at p. 3.

¹⁵ NERC *Registry Criteria* at p. 5.

WECC found that BREAA meets the definition of an LSE, in Section II of the *Registry Criteria*, because BREAA “[s]ecures energy and transmission service (and related interconnected operations services) to serve the electrical demand and energy requirements of its end-use customers.”¹⁶ Consistent with Section III (a) of the criteria, WECC found that BREAA serves greater than 25 MW of peak load, directly connected to the BPS, at greater than 100 kV.

WECC ultimately concluded that, if many small entities like BREAA were not registered and, as a result, failed to comply with the NERC Reliability Standards, the impact would be magnified.¹⁷

To illustrate this point, WECC asserts that material impact should be measured on both the real-time and planning horizon. Although WECC states that it is difficult to prove that a small LSE or DP has a material impact on the BPS in real-time, WECC claims that for the planning horizon, “the failure of an LSE/DP to coordinate plans for new facilities, as required by Reliability Standard FAC-002-0, or to provide actual and forecast demand data, as required by Reliability Standard MOD-17-0, could result in an impact to the BPS over the long term since the BA which is responsible for planning and serving the entity would not have accurate planning data.”¹⁸

WECC also explains that “[t]he combined effect of small LSEs/DPs on the planning horizon is magnified because inaccurate, unreliable or unavailable planning data for these LSEs/DPs could affect a BA’s ability to adequately plan its system over the long term. Over time, this effect on system planning could result in the degradation of frequency, facility overloads, and an increased reliance on load shedding.”¹⁹ Therefore, if BREAA and other small LSEs/DPs were not registered, over time the potential failure of such entities to provide adequate information to its BA, as required by the Reliability Standards, could lead to long-term frequency degradation in the Western Interconnection.

BREAA’s Position

BREAA does not dispute that it meets the voltage and load criteria set forth in the NERC *Registry Criteria* to qualify as a DP and LSE.²⁰ However, BREAA contends that it has no material impact on the BPS.²¹ As evidence, BREAA points to the BREAA Analysis, a technical assessment of BREAA’s impact on the BPA, prepared by BREAA. BREAA asserts that “[t]he loss of the entire [BREAA] load would have no noticeable effect on the Frequency of the Western Interconnection,” and that, “[i]f the [BREAA] load was lost on one delivery point, it is highly unlikely to have any effect on the voltage of the BPA or

¹⁶ WECC Regional Assessment at p. 3.

¹⁷ WECC Regional Assessment at p. 4.

¹⁸ WECC Regional Assessment at p. 4.

¹⁹ WECC Regional Assessment at p. 5.

²⁰ BREAA Appeal at p. 2.

²¹ See NERC BOT Cover Letter, August 20, 2009, and BREAA Analysis on NERC Registration April 20, 2009 at p. 3 (BREAA Analysis).

PacifiCorp transmission systems.”²² BREA also claims that losing the entire BREA system simultaneously “would happen without a disturbance on the BPA and/or PacifiCorp transmission systems.”²³

In addition, BREA notes that Section III of NERC’s *Registry Criteria* states, “Entities identified in Part II above as being subject to registration as an LSE, DP...should be excluded from the registration list for these functions if they do not meet any of the criteria listed below.”²⁴

For LSEs:

- a.1 Load-serving entity peak load is > 25 MW and is directly connected to the bulk power (>100 kV) system, or;
- a.2 Load-serving entity is designated as the responsible entity for facilities that are part of a required underfrequency load shedding (UFLS) program designed, installed, and operated for the protection of the bulk power system, or;
- a.3 Load-serving entity is designated as the responsible entity for facilities that are part of a required undervoltage load shedding (UVLS) program designed, installed, and operated for the protection of the bulk power system.

For DPs:

- b.1 Distribution provider system serving >25 MW of peak load that is directly connected to the bulk power system.
- b.2 Distribution provider is the responsible entity that owns, controls, or operates facilities that are part of any of the following protection systems or programs designed, installed, and operated for the protection of the bulk power system:
 - a required UFLS program.
 - a required UVLS program.
 - a required special protection system.
 - a required transmission protection system.

BREA argues that WECC erroneously ignored the exemption criteria listed above.²⁵ BREA states that BPA is solely responsible for UVLS, UFLS, special protection systems, and transmission protection systems, within the BREA service territory.²⁶ Moreover, BREA claims that it cannot respond to directives of the Reliability Coordinator or its host

²² BREA Analysis at p. 7.

²³ BREA Analysis at p. 8.

²⁴ See Section III.a, NERC *Registry Criteria* (Rev. 5.0).

²⁵ BREA Appeal at p. 3.

²⁶ See BREA Appeal at p. 2. See also BREA Analysis at pp. 5-6.

BA or Transmission Operators. Thus, according to BREA, it satisfies the exemptions for an LSE and DP and should be excluded from registration.

While BREA acknowledges that it owns and operates “one seven mile segment of radial 115 kV transmission line,” BREA argues that “the line is not integrated into any other system, does not provide service to any other entity, and serves only a single substation.” Therefore, BREA does not meet the criteria of “an integrated transmission element associated with the bulk power system.”²⁷

Additionally, BREA estimates that the costs associated with compliance with Reliability Standards for the LSE and DP functions could increase annual operating costs by more than \$50,000. BREA does not believe that “causing small utilities to incur large and unnecessary costs is in the spirit of the Energy Policy Act of 2005 from which the expanded NERC registration began.”²⁸

Analysis

The NERC Board of Trustees Compliance Committee has reviewed the BREA Appeal, the BREA Analysis, the WECC Regional Assessment, and the BREA Response to the WECC Regional Assessment.

As noted above, BREA does not dispute that it meets the criteria for registration as a DP and LSE. Given this admission by BREA, WECC’s findings, and the NERC Board of Trustees Compliance Committee’s review, the Committee finds that BREA is properly registered as a DP and LSE in the WECC footprint.

BREA relies on Section III of the *Registry Criteria* for its argument that it should be excluded from registration as DP and LSE. Section III states, in pertinent part: “Entities identified in Part II above as being subject to registration as an LSE, DP, GO, GOP, TO, or TOP should be excluded from the registration list for these functions if they do not meet any of the criteria listed below.” Accordingly, BREA claims that it does not own or operate transmission facilities, generating facilities, UFLS Relays, UVLS Relays, SPS, Control Centers, or SCADA Control. With respect to BREA’s assertion that it should be exempted under the *Registry Criteria* because it does not own a substation transformer, or because BPA is solely responsible for UVLS, UFLS, special protection systems, and transmission protection systems within the BREA service territory, the Committee does not find that these claims change the fact that BREA is directly connected to the BPS. The exemptions on which BREA relies do not support de-registration, because an entity need not meet all of those requirements to be registered. Because it meets certain of those requirements, as BREA acknowledges that it does, then it is properly a candidate for registration.

²⁷ BREA Letter to WECC December 1, 2006 at 1.

²⁸ BREA Appeal at p. 3.

The BRE Analysis is provided in support of BRE's position that an outside consulting firm conducted numerous studies of the BRE system over the past 40 years, and that none of the studies ever found that BRE's system could have any material impact on the BPS. Moreover, because BRE's load is served by 19 take out points, on multiple lines, it is virtually impossible to lose the entire BRE load simultaneously. Even so, such a loss would not disturb the BPA or PacifiCorp transmission system. In the NERC Board of Trustees Compliance Committee, the BRE Analysis also provides: (1) an assessment of an actual system event (line relay operation) that resulted in the dropping of over 30% of the BRE load, which had no measurable effect on the BPS; (2) assertions that the *Registry Criteria* are flawed; and (3) an observation that certain LSEs and DPs larger than BRE are not required to register because they are connected at voltages below 100 kV. With respect to BRE's assertion that it should not be registered as an LSE or DP, because it has no material impact on the reliability of the BPS, the Committee finds that BRE has failed to meet its burden under the *Registry Criteria*. The criteria were developed to identify users, owners and operators that have a material impact on the reliability of the BPS. BRE serves greater than 25 MW of peak load, directly connected to the BPS, at greater than 100 kV, and operates the "wires" between the transmission system and the end-use customer. BRE has not identified any technical inabilities to meeting the criteria. To the contrary, BRE has provided support for its position that it is meeting the requirements of the applicable Reliability Standards.

Note four to the *Registry Criteria* allows a Regional Entity to consider the aggregate effect of a class of entities on the BPS: "[i]f an entity is part of a class of entities excluded based on the criteria above as individually being unlikely to have a material impact on the reliability of the bulk power system, but that in the aggregate have been demonstrated to have such an impact it may be registered for applicable standards and requirements irrespective of other considerations." According to WECC, it has a significant number of LSEs and DPs that meet the 25 MW criteria and are directly connected to the BPS. WECC notes that, individually, these entities may represent a small portion of a BA's load responsibility; however, in the aggregate, these small LSEs/DPs can represent more than 30% of a BA's load. Significantly, WECC states that "deregistering these LSEs/DPs could result in significant functional and geographic gaps in coverage of the mandatory Reliability Standards." Although the WECC Assessment concedes that "[i]t can be difficult to demonstrate that a small LSE/DP can materially impact the BPS in real-time," WECC rejected this argument as a basis for de-registration because the argument focused only on BRE's real-time impact. As WECC explained, "[i]n contrast to the real-time horizon, the failure to register smaller LSEs/DPs does raise 'material impact' concerns for the planning horizon." As an example, the WECC Assessment states that, "the failure of an LSE/DP to coordinate plans for new facilities, as required by Reliability Standard FAC-002-0, or to provide actual and forecast demand data, as required by Reliability Standard MOD-17-0, could result in an impact to the BPS over the long term since the BA which is responsible for planning and serving the entity would not have accurate planning data." In addition, WECC notes that, "[o]n an individual entity basis, this impact might be small. However, in the aggregate, the impact

would be magnified if many small entities are not registered and, therefore, fail to coordinate and provide this data.”²⁹

When BREA is considered as part of a group of small entities, failure to register BREA could cause long-term degradation to the quality of grid operation in the Western Interconnection. This would be contradictory to the goal of a reliable electric grid.

Moreover, BREA has not identified any physical or technical limitations that would prevent it from complying with the Reliability Standards applicable to the LSE or DP functions. Rather, to the contrary, BREA provided a copy of the Preliminary Findings of the WECC Off-Site 693 Compliance Audit of BREA dated November 3, 2009, showing no violations were identified with respect to the actively monitored NERC Reliability Standards.

Therefore, the Committee affirms WECC’s registration of BREA as an LSE and DP.

Conclusion

The NERC Board of Trustees Compliance Committee finds that BREA is properly included on NERC’s Compliance Registry as a DP and LSE. BREA has the right to file an appeal of this ruling with the Federal Energy Regulatory Commission, in accordance with 18 C.F.R. Part 385, within 21 days of the issuance of this decision, as specified in Rule 501.1.3.4 of NERC’s *Rules of Procedure*.

By the Board of Trustees Compliance Committee

²⁹ WECC Regional Assessment at p. 4.