

Consideration of Comments

Regional Reliability Standard BAL-002-WECC-1

The Regional Reliability Standard Drafting Team (Drafting Team) thanks all commentors who submitted comments on the BAL-002-WECC-1 – Contingency Reserve (Order 740 Remand).¹ This standard was posted for a 45-day public comment period from January 6, 2012 through February 20, 2012. Stakeholders were asked to provide feedback on the standard and associated documents through a special electronic comment form. There were 10 sets of comments, including comments from 13 different people from 10 companies representing six of the 10 Industry Segments as shown in the table on the following pages.

All comments submitted may be reviewed in their original format on the standard's project page:

http://www.nerc.com/filez/regional_standards/regional_reliability_standards_under_development.html

If you feel that your comment has been overlooked, please let us know immediately. Our goal is to give every comment serious consideration in this process! If you feel there has been an error or omission, you can contact the Vice President of Standards and Training, Mark Lauby, at 404-446-2560 or at mark.lauby@nerc.net. In addition, there is a NERC Reliability Standards Appeals Process.²

¹ Developed as WECC-0083.

² The appeals process is in the Reliability Standards Development Procedures: <http://www.nerc.com/standards/newstandardsprocess.html>.

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- The proposed standard has more specific criteria for the same requirements covered in a continent-wide standard
- The proposed standard has requirements that are not included in the corresponding continent-wide reliability standard
- The proposed regional difference is necessitated by a physical difference in the bulk power system.

The Industry Segments are:

- 1 — Transmission Owners
- 2 — RTOs, ISOs
- 3 — Load-serving Entities
- 4 — Transmission-dependent Utilities
- 5 — Electric Generators
- 6 — Electricity Brokers, Aggregators, and Marketers
- 7 — Large Electricity End Users
- 8 — Small Electricity End Users
- 9 — Federal, State, Provincial Regulatory or other Government Entities
- 10 — Regional Reliability Organizations, Regional Entities

Group/Individual		Commenter	Organization	Registered Ballot Body Segment									
				1	2	3	4	5	6	7	8	9	10
1.	Group	Chris Higgins	Bonneville Power Administration	X		X		X	X				
Additional Member Additional Organization Region Segment Selection													
1.	Bart	McManus	WECC 1										
2.	Fran	Halpin	WECC 5										
3.	Brenda	Anderson	WECC 6										
2.	Individual	Chris Chavez	Salt River Project	X		X		X	X				
3.	Individual	Sandra Shaffer	PacifiCorp	X		X		X	X				
4.	Individual	John Canavan	NorthWestern Corporation	X		X		X					
5.	Individual	Keira Kazmerski	Xcel Energy	X		X		X	X				
6.	Individual	Claire Lloyd	Tacoma Power	X		X	X	X	X				

Group/Individual		Commenter	Organization	Registered Ballot Body Segment									
				1	2	3	4	5	6	7	8	9	10
7.	Individual	Mark B Thompson	Alberta Electric System Operator		X								
8.	Individual	Mike Goodenough	Powerex						X				
9.	Individual	Richard Vine	California ISO		X								
10.	Individual	Tina Gary	Portland General Electric Company	X		X		X	X				

1. Do you agree the proposed standard is being developed in a fair and open process, using the associated Regional Reliability Standards Development Procedure?

Summary Consideration:

Ten of the ten respondents agreed the proposed standard is being developed in a fair and open process, using the associated Regional Reliability Standards Development Procedure. The Drafting Team appreciates the consensus.

Organization	Yes or No	Question 1 Comment
Bonneville Power Administration	Yes	
Salt River Project	Yes	
PacifiCorp	Yes	
NorthWestern Corporation	Yes	
Xcel Energy	Yes	
Tacoma Power	Yes	Tacoma Power acknowledges that the proposed new WECC standard was developed and routed through the WECC and subsequently through the NERC process. Tacoma Power has not supported this proposed new WECC standard due to the fact that it will produce approximately the same amount of total contingency operating reserves, yet it will make a significant shifting of the contingency reserve obligation between the entities, including new entities. This shifting of the contingency reserve obligation has not been shown to be a benefit to the interconnection and is unnecessary.

Organization	Yes or No	Question 1 Comment
		<p>Response:</p> <p>The Drafting Team notes and appreciates your consensus as to use of the process for developing the proposed standard and commends Tacoma for its continued participation.</p> <p>The Drafting Team also notes Tacoma’s concern that when changes are made to the reliability aspects of the grid via implementation of reliability standards, these changes do not come without a shifting of obligation or cost. Further, the Drafting Team acknowledges that as standards are implemented, cost shifting often occurs giving way to the argument that the sole intent of the changes is financially motivated. Finally, the Drafting Team acknowledges that these facts are no mystery to the industry and the processes for development of standards hold the potential to be used for financial as opposed to reliability-related purposes.</p> <p>The Drafting Team did consider the potential of cost shifting in a number of forums, largely in the early years of developing this standard. This Drafting Team and its predecessors concluded that an even split of the burden between generation and load was a reasonable approach, albeit, not the only possible approach.</p> <p>Based on the evaluation of different alternatives to determine the allocation methodology, the Drafting Team determined that this methodology had the least negative effect on the greatest number of entities. The Drafting Team acknowledges that anytime there is a cost shift, some will incur greater costs, some will lower their costs, and some will remain revenue neutral. Support or opposition for the shift generally depends on which side of the equation one falls.</p> <p>As to this specific standard, the Drafting Team does not claim to know all the differences between those entities dissuaded by the standard because it may harm their own profit and loss statements versus those in support of the standard because its higher criteria bolsters reliability. Rather, the Drafting Team has endeavored to meet both the mandates of Order 740 as well as the mandate to be responsive imposed by the Process for Developing and Approving WECC Standards (Process). The Drafting Team is reluctant to meet one obligation without also meeting the other.</p>
Alberta Electric System Operator	Yes	

Organization	Yes or No	Question 1 Comment
Powerex	Yes	
California ISO	Yes	
Portland General Electric Company	Yes	<p>Although the process has been open, WECC disregarded some major concerns voiced by the industry. Portland General Electric Company (PGE) is concerned that the consequences of the proposed standard were not fully considered and worry that the standard will have a negative impact on the reliability of the BES in the Western region. The reliability concerns with the standard must be addressed before it is approved for use by the industry. Under WECC rules, a proposed standard is submitted to NERC with only a simple majority, potentially telephonic, vote of the WECC standing committee membership. This process differs from that used by NERC, which will not pass a standards revision without a 70% weighted majority of members approving the proposed standard. During the 2011 balloting of subject matter experts and the standing committee, the proposal failed and the WECC Board sent the proposal back to the drafting committee to address issues presented in the “No” vote statements. However, the proposal is now up for comment simultaneously within both WECC and NERC without adequately addressing the concerns of the voting members.</p>
<p>Response:</p> <p>The Drafting Team notes and appreciates your consensus as to use of the process for developing the proposed standard and commends PGE for its continued participation.</p> <p>The Drafting Team notes PGE’s concurrence that the process has been fair and open. Part of that process has been the receipt, consideration, and response to PGE’s comments each time they have been submitted. The Drafting Team suggests that disagreement with PGE’s position is not the same as disregarding PGE’s position. Noting that numerous entities have commented on the document during its development, many of those entities are diametrically opposed to</p>		

Organization	Yes or No	Question 1 Comment
		<p>PGE’s position. All positions cannot be accommodated; however, all positions are considered.</p> <p>Noting PGE’s concurrence that the process has been fair and open, the Drafting Team points out that although the WECC process differs from the NERC process it still maintains a number of required tiered approvals before the document can be finally approved. Specifically, solely within WECC, the Drafting Team, which is comprised of subject matter experts, must first approve the document for forwarding to the Operating Committee. Thereafter, the Operating Committee must approve of the document and subsequently the WECC Board of Directors must approve the document. As for the document being forwarded through the process without regard to consideration of the NERC comments received during this posting, that 45-day period closed on February 20, 2012. The Drafting Team met to review the comments on February 23, 2012 before making any decision to move the document forward in the development process. The Drafting Team assures PGE that PGE’s comments have been received, considered, and addressed. They have not been disregarded.</p> <p>Finally, as to the May 19, 2011 vote, as drafted at that time the standard was approved by a majority of the Transmission Customers and failed by only three votes in the Transmission Providers category. Had those three votes been affirmative the document would have moved forward without additional change. In response to the negative votes, the Drafting Team considered the industry’s input, made a number of very positive changes, and believes the document as drafted now addresses the majority of all “no” votes cast during the May 19, 2011 ballot.</p>

2. Does the proposed standard pose an adverse impact to reliability or commerce in a neighboring region or interconnection?

Summary Consideration: Of the ten respondents, eight stated the standard poses no adverse impact to reliability. Of the remaining two, Powerex is concerned that interruptible imports will not be covered and PGE is concerned that markets and transmission might not be available, and if available, this results in an unnecessary cost shift. As to Powerex, interruptible are addressed in R3 and R4. As to PGE’s concerns, the team concluded that a mature capacity market does exist. As to the need for other markets to mature, the team believes there is ample industry experience to indicate that a market will be made where the need for a market is expressed.

Organization	Yes or No	Question 2 Comment
Bonneville Power Administration	No	
Salt River Project	No	
PacifiCorp	No	
NorthWestern Corporation	No	
Xcel Energy	No	The proposed standard addresses the shortcomings of the existing standard as it relates to commercial impacts and reliability issues while maintaining a reserve requirement comparable to the existing requirement. The existing standard pits Balancing Authority operators against non-Balancing Authority owned generation and raises questions as to what is and is not allowed when it comes to selling “firm” power from these generators. The proposed standard removes this issue from the standard and allows the Balancing Authority operator to determine the reserve quantity without having to know each transaction’s impact to the reserve requirement.
Response: The Drafting Team appreciates your support and concurs with your conclusion.		

Organization	Yes or No	Question 2 Comment
Tacoma Power	No	Tacoma Power does not know of any adverse impact to any neighboring region or interconnection.
Response: The Drafting Team appreciated your support and concurs with your conclusion.		
Alberta Electric System Operator	No	The AESO does not agree with the FERC assessment that an EEA3 level is the appropriate level for a supply shortfall situation when using firm load as reserves. An EEA3 is defined as - firm load curtailment is imminent or in progress. The AESO does not believe that using firm load as reserves, in this situation, is an “imminent” firm load curtailment (R 1.2 last bullet). NERC EOP-002-3 Attachment 1 supports this position.
<p>Response: The Drafting Team appreciates AESO’s input regarding the issue of “EEA3.”</p> <p>In FERC Order 740, P47, “NERC [agreed] with WECC that a reliability coordinator must declare a capacity or energy emergency before firm load could be considered to maintain contingency reserves...” In answering that position, FERC stated at P49, that “[B]alancing authorities and reserve sharing groups within WECC are subject to the same restrictions regarding the use of firm load as contingency reserve as balancing authorities elsewhere operating under the continent-wide Reliability Standard.”</p> <p>To clarify the EEA3 issue, the proposed standard allows for Contingency Reserve to be comprised of “All other load...once the Reliability Coordinator has declared an energy emergency alert signifying that firm load interruption is imminent or in progress.” (See R1, 1.2) It should be noted that the phrase “firm load interruption imminent or in progress” comes directly from the title of EOP-002-3, Capacity and Energy Emergencies, Attachment 1-EOP-002-2.1, Energy Emergency Alerts, “3. Alert 3 – Firm load interruption imminent or in progress” (AKA: EEA3 alert.)</p>		
Powerex	Yes	The elimination of the requirement to carry additional reserves for interruptible imports may be a step backward in reliability until such time that the issue of reserve requirements associated with interruptible imports is addressed in some way, either through another standard development process or a regional criterion that specifically identifies the operating reserves required for interruptible imports.

Organization	Yes or No	Question 2 Comment
<p>Response:</p> <p>As to the use of the undefined terms “interruptible imports” or “interruptible load,” the Drafting Team recognized that within WECC the colloquial use of these phrases is not always universally understood or implemented in a standardized fashion. To address this concern the Drafting Team opted to use the NERC-defined term “Interruptible Load” contained in the NERC Glossary to avoid any misunderstanding.</p> <p>R3 of the proposed standard directly addresses the concept of interruptible schedules and R4 addresses the concept of on-demand energy.</p> <p>The standard is not designed to address how a Balancing Authority addresses market transactions (i.e., parsing of the energy codes). The standard as drafted does not preclude the continued use of the e-Tag system in any of its iterations.</p> <p>By contrast, the standard is designed to address Contingency Reserve obligations and Contingency Reserve transactions. The standard requires that the seller of Contingency Reserves hold reserves to meet that obligation. The standard is designed to ensure that a Balancing Authority carries reserves sufficient to respond to any loss of resource to include loss of its own generation or loss of an import. Of note, the remand order did not take issue with the associated language as drafted.</p> <p>While this approach may not align with all parties’ interpretation of the retired MORC language, the Drafting Team believes it addresses the reliability needs of the grid.</p>		
California ISO	No	
Portland General Electric Company	Yes	<p>PGE is concerned that the proposed standard puts the responsibility to provide reserves in part on the Sink Balancing Authorities (BAs)/Load Serving Entities (LSEs), which are subject to an immature bilateral market for acquisition of said reserves. If Sink BAs / LSEs are not able to acquire the proposed reserve level, they could be forced to shed load to remain compliant with the proposed standard. There is a fundamental difference between the acquisition of reserves in an organized market compared to a bilateral market such as that prominent in the WECC region. In a bilaterally based market, because generators are not subject to must-run</p>

Organization	Yes or No	Question 2 Comment
		<p>requirements and are not required to offer their generation into the market, Sink BAs /LSEs do not have assured access to spinning and non-spinning capacity. Therefore, reserve requirements are currently maintained by the generators in the majority of the WECC region. Generators are the only entities that have the assured ability, without shedding load, to respond to contingency events. The transfer of reserve obligation from generators to load is an unnecessary cost shift from the parties physically able to perform, to parties that must contract. Moreover, even if a contracting party is able to secure reserves, there would be no assurance that they could secure transmission on a system encumbered due to the requirements of the proposed standard. Simply put, the proposed BAL-002-WECC-01 shifts costs with no associated increase in reliability, and would potentially reduce reliability and increase transmission constraints in the WECC region.</p>
<p>Response:</p> <p>Issue #1: Immature Market</p> <p>The Drafting Team understands PGE’s need for absolute certainty that a market will exist for the services described in the proposed standard. The Drafting Team also acknowledges PGE’s statement that, indeed, a market does not exist, though it is immature. Additionally, the Drafting Team points PGE to PacifiCorp’s statement below suggesting that, even if there is an immature market today, there is a likelihood that a new market will self-initiate to meet the needs of the marketplace. Although there is no guarantee that this standard will create a market, it is safe to say that — based on industry history — where a market need is expressed, a market will rise up to meet it. Further, there is no model that can perfectly predict market forces; thus, waiting on one as the precursor for addressing a reliability concern does not seem the wisest approach.</p> <p>Issue #2: Transfers reserve obligation to contract parties as opposed to Generators</p> <p>Although there may not be a mature bilateral market, there is a mature capacity market from which the required resources can be purchased. These capacity resources can and do provide the required resources based on their loading.</p>		

Organization	Yes or No	Question 2 Comment
		<p>Issue #3: No guarantee wires will be there</p> <p>The standard spreads the burden equally between load and generation. This spread better locates the resource to the load. Therefore, this standard provides an increased reliability over its predecessor in that it requires both load and generation (not just generation) to carry the reserves.</p>

3. Does the proposed standard pose a serious and substantial threat to public health, safety, welfare, or national security?

Summary Consideration: Of the ten respondents, all ten are in accord that the proposed standard either poses no serious/substantial threat to public health, safety, welfare, or national security; or, in the alternative, they are not in a position to perform a full analysis.

Organization	Yes or No	Question 3 Comment
Bonneville Power Administration	No	
Salt River Project	No	
PacifiCorp	No	
NorthWestern Corporation	No	
Xcel Energy	No	
Tacoma Power	No	Tacoma Power notes that the contingency reserve obligation will be shifted between the entities under the proposed new WECC standard. We do not have the expertise to determine if there is any serious or substantial threat to public health, safety, welfare, or national security due to the shifting of contingency reserve obligation between the entities.
Response: The Drafting Team appreciates your observation.		
Alberta Electric System Operator	No	
Powerex	No	
California ISO	No	

Organization	Yes or No	Question 3 Comment
Portland General Electric Company	No	

4. Does the proposed standard pose a serious and substantial burden on competitive markets within the interconnection that is not necessary for reliability?

Summary Consideration: Of the nine respondents, seven agree that the standard does not pose a serious/substantial burden on competitive markets within the interconnection that is not necessary for reliability. One did not respond. Of the two concerned respondents, Tacoma is concerned that there is no guarantee that a mature bilateral market will ever exist; albeit, they concur an immature market now exists. By contrast, PacifiCorp sees that passage of the standard could be the catalyst to creation of a new market. The standard cannot assure a market will be created; however, there is historical precedence to show that where a market need is expressed – a market will evolve. As to PGE’s multiple concerns: 1) anytime a standard is implemented resulting in a cost shift, some will pay more, some will pay less and some will be neutral, 2) interruptible imports is an ambiguous term; however interruptible transactions are already addressed in R3 and R4, and 3) like Tacoma, where a market expresses a need there is historical evidence suggesting that a market will meet those needs.

Organization	Yes or No	question 4 Comment
Bonneville Power Administration	No	
Salt River Project	No	
PacifiCorp	No	While PacifiCorp does not believe the proposed standard would pose a serious and substantial burden on existing competitive markets, we do believe that it may lead to the creation of a new market product.
Response: The Drafting Team concurs and appreciates your observation.		
NorthWestern Corporation	No	
Xcel Energy		
Tacoma Power	Yes	As Tacoma Power has stated above, this proposed new WECC standard shifts the contingency reserve obligation between the entities in WECC. Due to this shift, new or different relationships will have to be created. Cost causation principles will create

Organization	Yes or No	question 4 Comment
		<p>new issues for the entities such that the entities that are responsible for providing the new contingency reserve obligations are truly held responsible. New contracts will have to be executed between these new entities and the balancing authorities, and there is no guarantee of agreement.</p>
<p>Response: The Drafting Team appreciates Tacoma’s concern and notes that there is no single agreement on the market issue. A simple study cannot be performed that will conclude, without fail, that a market for the required services will be available. However, it is the nature of a bilateral market that when a product is needed, the market for that product often self-initiates. On point, PacifiCorp (see above) suggests in counter-point to Tacoma that the proposed standard may result in the creation of a new market and new market products. As such, waiting for a fully mature market to develop before the need is established may not be the best way to facilitate that market nor can it be the single catalyst to approving this standard since it is unlikely that a market will be created “just in case” this standard is approved.</p> <p>The Drafting Team concurs that as responsibilities shift, new agreements will have to be executed. To meet this need, and in response to an earlier comment from WECC members, the Drafting Team is requesting an extended Effective Date, in part, to allow for these new relationships to mature.</p>		
Alberta Electric System Operator	No	
Powerex	No	
California ISO	No	<p>Though the proposed standard may not pose a "serious and substantial" burden on competitive markets, the ISO feels that (1) the proposed recovery period is more burdensome than necessary and (2) more clarity should be provided as to allowed technology to meet operating reserve requirements as follows: 1. The ISO believes the last sentence in Measurements M1.1, M2 and M3 should be modified to indicate that the 60-minute recovery period begins when the DCS event is over, at the end of the allowed 15-minute recovery period. This would be consistent with what is allowed by the NERC BAL-002-0 Standards which specifically states that "The Contingency Reserve Restoration Period begins at the end of the Disturbance</p>

Organization	Yes or No	question 4 Comment
		<p>Recovery Period." The current wording "within 60 minutes of the event" is too vague and has been interpreted by the drafting team to mean "from the start of the event." This interpretation would mean that WECC entities have only 45 minutes after the recovery period to restore reserves which is only half of the 90 minutes Eastern entities would have. This seems overly burdensome and will continue to be an ever greater challenge as we increase the levels of intermittent renewables going forward.2. The proposed Requirement R2 in BAL-002-WECC-1 requires that at least half of the Contingency Reserve obligation be "Operating Reserve - Spinning", which is in the NERC Glossary of Terms. The problem is that the NERC definition of "Operating Reserve - Spinning" focuses on generation and demand response, which raises doubt as to whether a battery or other form of energy storage could be used. In keeping with the spirit that FERC has made clear that Reliability Standards should not dictate the type of technology used to meet a reserve requirement NERC should consider revising the definition of "Operating Reserve - Spinning" to ensure this is understood.</p>
<p>Response:</p> <p>Issue #1: The proposed recovery period is more burdensome than necessary.</p> <p>The Drafting Team appreciates your concern. Although a longer recovery period was suggested early on, FERC stated that unless the Drafting Team could produce substantial technical justification for the position, FERC would not agree to that inclusion. To date, the Drafting Team has not compiled what it believes to be sufficient technical justification to request a longer recovery period. Thus, it was not included in the proposed standard.</p> <p>That said, the Drafting Team would point the CAISO to Bonneville Power Authority's (BPA) comment in WECC Posting 5 of this standard wherein BPA states that "BPA will submit a SAR for the same standard to extend the time period for reserve restoration consistent with the NERC standard, 15 minutes DCS recovery plus 90 minutes for reserve restoration for a total of 105 minutes after the contingency." Further, PPL in that same comment window suggested they would support that effort.</p>		

Organization	Yes or No	question 4 Comment
		<p>Although the Drafting Team is unable to address your concerns due to the instant lack of data, the Drafting Team believes the CAISO should join with BPA and PPL to pursue the matter in the standards development process.</p> <p>Issue #2: Adjust the Measures</p> <p>The Drafting Team would refer the CAISO to the below paragraph of FERC Order 740.</p> <p>“On remand, we direct WECC to develop a modification to the reserve restoration period or provide evidence demonstrating that extending the reserve restoration period to 90 minutes and adding a disturbance recovery period of 15 minutes would not increase the risk of a major disturbance in the Western Interconnection.” FERC Order 740. P. 28.</p> <p>The above language indicates that the current application refers to 60 minutes from the time of the event – not 60 minutes following the recovery period. After repeated requests to the field, the Drafting Team has not yet been provided sufficient data to justify making the requested change.</p> <p>Although the Drafting Team does not opt to adopt your proposed language, the Drafting Team has made changes to Version 5 in an effort to clarify the matter. First, taking note that the language was contained within the measures and not the requirements, the Drafting Team was concerned that the measure added additional features not contemplated in the requirement. As such, the language was removed from the measure and moved to the requirement. This change was also made as a result of the NERC Quality Review of the proposed document.</p> <p>In Version 5, the affected language now reads as follows:</p> <p>“Except within the first sixty minutes following an event requiring the activation of Contingency Reserves....”</p> <p>That same sixty-minute period is now accurately reflected in both the requirement and the measure.</p>

Organization	Yes or No	question 4 Comment
<p>Issue #3: Can a battery be used?</p> <p>The Drafting Team does not agree with the CAISO and believes technologies, such as batteries, both contemplated and not yet contemplated are included in the standard as potential resources – so long as the undefined resource can meet the response characteristics described in the standard. The language does not preclude any specific technology; rather, the language delineates how that technology must be respond.</p> <p>As to the use of the NERC term Operating Reserve – Spinning, the Drafting Team disagrees that the NERC term focuses on generation in that the term specifically includes “generation synchronized to the system” and “load fully removable from the system”; thus, load and generation.</p> <p>To meet the CAISO’s concerns; R1, Part 1.2 states that Contingency Reserve can be comprised of “A resource, other than generation or load, that can provide energy or reduce energy consumption.” This wide berth should accommodate new technologies both now conceived and conceivable in the future.</p>		
<p>Portland General Electric Company</p>	<p>Yes</p>	<p>PGE is concerned with the movement toward unnecessary changes to an approved reliability standard as proposed in BAL-002-WECC-1 that will not result in increased reliability. The changes made through BAL-002-WECC-1 go beyond the language clarity and consistency required by FERC in the 2007 Order (RR07-11) and seem to be driven more by the economic interests to shift contingency reserve responsibility (i.e. costs) from the generators to the loads rather than improving reliability. Changes to reliability standards should be driven by technical merit weighed against overall costs. The standards process should not be used as a lever to shift costs among members. o The current "Tier One" BAL-STD-002-0 reflects the longstanding WECC Minimum Operating Reliability Criteria (MORC) by breaking down required operating reserve into four components: regulating reserve, contingency reserve, reserve for on-demand obligations, and reserves for interruptible imports. However, the proposed BAL-002-WECC-1 narrows the scope to only contingency reserve, which raises the question of what happens to the other components. In the time since the</p>

Organization	Yes or No	question 4 Comment
		<p>initial comment period on BAL-002-WECC-1, WECC has retired the WECC MORC with some parts preserved as new “criteria”. However, the reserve requirements for interruptible schedules and on-demand rights/obligations were not preserved. The passage of the proposed BAL-002-WECC-1 and the retirement of the WECC MORC would remove any explicit reserve requirements for interruptible schedules and on-demand rights/obligations. The effect of this can only be a step down in the reliability of the interconnected system.</p> <ul style="list-style-type: none"> o The clarification of "load responsibility" and e-tag 1.8 helped characterize the nature of the transactions. For the "sink" BA, it identified those imports that were "firm for the hour". The simplified calculation of contingency reserve in BAL-002-WECC-1 does NOT consider the responsibility of the BA to anticipate which imports might be interrupted in-hour, and therefore the quantity of additional reserves that need to be available. Under BAL-002-WECC-1 everyone will be forced to parse the energy codes to infer what energy is "firm for the hour". BAL-002-WECC-1 should require continued use of the "load responsibility" feature in e-tag 1.8 to clearly identify those transactions that are not "firm for the hour". o Despite industry-voiced concerns over the difficulty of interpreting "load responsibility", BAL-002-WECC-1 is saddled with the term "interruptible load". Such poorly defined terms put the BA in a position to judge whether or not loads offered up by an LSE meet the contract requirements of being "interruptible". o BAL-002-WECC-1 is assuming a robust reserves market in the West. The West does not have a mature reserves market. This new standard will put additional burden on the load serving entities by forcing them to procure reserves, if available, from third parties in order to meet the new standard. PGE is concerned this requirement will increase demand for capacity across constrained transmission without any beneficial increase in reliability. o PGE is concerned that the proposed standard puts the responsibility to provide reserves in part on the Sink Balancing Authorities (BAs)/Load Serving Entities (LSEs), which are subject to an immature bilateral market for acquisition of said reserves. If Sink BAs / LSEs are not able to acquire the proposed reserve level, they could be forced to shed load to remain compliant with the proposed standard. There is a fundamental difference between

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		<p>the acquisition of reserves in an organized market compared to a bilateral market such as that prominent in the WECC region. In a bilaterally based market, because generators are not subject to must-run requirements and are not required to offer their generation into the market, Sink BAs /LSEs do not have assured access to spinning and non-spinning capacity. Therefore, reserve requirements are currently maintained by the generators in the majority of the WECC region. Generators are the only entities that have the assured ability, without shedding load, to respond to contingency events. The transfer of reserve obligation from generators to load is an unnecessary cost shift from the parties physically able to perform, to parties that must contract. Moreover, even if a contracting party is able to secure reserves, there would be no assurance that they could secure transmission on a system encumbered due to the requirements of the proposed standard. Simply put, the proposed BAL-002-WECC-01 shifts costs with no associated increase in reliability, and would potentially reduce reliability and increase transmission constraints in the WECC region.</p>
<p>Response:</p> <p>Issue #1: Use of Process for Cost Shifting</p> <p>The Drafting Team notes your concern that when changes are made to the reliability aspects of the grid via implementation of reliability standards, these changes do not come without cost. Further, the Drafting Team acknowledges that as standards are implemented, cost shifting often occurs giving way to the argument that the sole intent of the changes is financially motivated. Finally, the Drafting Team acknowledges that these facts are no mystery to the industry and the processes for development of standards hold the potential to be used for financial as opposed to reliability-related purposes.</p> <p>The Drafting Team did consider the potential of cost shifting in a number of forums, largely in the early years of developing this standard. This Drafting Team and its predecessors concluded that an even split of the burden between generation and load was a reasonable approach, albeit, not the only possible approach.</p> <p>Based on the evaluation of different alternatives to determine the allocation methodology, the Drafting Team determined that this methodology had the least negative effect on the greatest number of entities. The Drafting Team acknowledges</p>		

Organization	Yes or No	question 4 Comment
		<p>that anytime there is a cost shift, some will incur greater costs, some will lower their costs, and some will remain revenue neutral. Support or opposition for the shift generally depends on which side of the equation one falls. For example, please see NV Energy’s comment above stating their own entity’s position on what constitutes a just split of costs.</p> <p>As to this specific standard, the Drafting Team does not claim to know all the differences between those entities dissuaded by the standard because it may harm their own profit and loss statements versus those in support of the standard because its higher criteria bolsters reliability. Rather, the Drafting Team has endeavored to meet both the mandates of Order 740 as well as the mandate to be responsive imposed by the Process for developing and Approving WECC Standards (Process). The Drafting Team is reluctant to meet one obligation without also meeting the other.</p> <p>Issue #2: The Standard’s scope regarding “MORC” is Too Narrow</p> <p>The Drafting Team disagrees with your conclusion. R3 directly addresses the concept of interruptible schedules and R4 addresses the concept of on-demand energy. (Note: “Interruptible imports” remains an undefined term not uniformly used across the Western Interconnection.)</p> <p>Issue #3: Addressing Interruptible Imports / Using the “Load Responsibility” concept</p> <p>The standard is not designed to address how a Balancing Authority addresses market transactions (i.e., parsing of the energy codes). The standard as drafted does not preclude the continued use of the e-Tag system in any of its iterations.</p> <p>By contrast, the standard is designed to address Contingency Reserve obligations and Contingency Reserve transactions. Further, the standard requires that the seller of Contingency Reserves hold reserves to meet that obligation. The standard is designed to ensure that a Balancing Authority carries reserves sufficient to respond to any loss of resource to include loss of its own generation or loss of an import. Of note, the remand order did not take issue with the associated language as drafted.</p> <p>As to the use of the undefined term “interruptible load,” the Drafting Team recognized that within WECC the colloquial use of the phrase is not always implemented in a standardized fashion. To address this concern the Drafting Team opted to use the defined term “Interruptible Load” contained in the NERC Glossary to avoid any misunderstanding.</p> <p>Issue #4: An immature Market may Preclude Compliance</p> <p>The immature market issue was already addressed above; please refer there.</p>

Organization	Yes or No	question 4 Comment
<p>The Drafting Team recognizes PGE’s market concerns as well as the likelihood that costs and burdens may shift to meet the “3 and 3” proposal; some entities may experience a cost increase whereas some may experience a cost decrease. The choice of “3 and 3” was made in an effort to arrive at an equitable calculation of Contingency Reserve.</p>		

5. Does the proposed regional reliability standard meet at least one of the following criteria?

- The proposed standard has more specific criteria for the same requirements covered in a continent-wide standard
- The proposed standard has requirements that are not included in the corresponding continent-wide reliability standard
- The proposed regional difference is necessitated by a physical difference in the bulk power system.

Summary Consideration: All respondents concurred that the proposed standard meets at least one of the NERC reliability criteria.

Organization	Yes or No	Question 4 Comment
Bonneville Power Administration	Yes	
Salt River Project	Yes	
PacifiCorp	Yes	

Organization	Yes or No	Question 4 Comment
NorthWestern Corporation	Yes	
Xcel Energy	Yes	
Tacoma Power	Yes	<p>Tacoma Power believes that at least one of the criteria is met. However, that does not mean it is the right thing to do. We believe that this proposed new WECC standard has a significant shift in the contingency reserve obligation without any demonstrated benefits and no increased reliability. We urge you to not approve the proposed new WECC standard. Thank you for consideration of our comments.</p>
<p>Response: The Drafting Team appreciates your comment. The “3 and 3” spread will result in roughly the same amount of Contingency Reserves being carried as under the existing standard. By contrast to the existing standard, the proposed standard provides clarity as to the BAs’ reserve requirement, and removes market transactions from the determination of the reserve requirement.</p>		
Alberta Electric System Operator	Yes	
Powerex	Yes	
California ISO	Yes	
Portland General Electric Company	Yes	<p>a. While the proposed standard has more specificity than the continent-wide standard, the proposed standard’s increased specificity has not been proven to provide additional reliability or clarity than the existing regional reliability standard.</p> <p>b. The proposed standard does not include requirements that are not included in the corresponding continent-wide reliability standard that are not already contained within the existing regional reliability standard.</p> <p>c. The proposed standard does not consider the differences between the bulk of WECC’s operational model (i.e., a bilateral path based model), and a centrally</p>

Organization	Yes or No	Question 4 Comment
		<p>managed flow based model. Ignoring the differences between the two models and implementing the proposed standard would impose cost shifting with the potential for a reduced level of reliability. The reduced liability would be due to reserve requirements being placed on entities that have no assured ability to respond to contingency events without shedding load.</p>
<p>Response:</p> <p>Issue #1: The standard does not provide additional reliability</p> <p>The Drafting Team appreciates your comment. The “3 and 3” spread will result in roughly the same amount of Contingency Reserves being carried as under the existing standard. By contrast to the existing standard, the proposed standard provides clarity as to the BAs’ reserve requirement. The proposed standard calculates the reserve requirement independent of market transactions, and electrically places the reserves closer to the load to be served.</p> <p>The proposed standard closes a gap contained in the existing standard in that, under the existing standard, there is not a requirement for renewable generation to be included in the calculation of the Contingency Reserve requirement. The existing standard requires Contingency Reserve based only on hydro and thermal generation; it does not include renewable. There is such a requirement in the proposed standard. The proposed standard, which requires inclusion of all types of generation in the calculation of the Contingency Reserve amount, enhances reliability over the existing standard. With the large amount of existing and proposed wind, PV, and other renewable, this is a substantial improvement in reliability.</p> <p>Issue #2: There are no new requirements compared to the existing standard.</p> <p>Please see comment above.</p> <p>Issue #3: Immature bilateral contract market</p> <p>Please see the Drafting Team’s responses above regarding immature markets and shifting of costs.</p>		

6. Additional Comments Submitted

Summary Consideration:

The team thanks all respondents for their time and considered responses. For those seeking change to the standard beyond those contemplated in the current request, the team encourages full use of the standards development process.

The distribution of the “3 and 3” between load and generation is designed to equitably spread the reserve burden. Within the industry there is ample example that where a market need is expressed, a market will develop to meet that need.

Wherever appropriate, the team opted to use NERC defined terms, such as Interruptible Load as opposed to the undefined term “interruptible” often used within WECC but not uniformly implemented.

Organization	Yes or No	Additional Comments
Bonneville Power Administration	Yes	BPA is supportive of this standard. However, BPA does have the following comment with the standard, with the understanding that this is not going to be a change to the standard as submitted: BPA will submit a SAR for the same standard to extend the time period for reserve restoration consistent with the NERC standard, 15 minute DCS recovery plus 90 minutes for reserve restoration for a total of 105 minutes after the contingency. BPA does understand that this issue is not currently a part of the proposed changes due to insufficient documentation being submitted to FERC during the first iteration of this standard. Since this time, a large amount of documentation that justifies expanding the recovery period has been submitted to the drafting team. This documentation detailed why thermal issues with the transmission system are not an issue in WECC plus showed that there is almost nonexistent increase in risk to WECC with expanding the recovery period. Although BPA understands that it is not desired by WECC members to confront this issue with this iteration of the standard, BPA strongly

Organization	Yes or No	Additional Comments
		recommends that, if this standard is approved by FERC, WECC immediately reconvene the drafting team in order to correct this issue.
<p>Response: The Drafting Team appreciates your support as well as your initiative and further notes the reiteration of your position as made in BAL-002-WECC-1, Posting 2 and again in Posting 5. The Drafting Team encourages full use of the standards development process and thanks BPA for acknowledging the confines under which the Drafting Team has labored.</p>		
NorthWestern Corporation	No	<p>NorthWestern Energy disagrees with the amount of Contingency Reserve equal to the sum of three percent of hourly integrated load plus three percent of hourly integrated generation as specified in Requirement 1 of BAL-002-WECC-1. This amount of Contingency Reserve strays away from the current requirement of the sum of five percent of the load responsibility served by hydro and wind generation and seven percent of the load responsibility served by thermal generation. The sum of five and seven percent Contingency Reserve responsibility is a tried practice that has proven to allocate adequate Contingency Reserve to responsible entities in the Western interconnection. In addition, NorthWestern Energy recommends that Contingency Reserves and Operating Reserves be defined in the proposed BAL-004-WECC-1 standard. The use of these terms in the standard does not seem to be consistent with industry standards and it leads to confusion when the two terms are referenced and interchanged throughout the document.</p>
<p>Response:</p> <p>Issue #1: The amount strays from 5 hydro/wind and 7 thermal</p> <p>The “3 and 3” has already been approved by the WECC Operating Committee, and when reviewed by FERC in the Order 740 Remand Order, FERC did not challenge the allocation. The Drafting Team notes that the existing standard does not specifically require reserves to be carried for “wind.” By contrast, the proposed standard would require that reserves be carried for ‘all’ generation. This would also include wind, PV, and “all” renewable generation.</p> <p>When studied by the Drafting Team, the 3 and 3 allocation resulted in an amount of Contingency Reserve essentially the</p>		

Organization	Yes or No	Additional Comments
		<p>same as the “tried and true” 5 and 7.</p> <p>Issue #2: Contingency Reserves and Operating Reserves should be defined in BAL-004-WECC-1 – not here.</p> <p>The Drafting Team notes that it has no control over the BAL-004-WECC-1 standards development process. (Could this have been a typo?) The Drafting Team notes that the terms Operating Reserve – Spinning and Operating Reserve – Supplemental are currently NERC-defined terms, used in this standard, the definitions for which have been taken directly from the NERC Glossary without change.</p> <p>To avoid confusion as to the definitions, WECC will respond to FERC Order 740, at Paragraph 62, and request that the WECC Operating Committee retire the term “Spinning Reserve” from the WECC Glossary.</p>
<p>Powerex</p>		<p>Powerex has indicated in its previous comments that WECC should continue the operating reserves requirements for interruptible imports, as specified in the current standard (BAL-STD-002-0 - Operating Reserves): WR1.a Minimum Operating Reserve. Each Balancing Authority shall maintain minimum Operating Reserve which is the sum of the following:...(iii) Additional reserve for interruptible imports. An amount of reserve, which can be made effective within ten minutes, equal to interruptible imports. It is the opinion of Powerex that the above requirement should remain in place until such time that the issue of reserve requirements associated with interruptible imports is addressed in some way, either through another standard development process or a regional criteria that specifically identifies the operating reserves required for interruptible imports. Though the term “interruptible imports” has never been clearly defined by WECC or NERC, the language was placed in the standard to differentiate an interruptible energy product - a product that may be curtailed for ANY reason, including the lack of sufficient operating reserves to hold the schedule whole for the scheduling period, from a “Firm” energy product - a product served by sufficient generating resources that the energy would not be curtailed during the scheduling period, unless those resources were depleted as a result of an event that qualified as that for which Contingency Reserve could be deployed. Removing the requirement from the current</p>

Organization	Yes or No	Additional Comments
		<p>standard could lead to further confusion over the requirement for reserves associated with interruptible imports. Right now in WECC there exists an unacceptable lack of clarity with respect to regulation requirements associated with energy interchange scheduling, and arguably there is no clear, standardized means of communicating the type of energy product (i.e. Firm, interruptible, or Unit Contingent) associated with an exchange. Powerex acknowledges that the Operating Reserve (i.e. Contingency Reserve) standard alone cannot address these concerns, but we feel it is premature to eliminate the language until the concerns are addressed via some other regulatory requirement.</p>
<p>Response:</p> <p>Removing the requirement to address interruptible power could lead to further confusion. It may be premature to eliminate the language until the concerns are addressed via some other regulatory requirement.</p> <p>The Drafting Team notes that the Powerex hypothesis as to the intent of the language may not be accurate because the language was included in WECC’s MORC document long before energy markets were deregulated.</p> <p>As to the development of markets, the “5 and 7” Contingency Reserve concept was developed decades ago. In response, markets developed to match the need. It is anticipated that as the “3 and 3” is implemented, the market will respond accordingly.</p> <p>As to clarity of “regulation” requirements, this standard does not address the Regulating Reserve portion of Operating Reserves. This issue is addressed under NERC’s BAL-001 standard.</p> <p>The proposed standard is not designed to address how a Balancing Authority addresses market transactions (i.e., parsing of the energy codes). The proposed standard does not preclude the continued use of the e-Tag system in any of its iterations.</p> <p>By contrast, the proposed standard is designed to address Contingency Reserve obligations and Contingency Reserve transactions. Further, the proposed standard requires that the seller of Contingency Reserves hold reserves to meet that obligation. The standard is designed to ensure that a Balancing Authority carries reserves sufficient to respond to any loss of resource to include loss of its own generation or loss of an import. Of note, the remand order did not take issue with the</p>		

Organization	Yes or No	Additional Comments
		<p>associated language as drafted.</p> <p>As to the use of the undefined term “interruptible load,” the Drafting Team recognized that within WECC the colloquial use of the phrase is not always implemented in a standardized fashion. To address this concern the Drafting Team opted to use the defined term “Interruptible Load” contained in the NERC Glossary to avoid any misunderstanding.</p> <p>Finally, the Drafting Team believes the current methodology cited by Powerex does not add any clarity nor does it have universal agreement as to its implementation; rather, the existing language is the source of the ambiguity. The Drafting Team encourages Powerex to initiate a SAR to facilitate addressing Powerex’ concerns.</p>

END OF REPORT