

March 22, 2018

VIA OVERNIGHT MAIL

Sheri Young, Secretary of the Board
National Energy Board
517 – 10th Avenue SW
Calgary, Alberta
T2R 0A8

Re: *North American Electric Reliability Corporation*

Dear Ms. Young:

The North American Electric Reliability Corporation hereby submits Notice of Filing of the North American Electric Reliability Corporation of Proposed Reliability Standard BAL-004-WECC-3. NERC requests, to the extent necessary, a waiver of any applicable filing requirements with respect to this filing.

Please contact the undersigned if you have any questions concerning this filing.

Respectfully submitted,

/s/ Shamai Elstein

Shamai Elstein
*Senior Counsel for the North American Electric
Reliability Corporation*

Enclosure

3353 Peachtree Road NE
Suite 600, North Tower
Atlanta, GA 30326
404-446-2560 | www.nerc.com

**BEFORE THE
NATIONAL ENERGY BOARD**

**NORTH AMERICAN ELECTRIC)
RELIABILITY CORPORATION)**

**NOTICE OF FILING OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION OF PROPOSED
REGIONAL RELIABILITY STANDARD BAL-004-WECC-3**

Shamai Elstein
Senior Counsel
Marisa Hecht
Counsel
North American Electric Reliability Corporation
1325 G Street, N.W., Suite 600
Washington, D.C. 20005
(202) 400-3000
shamai.elstein@nerc.net
marisa.hecht@nerc.net

*Counsel for the North American Electric
Reliability Corporation*

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NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION OF PROPOSED
REGIONAL RELIABILITY STANDARD BAL-004-WECC-3**

The North American Electric Reliability Corporation (“NERC”) hereby provides notice of proposed regional Reliability Standard BAL-004-WECC-3 – Automatic Time Error Correction. Regional Reliability Standard BAL-004-WECC-3 seeks to maintain Interconnection frequency and to ensure that Time Error Corrections and Primary Inadvertent Interchange (“PII”) payback are effectively conducted in a manner that does not adversely affect the reliability of the Interconnection.

Proposed regional Reliability Standard BAL-004-WECC-3 (**Exhibit A**) is just, reasonable, not unduly discriminatory or preferential, and in the public interest.¹ NERC also provides notice of: (i) the associated Implementation Plan (**Exhibit B**) for the proposed regional Reliability Standard; (ii) the associated Violation Risk Factors (“VRFs”) and Violation Severity Levels (“VSLs”) (**Exhibits A and C**); and (iii) the retirement of existing regional Reliability Standard BAL-004-WECC-2. The NERC Board of Trustees adopted proposed regional Reliability Standard BAL-004-WECC-3 on February 8, 2018.

This filing presents the technical basis and purpose of proposed regional Reliability Standard BAL-004-WECC-3; a demonstration that the proposed regional Reliability Standard

¹ Unless otherwise designated, all capitalized terms shall have the meaning set forth in the *Glossary of Terms Used in NERC Reliability Standards*, available at http://www.nerc.com/files/Glossary_of_Terms.pdf.

meets the Reliability Standards criteria (**Exhibit C**); and a summary of the development history (**Exhibit D**).

I. EXECUTIVE SUMMARY

The purpose of proposed regional Reliability Standard BAL-004-WECC-3 is to maintain Interconnection frequency and to ensure that Time Error Corrections and PII payback are effectively conducted in a manner that does not adversely affect the reliability of the Western Interconnection. Proposed regional Reliability Standard BAL-004-WECC-3 includes requirements that address the following: limits on the maximum accumulated PII; the deadline for correcting an error in PII; keeping Automatic Time Error Correction (“ATEC”) in service with allowable exceptions; calculating hourly PII, accumulated PII, and ATEC; changing Automatic Generation Control operating modes to correspond to current operating conditions; recalculating the hourly PII and accumulated PII whenever adjustments are made to hourly Inadvertent Interchange; adjusting accumulated PII based on any month-end meter reading adjustments to Inadvertent Interchange; and using ATEC for Inadvertent Interchange payback.

Proposed regional Reliability Standard BAL-004-WECC-3 improves upon the existing standard by referencing the WECC Interchange Tool (“WIT”) and refining language in Requirement R1, as explained further below. Requiring Balancing Authorities operating synchronously in WECC to operate to centralized calculations of accumulated PII made in the WIT or successor electronic tool provides clarity on the source data. WECC also changed the action required of Balancing Authorities from “verify” to “operate its system” in Requirement R1. In addition, WECC restructured the language of Requirement R1 to comport with the revised action. Development of the proposed standard followed Commission-approved standards development processes and included subject matter experts with experience in Balancing Authority operations in the Western Interconnection.

NERC respectfully provides notices of proposed regional Reliability Standard BAL-004-WECC-3, the associated VRFs and VSLs, the Implementation Plan, and the retirement of the existing regional Reliability Standard BAL-004-WECC-2. The following filing presents the justification for approval and supporting documentation.

II. NOTICES AND COMMUNICATIONS

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

Shamai Elstein
Senior Counsel
Marisa Hecht
Counsel
North American Electric Reliability Corporation
1325 G Street, N.W., Suite 600
Washington, D.C. 20005
(202) 400-3000
shamai.elstein@nerc.net
marisa.hecht@nerc.net

*Counsel for the North American Electric
Reliability Corporation*

III. BACKGROUND

The following background information is provided below: (a) an explanation of the regulatory framework for regional Reliability Standards; (b) an explanation of the WECC Regional Reliability Standards development process; and (c) the history of Project WECC-0124 BAL-004-WECC-3 Automatic Time Error Correction Modification.

A. Regulatory Framework

A regional difference from a continent-wide Reliability Standard must either be: (1) more stringent than the continent-wide Reliability Standard, or (2) necessitated by a physical difference in the Bulk-Power System. Due weight is given to the technical expertise of a Regional Entity, like

WECC, that is organized on an Interconnection-wide basis with respect to a regional Reliability Standard to be applicable within that Interconnection.

B. WECC Regional Reliability Standards Development Process

The proposed regional Reliability Standard was developed in an open and fair manner and in accordance with the WECC Reliability Standards Development Procedures.² NERC's proposed common attributes for regional Reliability Standard development and WECC's Reliability Standards Development process provide for reasonable notice and opportunity for public comment, due process, openness, and a balance of interests in developing Reliability Standards and thus addresses certain of the criteria for approving Reliability Standards. The development process is open to any person or entity that is an interested stakeholder. WECC considers the comments of all stakeholders, and a vote of stakeholders and the WECC Board of Directors is required to approve a WECC regional Reliability Standard. Once the standard is approved by the WECC Board of Directors, NERC posts the approved regional Reliability Standard for an additional comment period. Then the NERC Board of Trustees must adopt the regional Reliability Standard before the regional Reliability Standard is submitted to the applicable governmental authorities.

C. Development of Proposed Regional Reliability Standard

As further described in Exhibit D hereto, proposed regional Reliability Standard BAL-004-WECC-3 was developed as part of an effort to improve upon regional Reliability Standard BAL-004-WECC-2, through a project entitled WECC-0124 Automatic Time Error Correction Modification. On August 28, 2017, the fourth and final draft of proposed regional Reliability

² The WECC Reliability Standards Development Procedures are available at <https://www.wecc.biz/Reliability/WECC%20Reliability%20Standards%20Development%20Procedures%20-%20FERC%20Approved%20October%2027%202017.pdf>.

Standard BAL-004-WECC-3 received the requisite approval from the registered ballot body, with a weighted approval of 97.6 percent. The WECC Board of Directors approved the standard on December 6, 2017 and submitted the proposed standard to the NERC Board of Trustees for adoption. NERC posted the proposed standard for a 45-day comment period concluding on January 16, 2018. There were no additional changes after this comment period. The NERC Board of Trustees adopted the standard on February 8, 2018.

IV. JUSTIFICATION

As discussed in detail in Exhibit C, proposed regional Reliability Standard BAL-004-WECC-3 – Automatic Time Error Correction is just, reasonable, not unduly discriminatory or preferential, and in the public interest. As described more fully herein and in Exhibit C, the proposed regional Reliability Standard provides reliability benefits for the Bulk-Power System in the WECC region.

As noted in previous filings, ATEC reduces manual Time Error Corrections, reduces accumulated Inadvertent Interchange, and better identifies the Balancing Authorities responsible for the Inadvertent Interchange.³ Interconnections aim to operate at a frequency of 60 Hertz (“Hz”). However, over time the average frequency may be above or below 60 Hz, resulting in Time Error.⁴ This discrepancy in frequency results from a load-interchange-generation imbalance, which also causes Inadvertent Interchange.⁵ Time Error Correction is “the procedure Reliability

³ *Notice of Filing of the North American Electric Reliability Corporation of BAL-004-WECC-02 and BAL-001-1*, (Oct. 7, 2013) at 6-7 (“BAL-004-WECC-2 Filing”); *Notice of Filing of the North American Electric Reliability Corporation of One Proposed Western Electricity Coordinating Council Regional Reliability Standard Regarding Automatic Time Error Correction and Three Definitions*, (Aug. 4, 2008) at 8.

⁴ The *Glossary of Terms Used in NERC Reliability Standards* (“NERC Glossary”) defines “Time Error” as “[t]he difference between the Interconnection time measured at the Balancing Authority(ies) and the time specified by the National Institute of Standards and Technology. Time error is caused by the accumulation of Frequency Error over a given period.”

⁵ The *NERC Glossary* defines “Inadvertent Interchange” as “[t]he difference between the Balancing Authority’s Net Actual Interchange and Net Scheduled Interchange.”

Coordinators and Balancing Authorities follow to reduce Time Error and regulate the average frequency closer to 60 Hz.”⁶ Manual Time Error Correction performs this offset to the frequency schedule as requested by an Interconnection time monitor, whereas ATEC performs this offset continuously within each WECC Balancing Authority’s Area Control Error equation. As a result, ATEC helps to ensure Inadvertent Interchange payback occurs closer in time to the frequency imbalance, thus helping to reduce Time Error, the need for manual Time Error Corrections, and accumulated Inadvertent Interchange.

The purpose of proposed regional Reliability Standard BAL-004-WECC-3 is to maintain Interconnection frequency and to ensure that Time Error Corrections and PII payback are effectively conducted in a manner that does not adversely affect the reliability of the Interconnection. The proposed regional Reliability Standard achieves this purpose by requiring Balancing Authorities operating synchronously in the Western Interconnection to automatically correct for time error to reduce manual Time Error Corrections and help ensure payback of the difference between the Net Actual Interchange and the Net Scheduled Interchange occurs among Balancing Authorities. The provisions of the proposed standard provide for a quicker and more accurate adjustment of interchange by better identifying the Balancing Authorities responsible for the Inadvertent Interchange.

The proposed standard includes requirements for the maximum limit of accumulated PII for the end of each month (Requirement R1); the deadline for correcting an error in the calculation of the hourly PII and adjusting the accumulated PII (Requirement R2); keeping ATEC in service with allowable exceptions (Requirement R3); calculating hourly PII, accumulated PII, and ATEC using the WIT or its successor tool (Requirement R4); the ability for Balancing Authorities to

⁶ BAL-004-WECC-2 Filing at 7; the *NERC Glossary* defines “Time Error Correction” as “[a]n offset to the Interconnection’s scheduled frequency to return the Interconnection’s Time Error to a predetermined value.”

change Automatic Generation Control operating modes to correspond to current operating conditions (Requirement R5); recalculating the hourly PII and accumulated PII whenever adjustments are made to hourly Inadvertent Interchange (Requirement R6); adjusting accumulated PII based on any month-end meter reading adjustments to Inadvertent Interchange (Requirement R7); and using ATEC for Inadvertent Interchange payback (Requirement R8).

This section of the filing addresses: (a) the description and technical basis of the proposed requirements; and (b) the enforceability of the proposed standard.

A. Description and Technical Basis of Proposed Requirements

Proposed regional Reliability Standard BAL-004-WECC-3 revises the existing requirements in regional Reliability Standard BAL-004-WECC-2 to reference the WIT, or its successor electronic confirmation tool, throughout the requirements. The proposed modifications are also designed to improve upon the language of BAL-004-WECC-2 by providing additional clarity and specificity.

1. WECC Interchange Tool

Proposed regional Reliability Standard BAL-004-WECC-3 references the WIT or its successor electronic confirmation tool in Requirements R1 and R4 as well as the measures. The WIT is a software system that facilitates and coordinates interchange between Balancing Authorities in the WECC region and permits increased monitoring of interchange transactions by Reliability Coordinators. Proposed Requirement R1 clarifies that accumulated PII is calculated using WIT to ensure that it is less than or equal to 150% of either the previous calendar year's integrated hourly Peak Demand for load-serving Balancing Authorities or peak generation for generation-only Balancing Authorities. Currently-effective BAL-004-WECC-2 allows for other forms of calculating accumulated PII so the proposed change provides additional specificity. Proposed Requirement R4 requires each Balancing Authority to compute its hourly PII,

accumulated PII, and ATEC using WIT no later than 50 minutes after each hour. Requiring entities to use a common tool to reconcile accumulations of PII provides consistency across the Western Interconnection and reduces invalid implementation of ATEC. WECC revised the measures language to incorporate WIT in example evidence.

2. Other Clarifications

The proposed regional Reliability Standard BAL-004-WECC-3 includes clarifications that improve upon the existing standard. In Requirement R1, WECC changed the verb “verify” to “operate its system” to describe the action required of Balancing Authorities. With the verb “verify,” entities were required to check at the end of the month that the PII met Requirement R1. With “operate its system,” WECC intends that entities are required to take proactive steps to ensure their system meets Requirement R1 during operation rather than only view its performance after-the-fact. This change promotes a more precise operation of the system. In addition, WECC restructured the language of Requirement R1 based on the revised verb. WECC moved the clause “following the conclusion of each month” within Requirement R1 to indicate that the system should be operated so that the value of the Accumulated PII should be the value required by the standard following the conclusion of each month. Finally, WECC made other non-substantive changes to the standard by rewording “monthly On Peak period and the monthly Off Peak period” to “month-end absolute value of its On-Peak and Off-Peak, Accumulated [PII].” These revisions enhance the clarity and unambiguity of proposed regional Reliability Standard BAL-004-WECC-3. Finally, WECC relocated the background section from the beginning of the Reliability Standard to the Guidelines and Technical Basis Section.

B. Enforceability of Proposed Regional Reliability Standard BAL-004-WECC-3

The proposed regional Reliability Standard includes VRFs and VSLs that are unchanged from BAL-004-WECC-2. The VSLs provide guidance on the way that NERC will enforce the

requirements of the proposed regional Reliability Standard. The VRFs are one of several elements used to determine an appropriate sanction when the associated requirement is violated. The VRFs assess the impact to reliability of violating a specific requirement. The VRFs and VSLs for the proposed regional Reliability Standard comport with NERC and FERC guidelines related to their assignment.

The proposed regional Reliability Standard also includes measures that support each requirement by clearly identifying what is required and how the requirement will be enforced. These measures help ensure that the requirements will be enforced in a clear, consistent, and non-preferential manner and without prejudice to any party.

V. EFFECTIVE DATE

The proposed regional Reliability Standard BAL-004-WECC-3 and the retirement of BAL-004-WECC-2 will become effective as set forth in the proposed Implementation Plan, provided in Exhibit B hereto. The proposed Effective Date of the proposed regional Reliability Standard is the first day of the second quarter following applicable regulatory approval.

Respectfully submitted,

/s/ Marisa Hecht

Shamai Elstein
Senior Counsel
Marisa Hecht
Counsel
North American Electric Reliability Corporation
1325 G Street, N.W., Suite 600
Washington, D.C. 20005
(202) 400-3000
shamai.elstein@nerc.net
marisa.hecht@nerc.net

*Counsel for the North American Electric
Reliability Corporation*

Date: March 22, 2018

EXHIBITS A -- B and D — E

EXHIBIT C

Reliability Standards Criteria for Proposed Regional Reliability Standard

BAL- 004-WECC-3

Reliability Standards Criteria WECC-0124 BAL-004-WECC-3 Automatic Time Error Correction

NERC is responsible for ensuring that the Reliability Standards, Violation Risk Factors (VRF), Violation Severity Levels (VSL), definitions, Variances, and Interpretations developed by drafting teams are developed in accordance with NERC processes. They must also meet NERC's benchmarks for Reliability Standards, as well as criteria for governmental approval.

The discussion below explains how the proposed regional reliability standard meets or exceeds the Reliability Standards criteria:

1. Proposed Reliability Standards must be designed to achieve a specified reliability goal.

NERC Reliability Standards are based on certain reliability principles that define the foundation of reliability for North American bulk power systems. Each reliability standard shall enable or support one or more of the reliability principles, thereby ensuring that each standard serves a purpose in support of reliability of the North American bulk power systems. Each reliability standard shall also be consistent with all of the reliability principles, thereby ensuring that no standard undermines reliability through an unintended consequence. NERC Reliability Principles¹

The Purpose of WECC-0124 BAL-004-WECC-3, Automatic Time Error Correction (ATEC) is "To maintain Interconnection frequency and to ensure that Time Error Corrections and Primary Inadvertent (PII) payback are effectively conducted in a manner that does not adversely affect the reliability of the Interconnection."

Of the eight NERC Reliability Principles, ATEC addresses two.

Reliability Principle 2 states:

"The frequency and voltage of interconnected bulk power systems shall be controlled within defined limits through the balancing of real and reactive power supply and demand."

As proposed, BAL-004-WECC-3 changes the standard's focus from verification to operation. Each Balancing Authority (BA) operating synchronously in the Western Interconnection would be required to *operate* its system such that following the conclusion of each month, specific Primary Inadvertent Interchange values fall within a specified range. One way this is achieved is by maintaining a consistent frequency within the system.

¹ [NERC Reliability Principles](#)

Reliability Principle 3 states:

“Information necessary for the planning and operation of interconnected bulk power systems shall be made available to those entities responsible for planning and operating the systems reliably.”

As proposed, BAL-004-WECC-3 specifies a specific software tool from which all true-up values will be derived. The proposed standard does not limit an entity’s ability to use alternative internal means of calculation; however, for purposes of true-up with external entities (other BAs) only the WECC Interchange Tool (WIT), or its successor can be used. This approach standardizes the information necessary for true-up and promotes a uniform operation of the system within parameters specified in Requirement R1, Sub Parts 1.1 and 1.2.

2. Proposed Reliability Standards must contain a technically sound method to achieve the goal.

Standard Development

This proposed Reliability Standard was developed using the NERC and WECC Standards development processes in effect at each point in the process. Among other things, these processes include drafting of the standard by a drafting team composed of subject matter experts (SME); biographies of those SMEs are provided with this filing.

These processes also include repeated public iterative comment/response cycles whereby comments are received from the industry, and responses to those comments are provided by the drafting team.

Technically Sound

The underlying standard was found technically sound in previous filings. See WECC-0124 BAL-004-WECC-3, ATEC Attachment G – Technical Justification Historic from Version 1, provided with this filing.

BAL-004-WECC-2, ATEC implemented conforming changes required by FERC in Order No. 723, wherein FERC directed NERC and WECC: 1) to develop revisions to currently effective Regional Reliability Standard BAL-004-WECC-1, Requirement R1.2, to specify what circumstances trigger the actions required by that Requirement; and 2) to develop a modification to Regional Reliability Standard BAL-004-WECC-1 consistent with WECC and NERC’s explanation that the limit set forth in Requirement R2, regarding “24 hours per calendar quarter,” is an accumulated total for the period. The filing states that

WECC modified Regional Reliability Standard BAL-004-WECC-01 in compliance with these directives. Docket No. RD13-11-000 2; See also Order No. 723, 127 FERC ¶ 61,176 at P 30 and P34.

3. Proposed Reliability Standards must be applicable to users, owners, and operators of the bulk power system, and not others.

The Applicability section of the proposed Reliability Standard is as follows:

- 4. Applicability
 - 4.1. Functional Entities
 - 4.1.1 Balancing Authorities that operate synchronously in the Western Interconnection.

4. Proposed Reliability Standards must be clear and unambiguous as to what is required and who is required to comply.

The proposed Reliability Standard was developed using the WECC Reliability Standards Development Procedures (Procedures) as approved by WECC/NERC. Per the Procedures, the proposed Reliability Standard was posted for comment on four occasions.

During the four postings, no concerns were raised regarding clarity or ambiguity. Each proposed Requirement contains a specified applicable entity, a clearly stated task, and an associated object Measure.

5. Proposed Reliability Standards must include clear and understandable consequences and a range of penalties (monetary and/or non-monetary) for a violation.

This project does not add to, modify, or change the VRF's or VSLs assigned to the existing Reliability Standard.

6. Proposed Reliability Standards must identify a clear and objective criterion or measure for compliance, so that it can be enforced in a consistent and non-preferential manner.

The Measure for Requirement R1 reads as follows:

Reliability Standards Criteria WECC-0124 BAL-004-WECC-3 Automatic Time Error Correction

- M1.** Each Balancing Authority will have evidence that it operated its system such that, following the conclusion of each month, the month-end absolute value of its On-Peak and Off-peak, Accumulated Primary Inadvertent Interchange (PII_{accum}), as calculated by the WIT or its successor electronic confirmation tool, meets all criteria stated in Requirement R1.

The Measure is objective in that it is predicated on the specified task of the supporting Requirement, examines specific calculated values, and is designed for a single specified software tool.

Measures for Requirement 2, 4, 6, and 7 were also changed to add the specification for measurement as derived from the WIT. Measures for Requirements 3, 5, and 8 are unchanged from the existing Reliability Standard.

- 7. Proposed Reliability Standards should achieve a reliability goal effectively and efficiently - but does not necessarily have to reflect “best practices” without regard to implementation cost.**

The goals of the proposed Reliability Standard are to encourage tighter operation of the grid, and to streamline and refine the post-operational true up of recorded operational values. As to operations, the proposed Reliability Standard does not impose any new requirements. It only encourages a more succinct implementation of existing practices. As to true up, by using a single specified software tool for numeric reconciliation, true up is standardized, streamlined, and becomes more transparent without adding undue burden.

- 8. Proposed Reliability Standards cannot be “lowest common denominator,” i.e., cannot reflect a compromise that does not adequately protect bulk power system reliability.**

As mentioned in item 8 above, the proposed Reliability Standard is designed to enhance implementation of existing operational practices while standardizing and streamlining post-operational true up.

- 9. Proposed Reliability Standards may consider costs to implement for smaller entities but not at consequence of less than excellence in operating system reliability.**

During the four postings of this project the industry raised no cost concerns.

- 10. Proposed Reliability Standards must be designed to apply throughout North America to the maximum extent achievable with a single reliability standard while not favoring one area or approach.**

In the Order 740 Remand at P4, FERC states that:

“Reliability Standards that the ERO proposes to the Commission may include Reliability Standards that are proposed to the ERO by a Regional Entity... When the ERO reviews a regional Reliability Standard that would be applicable on an interconnection-wide basis and that has been proposed by a Regional Entity organized on an interconnection-wide basis, the ERO must rebuttably presume that the regional Reliability Standard is just, reasonable, not unduly discriminatory or preferential, and in the public interest. In turn, the Commission must give “due weight” to the technical expertise of the ERO and of a Regional Entity organized on an interconnection-wide basis.”

As identified in the NERC Rules of Procedure, Section 312, “regional entities may propose Regional Reliability Standards that set more stringent reliability requirements than the NERC Reliability Standard or cover matters not covered by an existing NERC Reliability Standard.”

In accordance with FERC Orders 672 and 740, the proposed Reliability Standard would be applicable solely within the Western Interconnection.

In accordance with the NERC Rules of Procedure, the proposed Reliability Standard addresses two areas not otherwise addressed in NERC Standards. Specifically, Time Error Correction in the Western Interconnection is “automatic” and the proposed Reliability Standard would glean its true-up values from a WECC-specific software tool.

- 11. Proposed reliability standards should cause no undue negative effect on competition or restriction of the grid.**

The BAL-004-WECC-3 drafting team does not foresee any negative impacts on competition resulting from implementation of the proposed Reliability Standard.

In the four postings of the project, the industry raised no concerns regarding competition or restrictive use of the grid.

12. The implementation time for the proposed Reliability Standards must be reasonable.

Implementation of the proposed Reliability Standard imposes no new operational requirements; rather, it only encourages a tighter administration of existing operational practices. Further, use of the WIT for true up is an existing common practice throughout the Western Interconnection; albeit, the tool is not currently used by all entities.

Per the posted Implementation Plan, the proposed Effective Date is proposed to be the first day of the second quarter following applicable regulatory approval.

13. The Reliability Standard development process must be open and fair.

WECC followed the WECC Reliability Standards Development Procedures (Procedures) in effect at the time of each step in the process.

In accordance with the Procedures, all drafting team meetings are open to the public.

All drafting team meetings were announced via the WECC Standards Email List, at least 15 days in advance of the meeting. Notice of the meetings was provided to NERC and posted on the WECC Calendar along with meeting minutes.

All meetings were supported by a telephone conference bridge associated with an on-line internet visual capability allowing all participants to see the document(s) as they were being developed. Further, this team held an open-mic Standards Briefing prior to balloting affording the industry an additional opportunity to have its questions addressed.

The proposed Reliability Standard was posted four times for comment by WECC and provided to NERC for additional posting.

Comments and their responses are currently posted on the WECC Web Site at the WECC-0124 Project Page on the Submitted and Review Comments accordion. Response to Comments forms were provided with this filing.

14. Proposed Reliability Standards must balance with other vital public interests.

WECC is not aware of any other vital public interests. No such balancing concerns were raised or noted.

15. Proposed Reliability Standards must consider any other relevant factors.

WECC is not aware of any other general factors in need of consideration.