

UNITED STATES OF AMERICA 117 FERC ¶ 61,248
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

North American Electric Reliability Council

Docket No. ER06-1545-000

ORDER ON REVISED TRANSMISSION LOADING RELIEF PROCEDURE

(Issued November 30, 2006)

1. On September 29, 2006, the North American Electric Reliability Council (NERC) filed proposed revisions to its Transmission Loading Relief (TLR) Procedure (revised TLR Procedure).¹ As discussed below, we conditionally accept NERC's revised TLR Procedure effective on December 1, 2006, as requested. We direct NERC to re-file its TLR Procedure to provide, instead of Version 2 of the TLR Procedure, the Version 3 which was previously proposed in Docket No. RM06-16-000. We also direct every transmission-operating public utility in the Eastern Interconnection adopting the revised TLR Procedure to file, within 30 days of a final order on NERC's compliance filing in this proceeding, revised tariff sheets adopting the revised TLR Procedure.

¹ In its September 29 filing, NERC filed IRO-006-2 (Version 2) to replace IRO-006-1 (Version 1) which is currently on file at the Commission. We note that on August 28, 2006, in Docket No. RM06-16-000 (the proceeding to establish mandatory Reliability Standards for the bulk-power system), NERC filed IRO-006-3 (Version 3). *See* North American Electric Reliability Council and North American Electric Reliability Corporation, Petition Seeking Approval of the 16 New and 11 Revised Reliability Standards, Docket No. RM06-16-000, August 28, 2006. Based on our review of Version 2 and Version 3 the only difference appears to be that Version 3 incorporates a waiver for the Southwest Power Pool, Inc. (SPP) whereas Version 2 does not. Both Version 2 and Version 3 have been approved by NERC's Board of Trustees, but neither has been accepted by this Commission; Version 2 is pending in this proceeding and Version 3 is pending in Docket No. RM06-16-000.

Background

2. The TLR Procedure was developed to bring overloaded transmission equipment to within NERC's operating security limits by reducing or curtailing transactions over multiple transmission systems. The TLR Procedure supplemented the *pro forma* open access transmission tariff's curtailment procedures, which apply only to a single transmission provider's system. The TLR Procedure relates only to the curtailment of transmission service, not shedding of load. On December 16, 1998, the Commission granted a petition for declaratory order regarding the interrelationship of then-proposed TLR Procedure with the *pro forma* open access transmission tariff, whether the TLR Procedure is an operating policy not required to be filed with the Commission, and whether the TLR Procedure is consistent with or superior to the *pro forma* tariff provisions.² In that order, the Commission concluded that NERC's TLR Procedure must be on file with the Commission, and adopted NERC's suggestion of an efficient mechanism for public utilities to incorporate the TLR Procedure into their tariffs. The Commission also concluded that NERC's TLR Procedure was generally consistent with or superior to the *pro forma* tariff adopted in Order No. 888. The Commission also encouraged innovative market approaches to avoid constraints and/or ensure that curtailment is accomplished in an efficient and non-discriminatory manner. Based on these standards, NERC's TLR Procedure was further revised on July 14, 1999,³ October 13, 1999,⁴ May 8, 2000,⁵ and March 30, 2005.⁶ Most recently, on October 7, 2005, the Commission approved Version 1, NERC's current TLR Procedure.⁷

Filing

3. NERC proposes substantive revisions to sections 2.4, 7.4 and 7.5 and conforming revisions to sections 2.5, 7 (Introduction), 7.9 and 7.11 of Attachment 1 to Reliability Standard IRO-006-1 "Reliability Coordination – Transmission Loading Relief." The

² *North American Electric Reliability Council*, 85 FERC ¶ 61,353 (1998), *reh'g denied*, 87 FERC ¶ 61,161 (1999).

³ *North American Electric Reliability Council*, 88 FERC ¶ 61,046 (1999).

⁴ *North American Electric Reliability Council*, 89 FERC ¶ 61,031 (1999).

⁵ *North American Electric Reliability Council*, 91 FERC ¶ 61,122 (2000).

⁶ *North American Electric Reliability Council*, 110 FERC ¶ 61,388 (2005).

⁷ *North American Electric Reliability Council*, 113 FERC ¶ 61,013 (2005).

proposed revisions are intended to streamline NERC's processes to facilitate reallocation of interchange transactions following a TLR Level 3b curtailment.⁸ NERC states that the revised TLR Procedure allows a reallocation of interchange transactions at the top of the next hour, following the termination of a Level 3b curtailment. NERC states that this will permit a reliability coordinator to transition out of a TLR Level 3b curtailment without calling a TLR Level 3a curtailment because a redispatch of transactions is provided at the top of the next hour, after the Level 3b constraint is removed.⁹ NERC states that the benefit provided is that the reliability coordinators and bulk power system operators will not be distracted from their reliability duties by the requirement to implement another curtailment for administrative reasons which is not essential for reliability. NERC has re-designated the revised TLR Procedure in this proceeding as Third Revised Volume No. 3.

4. NERC states that its Board of Trustees approved the proposed revisions on August 2, 2006, to be effective as soon as the changes could be implemented. NERC also states that it has verified that the Eastern Interconnection Interchange Distribution Calculator software has been modified and tested to conform to the revised TLR Procedure.

5. NERC, as the Electric Reliability Organization,¹⁰ has already incorporated these revisions to the TLR Procedure into Reliability Standard IRO-006 in its August 28, 2006 petition for approval of 16 new and 11 revised Reliability Standards, to be made mandatory and enforceable under section 215(d) of the Federal Power Act (FPA)¹¹ and

⁸ The term "reallocation" refers to the curtailment or reloading of transactions in accordance with priority of service.

⁹ TLR Level 3a provides for the reallocation of transmission service by curtailing Interchange Transactions using Non-Firm Point-to-Point Transmission Service to allow Interchange Transactions using higher priority transmission service. TLR Level 3b provides for the curtailment of Interchange Transactions using Non-Firm Transmission Service arrangements to mitigate a System Operating Limit or Interconnection Reliability Operating Limit (IROL) violation.

¹⁰ See *North American Electric Reliability Corporation*, 116 FERC ¶ 61,062, order on reh'g and compliance, 117 FERC ¶ 61,126 (2006).

¹¹ Energy Policy Act of 2005, Pub. L. No. 109-58, § 1211, 119 Stat. 594, 943 (2005) to be codified at 16 U.S.C. § 824o(d)(2).

section 39.5 of the Commission's regulations.¹² NERC states that it has also filed the revised TLR Procedure with the governmental authorities in Canada.

6. NERC states that this revised TLR Procedure would be in effect for a transitional period until the Commission acts on proposed Reliability Standard IRO-006 in Docket No. RM06-16-000. Further, NERC "recommends" that, once the Commission approves Reliability Standard IRO-006 and it goes into effect, the TLR Procedure should be removed from the open access transmission tariff because the TLR Procedure will become enforceable for all transmission providers in the Eastern Interconnection under FPA section 215 at that time.

Notice of Filing and Responsive Pleading

7. Notice of NERC's filing was published in the *Federal Register*, 71 Fed. Reg. 59,769 (2006), with interventions and protests due on or before October 20, 2006. Exelon Corporation (Exelon) filed a timely motion to intervene.

Discussion

A. Procedural Matters

8. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2006), the timely, unopposed motion to intervene serves to make Exelon a party to this proceeding.

B. Revised TLR Procedure

1. Proposed Revisions

9. Based on the Commission's review of the proposed changes, the revised TLR Procedure will require the Reliability Coordinator to reallocate Interchange Transactions using Non-Firm Point-to-Point Transmission Service for the next hour during a TLR Level 3b whereas the current procedures do not allow for this. The details for implementing a Reallocation of Transmission Service are set forth in Section 6 of the TLR Procedure. The revisions provide specific timing requirements within which the next hour reallocations must occur and eliminate requirements regarding the curtailment or restrictions on existing and additional Non-Firm Transactions during the following hour. By requiring the Reliability Coordinator to reallocate transactions for the next hour during a TLR Level 3b, the Reliability Coordinator may be able to avoid calling a TLR

¹² 18 C.F.R. § 39.5 (2006).

Level 3a when transitioning out of a TLR Level 3b because transactions for the next hour will have already have been scheduled based on established priorities. We believe the proposed revisions are an improvement to the current procedure as they provide for a more orderly and efficient method of transitioning out of a TLR Level 3b.

10. We will accept the revised TLR Procedure, as clarified below. Our review indicates that the changes set forth in the revised TLR Procedure appear to be just and reasonable and have not been shown to be unjust, unreasonable, unduly discriminatory or preferential or otherwise unlawful. However, it is important that NERC's most recent version of the TLR Procedure be on file with the Commission. Accordingly, we will require NERC to re-file its TLR Procedure to provide, instead of Version 2, the Version 3 of its TLR Procedure previously proposed in Docket No. RM06-16-000. As indicated above, the only difference between Version 2 and Version 3 appears to be that Version 3 incorporates an SPP waiver whereas Version 2 does not. Accordingly, we will conditionally accept the revised TLR Procedure for filing without suspension or hearing.

2. Coordination with the Notice of Proposed Rulemaking Regarding Mandatory Reliability Standards

11. On October 20, 2006, the Commission issued a Notice of Proposed Rulemaking on the mandatory Reliability Standards for the bulk-power system proposed by NERC pursuant to FPA section 215.¹³ The Commission proposed to approve Reliability Standard IRO-006-003 as mandatory and enforceable. The Commission also proposed, pursuant to section 215(d)(5) of the FPA, that NERC revise Reliability Standard IRO-006-003 to: (1) include a clear warning that TLR Procedure is an inappropriate and ineffective tool to mitigate IROL violations; (2) identify in a Requirement the available alternative to use of the TLR Procedure to mitigate an IROL violation; and (3) include Measures and Levels of Non-Compliance that address each requirement.¹⁴ We will not direct NERC to make the modifications to the filed tariff that we proposed to direct in the Reliability Standards NOPR. The TLR procedures themselves are required for purposes of providing non-discriminatory open access transmission service; however, the modifications proposed in the Reliability Standards NOPR are not (i.e., inclusion of a statement warning that TLR procedures are an ineffective tool to avoid violations, the identification of alternatives to mitigate an IROL violation, and the inclusion of Measures and Levels of Non-Compliance).

¹³ *Mandatory Reliability Standards for the Bulk-Power System*, 71 Fed. Reg. 64,770 (Nov. 3, 2006), 117 FERC ¶ 61,084 (2006) (Reliability Standards NOPR).

¹⁴ *Id.* P 567.

12. As indicated above, NERC recommends that once the Commission approves Reliability Standard IRO-006 as a mandatory Reliability Standard and the standard goes into effect, the TLR Procedure be removed from the open access transmission tariff. We defer our determination on this issue until after the Commission has issued its Final Rule on the mandatory Reliability Standards and NERC has made a formal request for withdrawal of the TLR Procedure.

3. Applicability to Transmission-Operating Public Utilities in the Eastern Interconnection Using NERC's TLR Procedure

13. In previous cases adopting the TLR Procedure and any revisions thereof,¹⁵ the Commission directed the transmission-operating public utilities in the Eastern Interconnection using NERC's TLR Procedure to file notices informing the Commission that they will use the NERC TLR Procedure and that their tariffs should be considered to be so modified. Here, to ensure that all transmission-operating public utilities in the Eastern Interconnection are following the correct TLR Procedure, we will direct every transmission-owning public utility in the Eastern Interconnection adopting the revised TLR Procedure to file, within 30 days of a final order on NERC's compliance filing in this proceeding, revised tariff sheets adopting the revised TLR Procedure.

The Commission orders:

(A) NERC's proposed revisions to its TLR Procedure are hereby conditionally accepted for filing as modified, to become effective on December 1, 2006, as discussed in the body of this order.

(B) NERC is hereby directed to submit a compliance filing, within 30 days of the date of this order, as discussed in the body of this order.

¹⁵ *North American Electric Reliability Council*, 85 FERC ¶ 61,353, at 62,362 (1998); *see also North American Electric Reliability Council*, 91 FERC ¶ 61,122, at 61,476 (2000); *North American Electric Reliability Council*, 110 FERC ¶ 61,388, at P 8 (2005); *North American Electric Reliability Council*, 113 FERC ¶ 61,013, at P 10 (2005).

(C) Every transmission-operating public utility adopting NERC's proposed revision to its TLR Procedure shall file with the Commission, within 30 days of a final order on NERC's compliance filing in this proceeding, revised tariff sheets adopting the revised TLR Procedure.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.