

**VIA ELECTRONIC FILING**

Ms. Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

March 21, 2016

**Re: Informational Filing of the North American Electric Reliability Corporation in Response to the Federal Energy Regulatory Commission's March 19, 2015 Order, Docket No. RR15-4-000**

Dear Ms. Bose,

The North American Electric Reliability Corporation hereby submits this informational filing in response to the Federal Energy Regulatory Commission's order issued March 19, 2015, in Docket No. RR15-4-000.

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

Respectfully submitted,

/s/ Nina H. Jenkins-Johnston  
Nina H. Jenkins-Johnston

*Counsel for the North American Electric Reliability Corporation*

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**NORTH AMERICAN ELECTRIC                    )           Docket No. RR15-4-\_\_\_\_  
RELIABILITY CORPORATION                )**

**INFORMATIONAL FILING OF THE  
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION  
IN RESPONSE TO THE FEDERAL ENERGY REGULATORY COMMISSION'S  
MARCH 19, 2015 ORDER**

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March 21, 2016

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MARCH 19, 2015 ORDER**

On March 19, 2015, the Federal Energy Regulatory Commission (“FERC” or “Commission”) issued an order largely approving proposed revisions to NERC’s Rules of Procedure (“ROP”) to implement NERC’s Risk-Based Registration (“RBR”) initiative.<sup>1</sup> The purpose of the RBR initiative is to ensure that entities are registered and made subject to Reliability Standards based on the risk that they pose to the Bulk Electric System (“BES”). Consistent with the Commission’s direction in the March 2015 Order, NERC hereby submits an informational filing describing the implementation of the RBR initiative and the consequences for reliability to date.<sup>2</sup>

**I. BACKGROUND AND INTRODUCTION**

Pursuant to the RBR initiative, NERC proposed, and the Commission accepted, three main reforms to registration. The first Commission-approved reform was to modify several functional registration categories. NERC removed purchasing-selling entities (“PSEs”), interchange authorities (“IAs”), and load-serving entities (“LSEs”) from the NERC Compliance Registry

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<sup>1</sup> *North American Electric Reliability Corporation*, 150 FERC ¶ 61,213 (2015) (“March 2015 Order”).

<sup>2</sup> March 2015 Order at PP 2, 19, and Ordering Paragraph (C).

("NCR").<sup>3</sup> The Commission agreed that these entities perform commercial tasks that pose little to no risk to the reliability of the BES. NERC also increased the threshold for registering entities as distribution providers ("DPs") from 25 MW to 75 MW and the Commission approved the application of a sub-set list of NERC Reliability Standards to Underfrequency Load Shedding ("UFLS") Protection System(s) DPs ("UFLS-Only DPs"). Finally, NERC aligned the definition of five functional registration categories (transmission owners ("TOs"), transmission operators ("TOPs"), generator owners ("GOs"), generator operators ("GOPs"), and DPs) with the BES definition. NERC's second Commission-approved reform was to institute the risk-based practice of applying a sub-set list of Reliability Standards to qualifying entities that apply for such compliance treatment. The third and final Commission-approved reform was to add the following three procedures to the registration process: (1) a procedure to review registration, deactivation and deregistration decisions; (2) a materiality test to examine a registered entity's impact on the BES; and (3) an intake procedure for requests for the application a sub-set list of Reliability Standards.

NERC addresses the implementation of these three sets of reforms in this informational filing as follows:<sup>4</sup>

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<sup>3</sup> This informational filing will not address NERC's progress in removing LSEs from the NCR. NERC will address the status of these implementation efforts in a January 17, 2017 compliance filing consistent with the Commission's *Order on Compliance Filing* in Docket No. RR15-4-001; see *North American Electric Reliability Corporation*, 153 FERC ¶ 61,024 at PP 1 and 25 (2015).

<sup>4</sup> In the March 2015 Order, the Commission directed NERC to:

[S]ubmit an informational filing twelve months from the date of issuance of this order that discusses RBR implementation.[footnote omitted] In addition to addressing potential 'unintended consequences to reliability as a result of the instant proposal,' NERC should also address: (1) the benefits achieved by RBR implementation; (2) any specific costs associated with ERO and Regional Entity implementation of the program; (3) information and statistics regarding review panel decisions, including but not limited to the types of functional entities seeking application of sub-set lists and Reliability Standards most frequently

- Section II – the status of deactivation or deregistration of PSEs, IAs, and DPs.
- Section III – the formation of the NERC-led Review Panel; and
- Section IV – an overview of the measured benefits and costs of RBR to date.

## **II. DEACTIVATION AND/OR DEREGISTRATION OF PSEs / IAs/ DPs**

Consistent with the Commission’s March 2015 Order, NERC, in concert with the Regional Entities, has deregistered and/or deactivated entities registered as PSEs, IAs, and DPs, as appropriate. Deregistration signifies when an entity is entirely removed from the NCR and is therefore no longer subject to compliance with NERC Reliability Standards. Deactivation signifies when an entity is not listed on the NCR for a particular functional registration category; however, that entity remains on the NCR for another functional registration category or categories for which it must comply with applicable NERC Reliability Standards. NERC notes that unlike PSEs and IAs, which are eliminated functional registration categories from the NCR, NERC did not eliminate the DP registration function from the NCR. Entities registered as DPs that are between 25 MW and 75 MW must apply for deactivation so that a given Regional Entity can assess whether the change in registration is consistent with the NCR criteria. Prior to making changes to any DP registration, each Regional Entity will collect data from the DP to assess the impact on reliability.<sup>5</sup> In Table 1 – 3 below, NERC shows the Regional Entity and registration function break down of registration changes because of the RBR initiative for DPs, IAs and PSEs.

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removed from compliance by sub-set lists; and (4) any other relevant information that would assist the Commission in understanding RBR implementation.

*See* March 2015 Order at P 19; *see also id.* at P 2 and Ordering Paragraph (C).

<sup>5</sup> This data analyzed includes: Annual Load Data Report, peak load, Joint Registration Organization/Coordination Functional Registration (“JRO/CFR”) participation, UFLS and Under Voltage Load Shedding participation, participation in Transmission Protection Systems, participation in Transmission Operator restoration plans, and participation in Nuclear Plant Interface.

Table 1

|                 | <b>Total DPs as of April 20, 2015</b> | <b>DP De-activations as of March 1, 2016</b> | <b>DP De-registrations as of March 1, 2016</b> | <b>DP-UFLS Only Registrations as of March 1, 2016</b> | <b>Total DPs Remaining on the NCR as of March 1, 2016 (excluding DP-UFLS)</b> |
|-----------------|---------------------------------------|----------------------------------------------|------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------------------------------|
| <b>Total</b>    | <b>466</b>                            | <b>44</b>                                    | <b>35</b>                                      | <b>40</b>                                             | <b>386</b>                                                                    |
| <b>FRCC</b>     | 27                                    | 2                                            | 1                                              | 1                                                     | 24                                                                            |
| <b>MRO</b>      | 54                                    | 12                                           | 1                                              | 11                                                    | 40                                                                            |
| <b>NPCC</b>     | 56                                    | 15                                           | 0                                              | 15                                                    | 41                                                                            |
| <b>RF</b>       | 64                                    | 1                                            | 6                                              | 0                                                     | 57                                                                            |
| <b>SERC</b>     | 73                                    | 4                                            | 5                                              | 3                                                     | 64                                                                            |
| <b>SPP RE</b>   | 48                                    | 5                                            | 4                                              | 2                                                     | 39                                                                            |
| <b>Texas RE</b> | 46                                    | 1                                            | 10                                             | 1                                                     | 35                                                                            |
| <b>WECC</b>     | 98                                    | 4                                            | 8                                              | 7                                                     | 86                                                                            |

Table 2

|                 | <b>Total IAs as of April 20, 2015</b> | <b>IA Deactivations as of March 1, 2016</b> | <b>IA Deregistrations as of March 1, 2016</b> | <b>Total IAs on the NCR as of March 1, 2016</b> |
|-----------------|---------------------------------------|---------------------------------------------|-----------------------------------------------|-------------------------------------------------|
| <b>Total</b>    | <b>43</b>                             | <b>43</b>                                   | <b>0</b>                                      | <b>0</b>                                        |
| <b>FRCC</b>     | 10                                    | 10                                          | 0                                             | 0                                               |
| <b>MRO</b>      | 4                                     | 4                                           | 0                                             | 0                                               |
| <b>NPCC</b>     | 6                                     | 6                                           | 0                                             | 0                                               |
| <b>RF</b>       | 3                                     | 3                                           | 0                                             | 0                                               |
| <b>SERC</b>     | 16                                    | 16                                          | 0                                             | 0                                               |
| <b>SPP RE</b>   | 2                                     | 2                                           | 0                                             | 0                                               |
| <b>Texas RE</b> | 1                                     | 1                                           | 0                                             | 0                                               |
| <b>WECC</b>     | 1                                     | 1                                           | 0                                             | 0                                               |

Table 3

|                 | <b>Total PSEs as of April 20, 2015</b> | <b>PSE Deactivations as of March 1, 2016</b> | <b>PSE Deregistrations as of March 1, 2016</b> | <b>Total PSEs on the NCR as of March 1, 2016</b> |
|-----------------|----------------------------------------|----------------------------------------------|------------------------------------------------|--------------------------------------------------|
| <b>Total</b>    | <b>690</b>                             | <b>261</b>                                   | <b>429</b>                                     | <b>0</b>                                         |
| <b>FRCC</b>     | 25                                     | 12                                           | 13                                             | 0                                                |
| <b>MRO</b>      | 75                                     | 37                                           | 38                                             | 0                                                |
| <b>NPCC</b>     | 96                                     | 16                                           | 80                                             | 0                                                |
| <b>RF</b>       | 153                                    | 43                                           | 110                                            | 0                                                |
| <b>SERC</b>     | 85                                     | 37                                           | 48                                             | 0                                                |
| <b>SPP RE</b>   | 66                                     | 33                                           | 33                                             | 0                                                |
| <b>Texas RE</b> | 43                                     | 9                                            | 34                                             | 0                                                |
| <b>WECC</b>     | 147                                    | 74                                           | 73                                             | 0                                                |

### **III. REGISTRATION REVIEW PANEL**

#### **a. Structure of NERC-Led Review Panel**

Consistent with the March 2015 Order, NERC has established the necessary procedures for a NERC-led Review Panel to examine the following types of requests from registered entities:

- requests for the application of a sub-set list of Reliability Standards and/or requirements for registered functions; and
- disputes regarding the application of Sections I through IV of the NCR criteria.

The goal of this panel is to help maintain consistency and oversight in registration decisions made by the ERO Enterprise.<sup>6</sup> The panel will provide transparency to industry by publicly posting its decisions. NERC and Regional Entity senior executives select the review panel, comprised of a NERC lead with Regional Entity participants. Any given review panel shall comprise of the following individuals:

- no less than one NERC manager from the Registration Services department or Registration Service department appointee;
- no less than one NERC engineer, Registration Services department; and
- no less than eight Regional Entity representatives from the Regional Entities.

NERC developed a form that entities submitting requests to the panel must complete. NERC also created a secure file transfer protocol (“FTP”) site where Regional Entities, entities requesting panel review and entities impacted by a given request (reliability coordinators, balancing authorities, planning authorities, and TOPs) can access information examined by the NERC-led Review Panel in rendering a decision. This site will be the primary means of distributing

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<sup>6</sup> NERC uses the term “ERO Enterprise” to encompass both NERC and the eight Regional Entities.



confidential information necessary for the review. All decisions by the panel shall adhere to Appendix 5A of the NERC ROP.

If an entity does not appeal a decision of the panel, NERC will post the decision and provide notice to the Commission. This posting will include the actual panel decision along with summary notes on the decision analysis. Similar to the process for review of “find, fix and track” compliance posting as well as “compliance exception” postings, the Commission will review the decisions and summary notes and determine, within 60 days of receiving notice from NERC, whether any formal Commission review is warranted. If the Commission takes no action within 60 days, the Commission will consider the matter closed.<sup>7</sup>

**b. Sub-Set Lists of Reliability Standards**

In the March 2015 Order, the Commission approved the application of a sub-set list of NERC Reliability Standards to UFLS–Only DPs. In 2014 and 2015, NERC examined whether entities other than UFLS-only DPs could qualify for a reduced set of compliance obligations through a sub-set list of Reliability Standards. NERC specifically looked at groups of lower risk GOs, GOPs, TOs, and TOPs. NERC held meetings and workshops to collaborate with industry on this assessment. Specifically, NERC examined technical and reliability risk factors to identify possible lower risk candidates. NERC analyzed: (1) submissions / requests from GOs/GOPs and TOs/TOPs self-identifying as lower risk with proposed technical justifications; (2) pre-identified Reliability Standards and requirements that may be low risk for GO/GOP and TO/TOP entities; and (3) detailed analysis of events and enforcement history to evaluate potential low risk TO/TOP and GO/GOP entities.

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<sup>7</sup> March 2015 Order at P 69.

NERC found no consistent set of criteria or system characteristics that define a group or groups of lower risk registered entities that should qualify for a reduced set of compliance obligations through a sub-set list of Reliability Standards. Until a consistent pattern emerges warranting a common sub-set list of Reliability Standards, future candidates of sub-set lists must apply directly to the NERC-led Review Panel for a case-by-case basis determination. NERC will continue to monitor these groups as well as the panel's decisions.

#### **IV. RELIABILITY IMPACTS OF RBR**

##### **a. Compliance Monitoring Observations**

The implementation of RBR has reduced the scope of compliance monitoring engagements in the case of entities that have deactivated DP functions or for entities that have obtained UFLS-only registration status.

##### **b. Event Analysis Observations**

Using NERC's Event Analysis Management System, NERC evaluated whether PSE, IA, and DP entities that were deregistered or deactivated had been involved in any system events since April 20, 2015 when the ERO started processing deactivations and deregistrations. Entities reported that for all deactivated / deregistered PSE, IA, and DP entities shown in Tables 1 – 3 above, there were no Category 1 – 5 events reported, no Department of Energy Form OE-417 reports submitted, and no compliance issues related to Reliability Standard EOP-004. None of these entities have been reported in the Situational Analysis Morning Report, which publishes events on the BES. NERC will continue to monitor these entities to assess whether they have any unintended consequences to reliability.

**c. ERO Enterprise Resources**

Through a questionnaire distributed to Regional Entities, NERC ascertained that there has not been a material cost impact for the ERO Enterprise to implement RBR, nor is there an anticipated cost impact. Although dependent upon the number of submittals received, it is anticipated that the RBR program will require subject matter expert analysis and possibly additional travel expenses for the NERC-led panel to meet periodically. The deactivation / deregistration of IAs, PSEs, and certain DPs did not affect costs across the ERO Enterprise.

**V. OTHER DEVELOPMENTS**

**a. Common Registration Form**

Under current registration practices, each Regional Entity posts a common registration form on its website for an entity to provide information needed for registration. Upon completion, the entity submits the form to the appropriate Regional Entity (Entities). During 2015, the NERC Registration and Certification Functional Group collaborated with the Regional Entities to develop a common registration form to capture, without undue complexity, key factors relevant to an assessment of an entity's inherent risk as well as to facilitate uniformity in the information being collected from registration candidates.

**b. One-Time Attestation**

In its December 11, 2014 petition, NERC proposed to permit registered entities to record a one-time attestation of "Not Applicable" to a given Reliability Standard requirement. These attestations are appropriate, for example, where an existing physical or technical limitation makes a requirement inapplicable or where a registered entity does not own or operate certain equipment or assets. The Regional Entity would then carry forward this declaration from year-to-year, without requiring the registered entity to repeat the attestation each year, unless circumstances

materially change requiring the need for the registered entity to notify the appropriate Regional Entity. NERC or the Regional Entity would have the ability to verify the recordation is correct, on an as-needed basis, but this should be infrequent. Until one-time attestations can be automated, they will be recorded as part of an entity's Inherent Risk Assessment that is developed as part of the ERO Enterprise compliance-monitoring activities.

## **VI. CONCLUSION**

The reforms introduced by the RBR initiative are designed to ensure that the right entities are subject to the right set of Reliability Standards so that NERC can effectively manage risks to reliability. To date, there are no unintended consequences to reliability as a result of the deactivation and/or deregistration of the above-mentioned IAs, PSEs and DPs.

Respectfully Submitted,

*/s/ Nina H. Jenkins-Johnston*

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Reliability Corporation*

**CERTIFICATE OF SERVICE**

I hereby certify that I have served a copy of the foregoing document upon all parties listed on the official service list compiled by the Secretary in Docket No. RR15-4-000.

Dated at Washington, D.C. this 21<sup>st</sup> day of March, 2016.

Respectfully submitted,

/s/ Nina H. Jenkins-Johnston

Nina H. Jenkins-Johnston

*Counsel for the North American Electric  
Reliability Corporation*