

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

NORTH AMERICAN ELECTRIC) Docket No. RD13-2-000
RELIABILITY CORPORATION)

**REPLY COMMENTS OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION**

Pursuant to Rules 212 and 213 of the Federal Energy Regulatory Commission (“FERC” or the “Commission”), the North American Electric Reliability Corporation (“NERC”) hereby provides reply comments in response to the comments submitted on January 8, 2013 by the PPL Companies in the above-captioned proceeding relating to NERC’s petition for approval of proposed Reliability Standard VAR-002-2b.

I. BACKGROUND

A. Procedural Background

On November 21, 2012, NERC submitted a petition for approval of proposed Reliability Standard VAR-002-2b. The proposed VAR-002-2b Reliability Standard ensures that generators provide reactive and voltage control necessary to ensure voltage levels, reactive flows, and reactive resources are maintained within applicable Facility Ratings to protect equipment and the reliable operation of the Interconnection. On January 8, 2013, the PPL Companies submitted comments requesting that the Commission modify the Violation Severity Level (“VSL”) for Requirement R2.

B. Violation Severity Levels

Violation Severity Levels are used by NERC and the Regional Entities in the determination of a penalty for an individual violation of a requirement of a Reliability Standard.¹ Reliability Standards set forth requirements with which applicable entities must comply. Violation Severity Levels do not set forth requirements, but instead are post-violation measurements of the degree to which a requirement was violated.²

For purposes of Commission review, and as a useful tool in the future development of new, or revision of current Violation Severity Levels, the Commission developed four guidelines for evaluating the validity of Violation Severity Level assignments: (1) Violation Severity Level assignments should not have the unintended consequence of lowering the current level of compliance; (2) Violation Severity Level assignments should ensure uniformity and consistency among all approved Reliability Standards in the determination of penalties; (3) Violation Severity Level assignments should be consistent with the corresponding requirement; and (4) Violation Severity Level assignments should be based on a single violation, not on a cumulative number of violations.³ These guidelines provide a consistent and objective means for assessing, the consistency, fairness and potential consequences of Violation Severity Level assignments.

II. COMMENTS

A. The Commission Should Reject the Proposed Modification to the VSL for Requirement R2.

As explained below, NERC submits that the Commission should reject the proposed modification to the VSL for Requirement R2 as this suggestion: (1) was raised and

¹ Note, Violation Severity Levels are not part of the Reliability Standard. See *North American Electric Reliability Corp.*, 123 FERC ¶ 61,284 at P 15 (2008).

² *Id.*

³ *Id.* at P 17.

considered during the standard development process, (2) is inconsistent with Commission guidelines for developing VSLs,⁴ and (3) is inconsistent with reliability principles.

1. The Proposed Modification to the VSL for Requirement R2 was Raised and Considered During the Standard Development Process.

The VSL for Requirement R2 currently reads:

When directed by the Transmission Operator to maintain the generator voltage or reactive power schedule the Generator Operator failed to meet the directed values for up to and including 45 minutes.

The PPL Companies propose the following language:

*When directed by the Transmission Operator to maintain the generator voltage or reactive power schedule the Generator Operator failed to meet the directed values for more than 30 minutes up to and including 45 minutes.*⁵

Contrary to the contention of the PPL Companies, there was no “minor drafting oversight”⁶ as the language proposed by PPL Companies was explicitly considered and *rejected* by the standard drafting team during the standard development process. The Consideration of Comments report for VAR-002-2b states:

Several commenters suggested revisions to the VSL for Requirement R2. It was suggested that the timing elements of the VSLs be in-line with Requirement R3, which allows the Generator Operator 30 minutes to notify the Transmission Operator of changes in the status or capability of reactive resources. Requirement R2 does not build in a 30-minute window, as Requirement R3 does, so the SDT notes that **the VSLs must apply after a violation has been identified and therefore the “floor” must be at zero (not 30 minutes).**⁷

⁴ *North American Electric Reliability Corp.*, 123 FERC ¶ 61,284 at P 17 (2008)(“[VSL] assignments should be consistent with the corresponding requirement”).

⁵ See Motion to Intervene and Comments of the PPL Companies at 4.

⁶ *Id.* at 2.

⁷ Available here at p. 1: http://www.nerc.com/docs/standards/sar/Consideration_of_Comments_2011-INT-02_2012July06_final.pdf (emphasis added).

Given that the revision proposed by PPL Companies was already expressly considered by the standard drafting team during the standard development process, NERC requests the Commission give deference to the technical expertise of the standard drafting team *not* to implement this change and reject the modification proposed by the PPL Companies.⁸

2. The Proposed Modification is Inconsistent With Commission Guidelines and Should be Rejected.

The modification proposed by the PPL Companies deviates from the NERC and Commission Guidelines on the development of VSLs and should therefore be rejected. Commission Guideline #3 for VSLs states that: “Violation Severity Level assignments should be consistent with the corresponding requirement.” The standard drafting team correctly recognized in the Consideration of Comments report that a revision such as that proposed by the PPL Companies, is inconsistent with the language of the corresponding Requirement R2.⁹ Requirement R2 does not allow for any deviation from the voltage or Reactive Power schedule. Requirement R2 states:

Unless exempted by the Transmission Operator, each Generator Operator shall maintain the generator voltage or Reactive Power schedule^[FN3] (within applicable Facility Ratings^[FN4]) as directed by the Transmission Operator. [*Violation Risk Factor: Medium*] [*Time Horizon: Real-time Operations*]

⁸ See Section 215(d)(2) of the Federal Power Act.

⁹ **R2.** Unless exempted by the Transmission Operator, each Generator Operator shall maintain the generator voltage or Reactive Power schedule^[FN3] (within applicable Facility Ratings^[FN4]) as directed by the Transmission Operator. [*Violation Risk Factor: Medium*] [*Time Horizon: Real-time Operations*]

R2.1. When a generator’s automatic voltage regulator is out of service, the Generator Operator shall use an alternative method to control the generator voltage and reactive output to meet the voltage or Reactive Power schedule directed by the Transmission Operator.

R2.2. When directed to modify voltage, the Generator Operator shall comply or provide an explanation of why the schedule cannot be met.

[FN3: The voltage or Reactive Power schedule is a target value communicated by the Transmission Operator to the Generator Operator establishing a tolerance band within which the target value is to be maintained during a specified period.]

[FN4: When a Generator is operating in manual control, Reactive Power capability may change based on stability considerations and this may lead to a change in the associated Facility Ratings.]

The Commission has noted that a VSL is “a *post-violation* measurement of the degree (‘Lower,’ ‘Moderate,’ ‘High,’ or ‘Severe’) to which a requirement was violated.”¹⁰ For this reason, in order to effectuate a 30 minute window, the language of Requirement R2 would have to be modified. In accordance with Commission precedent, VSLs must be consistent with the corresponding Requirement,¹¹ and consistency with Requirement R2 requires that the “floor” must be at zero. Therefore, the proposal put forth by the PPL Companies cannot be implemented as requested and would require a revision to Requirement R2.

3. The Proposed Modification is Inconsistent With Reliability Principles and Should be Rejected.

NERC contends that the proposed modification is inconsistent with reliability principles and respectfully submits that it should be rejected by the Commission. The proposed modification would allow for deviations in system voltage for up to 30 minutes to allow for time to correct an excursion. PPL Companies states that “is a reasonable amount of time that allows for plant equipment and/or plant operating personnel to adequately assess the situation (*i.e.*, system conditions, equipment conditions, etc.) and perform the necessary actions required to correct the voltage.”¹²

NERC submits that a deviation from a voltage or Reactive Power schedule is inconsistent with reliability principles because a deviation of even up to a few minutes can negatively impact reliability. Significant voltage deviations for extended periods of time may lead to voltage collapse and can increase the potential for wide-area impacts to the reliability of the Bulk-Power System. For this reason, NERC respectfully submits that the Commission should reject the proposed modification.

¹⁰ *North American Electric Reliability Corp.*, 123 FERC ¶ 61,284 at P 3 (2008)(emphasis added).

¹¹ *See infra.* at n. 1.

¹² *See Motion to Intervene and Comments of the PPL Companies* at 4.

III. CONCLUSION

For the reasons stated above, NERC respectfully requests that the Commission accept these comments for consideration.

Respectfully submitted,

/s/ Stacey Tyrewala

Gerald W. Cauley
President and Chief Executive Officer
North American Electric Reliability Corporation
3353 Peachtree Road, N.E.
Suite 600, North Tower
Atlanta, GA 30326
(404) 446-2560
(404) 446-2595– facsimile

Charles A. Berardesco
Senior Vice President and General Counsel
Holly A. Hawkins
Assistant General Counsel
Stacey Tyrewala
Attorney
North American Electric Reliability Corporation
1325 G Street, N.W., Suite 600
Washington, D.C. 20005
(202) 400-3000
(202) 644-8099– facsimile
charlie.berardesco@nerc.net
holly.hawkins@nerc.net
stacey.tyrewala@nerc.net

*Counsel for North American Electric Reliability
Corporation*

Dated: January 23, 2013