Unofficial Comment Form

Cost Effectiveness Pilot Questions

**Do not** use this form for submitting comments. Use the [electronic form](https://sbs.nerc.net/) to submit comments on the **Cost Effectiveness Pilot**. The electronic form must be submitted by **8 p.m. Eastern, Thursday, May 26, 2016**.

Documents and information about this project are available on the [**Cost Effectiveness Pilot**](http://www.nerc.com/pa/Stand/Pages/CostEffectivenessPilot.aspx) page. If you have questions, contact Standards Developer, Jordan Mallory (via email) or at (404) 446-9733.

# Background

The objective of this proposal is to outline an approach to develop a method toward measuring of Reliability Standard implementation costs. Federal, State and Provincial regulatory authorities, the NERC Board of Trustees, Regional Entities, and many industry stakeholders have expressed interest in the identification of the costs incurred from implementing NERC Reliability Standards compared to risks addressed. The desire is to balance costs and risks during the standards development and revision process.

In the past, determination of the costs from the implementation of NERC Reliability Standards was implicitly considered throughout the standards development process. Through this process, detailed comments are sought and modifications to proposed standards are made based on input from the standards ballot pool, which represents a cross-section of interested participants. However, some entities have requested a more direct assessment of costs, citing a number of different reasons. For example, registered entities have identified the need to estimate implementation costs for budgeting and rate case development. Further, many state regulators would like this information to determine consumer costs implications.

The actual cost to implement a Reliability Standard may be difficult to estimate. In general, registered entities vary in their operations, vulnerabilities, and starting points from which to calculate incremental costs. Hence, the costs for Reliability Standard implementation may vary by orders of magnitude by entity.

**Consideration of Risks to Reliability**

NERC has transitioned to include risk analysis in all aspects of its regulatory model, focusing the Electric Reliability Organization’s (ERO) and stakeholder resources on the highest risks to the reliability of the Bulk Electric System (BES).

**Proposed Pilot for Developing Cost Evaluations during Standard Development**

The proposal for developing cost evaluations during standard development is as follows. A voluntary questionnaire will be provided to industry participants in order to obtain sufficient information to develop a high level analysis of the risk reduction to the BES under consideration, as well as the potential costs (e.g. monetary and societal) of not addressing the reliability risks. This questionnaire will be conducted prior to, or in conjunction with, the standard authorization stage (SAR) stage of standard development. If, during the development of a SAR, the drafting team believes there is a need to pose questions to the industry during the drafting phase, it may identify the reliability risk being mitigated and provide industry the opportunity to identify alternate methods to be captured in the standard that may achieve the reduction in risk to the BES in a cost effective manner. If conducted prior to the development of the SAR, questions could be developed in a similar manner to obtain information that may provide insight on SAR development options.

**Initial Pilot**

There are two outstanding directives from FERC Order No. 786[[1]](#footnote-1) relating to TPL‐001‐4 — Transmission System Planning Performance Requirements.

* Paragraph 40 directs NERC to modify Reliability Standard TPL‐001‐4 to address the concern that the six-month threshold could exclude planned maintenance outages of significant facilities from future planning assessments.
* Paragraph 89 directs NERC to consider a spare equipment strategy for stability analysis that is similar to that required for steady state analysis upon the next review cycle of Reliability Standard TPL‐001‐4.

[Project 2015-10: Single Points of Failure TPL-001](http://www.nerc.com/pa/Stand/Pages/Project-2015-10-Single-Points-of-Failure-TPL-001.aspx) from the 2016-2018 Reliability Standards Development Plan is developing a SAR to address potential modifications to TPL-001-4. The results of this pilot will be provided to the drafting team to inform their work on modifying this standard. The following questions are provided to obtain information about risks and costs related to the two directives above.

## Questions

1. Reliability Standard TPL-001-4 requires an entity to consider planned maintenance outages greater than six months in duration in its studies. What, if any, risk is there to the reliable operation of the Bulk Power System (BPS), as defined in Section 215 of the Federal Power Act (i.e., “operating the elements of the bulk-power system within equipment and electric system thermal, voltage, and stability limits so that instability, uncontrolled separation, or cascading failures of such system will not occur as a result of a sudden disturbance . . . or unanticipated failure of system elements”) if planned maintenance outages of less than six months in duration are not considered in studies during one or both seasonal off-peak periods? Please explain your response:
2. If there are risks to the reliable operation of the BPS, are the likelihood of the occurrence of these risks low, medium or high?

Please explain your response:

1. What costs should be considered when evaluating these risks or in adding planned maintenance outages less than six months to TPL-001-4? Please explain your response:
2. If you identified one or more risks and identified a likelihood of “medium” or “high”, is there a more cost effective manner to reduce them rather than revising TPL-001-4 or is there an preferred approach to revising TPL-001-4 that takes into consideration cost effectiveness?

[ ]  Yes

[ ]  No

Please explain your response including descriptions of potential cost effective solutions and the associated benefits to reliability:

1. What, if any, risk to the reliable operation of the BPS, as defined under Section 215 (see question 1 above) is there if an entity does not perform stability analyses for the P0, P1 and P2 categories in TPL-001-4 that consider the possible unavailability of long lead-time equipment? Please explain your response:
	1. If there are risks to the reliable operation of the BPS, are the likelihood of the occurrence of these risks low, medium or high?

Please explain your response:

* 1. What costs should be considered when evaluating these risks? Please explain your response:
	2. If you identified one or more risks and identified a likelihood of “medium” or “high” is there a cost effective manner to reduce them rather than revising TPL-001-4 or is there an preferred approach to revising TPL-001-4 that takes into consideration cost effectiveness?

[ ]  Yes

[ ]  No

Please explain your response including descriptions of potential cost effective solutions and the associated benefits to reliability:

1. Link to FERC Order No. 786: [http://www.nerc.com/FilingsOrders/us/FERCOrdersRules/E-2 Transmission Planning Rel. Strd.pdf](http://www.nerc.com/FilingsOrders/us/FERCOrdersRules/E-2%20Transmission%20PLanning%20Rel.%20Strd.pdf) [↑](#footnote-ref-1)