

Executive Summary

As filed with FERC, the NERC TLR Drafting Team has identified the reliability aspects of IRO-006 in a draft revision to the standard. The industry is being asked to review the proposed revision (and associated Attachment 1) to determine whether or not the reliability objectives associated with the original standard have been maintained. In order to ensure industry understanding of these efforts, the Drafting Team has prepared the following documents:

- The proposed reliability standard (both in redline and in clean formats),
- A proposed Attachment 1 (both in redline and in clean formats),
- A draft of the Joint Operator Manual to provide operators an integrated view of both the NERC and NAESB standards,
- A Violation Severity Guideline, to assist entities in complying with Attachment 1,
- A [reference](#)¹ to the approved NAESB business practices (to show where commercial aspects will be covered), and
- An annotated mark-up of the original IRO-006 (highlighting how each part of the standard was divided).

The work being presented for ballot is related only to the first phase of work that is to be undertaken by the drafting team, which is ensuring the division of the reliability and commercial aspects of IRO-006 continue to meet the needs of the industry. This includes the development of measures, compliance elements and other standard components to meet the requirements of the NERC Reliability Standards Development Procedure. Future phases are intended to provide support for changes to the MISO/PJM/SPP congestion management process, as well as improve the overall clarity of the standard.

In conducting the first phase of this work, the team attempted to retain the original requirements to the extent possible to avoid creating new elements that may precipitate lengthy debates hence delaying implementing the split. However, where in the judgment of the team the standard requirements as written were deemed to create difficulties in developing the necessary measures and compliance elements, the team modified the requirements to achieve those objectives.

Note that the team is only requesting approval of IRO-006-4 and Attachment 1. All other materials are being provided for reference only.

Background

The original decision to separate the commercial and reliability standards was made in August, 2004, by the NERC Version 0 Standards Drafting Team and the NAESB

¹ Please access http://naesb.org/misc/fa_weq_r06002_attachment%202_.pdf to review the NAESB TLR Business Practice Standards in conjunction with the proposed NERC TLR Reliability Standards to ensure that all relevant aspects of TLR standards are either included in the NERC proposal or in the NAESB business practices. Please note that the NAESB business practice standards are copyright protected. Should you need to obtain a copy of the NAESB standards for other purposes, please contact the NAESB office.

Business Practice Subcommittee (BPS). This decision was supported by the Joint Interface Committee, consisting of NERC, NAESB, and the IRC (ISO/RTO Council). The agreement was to begin with Version 0 standards for both organizations, meaning standards would be identical, and then to move to Version 1 by the end of 2005 which would totally separate commercial and reliability standards. Approval of Version 1 would then call for the retirement of the Version 0 standards. This decision was also endorsed by the NERC Operating Committee and the Standards Authorization Committee.

A Joint NERC/NAESB TLR Task Force was formed and held eight meetings to complete the separation. In June of 2005, this team voted unanimously on the separation and agreed that each organization would begin Version 1 work on their portion of the separated standards.

In June, 2005, the NAESB BPS began work on its portion of the split and completed its process with an approval of the Wholesale Electric Quadrant (WEQ) Executive Committee and a subsequent member ratification on April 10, 2006. The decision was made to hold the ratified business practice in abeyance until NERC completed its portion of the split so that both organizations could make their appropriate filings with the FERC at the same time.

NERC posted the approved split for industry comment and received 12 sets of comments, six in favor of the split and six against the split. Those submitting negative comments stated the following concerns: the future management and coordination of the standards; keeping the standards in one accessible location; and the inclusion of business practices in the Interchange Distribution Calculator (IDC) Reference Document. The Operating Reliability Subcommittee at that point asked NAESB to cease work on their business practices (November, 2005) but reconsidered their decision in May, 2006 and approved the development of a SAR and formation NERC TLR Drafting Team for the Standard Authorization Committee's (SAC's and now known as Standards Committee (SC)) consideration.

To address concerns stated by the industry surrounding the division of the commercial practices and reliability standards, NERC and NAESB Executive leadership developed a process for joint development and maintenance of standards. This process was approved by the NAESB Board in February, 2006 and the NERC Board of Trustees in May, 2006. In addition, both organizations filed reports with the FERC in February, 2006, stating they would use this process to complete the TLR split in February, 2006. The template outlines a joint process for the overall development of standards, the posting of draft standards, and the industry comment periods for those standards. It additionally provides for the joint publication of standards, if Executive Management so decides. The template/process will not change the rights of the ballot body to vote at NERC or the rights of the membership to vote at NAESB.

This template answers the concerns of the industry by providing a method by which standards that are joint can be maintained in realistic synchronization. The template for joint standards development also provides for a method to jointly publish standards when the industry provides feedback that one manual with both standards is necessary.

FERC placed additional emphasis on the NERC/NAESB joint development process in Order 676, stating "The WEQ also adopted business practice standards that

complement NERC's Version 0 reliability standards. The development of such standards will be of increasing importance in the future as the Commission approves reliability standards under the recently enacted Energy Policy Act of 2005 (EPAAct 2005).² Business practice and reliability standards must complement each other to support an efficient grid. Companies need to have means of conducting business that ensure compliance with the reliability standards. We, therefore, are pleased NERC and NAESB have developed operating protocols that synchronize their standards development to provide for efficient and coordinated implementation of their respective standards."³

The support of the Commission for joint standards development and the commitment by both NERC and NAESB to complete the joint standards drafting for TLR standards, illustrates the importance of the task at hand to the Commission and to the industry.

The Work Scope of the NERC Drafting Team

NERC issued a SAR for TLR in December, 2006 to complete three phases of drafting work. The three phases include:

Phase 1 — A coordinated effort with NAESB to clarify and refine the steps in the Transmission Loading Relief Procedure for the Eastern Interconnection to reaffirm the steps needed to support reliability and the steps needed to support the business practice. This should be accomplished as soon as possible and should not wait for other technical changes to the standard.

Phase 2 — A second set of modifications to this standard involves further consideration of a change to the market flow calculation specified in PJM/MISO and SPP regional differences E.1 and E.2 in Standard IRO-006-03 to address a reliability issue when MISO, PJM and SPP are unable to meet their relief obligations during TLR. The proposed modification would change the market flow threshold for MISO, PJM and SPP from 0% to 3%. Based on stakeholder comments, (submitted with the SAR to Modify IRO-006 for Market Information), this change needs to be field tested to verify that it would not have any unforeseen adverse consequences. The field test will start June 1, 2007 for PJM; MISO and SPP will join the field test in September 2007. The field test is expected to end May 31, 2008. This change would replace the SPP Urgent Action Regional Difference to IRO-006. Since the end of the field test will not be completed before the SPP Urgent Action expires, SPP will need to take steps to extend the Urgent Action for one year. Since there was a delay in the start of the field test, changes related to Phase 2 will likely be introduced after the completion of Phase 3.

The PJM/MISO and SPP Regional Differences are also contained in the NAESB Business Practice, Appendix D – Sections A&B. Upon completion of the field test these Regional Differences will be removed from the NERC Standard.

Phase 3 — A third set of modifications includes the changes needed to elevate the overall quality of the standard and to address the additional technical issues that have been posed with this standard by stakeholders and FERC (see Standard Review Form and Reliability Standard Review Guidelines). In addition to revising the IDC Reference Document, the development may include other improvements to the standards deemed

² Energy Policy Act of 2005, Pub. L. No. 109-58, 119 Stat. 594 (2005), 42 U.S.C. 15801 *et seq.* See Order Nos. 672 and 672-A.

³ See Order 676 at para. 14.

appropriate by the drafting team, with the consensus of stakeholders, consistent with establishing high quality, enforceable and technically sufficient bulk power system reliability standards.

Part of the team's task is to ensure the reliability portion of the standard is enforceable as a mandatory reliability standard with financial penalties — the applicability to bulk power system owners, operators, and users, and as appropriate particular classes of facilities, is clearly defined; the purpose, requirements, and measures are results-focused and unambiguous; the consequences of violating the requirements are clear. The team is also tasked with incorporating other general issues needed to elevate the quality of the standard and to bring the format of the standard into compliance with the ERO Rules of Procedure as described in the standards development work plan (see Standard Review Form and Standard Review Guidelines). IRO-006 was developed as a Version 0 standard and although it has been updated to address some specific technical concerns, the SARs associated with the changes made to the standard limited modifications to just those modifications that were immediately needed. As the electric reliability organization begins enforcing compliance with reliability standards under Section 215 of the Federal Power Act in the United States and applicable statutes and regulations in Canada, the industry needs a set of clear, measurable, and enforceable reliability standards. The Version 0 standards, while a good foundation, were translated from historical operating and planning policies and guides that were appropriate in an era of voluntary compliance. The Version 0 standards and recent updates were put in place as a temporary starting point to stand up the electric reliability organization and begin enforcement of mandatory standards. However, it is important to update the standards in a timely manner, incorporating improvements to make the standards more suitable for enforcement and to capture prior recommendations that were deferred during the Version 0 translation.

Status

The team has drafted the NERC TLR Reliability Standard and is presenting it to the industry for ballot. Supporting documents are being posted so that industry participants can understand the history of how the decision was made and approved to split commercial and business practice language. These documents include:

- The proposed reliability standard (both in redline and in clean formats),
- A proposed Attachment 1 (both in redline and in clean formats),
- A draft of the Joint Operator Manual to provide operators an integrated view of both the NERC and NAESB standards,
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Next Steps

Once the NERC community is comfortable with the reliability portion of the TLR standard and votes to approve, NERC will file the Phase 1 portion of the completed standards with the FERC. It is the suggestion of the joint drafting team that NAESB wait to file until NERC has completed its Phase 1 process; this recommendation is not intended to bind NAESB to a particular filing date.

Following the completion of this initial phase of work, the group will begin submitting Phase 2 and 3 changes to industry for comment and balloting.