

## NERC Compliance Process Bulletin #2011-003 MOD-001-1a, MOD-004-1 and MOD-008-1

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The purpose of this bulletin is to provide registered entities and Regional Entities with the data retention requirements and audit approaches for the Modeling, Data and Analysis (MOD) Reliability Standards of MOD-001-1a, MOD-004-1 and MOD-008-1.

### Background

MOD-001-1a, MOD-004-1, and MOD-008-1 became effective on April 1, 2011. The Federal Energy Regulatory Commission's (FERC) Order No. 729<sup>1</sup> has mandated that the MOD Reliability Standards are to be audited by the Electric Reliability Organization (ERO) compliance enforcement authorities.<sup>2</sup> The MOD Reliability Standards have been incorporated into the ERO's current Compliance Monitoring and Enforcement Program's (CMEP) Implementation Plan as of June 1, 2011.<sup>3</sup>

### Data Retention

Registered entities are responsible for retaining data needed to demonstrate compliance with MOD-001-1a, MOD-004-1 and MOD-008-1. This data retention requirement applies to all compliance monitoring methods of the CMEP. Registered entities will need to retain the referenced data from the date of enforceability of these Reliability Standards.

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<sup>1</sup> See *Mandatory Reliability Standards for the Calculation of Available Transfer Capability, Capacity Benefit Margins, Transmission Reliability Margins, Total Transfer Capability, and Existing Transmission Commitments and Mandatory Reliability Standards for the Bulk-Power System*, 129 FERC ¶ 61,155 at P 106 (2009) (Order No. 729) (The Commission hereby adopts the NOPR proposal to direct the ERO to conduct an audit of the various implementation documents developed by transmission service providers to confirm that the complete available transfer capability methodologies reflected therein are sufficiently transparent to allow the Commission and others to replicate and verify those calculations.).

<sup>2</sup> *Id.* at P 131 (Upon further consideration, the Commission hereby directs the ERO to conduct these audits in the course of its periodic, three-year audits of users, owners and operators of the Bulk-Power System. The ERO shall begin this audit process 60 days after the implementation of these Reliability Standards.).

<sup>3</sup> NERC's 2011 CMEP Implementation Plan does not include the other three MOD Reliability Standards, MOD-028-1, MOD-029-1, and MOD-030-2, which also became effective on April 1, 2011.

Regional Entities are expected to retain material gathered throughout the course of an audit for a period of five years.<sup>4</sup> According to the Order, the retention of audit materials regarding the referenced MOD Reliability Standards is required to facilitate FERC staff inquiries into anti-competition concerns, should they arise.

### **Audit Approach**

FERC did not prescribe the precise manner by which the ERO must audit MOD-001-1a, MOD-004-1 and MOD-008-1.<sup>5</sup> A valid audit approach should encompass a review of Available Transfer Capability (ATC) or Available Flowgate Capability (AFC), including the Transmission Service Provider's calculation of Capacity Benefit Margin (CBM) and Transmission Reliability Margin (TRM). The review of ATC or AFC, CBM, and TRM as specified by an audit approach must be rigorous enough that both the implementation methodology and the calculation of either ATC or AFC used by a registered entity can be verified by ERO auditors or compliance enforcement authorities, as required by MOD-001-1a R3.1.

A registered entity's implementation methodology for ATC or AFC, CBM, and TRM can be verified by ensuring that the implementation document for each addresses the associated requirements of MOD-001-1a for the Available Transfer Capability Implementation Document (ATCID), MOD-004-1 for the Capacity Benefit Margin Implementation Document (CBMID), and MOD-008-1 for the Transmission Reliability Margin Implementation Document (TRMID). The associated Reliability Standard Audit Worksheet (RSAW) for each of these Reliability Standards provides the guidance necessary to verify a registered entity's methodology.

For example, the calculation of ATC or AFC may be verified in a three-step process as follows:

- Step 1) Determine the set of ATC Paths or Flowgates data that will be examined by way of the RAT-STATS sampling methodology.
- Step 2) For each of the ATC Paths or Flowgates identified in Step 1, select the appropriate number of hourly, daily, and monthly samples from each of these data sets as determined by the RAT-STATS sampling methodology.

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<sup>4</sup> Order No. 729 at P 125 (Thus, the ERO must retain information and material gathered during the course of its audit and make it available to Commission staff upon request, so as to allow Commission staff to inquire into possible anti-competition concerns) and P 129 (Accordingly, pursuant to section 215(d)(5) of the FPA and section 39.5(f) of our regulations, the Commission directs the ERO to modify the Reliability Standards so as to increase the document retention requirements to a term of five years, in order to be consistent with the enforcement provisions established in Order No. 670.).

<sup>5</sup> *Id.* at P 128 (We decline to direct how the ERO should conduct the MOD Reliability Standards audit, as requested by some commenters. We believe that our action to focus the ERO audit on compliance with the requirements of the Reliability Standards, matches the scope of the audits to the ERO's expertise. The ERO should be fully capable of developing an audit to measure compliance with the requirements of its Reliability Standards. In directing this audit, the Commission does not expect NERC's staff to have expert knowledge of the competition requirements of Order No. 890.).

Step 3) For each sample in Step 2, validate that the ATC as calculated according to the ATCID equals the ATC that was posted by the Transmission Service Provider on its Open Access Same Time Information System (OASIS).

The process described above represents one possible method for verifying ATC or AFC calculations. If other methods for verifying ATC or AFC calculations are utilized, it is important that the Regional Entity clearly identify any parameters or assumptions concerning its selected method such that its results can be replicated and verified by FERC and others.

NERC Compliance Operations will be working with registered entities and Regional Entities to ensure that both groups understand their responsibilities in regard to these MOD Reliability Standards. Registered entities should be prepared to identify and explain for their Regional Entities ATC and AFC calculations according to the Regional Entities' specific method for verifying such calculations.

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*This document is designed to convey compliance guidance from NERC's various activities. It is not intended to establish new requirements under NERC's Reliability Standards or to modify the requirements in any existing NERC Reliability Standards. Compliance will continue to be determined based on language in the NERC Reliability Standards as they may be amended from time to time.*