

Compliance Application Notice

Compliance Application: FAC-008 and FAC-009

Posted: January 7, 2011

Primary Interest Groups

Transmission Owners
Generation Owners

Issue: Constructed facilities not matching a registered entity's design specifications

NERC Compliance received a request for clarification regarding whether registered entities should self-report a violation of either FAC-008-1 R1 or FAC-009-1 R1 when constructed Facilities do not match a registered entity's design specifications.

Reliability Objective

To ensure that a registered entity's Facility Ratings are based on actual field conditions and that a registered entity's Facilities are therefore operated in accordance with their actual capability.

Background

On October 7, 2010, NERC issued the *Recommendation to Industry: Consideration of Actual Field Conditions in Determination of Facility Ratings* (Recommendation) that identified a reliability concern due to Facilities in the field not matching a registered entity's design specifications. This Recommendation contained a call to action for industry with key dates, which were revised on November 29 as follows:

- October 20, 2010 – acknowledge receipt of Recommendation
- October 28, 2010 – attend Webinar (optional)
- November 29, 2010 – attend second Webinar (optional)
- January 18, 2011– assess impact of the alert and provide an action plan, as required, to NERC, including any extension requests for completing assessments (originally December 15, 2010)
- Complete assessments - Identify all discrepancies between the design and actual field conditions that are outside the registered entity's design tolerances and report those discrepancies to NERC, applicable Reliability Coordinators, Transmission Operators, and Regional Entities by (originally April 7, 2011):
 1. **December 31, 2011 for High Priority Facilities**
 2. **December 31, 2012 for Medium Priority Facilities**
 3. **December 31, 2013 for Lowest Priority Facilities**

Compliance Application: FAC-008 and FAC-009

- Remediation to correct all issues identified during the assessment should occur as quickly as practical but within one year of identification OR obtain approval from NERC to extend deadline

In addressing this important reliability Recommendation, registered entities may discover operational Facilities with discrepancies between design specifications used for the development of ratings and actual field conditions that are outside the entity's design tolerances. While the importance of correcting these discrepancies within the above dates cannot be overstated, any such discrepancy is not necessarily a violation of the Reliability Standards.

Nevertheless, such a discrepancy may contribute to a possible violation of FAC-008-1 R1 or FAC-009-1 R1 or R2 based on the facts and circumstances specific to each instance, as described below. NERC encourages each registered entity to closely examine its Facilities Rating Methodology (FRM) required by FAC-008-1 R1 and the application of its FRM as required by FAC-009 R1 and R2 to determine if it is in compliance. Where the registered entity makes a determination that it is not compliant, the entity should self report to the appropriate Regional Entity.

Compliance Application

FAC-008

FAC-008-1 requires a registered entity to have a documented FRM for developing Facility Ratings of its solely and jointly owned Facilities. The methodology is to include consideration of the following:

- R1.3.1. Ratings provided by equipment manufacturers.
- R1.3.2. Design criteria (*e.g.*, including applicable references to industry Rating practices such as manufacturer's warranty, IEEE, ANSI or other standards).
- R1.3.3. Ambient conditions.
- R1.3.4. Operating limitations.
- R1.3.5. Other assumptions.

Compliance Application: FAC-008 and FAC-009

Where an entity's FRM considered equipment manufacturer's provided ratings (R1.3.1), design criteria (R1.3.2), ambient conditions (R1.3.3), operating limitations (R1.3.4) and other assumptions (R1.3.5), the registered entity would be in compliance with FAC-008-1 R1.

FAC-009 R1

FAC-009-1 R1 requires each Transmission Owner and Generator Owner to establish Facility Ratings for its solely and jointly owned Facilities that are consistent with the associated FRM.

In order to be compliant with FAC-009-1 R1, a registered entity's Facility Ratings must be established pursuant to its FRM required by FAC-008-1 R1.

In order to determine whether a registered entity's Facility Ratings were established pursuant to its FRM, a registered entity should first evaluate whether its FRM addresses design criteria for Transmission Facilities, including clearances and, if so, whether the design criteria and clearances that are included are:

- 1) the actual physical application of the design criteria in the field for individual Facilities and/or actual clearances for individual Facilities; ***or***
- 2) stated broadly as general policy requirements.

Where an entity's FRM requires the inclusion of the actual clearances or the physical applications of design criteria in the field for individual Facilities in the calculation of the Facility's Rating (#1):

- If the entity's calculated Facility Ratings do not reflect the FRM requirement, then the registered entity would possibly be non-compliant with FAC-009 R1.
- Additionally, where an entity's Facility Ratings include the FRM requirement, the Facilities must be constructed to the actual clearances and/or design criteria specified in the entity's FRM. If the Facilities in the field are not constructed to design specifications and/or within acceptable tolerances for clearances, or the registered entity would possibly be non-compliant with FAC-009 R1.

Compliance Application: FAC-008 and FAC-009

Where clearances or design criteria are stated broadly as general policy requirements, actual field construction would not be considered in determining noncompliance with FAC-009 R1.

FAC-009 R2

FAC-009-1 R2 requires each Transmission Owner and Generator Owner to provide Facility Ratings for its solely and jointly owned Facilities that are existing Facilities, new Facilities, modifications to existing Facilities and re-ratings of existing Facilities to its associated Reliability Coordinator(s), Planning Authority(ies), Transmission Planner(s), and Transmission Operator(s) as scheduled by such requesting entities.

For compliance with FAC-009-1 R2, an entity that provides its current Facility Ratings as scheduled by the requesting entities would be in compliance with the requirement. As R2 includes “new Facilities, modifications to existing Facilities and re-ratings of existing Facilities,” the standard contemplates that transmission owners update their ratings to address changing field conditions and would thus be positioned for compliance with the standard.

Possible Compliance Actions

The first order of business under FAC-009 is for registered entities to operate reliably within the requirements and or assumptions contained in the registered entity’s FRM.

In contrast, the Recommendation addresses whether Facilities were constructed pursuant to a registered entity’s design specifications and required clearances.

Registered entities that included the actual physical application of its design criteria in the field for individual Facilities and/or actual clearances for individual Facilities in its FRM have exhibited an attention to detail and a concern for reliability. In the event a registered entity discovers a noncompliance as a result of this Recommendation, the registered entity’s continuation of its robust FRM; timely and thorough evaluations of its system using accurate measurement methods and technologies; timely self-disclosure of any compliance gaps; prompt corrective actions and consistent completion of its Mitigation Plan milestones will be strong considerations in the determination of a zero-dollar penalty.

Compliance Application: FAC-008 and FAC-009

Further, NERC and Regional Entity staff will exercise enforcement discretion to hold the processing of all possible violations reported as a result of the assessments until the entity's assessments are complete, as long as the registered entity reporting such possible violations is proceeding in good faith to complete the assessments.

Please note that in the unlikely circumstance that an actual event occurs in which NERC or the Regional Entity determines a discrepancy between actual conditions and facility ratings was a cause or contributing factor, then NERC or the Regional Entity would proceed to investigate that case directly and not wait. Similarly, any possible violations of FAC-003 should continue to be reported immediately and may be processed separately and immediately by the Regional Entity or NERC.

Prior Related Communications

- *FAC-008-1 RSAW November 2, 2009 – Facility Ratings Methodology
- *FAC-009-1 RSAW November 2, 2009 – Establish and Communicate Facility Ratings
- *Order 693, ¶ 736 - 771, March 16, 2007

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This document is designed to convey compliance guidance from NERC's various activities, including basis for current ERO enforcement determinations. It does not establish new requirements under NERC's Reliability Standards or modify the requirements in any existing NERC Reliability Standard, but is intended to convey transparency for industry. Compliance will continue to be assessed based on language in the NERC Reliability Standards as they may be amended from time to time. Implementation of this compliance application notice is not a substitute for compliance with requirements in NERC's Reliability Standards.