

Standards Committee

of the North American Electric Reliability Corporation

August 24, 2011

John Q. Anderson
Chairman
NERC Board of Trustees

Dear Chairman Anderson:


At the NERC Board of Trustees August 4, 2011 meeting, the Board approved the following Resolution on Definition of Bulk Electric System:

In furtherance of the Board's oversight of the standards development process and in anticipation of the Board's ultimate responsibility to determine whether the revised definition of "Bulk Electric System" that emerges from the standards development process should be approved and filed with the Federal Energy Regulatory Commission no later than January 25, 2012, as NERC's response to the directives in Order No. 743, the Board:

- (1) directs the Standards Committee and the Standard Drafting Team to consider the feedback heard at the August 4, 2011 board meeting regarding the development of the Bulk Electric System definition; and
- (2) further directs that the Standards Committee submit to the Board by September 9, 2011:
 - (a) the draft of the proposed Bulk Electric System definition as it exists on that date;
 - (b) the best justification that the Standard Drafting Team has prepared to support the change in generator threshold from 20 MVA to 75 MVA; and
 - (c) an options paper that addresses possible options for moving forward with the development of the proposed definition and responding to the Commission by the January 25, 2012 deadline; and
- (3) expects the Standards Drafting Team to continue its work on the Bulk Electric System definition.

The Drafting Team (DT) for Project 2010-17 Definition of the Bulk Electric System met the week of August 7, 2011 and determined that it was highly unlikely that the DT could develop an adequate technical justification to support revision of the single unit generator threshold criteria (20 to 75 MVA) in the time frame established by Order 743. The team revised its proposed definition and provided us with an update to its action plan that reflects adoption of the guidance provided by the Member Representatives Committee and Board of Trustees.

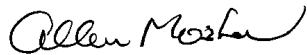
- Attachment A is a copy of the latest draft of the proposed definition of Bulk Electric System as of August 19, 2011. The revised definition is silent on generator threshold; there is no proposed change from 20 MVA to 75 MVA.
- Attachment B is a copy of the letter provided by the drafting team's chair, Peter Heidrich, on August 23, 2011 relative to the status of the project.
- Attachment C is a copy of the team's proposed action plan for moving this project forward to meet the applicable Commission directives by January 25, 2012. This includes splitting the



project into two phases, with phase 1 focused solely on meeting the Commission's relevant directives. Phase 2 will address other issues, including the generator threshold issue, raised by stakeholders or during drafting team deliberations.

It is our view that the drafting team's proposed course of action meets the intent of the Board's August 4 Resolution that the Standards Committee and the Standard Drafting Team consider the feedback heard at the August 4, 2011 Board meeting regarding the development of the Bulk Electric System definition and that the drafting team continue its work on the Bulk Electric System definition. The team expects to post its latest documents for a stakeholder comment period starting on August 25, 2011.

Sincerely yours,



Allen Mosher
Chair, Standards Committee

Cc: Herbert Schrayshuen
Standards Committee
BES Definition SDT

Project 2010-17 Definition of Bulk Electric System

Standard Development Timeline

This section is maintained by the drafting team during the development of the standard and will be removed when the standard becomes effective.

Development Steps Completed

1. SAR posted for comment 12/17/10 – 1/21/11
2. SC authorized moving the SAR forward to standard development 3/25/11
3. First posting of definition 4/28/11 – 5/27/11
4. First posting of criteria 5/11/11 – 6/10/11

Description of Current Draft

This draft is the second posting of the revised definition of the Bulk Electric System (BES). It is for a 45-day formal comment and parallel voting period.

Anticipated Actions	Anticipated Date
30-day Formal Comment Period	April 28, 2011
45-day Formal Comment Period with Parallel Initial Ballot	September 2011
Recirculation ballot	December 2011
BOT adoption	January 2011

Project 2010-17 Definition of Bulk Electric System

Effective Dates

This definition shall become effective on the first day of the second calendar quarter after applicable regulatory approval. In those jurisdictions where no regulatory approval is required, the definition will go into effect on the first day of the second calendar quarter after Board of Trustees adoption. Compliance obligations for Elements included by the definition shall begin 24 months after the applicable effective date of the definition.

Version History

Version	Date	Action	Change Tracking
1	TBD	Respond to FERC Order No. 743 to clarify the definition of the Bulk Electric System	N/A

Project 2010-17 Definition of Bulk Electric System

Definitions of Terms Used in Standard

This section includes all newly defined or revised terms used in the proposed standard. Terms already defined in the Reliability Standards Glossary of Terms are not repeated here. New or revised definitions listed below become approved when the proposed standard is approved. When the standard becomes effective, these defined terms will be removed from the individual standard and added to the Glossary.

Bulk Electric System (BES): Unless modified by the lists shown below, all Transmission Elements operated at 100 kV or higher and Real Power and Reactive Power resources connected at 100 kV or higher. This does not include facilities used in the local distribution of electric energy.

Inclusions:

- **I1** - Transformers with primary and secondary terminals operated at 100 kV or higher unless excluded under Exclusion E1 or E3.
- **I2** - Generating resource(s) (with gross aggregate nameplate rating per the ERO Statement of Compliance Registry Criteria) including the generator terminals through the high-side of the step-up transformer(s) connected at a voltage of 100 kV or above.
- **I3** - Blackstart Resources identified in the Transmission Operator's restoration plan.
- **I4** - Dispersed power producing resources with aggregate capacity greater than 75 MVA (gross aggregate nameplate rating) utilizing a system designed primarily for aggregating capacity, connected at a common point at a voltage of 100 kV or above.
- **I5** –Static or dynamic devices dedicated to supplying or absorbing Reactive Power that are connected at 100 kV or higher, or through a dedicated transformer with a high-side voltage of 100 kV or higher, or through a transformer that is designated in Inclusion I1.

Exclusions:

- **E1** - Radial systems: A group of contiguous transmission Elements that emanates from a single point of connection of 100 kV or higher and:
 - a) Only serves Load. Or,
 - b) Only includes generation resources, not identified in Inclusion I3, with an aggregate capacity less than or equal to 75 MVA (gross nameplate rating). Or,
 - c) Where the radial system serves Load and includes generation resources, not identified in Inclusion I3, with an aggregate capacity of non-retail generation less than or equal to 75 MVA (gross nameplate rating).Note – A normally open switching device between radial systems, as depicted on prints or one-line diagrams for example, does not affect this exclusion.

Project 2010-17 Definition of Bulk Electric System

- **E2** - A generating unit or multiple generating units that serve all or part of retail customer Load with electric energy on the customer's side of the retail meter if: (i) the net capacity provided to the BES does not exceed 75 MVA, and (ii) standby, back-up, and maintenance power services are provided to the generating unit or multiple generating units or to the retail Load by a Balancing Authority, or provided pursuant to a binding obligation with a Generator Owner or Generator Operator, or under terms approved by the applicable regulatory authority.
- **E3** - Local networks (LN): A group of contiguous transmission Elements operated at or above 100 kV but less than 300 kV that distribute power to Load rather than transfer bulk power across the interconnected system. LN's emanate from multiple points of connection at 100 kV or higher to improve the level of service to retail customer Load and not to accommodate bulk power transfer across the interconnected system. The LN is characterized by all of the following:
 - a) Limits on connected generation: The LN and its underlying Elements do not include generation resources identified in Inclusion I3 and do not have an aggregate capacity of non-retail generation greater than 75 MVA (gross nameplate rating) ;
 - b) Power flows only into the LN: The LN does not transfer energy originating outside the LN for delivery through the LN; and
 - c) Not part of a Flowgate or transfer path: The LN does not contain a monitored Facility of a permanent Flowgate in the Eastern Interconnection, a major transfer path within the Western Interconnection, or a comparable monitored Facility in the ERCOT or Quebec Interconnections, and is not a monitored Facility included in an Interconnection Reliability Operating Limit (IROL).
- **E4** – Reactive Power devices owned and operated by the retail customer solely for its own use.

Note - Elements may be included or excluded on a case-by-case basis through the Rules of Procedure exception process.



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August 23, 2011

Allen Mosher, Chair of NERC Standards Committee
Ben Li, Vice Chair of NERC Standards Committee
Herbert Schrayshuen, Vice President and Director of Standards, NERC

RE: Project 2010-17 Definition of the Bulk Electric System - Action Plan

Gentlemen;

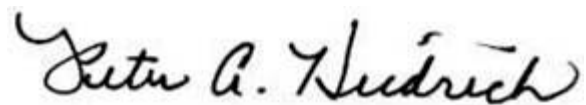
This letter provides the Standards Committee, the Board of Trustees and NERC staff with the Drafting Team's action plan for Project 2010-17 Definition of the Bulk Electric System (BES). The project is currently on schedule to complete the revision of the definition of the BES, the development of the associated Implementation Plan and all documents supporting the Rules of Procedure Exception Process by January 25, 2012, in response to the directives established by the Commission (FERC) in Order Nos. 743 and 743-A.

The drafting team submitted the following documents for quality review on Friday, August 19, 2011, in preparation for the next scheduled posting. The goal is to post the documents for stakeholder formal comment and initial ballot no later than September 2, 2011:

- Draft BES Definition
 - Responses to the initial posting of definition
 - Technical Justification for the Local Network exclusion (E3)
 - Second posting comment form for definition
- Draft Technical Principles for Demonstrating BES Exceptions (evidence document to support Rules of Procedure Process)
 - Responses to the initial posting of Technical Principles document
 - Second posting comment form for Technical Principles
- Draft Implementation Plan
- Table identifying how the team addressed applicable FERC directives
- Phase 2 SAR (to be posted for informational purposes only)

I have attached the latest action plan for successful completion of this project in phases which encompasses the MRC and BOT recommendations.

Sincerely,

A handwritten signature in black ink that reads "Peter A. Heidrich". The signature is written in a cursive style with a large initial 'P' and 'H'.

Peter A. Heidrich

Chair, Project 2010-17 Definition of the Bulk Electric System Drafting Team

cc: NERC Board of Trustees
NERC Standards Committee

August 23, 2011 Action Plan for Completion of Project 2010-17 – Definition of Bulk Electric System

The Standard Drafting Team (SDT) for Project 2010-17 Definition of the Bulk Electric System met the week of August 7, 2011 and determined that the feasibility of developing an adequate technical justification for the revision of the single unit generator threshold criteria (20 to 75 MVA) is highly unlikely in the time frame established by Order No. 743 (filing deadline of January 25, 2012). Therefore the SDT adopted the recommendations of the Member Representatives Committee (MRC) and the NERC Board of Trustees (BOT) and developed the following plan to meet the schedule for addressing the directives established by the Commission (FERC) in Order Nos. 743 and 743-A while also addressing concerns raised by SDT members and concerns received from stakeholders through the standard development process.

- The SDT revised the draft definition to eliminate any change in the generation thresholds. To accomplish this, the SDT has chosen to remain silent as to the actual values associated with the generator thresholds for units and referenced the ERO Statement of Compliance Registry Criteria for additional clarification. This will ensure that the current ‘status-quo’ application of the BES definition and the registration process will continue as it is today.
- The SDT developed a second Standard Authorization Request (SAR) for the project (Project 2010-17 Definition of the Bulk Electric System) to establish a phased approach where *phase 1* addresses the directives from Order Nos. 743 and 743-A and *phase 2* will address the concerns raised by SDT members and stakeholders through the Standard Development Process.
- The SDT finalized the revised draft BES definition and all associated documents for a 45-day concurrent posting (formal comment period and initial ballot) scheduled to begin no later than September 2, 2011. The SDT also prepared a revised version of the “*Technical Principles for Demonstrating BES Exceptions*¹” for posting (formal comment period and initial ballot) in parallel with the posting of the BES definition.

¹ The “*Technical Principles for Demonstrating BES Exceptions*” was developed to supplement the Rules of Procedure Exception Process by providing guidance to the ERO, the Regional Entities and the industry on the detailed information and evidence necessary to support a BES Definition exception request.