

Violation Risk Factor and Violation Severity Level Justifications

Project 2017-01 Modifications to BAL-003-1.1

This document provides the standard drafting team's (SDT's) justification for assignment of violation risk factors (VRFs) and violation severity levels (VSLs) for each requirement in Reliability Standard BAL-003-2. Each requirement is assigned a VRF and a VSL. These elements support the determination of an initial value range for the Base Penalty Amount regarding violations of requirements in FERC-approved Reliability Standards, as defined in the Electric Reliability Organizations (ERO) Sanction Guidelines. The SDT applied the following NERC criteria and FERC Guidelines when developing the VRFs and VSLs for the requirements. Please note, the SDT is only proposing to change the VSL for Requirement R1. As a result, justification is only provided for the VSL for Requirement R1.

NERC Criteria for Violation Risk Factors

High Risk Requirement

A requirement that, if violated, could directly cause or contribute to Bulk Electric System (BES) instability, separation, or a cascading sequence of failures, or could place the BES at an unacceptable risk of instability, separation, or cascading failures; or, a requirement in a planning time frame that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly cause or contribute to BES instability, separation, or a cascading sequence of failures, or could place the BES at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to a normal condition.

Medium Risk Requirement

A requirement that, if violated, could directly affect the electrical state or the capability of the BES, or the ability to effectively monitor and control the BES. However, violation of a medium risk requirement is unlikely to lead to BES instability, separation, or cascading failures; or, a requirement in a planning time frame that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly and adversely affect the electrical state or capability of the BES, or the ability to effectively monitor, control, or restore the BES. However, violation of a medium risk requirement is unlikely, under emergency, abnormal, or restoration conditions anticipated by the preparations, to lead to BES instability, separation, or cascading failures, nor to hinder restoration to a normal condition.

Lower Risk Requirement

A requirement that is administrative in nature and a requirement that, if violated, would not be expected to adversely affect the electrical state or capability of the BES, or the ability to effectively monitor and control the BES; or, a requirement that is administrative in nature and a requirement in a planning time frame that, if violated, would not, under the emergency, abnormal, or restorative conditions anticipated by the preparations, be expected to adversely affect the electrical state or capability of the BES, or the ability to effectively monitor, control, or restore the BES.

FERC Guidelines for Violation Risk Factors

Guideline (1) – Consistency with the Conclusions of the Final Blackout Report

FERC seeks to ensure that VRFs assigned to Requirements of Reliability Standards in these identified areas appropriately reflect their historical critical impact on the reliability of the Bulk-Power System. In the VSL Order, FERC listed critical areas (from the Final Blackout Report) where violations could severely affect the reliability of the Bulk-Power System:

- Emergency operations
- Vegetation management
- Operator personnel training
- Protection systems and their coordination
- Operating tools and backup facilities
- Reactive power and voltage control
- System modeling and data exchange
- Communication protocol and facilities
- Requirements to determine equipment ratings
- Synchronized data recorders
- Clearer criteria for operationally critical facilities
- Appropriate use of transmission loading relief.

Guideline (2) – Consistency within a Reliability Standard

FERC expects a rational connection between the sub-Requirement VRF assignments and the main Requirement VRF assignment.

Guideline (3) – Consistency among Reliability Standards

FERC expects the assignment of VRFs corresponding to Requirements that address similar reliability goals in different Reliability Standards would be treated comparably.

Guideline (4) – Consistency with NERC’s Definition of the Violation Risk Factor Level

Guideline (4) was developed to evaluate whether the assignment of a particular VRF level conforms to NERC’s definition of that risk level.

Guideline (5) – Treatment of Requirements that Co-mingle More Than One Obligation

Where a single Requirement co-mingles a higher risk reliability objective and a lesser risk reliability objective, the VRF assignment for such Requirements must not be watered down to reflect the lower risk level associated with the less important objective of the Reliability Standard.

NERC Criteria for Violation Severity Levels

VSLs define the degree to which compliance with a requirement was not achieved. Each requirement must have at least one VSL. While it is preferable to have four VSLs for each requirement, some requirements do not have multiple “degrees” of noncompliant performance and may have only one, two, or three VSLs.

VSLs should be based on NERC’s overarching criteria shown in the table below:

Lower VSL	Moderate VSL	High VSL	Severe VSL
The performance or product measured almost meets the full intent of the requirement.	The performance or product measured meets the majority of the intent of the requirement.	The performance or product measured does not meet the majority of the intent of the requirement, but does meet some of the intent.	The performance or product measured does not substantively meet the intent of the requirement.

FERC Order of Violation Severity Levels

The FERC VSL guidelines are presented below, followed by an analysis of whether the VSLs proposed for each requirement in the standard meet the FERC Guidelines for assessing VSLs:

Guideline (1) – Violation Severity Level Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance

Compare the VSLs to any prior levels of non-compliance and avoid significant changes that may encourage a lower level of compliance than was required when levels of non-compliance were used.

Guideline (2) – Violation Severity Level Assignments Should Ensure Uniformity and Consistency in the Determination of Penalties

A violation of a “binary” type requirement must be a “Severe” VSL.

Do not use ambiguous terms such as “minor” and “significant” to describe noncompliant performance.

Guideline (3) – Violation Severity Level Assignment Should Be Consistent with the Corresponding Requirement

VSLs should not expand on what is required in the requirement.

Guideline (4) – Violation Severity Level Assignment Should Be Based on a Single Violation, Not on a Cumulative Number of Violations

Unless otherwise stated in the requirement, each instance of non-compliance with a requirement is a separate violation. Section 4 of the Sanction Guidelines states that assessing penalties on a per violation per day basis is the “default” for penalty calculations.

VRF Justification for BAL-003-1.1, Requirement R1

The VRF did not change from the previously FERC approved BAL-003-1.1 Reliability Standard.

VSL Justification for BAL-003-1.1, Requirement R1

This justification is provided on the following page.

VRF Justification for BAL-003-1.1, Requirement R2

The VRF did not change from the previously FERC approved BAL-003-1.1 Reliability Standard.

VSL Justification for BAL-003-1.1, Requirement R2

The VSL did not change from the previously FERC approved BAL-003-1.1 Reliability Standard.

VRF Justification for BAL-003-1.1, Requirement R3

The VRF did not change from the previously FERC approved BAL-003-1.1 Reliability Standard.

VSL Justification for BAL-003-1.1, Requirement R3

The VSL did not change from the previously FERC approved BAL-003-1.1 Reliability Standard.

VRF Justification for BAL-003-1.1, Requirement R4

The VRF did not change from the previously FERC approved BAL-003-1.1 Reliability Standard.

VSL Justification for BAL-003-1.1, Requirement R4

The VSL did not change from the previously FERC approved BAL-003-1.1 Reliability Standard.

VSLs for BAL-003-2, Requirement R1

Lower	Moderate	High	Severe
<p>The Balancing Authority's (BA)s, or Frequency Response Sharing Group's (FRSG)s, Frequency Response Measure (FRM) was less negative than its Frequency Response Obligation (FRO) by more than 1% but by at most 1530% or 15 MW/0.1 Hz, whichever one is the greater deviation from its FRO.</p>	<p>The BA's, or (FRSG)s, FRM was less negative than its FRO by more than 1530% but by at most 30% or by more than 30 MW/0.1 Hz, whichever is the greater deviation from its FRO.</p>	<p>The BA's, or FRSGs, FRM was less negative than its FRO by more than 30% but by at most 45% or 45 MW/0.1 Hz, whichever one is the greater deviation from its FRO.</p>	<p>The BA's, or FRSG's, FRM was less negative than its FRO by more than 45% or by more than 45 MW/0.1 Hz, whichever is the greater deviation from its FRO.</p>

VSL Justifications for BAL-003-2, Requirement R1

<p>FERC VSL G1 Violation Severity Level Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance</p>	<p>This is not applicable since there was not a requirement mandating a certain level of Frequency Response prior to this standard.</p>
<p>FERC VSL G2 Violation Severity Level Assignments Should Ensure Uniformity and Consistency in the Determination of Penalties <u>Guideline 2a:</u> The Single Violation Severity Level Assignment Category for "Binary" Requirements Is Not Consistent <u>Guideline 2b:</u> Violation Severity Level Assignments that Contain Ambiguous Language</p>	<p>Proposed VSL's are not binary. Proposed VSL language does not include ambiguous terms and ensures uniformity and consistency in the determination of penalties based only on the amount the calculated FRM is less negative than FRO.</p>
<p>FERC VSL G3 Violation Severity Level Assignment Should Be Consistent with the Corresponding Requirement</p>	<p>Proposed VSL's do not expand on what is required. The VSL's assigned only consider results of the calculation required. Proposed VSL's are consistent with the requirement.</p>

VSL Justifications for BAL-003-2, Requirement R1

FERC VSL G4

Violation Severity Level
Assignment Should Be Based
on A Single Violation, Not on
A Cumulative Number of
Violations

Proposed VSL's are based on a single violation and not a cumulative violation methodology.