

Rationales for BAL-002-3

February, 2018

Requirement R1

The Responsible Entity experiencing a Reportable Balancing Contingency Event shall:

- 1.1. within the Contingency Event Recovery Period, demonstrate recovery by returning its Reporting ACE to at least the recovery value of:
 - zero (if its Pre-Reporting Contingency Event ACE Value was positive or equal to zero); however, any Balancing Contingency Event that occurs during the Contingency Event Recovery Period shall reduce the required recovery: (i) beginning at the time of, and (ii) by the magnitude of, such individual Balancing Contingency Event, or,
 - its Pre-Reporting Contingency Event ACE Value (if its Pre-Reporting Contingency Event ACE Value was negative); however, any Balancing Contingency Event that occurs during the Contingency Event Recovery Period shall reduce the required recovery: (i) beginning at the time of, and (ii) by the magnitude of, such individual Balancing Contingency Event.
- 1.2. document all Reportable Balancing Contingency Events using CR Form 1.
- 1.3. deploy Contingency Reserve, within system constraints, to respond to all Reportable Balancing Contingency Events, however, it is not subject to compliance with Requirement R1 part 1.1 if the Responsible Entity:
 - 1.3.1 is (i) a Balancing Authority or (ii) a Reserve Sharing Group with at least one member that:
 - is experiencing a Reliability Coordinator declared Energy Emergency Alert Level, and
 - is utilizing its Contingency Reserve to mitigate an operating emergency in accordance with its emergency Operating Plan, and
 - has depleted its Contingency Reserve to a level below its Most Severe Single Contingency, and
 - has, during communications with its Reliability Coordinator in accordance with the Energy Emergency Alert procedures, (i) notified the Reliability Coordinator of the conditions described in the preceding two bullet points preventing the Responsible Entity from complying with Requirement R1 part 1.1, and (ii) provided the Reliability Coordinator with an ACE recovery plan, including target recovery time.
 - or,
 - 1.3.2 the Responsible Entity experiences:

- multiple Contingencies where the combined MW loss exceeds its Most Severe Single Contingency and that are defined as a single Balancing Contingency Event, or
- multiple Balancing Contingency Events within the sum of the time periods defined by the Contingency Event Recovery Period and Contingency Reserve Restoration Period whose combined magnitude exceeds the Responsible Entity's Most Severe Single Contingency.

Rationale R1

Requirement R1 reflects the operating principles first established by NERC Policy 1 (Generation Control and Performance). Its objective is to assure the Responsible Entity balances resources and demand and returns its Reporting Area Control Error (ACE) to defined values (subject to applicable limits) following a Reportable Balancing Contingency Event. It requires the Responsible Entity to recover from events that would be less than or equal to the Responsible Entity's MSSC. It establishes the amount of Contingency Reserve and recovery and restoration timeframes the Responsible Entity must demonstrate in a compliance evaluation. It is intended to eliminate the ambiguities and questions associated with the existing standard. In addition, it allows Responsible Entities to have a clear way to demonstrate compliance and support the Interconnection to the full extent of its MSSC.

Requirement R1 does not apply when an entity experiences a Balancing Contingency Event that exceeds its MSSC (which includes multiple Balancing Contingency Events as described in R1 part 1.3.2 below) because a fundamental goal of the SDT is to assure the Responsible Entity has enough flexibility to maintain service to Demand while managing reliability. The SDT's intent is to eliminate any potential overlap or conflict with any other NERC Reliability Standard to eliminate duplicative reporting, and other issues.

Commenters suggested a Quarterly Compliance similar to the current reports sent to NERC. The drafting team attempted to draft measurement language and VSL's for quarterly monitoring of compliance to R1. But the drafting team found that the VSL levels developed were likely to place smaller Balancing Authority's (BA) and Reserve Sharing Groups (RSG) in a severe violation regardless of the size of the failure. Therefore, the drafting team has not adopted a quarterly compliance calculation. Also, the proposed requirement and compliance process meets the directive in Paragraph 354 of Order 693.

The language in R1 part 1.3 does not specifically state under which EEA level the exclusion applies to reduce the need for consequent modifications of the BAL-002 standard. Thus, language in Requirement 1 Part 1.3.1 addresses both current and future EEA process. In addition, the drafting team has added language to R 1.3.1 clarifying that if a BA is experiencing an EEA event under

which its contingency reserve has been activated, the RSG in which it resides would also be considered to be exempt from R1 compliance.

In addition, to address FERC Order No. 835, the drafting team has modified Requirement R1 Part 1.3.1 to clarify that the Responsible Entity, is the Balancing Authority (BA) notifying the Reliability Coordinator (RC) of the conditions set forth in Requirement R1, Part 1.3.1 in accordance with the Energy Emergency Alert (EEA) procedures. Under the Energy Emergency Alert procedures, the BA must inform the RC of the conditions and necessary requirements to meet reliability and the RC must approve of the information being provided before issuing an Energy Emergency Alert. Requirement R1 Part 1.3.1 requires the BA to provide additional information to the RC, allowing the RC to have a wide-area view of the state of the Bulk Electric System for possible future decisions concerning the System. It also provides for relief to a BA or RSG when reserves are being utilized under an EEA. These modifications keep the issues associated with Energy Emergencies within the Emergency Preparedness and Operations Standards, while allowing BAL-002-3 to compliment the process and clarify the narrow set of conditions where the BA and/or RSG is not subject to compliance to R1..

Requirement R2

Each Responsible Entity shall develop, review and maintain annually, and implement an Operating Process as part of its Operating Plan to determine its Most Severe Single Contingency and make preparations to have Contingency Reserve equal to, or greater than the Responsible Entity's Most Severe Single Contingency available for maintaining system reliability.

Rationale R2

R2 establishes the need to actively plan in the near term (e.g., day-ahead) for expected Reportable Balancing Contingency Events. This requirement is similar to the current standard which requires an entity to have available a level of contingency reserves equal to or greater than its Most Severe Single Contingency.

Requirement R3

Each Responsible Entity, following a Reportable Balancing Contingency Event, shall restore its Contingency Reserve to at least its Most Severe Single Contingency, before the end of the Contingency Reserve Restoration Period, but any Balancing Contingency Event that occurs before the end of a Contingency Reserve Restoration Period resets the beginning of the Contingency Event Recovery Period.

Rationale R3

This requirement is similar to the existing requirement that an entity that has experienced an event shall restore its Contingency Reserves within 105 minutes of the event. Note that if an entity is experiencing an EEA it may need to depend on potential availability (or make ready for potential curtailment) of its firm loads to restore Contingency Reserve. This is the reason for the changes to the definition of Contingency Reserve in the posting.