

Supporting Statement for
FERC-725A, Mandatory Reliability Standards for the Bulk-Power System
As Proposed in Docket No. RM08-7-000
(A Notice of Proposed Rulemaking Issued April 21, 2008)

The Federal Energy Regulatory Commission (Commission) (FERC) is submitting a Notice of Proposed Rulemaking (NOPR) that affects the requirements under the following information collection: **FERC-725A, Mandatory Reliability Standards for the Bulk Power System**. FERC-725A (Control No. 1902-0248) is a Commission data collection, (filing requirements), as contained in 18 Code of Federal Regulations, Part 40.

In 2007 the Commission created a new information collection FERC-725A, implementing mandatory reliability standards that were previously part of a voluntary program. The Commission is informing OMB that while there are changes to several of the Mandatory Reliability Standards, the proposed changes in this NOPR will not make substantive changes to the information collection requirements and therefore the estimates reported last year remain unchanged in this submission. As the Commission noted last year, it will revise these estimates as the mandatory standards are updated and enforced.

Background

On August 8, 2005, The Electricity Modernization Act of 2005, which is Title XII of the Energy Policy Act of 2005 (EPAAct 2005), was enacted into law.¹ EPAAct 2005 added a new section 215 to the FPA and requires a Commission-certified ERO to develop mandatory and enforceable Reliability Standards, which are subject to Commission review and approval. Once approved, the Reliability Standards may be enforced by the ERO, subject to Commission oversight. Below is a summary of the provisions of Subtitle A of the Electricity Modernization Act of 2005.

- (1) Section 215(a) defines relevant terms used in the Act.
- (2) Section 215(b) (Jurisdiction and Applicability) provides that, for purposes of approving Reliability Standards and enforcing compliance with such standards, FERC will have jurisdiction over the certified ERO, any Regional Entities², and all users, owners and operators of the bulk-power system, including but not limited to the public and governmental entities described in section 201(f) of the FPA. Section 215(b) (2) requires FERC to issue a final rule to implement the requirements of the section no later than 180 days after the date of enactment.
- (3) Section 215(c) (Certification) authorizes the Commission to certify a person as an ERO, provided that the applicant meets specified criteria.
- (4) Section 215 (d) (Reliability Standards) provides the process for the ERO to propose Reliability Standards, subject to FERC review and approval. This subsection also directs

¹ The Energy Policy Act of 2005, Pub. L. No 109-58, Title XII, Subtitle A, 119 Stat. 594, 941 (2005), codified at 16 U.S.C. 824o (2000).

² "Regional Entity" means any entity having enforcement authority pursuant to section 38.6 of FERC's regulation.

FERC to adopt rules to provide for fair processes for the identification and timely resolution of any conflict between a Reliability Standard and any function, rule, order, tariff, rate schedule or agreement accepted, approved, or ordered by FERC and applicable to a transmission organization.

(5) Section 215(e) (Enforcement) authorizes the ERO, after notice and opportunity for hearing, to impose a penalty for a violation of a Reliability Standard; subject to review by the Commission. This section also provides for enforcement initiated by FERC on its own motion. This subsection also requires that FERC issue regulations under which the ERO will be authorized to enter into an agreement to delegate authority to a qualified Regional Entity for the purpose of proposing Reliability Standards to the ERO and enforcing these standards. Further, section 215(e) requires that any penalty imposed shall bear a reasonable relation to the seriousness of the violation and take into consideration timely remedial efforts.

(6) Section 215(f) (Changes in Electric Reliability Organization Rules) requires FERC approval of any proposed ERO rule or proposed rule change.

(7) Section 215(g) (Reliability Reports) requires the ERO conduct periodic assessments of the reliability and adequacy of the North American bulk-power system.

(8) Section 215(h) (Coordination with Canada and Mexico) urges the President to negotiate international agreements with the governments of Canada and Mexico to provide for effective compliance with Reliability Standards and the effectiveness of the ERO in the United States and Canada or Mexico.

(9) Section 215(i) (Savings Provisions) states that the ERO shall have authority to develop and enforce compliance with Reliability Standards for only the bulk-power system and makes clear that section 215 of the FPA is not to be interpreted as preempting any state authority to take action to ensure the safety, adequacy, and reliability of electric service within that state, as long as the state action is not inconsistent with any Reliability Standard.

(10) Section 215(j) (Regional Advisory Bodies)³ requires FERC to establish Regional Advisory Bodies upon petition of at least 2/3 of the state within a region that have more than 1/2 of their electric load served within the region. These Regional Advisory Bodies may provide advice to the ERO, a Regional Entity, or FERC.

(11) Section 215(k) (Application to Alaska and Hawaii) provides that section 215 of the FPA does not apply to Alaska and Hawaii.

In the aftermath of the 1965 Blackout in the northeast United States, the electric industry established the North American Electric Reliability Council (NERC), a voluntary reliability organization. Since its inception, NERC has developed Operating Policies and Planning Standards that provided voluntary guidelines for operating and planning the North American bulk-power system. In April 2005, NERC adopted “Version O” reliability standards that translated the NERC Operating Policies, Planning Standards and compliance requirements into a

³ “Regional Advisory Body” term is used but not defined in the statute. FERC has defined the term as follows: an entity established upon petition to the Commission pursuant to section 215(j) of the FPA that is organized to advise the ERO, a Regional Entity, or the Commission regarding certain reliability-related matters in accordance with section 38.9 of the proposed regulation.

comprehensible set of measurable standards. While NERC developed a compliance enforcement program to ensure compliance with the reliability standards it developed, industry compliance was voluntary and not subject to mandatory enforcement penalties. Although NERC's efforts have been important in maintaining the reliability of the nation's bulk-power system, NERC itself recognized the need for mandatory, enforceable reliability standards and was a proponent of legislation to establish a FERC-jurisdictional ERO that would propose and enforce mandatory reliability standards. (A reliability standard defines obligations or requirements of utilities and other entities that operate, plan and use the bulk power system in North America. Meeting these requirements helps ensure the reliable planning and operation of the bulk power system. Each NERC Reliability Standard details the purpose of the standard, the entities that must comply, the specific actions that constitute compliance and how the standard will be measured).

RM06-16-000 Final Rule

On March 16, 2007, the Commission issued Order No. 693, a Final Rule that added part 40, a new part to the Commission's regulations. The Final Rule stated that this part applies to all users, owners and operators of the Bulk-Power System within the United States (other than Alaska or Hawaii). It also requires that each Reliability Standard identify the subset of users, owners and operators to which that particular Reliability Standard applies. Order No. 693 also requires that each Reliability Standard that is approved by the Commission will be maintained on the ERO's Internet website for public inspection. (The bulk power system consists of the power plants, transmission lines and substations, and related equipment and controls, that generate and move electricity in bulk to points from which local electric companies distribute the electricity to customers.)

The Commission approved 83 of 107 proposed Reliability Standards, six of the eight proposed regional differences, and the Glossary of Terms used in Reliability Standards as developed by the North American Electric Reliability Corporation (NERC). NERC was certified by the Commission as the Electric Reliability Organization (ERO) responsible for developing and enforcing mandatory Reliability Standards. Those Reliability Standards meet the requirements of section 215 of the FPA and Part 39 of the Commission's regulations. However, although the Commission believed that it is in the public interest to make these Reliability Standards mandatory and enforceable, the Commission also found that much work remained to be done. Specifically, the Commission believes that many of these Reliability Standards require significant improvement to address, among other things, the recommendations of the Blackout Report. Therefore, pursuant to section 215(d)(5), the Commission required the ERO to submit significant improvements to 56 of the 83 Reliability Standards that are being approved as mandatory and enforceable. The remaining 24 Reliability Standards remain pending at the Commission until further information is provided.

RM08-7-000 NOPR

On April 21, 2008 the Commission issued a NOPR proposing to approve six modified Reliability Standards submitted to it for approval by NERC. Five modified Reliability Standards pertain to interchange scheduling and coordination and one pertains to transmission loading relief procedures. In addition, the Commission proposes to approve NERC's proposed interpretation of five specific Requirements of Commission-approved Reliability Standards.

In April 2007, the Commission approved delegation agreements between NERC and each of the eight Regional Entities, including the Western Electricity Coordinating Council (WECC).⁴ Pursuant to such agreements, the ERO delegated responsibility to the Regional Entities to carry out compliance monitoring and enforcement of the mandatory, Commission-approved Reliability Standards. In addition, the Commission approved as part of each delegation agreement a Regional Entity process for developing regional Reliability Standards.

NERC's Rules of Procedure provide that a person that is "directly and materially affected" by Bulk-Power System reliability may request an interpretation of a Reliability Standard.⁵ The ERO's "standards process manager" will assemble a team with relevant expertise to address the clarification and also form a ballot pool. NERC's Rules provide that, within 45 days, the team will draft an interpretation of the Reliability Standard, with subsequent balloting. If approved by ballot, the interpretation is appended to the Reliability Standard and filed with the applicable regulatory authority for regulatory approval.

NERC Filings

This proposed rulemaking proceeding consolidates and addresses three NERC filings.

On December 19, 2007, NERC submitted for Commission approval interpretations of requirements in four Commission-approved Reliability Standards: BAL-001-0 (Real Power Balancing Control Performance), Requirement R1; BAL-003-0 (Frequency Response and Bias), Requirement R3; BAL-005-0 (Automatic Generation Control), Requirement R17; and Requirement VAR-002-1 (Generator Operation for Maintaining Network Voltage Schedules), Requirements R1 and R2.⁶

On December 21, 2007, NERC submitted for Commission approval modifications to Reliability Standard IRO-006-4 (Reliability Coordination – Transmission Loading Relief) that applies to balancing authorities, reliability coordinators, and transmission operators. NERC stated that the modifications "extract" from the Reliability Standard the business practices and commercial requirements from the current IRO-006-3 Reliability Standard. The business practices and commercial requirements have been transferred to a North American Energy Standards Board (NAESB) business practices document. The NAESB business practices and

⁴ See North American Electric Reliability Corp., 119 FERC ¶ 61,060, order on reh'g, 120 FERC ¶ 61,260 (2007).

⁵ NERC Rules of Procedure, Appendix 3A (Reliability Standards Development Procedure), at 26-27.

⁶ In its filing, NERC identifies the Reliability Standards along with NERC's proposed interpretations as BAL-001-0a, BAL-003-0a, BAL-005-0a, and VAR-002-1a.

commercial requirements have been included in Version 001 of the NAESB Wholesale Electric Quadrant (WEQ) Standards and filed with the Commission by NAESB on the same day, December 21, 2007.⁷ Further, NERC stated that the modified Reliability Standard includes changes directed by the Commission in Order No. 693 related to the appropriateness of Transmission Loading Relief (TLR) procedure with regard to mitigating violations of Interconnection Reliability Operating Limits (IROL).

On December 26, 2007, NERC submitted for Commission approval modifications to five Reliability Standards from the “Interchange Scheduling” group of Reliability Standards: INT-001-3 (Interchange Information); INT-004-2 (Dynamic Interchange Transaction Modifications); INT-005-2 (Interchange Authority Distributes Arranged Interchange); INT-006-2 (Response to Interchange Authority); and INT-008-2 (Interchange Authority Distributes Status). NERC states that the modifications to INT-001-3 and INT-004-2 eliminate waivers granted in 2007 under the voluntary Reliability Standards regime for entities in the WECC region. According to NERC, modifications to INT-005-2, INT-006-2, and INT-008-2 adjust reliability assessment time frames for proposed transactions within WECC.

Each Reliability Standard that the ERO proposes to interpret or modify in this proposed rule was approved by the Commission in Order No. 693. In this instance, several standards are being updated but revisions to the estimates are not applicable and the Commission submits this proposed rule to OMB with no changes to the reporting burden.

For example, the proposed interpretation of BAL-001-0 and BAL-003-0 does not modify or otherwise affect the collection of information already in place. With respect to BAL-001-0, the interpretation merely clarifies the rule that is already in place, that the time error correction component of the WECC automatic time error correction calculation of ACE is not to be used in NERC performance reporting. With respect to BAL-003-0, the interpretation clarifies that layering additional control modes on top of the tie-line frequency bias mode of automatic generation control is acceptable. Layering additional control modes on top of the tie-line frequency bias mode of automatic generation control does not change the information that a balancing authority reports because the same logs, data, or measurements would be maintained.

The proposed removal of business practice-related requirements from Reliability Standard IRO-006-4 will likely decrease, not increase, the reporting burden associated with the current, Commission-approved version of the Reliability Standard. In addition, the proposed revision to certain Reliability Standards to allow WECC to have an additional five minutes to perform a reliability assessment regarding interchange transactions will not impact the reporting burden. Further, the proposal to rescind the requested waivers from the e-tagging obligation under Reliability Standards INT-001-3 and INT-004-2 for entities in the WECC region does not change the reporting burden because NERC was never granted its requested waiver to exempt WECC from requirements related to tagging dynamic schedules and inadvertent payback.⁸ In

⁷ NAESB December 21, 2007 Filing, Docket No. RM05-5-005.

⁸ See Order No. 693, FERC Stats. & Regs. ¶ 31,242 at P 822, 825 (directing ERO either to withdraw regional difference or

addition, WECC already has business practice standards in place that fulfill the dynamic transfer e-tagging reporting and record keeping obligations set forth in these Reliability Standards.⁹

Thus, the proposed modifications to the current Reliability Standards and interpretations effected by this proposed rule will not increase the reporting burden nor impose any additional information collection requirements.

A. **Justification**

1. **CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION NECESSARY**

EPAAct 2005 added a new section 215 to the FPA, which provides for a system of mandatory and enforceable Reliability Standards. Section 215(d)(1) of the FPA provides that the ERO must file each Reliability Standard or modification to a Reliability Standard that it proposes to be made effective, *i.e.*, mandatory and enforceable, with the Commission. As mentioned above, on April 4, 2006, and as later modified and supplemented, the ERO submitted 107 Reliability Standards for Commission approval pursuant to section 215(d) of the FPA.

Section 215(d)(2) of the FPA provides that the Commission may approve, by rule or order, a proposed Reliability Standard or modification to a proposed Reliability Standard if it meets the statutory standard for approval, giving due weight to the technical expertise of the ERO. Alternatively, the Commission may remand a Reliability Standard pursuant to section 215(d)(4) of the FPA. Further, the Commission may order the ERO to submit to the Commission a proposed Reliability Standard or a modification to a Reliability Standard that addresses a specific matter if the Commission considers such a new or modified Reliability Standard appropriate to “carry out” section 215 of the FPA.¹⁰ The Commission’s action in this Final Rule is based on its authority pursuant to section 215 of the FPA.

Recent Events

A common cause of the past major regional blackouts was violation of NERC’s then Operating Policies and Planning Standards. During July and August 1996, the west coast of the United States experienced two cascading blackouts caused by violations of voluntary Operating Policies.¹¹ In response to the outages, the Secretary of Energy convened a task force to advise

provide additional information).

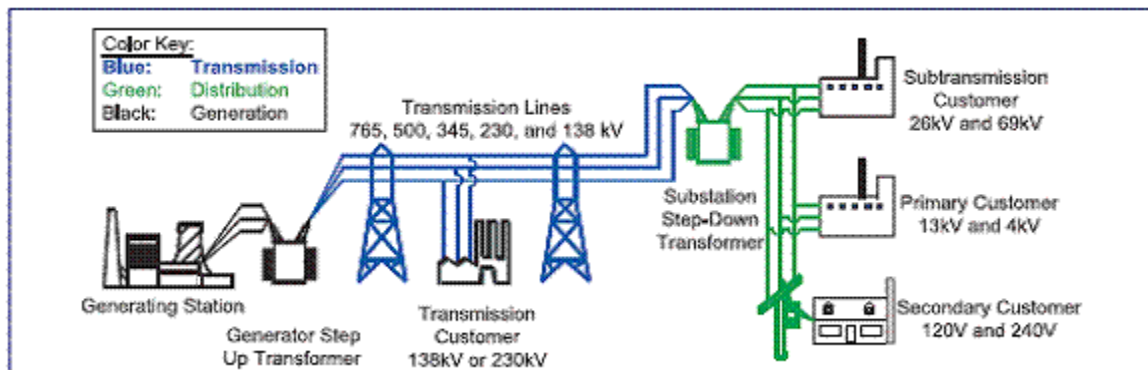
⁹ See Business Practice Standard INT-BPS-008-1 (Dynamic Transfer E-Tagging Requirements), available at <http://www.wecc.biz>.

¹⁰ See 16 U.S.C. 824o(d)(5) (2006).

¹¹ The Electric Power Outages in the Western United States, July 2-3, 1996, at 76 (ftp://www.nerc.com/pub/sys/all_updl/docs/pubs/doerept.pdf) and WSCC Disturbance Report, For the Power System outage that Occurred on the Western Interconnection August 10, 1996, at 4 (ftp://www.nerc.com/pub/sys/all_updl/docs/pubs/AUG10FIN.pdf).

the Department of Energy (DOE) on issues needed to be addressed to maintain the reliability of the bulk-power system. In a September 1998 report, the task force recommended, among other things, that federal legislation should grant more explicit authority for FERC to approve and oversee an organization having responsibility for bulk-power reliability standards.¹² Further, the task force recommended that such legislation provide for Commission jurisdiction for reliability of the bulk-power system and FERC implementation of mandatory, enforceable reliability standards.

The Generation and Transmission components make up the “bulk power system”.



Source of graph: [US-Canada Power System Outage Task Force](#)

Electric reliability legislation was first proposed after issuance of the September 1998 task force report and was a common feature of comprehensive electricity bills since that time. A stand-alone electric reliability bill was passed by the Senate unanimously in 2000. In 2001, President Bush proposed making electric Reliability Standards mandatory and enforceable as part of the National Energy Policy.¹³

Under the new electric power reliability system enacted by the Congress, the United States will no longer rely on voluntary compliance by participants in the electric industry with industry reliability requirements for operating and planning the Bulk-Power System. Congress directed the development of mandatory, Commission-approved, enforceable electricity Reliability Standards. The Commission believes that, to achieve this goal, it is necessary to have a strong ERO that promotes excellence in the development and enforcement of Reliability Standards.

A mandatory Reliability Standard should not reflect the “lowest common denominator” in order to achieve a consensus among participants in the ERO’s Reliability Standard development process. Therefore, the Commission will carefully review each Reliability Standard submitted and, where appropriate, later remand if necessary, an inadequate Reliability Standard to ensure that it protects reliability, has no undue adverse effect on competition, and can be enforced in a clear and even-handed manner. Standards address aspects of the operation and planning of the bulk power system such as: real-time transmission operations, balancing

¹² [Maintaining Reliability in a Competitive U.S. Electricity Industry. Final report of the Task Force on Electric System Reliability.](#) Secretary of Energy Advisory Board, U.S. Department of Energy (September 1998), at 25-27, 65-67.

¹³ [Report of the National Energy Policy Development Group, May 2001,](#) at p. 7-6.

load and generation, emergency operations, system restoration and blackstart, voltage control, cyber security, vegetation management, facility ratings, disturbance reporting, connecting facilities to the grid, certifying system operators, and personnel training. Standards detail how the system should perform, but not how the system should be designed. Individual owners, operators and users of the bulk power system determine if the system should be expanded or changed, and how, in order to achieve the standards. (See glossary)

Reliability Standard BAL-001-0

The purpose of Reliability Standard BAL-001-0 is to maintain interconnection steady-state frequency within defined limits by balancing real power demand and supply in real-time.¹⁴ Requirement R1 of BAL-001-0 defines the limits on area control error (ACE), which essentially is the mismatch between generation and load (*i.e.*, the mismatch between supply and demand) within the footprint of a balancing authority, measured by the difference between the balancing authority's net actual interchange and scheduled interchange with neighboring balancing authorities, after taking into account effects of deviations in interconnection frequency.¹⁵ The ability to constantly match load and generation within a certain tolerance directly affects the electrical state and control of the Bulk-Power System.¹⁶ Each balancing authority thus monitors the extent of its ACE in real-time and takes appropriate action also in real-time to rebalance supply and demand.¹⁷ Requirement R1 obliges each balancing authority, on a rolling twelve-month basis, to maintain its clock-minute averages of ACE within a specific limit.

A supply/demand imbalance between the interconnection's generation output (including net imports) and load on a real-time basis will result in a deviation from the desired 60 Hz optimum operating frequency of the interconnection. All of the balancing authorities within an interconnection must work together to correct a deviation.¹⁸ They do this by including a frequency bias component in their ACE calculation which indicates how many more or fewer megawatts a balancing authority would have interchanged with neighboring balancing authorities if the actual frequency had been exactly maintained so as to equal to the scheduled

14 See Reliability Standard BAL-001-0. Each Reliability Standard developed by the ERO includes a "Purpose" statement.

15 Generally, a balancing authority within an interconnection has an obligation to do its part to maintain the desired 60 Hertz (Hz) frequency. To achieve this, each balancing authority must keep its generation output (including net imports from neighboring balancing authorities) and load in balance within its footprint. A deviation from the 60 Hz baseline system frequency signals an imbalance in supply and demand. To prevent this imbalance from propagating throughout the interconnection, steps are taken to adjust regulating reserves (generation output and demand-side management) in response to deviations from the 60 Hz optimum. See North American Electric Reliability Corp., 121 FERC ¶ 61,179, at P 17 (2007) (November 16, 2007 Order).

16 If generation and load is not matched within a balancing authority's area, the resulting imbalance could result in an undue burden on adjacent balancing authorities and, if additional contingencies from disturbances are experienced, may compromise the ability of the Bulk-Power System to recover from those disturbances. See November 16, 2007 Order, 121 FERC ¶ 61,179 at P 28.

17 See November 16, 2007 Order, 121 FERC ¶ 61,179 at P 20.

18 See *id.* P 31.

frequency. Thus, balancing authorities calculate what their total interchange would have been if the actual frequency had been exactly maintained so as to equal to the scheduled frequency. With this information, the balancing authority can increase or decrease generation within the balancing authority's area to maintain the correct scheduled interchange. The total supply and the demand within an interconnection are balanced by the collective effort of all the balancing authorities in that interconnection to maintain the correct scheduled interchange. In this manner, frequency deviations are minimized, thereby protecting reliability without causing undue burden on any balancing authorities.

Reliability Standard BAL-003-0

The purpose of Reliability Standard BAL-003-0 is to provide a consistent method for calculating the frequency bias component of ACE. To accomplish this purpose, it is necessary to rely on historic data from a balancing authority's automatic generation control.¹⁹ Automatic generation control is the equipment that calculates ACE on an ongoing basis and serves as a "governor" that adjusts a balancing authority's generation, and demand-side resources where available, from a central location to minimize unscheduled interchange with its neighboring balancing authorities in order to balance ACE. There are several ways that automatic generation control could be set to balance the supply and demand within the balancing authority area. One method is called the "tie-line frequency bias" mode of operation. Collective operation in this mode allows balancing authorities' automatic generation control to calculate ACE and adjust the generation in the balancing authority area in a manner that maintains the interconnection frequency and does not result in an undue burden for any balancing authority. In addition, operation in this mode allows a balancing authority to continuously collect its tie-line and frequency data that must be used when the balancing authority annually reviews the frequency bias component of its ACE calculation as specified by BAL-003-0. Requirement R3 of BAL-003-0 requires the use of the tie-line frequency bias mode of operation of automatic generation control, unless such operation is adverse to system interconnection reliability.

BAL-005-0 – Automatic Generation Control

Requirement R17 of Reliability Standard BAL-005-0 (Automatic Generation Control) is intended to annually check and calibrate the time error and frequency devices under the control of the balancing authority that feed data into the automatic generation control necessary to calculate ACE. Requirement R17 mandates that the balancing authority must adhere to an annual calibration program for time error and frequency devices. The Requirement states that a balancing authority must adhere to minimum accuracies in terms of ranges specified in Hertz, volts, amps, etc., for various listed devices, such as digital frequency transducers, voltage transducers, remote terminal unit, potential transformers, and current transformers.

¹⁹ Automatic generation control refers to an automatic process whereby a balancing authority's mix and output of its generation and demand-side management is varied to offset the extent of supply and demand imbalances reflected in its ACE. November 16, 2007 Order, 121 FERC ¶ 61,179 at P 19 n.14.

On December 21, 2006, NERC received a request to provide a formal interpretation of Requirement R17 asking whether the only devices that need to be annually calibrated under this requirement are time error and frequency devices, and whether the list of device accuracy is simply the design accuracy of the devices listed and that those devices do not need to be calibrated on an annual basis (except the digital frequency transducer which is covered as a “frequency device”). NERC provided an interpretation clarifying that the intent of BAL-005-0, Requirement R17 is to annually check and calibrate a balancing authority’s time error and frequency devices located in the control room against the common reference, and this requirement does not apply to any such devices located outside of the operations control center.

VAR-002-1 Generator Operation for Maintaining Network Voltage Schedules

The stated purpose of Reliability Standard VAR-002-1 is to ensure that generators provide reactive and voltage control necessary to ensure that voltage levels, reactive flows, and reactive resources are maintained within applicable facility ratings to protect equipment and the reliable operation of the interconnection.²⁰

Modification of TLR Procedure

As mentioned above, on December 21, 2007, NERC submitted for Commission approval proposed Reliability Standard IRO-006-4, to modify the current Commission-approved Reliability Standard, IRO-006-3.

In Order No. 693, the Commission approved the current version of this Reliability Standard, IRO-006-3. This Reliability Standard ensures that a reliability coordinator has a coordinated transmission service curtailment and reconfiguration method that can be used along with other alternatives, such as redispatch or demand-side management, to avoid transmission limit violations when the transmission system is congested. Reliability Standard IRO-006-3 establishes a detailed TLR process for use in the Eastern Interconnection to alleviate loadings

²⁰ Most bulk electric power is generated, transported, and consumed in alternating current (AC) networks. AC systems supply (or produce) and consume (or absorb or lose) two kinds of power: real power and reactive power. Real power accomplishes useful work (e.g., runs motors and lights lamps). Reactive power supports the voltages that must be controlled for system reliability. FERC, Principles for Efficient and Reliable Reactive Power Supply and Consumption, Docket No. AD05-1-000, at 17 (2005), available at <http://www.ferc.gov/legal/staff-reports.asp> (Reactive Power Principles).

on the system by curtailing or changing transactions based on their priorities and the severity of the transmission congestion.²¹

In addition to approving IRO-006-3, the Commission in Order No. 693 directed the ERO to modify the Reliability Standard to: (1) include a clear warning that the TLR procedure is an inappropriate and ineffective tool to mitigate actual IROL violations;²² and (2) identify in a requirement the available alternatives to mitigate an IROL violation other than use of the TLR procedure.²³ These directives reflect an observation from the U.S.-Canada Power System Outage Task Force in the August 14, 2003 Blackout Report, which identified that the TLR procedure is often too slow for use in situations where the system has already violated IROLs.²⁴ In setting forth these directives, the Commission stated that it did not have concerns with the use of the TLR procedure to avoid *potential* IROL violations.²⁵

Violation Risk Factors

Violation risk factors delineate the relative risk to the Bulk-Power System associated with the violation of each Requirement and are used by NERC and the Regional Entities to determine financial penalties for violating a Reliability Standard. NERC assigns a lower, medium, or high violation risk factor for each mandatory Reliability Standard Requirement.²⁶ The Commission also established guidelines for evaluating the validity of each Violation Risk Factor assignment.²⁷

21 The equivalent interconnection-wide TLR procedures for use in WECC and Electric Reliability Council of Texas (ERCOT) are known as “WSCC Unscheduled Flow Mitigation Plan” and section 7 of the “ERCOT Protocols,” respectively.

22 An IROL is a system operating limit that, if violated, could lead to instability, uncontrolled separation, or cascading outages that adversely impact the reliability of the Bulk-Power System.

23 Order No. 693, FERC Stats. & Regs. ¶ 31,242 at P 964.

24 U.S.-Canada Power System Outage Task Force, Final Report on the August 14, 2003 Blackout in the United States and Canada: Causes and Recommendations, at 163 (April 2004) (Final Blackout Report), available at <https://reports.energy.gov/>.

25 Order No. 693, FERC Stats. & Regs. ¶ 31,242 at P 962.

26 The definitions of “high,” “medium,” and “lower” are provided in North American Electric Reliability Corp., 119 FERC ¶ 61,145, at P 9 (Violation Risk Factor Order), order on reh’g, 120 FERC ¶ 61,145 (2007) (Violation Risk Factor Rehearing).

27 The guidelines are: (1) consistency with the conclusions of the Blackout Report; (2) consistency within a Reliability Standard; (3) consistency among Reliability Standards; (4) consistency with NERC’s definition of the violation risk factor level; and (5) treatment of requirements that co-mingle more than one obligation. The Commission also explained that this list was not necessarily all-inclusive and that it retains the flexibility to consider additional guidelines in the future. A detailed explanation is provided in Violation Risk Factor Rehearing, 120 FERC ¶ 61,145 at P 8-13.

2. **HOW, BY WHOM, AND FOR WHAT PURPOSE THE INFORMATION IS TO BE USED AND THE CONSEQUENCES OF NOT COLLECTING THE INFORMATION**

Prior to enactment of section 215, FERC had acted primarily as an economic regulator of wholesale power markets and the interstate transmission grid. In this regard, the Commission acted to promote a more reliable electric system by promoting regional coordination and planning of the interstate grid through regional independent system operators (ISOs) and regional transmission organizations (RTOs), adopting transmission pricing policies that provide price signals for the most reliable and efficient operation and expansion of the grid, and providing pricing incentives at the wholesale level for investment in grid improvements and assuring recovery of costs in wholesale transmission rates.

As part of FERC's efforts to promote grid reliability, the Commission created a new Division of Reliability within the Office of Markets, Tariffs and Rates. One task of this office has been to participate in North American Reliability Council's (NERC's) Reliability readiness reviews of balancing authorities, transmission operators and reliability coordinators in North America to determine their readiness to maintain safe and reliable operations. FERC also directed transmission owners to report by June 2004, on the vegetation management practices they use for transmission and rights of way.²⁸ FERC's Reliability Division has also been engaged in studies and other activities to assess the longer-term and strategic needs and issues related to power grid reliability. (On September 20, 2007, the Division of Reliability became the Office of Electric Reliability, a separate office within the Commission.)

Sufficient supplies of energy and a reliable way to transport those supplies to customers are necessary to assure reliable energy availability and to enable competitive markets. Reasonable supply relative to demand is essential for competitive markets to work. Without sufficient delivery infrastructure, some suppliers will not be able to enter the market, customer choices will be limited, and prices will be needlessly volatile. The Commission assists in creating a more reliable electric system by:

- Fostering regional coordination and planning of the interstate grid through independent system operators and regional transmission organizations;
- Adopting transmission policies that provide price signals for the most reliable and efficient operation and expansion of the grid; and
- Providing pricing incentives at the wholesale level for investment in grid improvements and ensuring opportunities for cost recovery in wholesale transmission rates.

²⁸ 1902-0207, FERC-723 "Vegetation Report" in Docket No. EL04-52-000. EL04-52-000. This was a one-time information collection that expired 10/31/04. FERC submitted a report to Congress in September 2004 that set forth the Commission's findings and recommendations, including the need for mandatory, enforceable reliability rules.

The passage of the Electricity Modernization Act of 2005 added to the Commission's efforts identified above, by giving it the authority to strengthen the reliability of the interstate grid through the grant of new authority pursuant to section 215 of the FPA which provides for a system of mandatory Reliability Standards developed by the ERO, established by FERC, and enforced by the ERO and Regional Entities.

This proposed rule would approve six modified Reliability Standards, five of which pertain to interchange scheduling and coordination and one that pertains to transmission loading relief procedures. In addition, this proposed rule would approve interpretations of five specific requirements of Commission-approved Reliability Standards. The proposed rule would find the Reliability Standards and interpretations just, reasonable, not unduly discriminatory or preferential, and in the public interest.

3. DESCRIBE ANY CONSIDERATION OF THE USE OF IMPROVED TECHNOLOGY TO REDUCE BURDEN AND TECHNICAL OR LEGAL OBSTACLES TO REDUCING BURDEN.

The Commission has developed the capability for electronic filing of all major submissions to the Commission. In Order No. 619, the Commission established an electronic filing initiative that permits over 40 qualified types of documents to be filed over the Internet to its website. This includes the ability to submit standard forms using software that is readily available and easy to use. Electronic filing, combined with electronic posting and service over the web site, permits staff and the public to obtain filings in a faster and more efficient manner. The Commission is working to expand the qualified types of documents that can be filed over the Internet.

In order that the Commission is able to perform its oversight function with regard to Reliability Standards that are proposed by the ERO and established by the Commission, it is essential that the Commission receive timely information regarding all or potential violations of Reliability Standards. While section 215 of the FPA contemplates the filing of the record of an ERO or Regional Entity enforcement action, FERC needs information regarding violations and potential violations at or near the time of occurrence. Therefore, it will work with the ERO and regional reliability organizations to be able to use the electronic filing of information so the Commission receives timely information.

The regulations established in Order No. 693 also require that each Reliability Standard that is approved by the Commission will be maintained on the ERO's Internet website for public inspection.

4. DESCRIBE EFFORTS TO IDENTIFY DUPLICATION AND SHOW SPECIFICALLY WHY ANY SIMILAR INFORMATION ALREADY

AVAILABLE CANNOT BE USED OR MODIFIED FOR USE FOR THE PURPOSE(S) DESCRIBED IN INSTRUCTION NO. 2

Filing requirements are periodically reviewed as OMB review dates arise or as the Commission may deem necessary in carrying out its responsibilities under the FPA in order to eliminate duplication and ensure that filing burden is minimized. There are no similar sources of information available that can be used or modified for these reporting purposes. The filing requirements contained in FERC-725A will incorporate NERC's requirements. However, all reliability requirements will be subject to FERC approval along with the requirements developed by Regional Entities and Regional Advisory Bodies and the ERO.

5. METHODS USED TO MINIMIZE BURDEN IN COLLECTION OF INFORMATION INVOLVING SMALL ENTITIES

FERC-725A is a filing requirement concerning the implementation of reliability standards by the Electric Reliability Organization and its responsibilities as well as those of Regional Entities and Regional Advisory Bodies in the development of Reliability Standards. The Electricity Modernization Act specifies that the ERO and Regional Entities are not departments, agencies or instrumentalities of the United States government and will not be like most other businesses, profit or not-for-profit. Congress created the concept of the ERO and Regional Entities as select, special purpose entities that will transition the oversight of the Bulk-Power System reliability from voluntary, industry organizations to independent organizations subject to Commission jurisdiction.

Section 215(b) of the FPA requires all users, owners and operators of the Bulk-Power System to comply with Commission-approved Reliability Standards. Each proposed Reliability Standard submitted for approval by NERC applies to some subset of users, owners and operators.

The Commission does not foresee any additional impact on the reporting burden for small businesses, because the proposed modifications are minor and the interpretations do not increase the existing burden.

6. CONSEQUENCE TO FEDERAL PROGRAM IF COLLECTION WERE CONDUCTED LESS FREQUENTLY

The Electric Reliability Organization will conduct periodic assessments of the reliability and adequacy of the Bulk-Power System in North America and report its findings to the Commission, the Secretary of Energy, Regional Entities, and Regional Advisory Bodies annually or more frequently if so ordered by the Commission. The ERO and Regional Entities will report to FERC on their enforcement actions and associated penalties and to the Secretary of Energy, relevant Regional entities and relevant Regional Advisory Bodies annually or quarterly in a manner to be prescribed by the Commission. If the information were conducted

less frequently or discontinued, the Commission would be placed at a disadvantage in not having the data necessary for monitoring its mandated obligations.

7. EXPLAIN ANY SPECIAL CIRCUMSTANCES RELATING TO THE INFORMATION COLLECTION

FERC-725A is a filing requirement necessary to comply with the applicable provisions of the Electricity Modernization Act of 2005 and section 215 of the Federal Power Act.

In accordance with section 39.5 of the Commission's regulations, the ERO must file each Reliability Standard or a modification to a Reliability Standard with the Commission. The filing is to include a concise statement of the basis and purpose of the proposed Reliability Standard, either a summary of the Reliability development proceedings conducted by the ERO or a summary of the Reliability Standard development proceedings conducted by a Regional Entity together with a summary of the Reliability Standard review proceedings of the ERO and a demonstration that the proposed Reliability Standard is "just, reasonable, not unduly discriminatory or preferential, and in the public interest.

The ERO must make each effective Reliability Standard available on its Internet website. Copies of the effective Reliability Standards will be available from the Commission's Public Reference Room.

The Commission requires an original and seven of the proposed Reliability Standard or to the modification to a proposed Reliability Standard to be filed. This exceeds the OMB guidelines in 5 CFR 1320.5(d) (2) (iii) because of the number of divisions within the Commission that must analyze the standard and corresponding reports in order to carry out the regulatory process. The original is docketed, imaged through e-Library and filed as a permanent record for the Commission. The remaining copies are distributed to the necessary offices of the Commission with one being placed immediately in the Commission's Public Reference Room for public use. Since the time frame for responses to the request is very limited, the multiple hard copies are necessary for the various offices to review, analyze and prepare the final order at the same time. The electronic filing initiative at FERC, may in the near future, allow for relief of the number of copies, but at this time, the program turn around time for docketing, imaging and retrieval does not permit sufficient time to review the filings and to prepare the necessary documents for the processing of these filings.

In addition, individual reliability standards may have records retention schedules that exceed OMB guidelines in 5 CFR 1320.5(d)(2)(iv) of not retaining records for no longer than three years. The Commission is not prescribing a set data retention period to apply to all Reliability Standards.

**8. DESCRIBE EFFORTS TO CONSULT OUTSIDE THE AGENCY:
SUMMARIZE PUBLIC COMMENTS AND THE AGENCY'S RESPONSE
TO THESE COMMENTS**

Each Commission rulemaking (both NOPRs and Final Rules) are published in the Federal Register, thereby affording all public utilities and licensees, state commissions, Federal agencies, and other interested parties an opportunity to submit data, views, comments or suggestions concerning the proposed collection of data. The notice procedures also allow for public conferences to be held as required. The Commission has held several workshops and technical conferences to address reliability issues including transition to the NERC reliability standards, operator tools, and reactive power.

Stakeholders in the electric utility industry have also participated in dialogues on the international implications of the ERO and Cross-Boarder Regional Entities during three public bilateral workshops held in the United States and Canada. On August 9, 2005, the Federal – Provincial-Territorial (FPT) Working Group in Canada and DOE jointly submitted to the Commission “Principles for an Electric Reliability Organization that can Function on an International Basis” (bilateral principles) based on these stakeholder dialogues.

As noted above on April 4, 2006, as modified on August 28, 2006 NERC submitted to the Commission a petition seeking approval of the 107 proposed Reliability Standards that are the subject of this NOPR (NERC Petition). In addition, the April 4, 2006 filing includes 12 new Reliability Standards that were approved by the NERC board of trustees for implementation in February 2006. According to NERC, the 107 proposed Reliability Standards collectively define overall acceptable performance with regard to operation, planning and design of the North American Bulk-Power System. Seven of these Reliability Standards specifically incorporate one or more “regional differences” (which can include an exemption from a Reliability Standard) for a particular region or subregion, resulting in eight regional differences. NERC requested that the Reliability Standards become effective on January 1, 2007, or an alternative date determined by the Commission. NERC also stated that it simultaneously filed the Reliability Standards with governmental authorities in Canada.

9. EXPLAIN ANY PAYMENT OR GIFTS TO RESPONDENTS

No payments or gifts have been made to respondents.

**10. DESCRIBE ANY ASSURANCE OF CONFIDENTIALITY PROVIDED TO
RESPONDENTS**

The Commission generally does not consider the data filed to be confidential. However, certain standards may have confidentiality provisions in the standard.

Section 215(e) of the FPA as well as section 39.7(d) of the Commission’s regulations regarding enforcement of Reliability Standards provides for public notice and opportunity for a hearing with respect to both the ERO (or Regional Entity) enforcement proceedings and proceedings before the Commission involving review of a proposed penalty for violation of a reliability standard. Section 39.7(b)(4) provides a limited exception to this notice requirement and allow non-public proceedings for enforcement actions that involve a Cybersecurity Incident,²⁹ unless FERC determines on a case-by-case basis that such protection is not necessary. The Commission has in place procedures to prevent the disclosure of sensitive information, such as the use of protective orders and rules establishing critical energy infrastructure information (CEII). However, the Commission believes that the specific, limited area of Cybersecurity Incidents requires additional protections because it is possible that system security and reliability would be further jeopardized by the public dissemination of information involving incidents that compromised the cybersecurity system of a specific user, owner or operator of the Bulk-Power System. In addition, additional information provided with a filing may be submitted with a specific request for confidential treatment to the extent permitted by law and considered pursuant to 18 C.F.R. 388.112 of FERC's regulations.

11. PROVIDE ADDITIONAL JUSTIFICATION FOR ANY QUESTIONS OF A SENSITIVE NATURE THAT ARE CONSIDERED PRIVATE.

There are no questions of a sensitive nature that are considered private.

12. ESTIMATED BURDEN OF COLLECTION OF INFORMATION

As stated above, the Commission previously approved, in Order No. 693, each of the Reliability Standards that are the subject of the current rulemaking. The proposed modifications to the Reliability Standards are minor and the proffered interpretations relate to existing Reliability Standards; therefore, they do not add to or increase entities’ current reporting burden. Thus, the current proposal would not materially affect the burden estimates relating to the currently effective version of the Reliability Standards presented in Order No. 693.³⁰

Therefore the reporting burdens as reported in Order No. 693 (see estimates below) remain unchanged.

Total Annual Hours for Collection:

Data Collection	No. of Respondents	No. of Responses	Hours Per Response	Total Annual Hours
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²⁹ The term “Cybersecurity Incident” is defined as a malicious act or suspicious event that disrupts, or was an attempt to disrupt, the operation of those programmable electronic devices and communications networks including hardware, software and data that are essential to the Reliable Operation of the Bulk-Power System.

³⁰ See Order No. 693, FERC Stats. & Regs. ¶ 31,242 at P 1905-07.

FERC-725A				
Investor Owned Utilities	170	1	2,080	353,600
Municipals and Cooperatives (Large)	80	1	1,420	113,600
Municipals and Cooperatives (Small)	670	1	710	475,700
Generator Operators	360	1	500	180,000
Power Marketers	159	1	100	15,900
Recordkeeping	Investor Owned Utilities			35,360
	Munis/Coops (Large)			11,360
	Munis/Coops (Small)			47,570
	Generator Operators			18,000
	Power Marketers			1,590
Totals				1,252,680

(FTE=Full Time Equivalent or 2,080 hours)

Total Hours = 1,138,800 (reporting) + 113,880 (recordkeeping) = 1,252,680 hours. This estimated reporting burden will be significantly reduced once joint action agencies are established, which will reduce the number of small entities that will be responsible for compliance with Reliability Standards.

13. ESTIMATE OF THE TOTAL ANNUAL COST BURDEN TO RESPONDENTS

Information Collection Costs: As noted above, the proposed modifications to the Reliability Standards are minor and the proffered interpretations relate to existing Reliability Standards; therefore, they do not add to or increase entities’ current reporting burden. As a result, the Commission does not anticipate there will be associated costs to implement these revisions.

14. ESTIMATED ANNUALIZED COST TO FEDERAL GOVERNMENT

The estimate of the cost to the Federal Government is based on salaries for professional and clerical support, as well as direct and indirect overhead costs. Direct costs include all costs directly attributable to providing this information, such as administrative costs and the cost for information technology. Indirect or overhead costs are costs incurred by an organization in support of its mission. These costs apply to activities which benefit the whole organization rather than anyone particular function or activity. As the Commission has already adopted many of the Reliability Standards instituted in Order No. 693 (many of which have already been in place on a voluntary basis), it is difficult to provide an assessment at this stage of what the costs will be to the Commission in its review and of Reliability Standards submitted to it. These requirements are at the preliminary stages and the Regional Entities and Regional Advisory bodies have only just been created. Both organizations will play a role in standards development prior to their submission to the Commission.

Initial Estimates anticipate that 2.5 FTE's will review these revised Reliability standards at the Commission or a total cost of $2.5 \times \$126,384 = \$315,960$.³¹

15. REASONS FOR CHANGES IN BURDEN INCLUDING THE NEED FOR ANY INCREASE

There are no changes to the reporting burden for the reasons stated above.

16. TIME SCHEDULE FOR THE PUBLICATION OF DATA

The filed proposed Reliability Standards are available on the Commission's eLibrary document retrieval system in Docket No. RM06-16-000 and the Commission required that all Commission-approved Reliability Standards be available on the ERO's website, with an effective date (http://www.nerc.com/~filez/nerc_filings_ferc.html).

Copies of the filings are made available to the public within two days of submission to FERC via the Commission's web site. There are no other publications or tabulations of the information.

17. DISPLAY OF THE EXPIRATION DATE

It is not appropriate to display the expiration date for OMB approval of the information collected. The information will not be collected on a standard, preprinted form which would avail itself to that display. Rather the Electric Reliability Organization must prepare and submit filings that reflect unique or specific circumstances related to the Reliability Standard. In

³¹ An FTE = Full Time Employee. The \$126,384 "cost" consists of approximately \$102,028 in salaries and benefits and \$24,355 in overhead. The Cost estimate is based on the estimated annual allocated cost per Commission employee for Fiscal Year 2008.

addition, the information contains a mixture of narrative descriptions and empirical support that varies depending on the nature of the transaction.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT

Item No. 19(g) (vi) see Instruction No. 17 above for further elaboration. In addition, the data collected for this reporting requirement is not used for statistical purposes. Therefore, the Commission does not use as stated in item no. 19(i) "effective and efficient statistical survey methodology." The information collected is case specific to each Reliability Standard.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS.

This is not a collection of information employing statistical methods.