Supporting Statement for
FERC-725A, Mandatory Reliability Standards for the Bulk-Power System
As Proposed in Docket No. RM10-15-000; RIN 1902-AE17;
OMB Control No. 1902-0244

The Federal Energy Regulatory Commission (Commission) (FERC) requests Office of Management and Budget (OMB) review and approval of **FERC-725A, Mandatory Reliability Standards for the Bulk Power System** as contained in the Proposed Rule (NOPR) in Docket No. RM10-15-000 "Revision to Electric Reliability Organization Definition of Bulk Electric System" (issued 11/18/2010). [1] FERC-725A (Control No. 1902-0244) is an existing Commission data collection, (filing requirements), contained in 18 Code of Federal Regulations, Part 40 and is currently approved through February, 28, 2014.

In the Notice of Proposed Rulemaking FERC proposes to approve three new Interconnection Reliability Operations and Coordination Reliability Standards and seven revised Reliability Standards related to Emergency Preparedness and Operations, Interconnection Reliability Operations and Coordination, and Transmission Operations. The Commission also proposes to approve the addition of two new terms to the North American Electric Reliability Corporation Glossary of Terms (NERC Glossary).

The three new Reliability Standards proposed by NERC are designated as IRO-008-1 (Reliability Coordinator Operational Analyses and Real-time Assessments), IRO-009-1 (Reliability Coordinator Actions to Operate Within IROLs), and IRO-010-1a[2] (Reliability Coordinator Data Specification and Collection). In preparing these new Reliability Standards, the standards drafting team determined that it was necessary to retire or modify certain requirements from several existing standards. Accordingly, NERC requests Commission approval of revised Reliability Standards EOP-001-2,[3]

[1] This submission was delayed due to other items under the same control number pending review at OMB.

[2] NERC designates the version number of a Reliability Standard as the last digit of the Reliability Standard number. Therefore, original Reliability Standards end with "-0" and modified version one Reliability Standards end with "-1." The NERC Board of Trustees approved the proposed IRO-010-1 Reliability Standard on October 17, 2008. Subsequently, on August 5, 2009, the NERC Board of Trustees approved an interpretation to the proposed IRO-010-1 standard. Accordingly, NERC is requesting approval of both the proposed standard and the appended interpretation, and NERC has designated the proposed standard and appended interpretation as IRO-010-1a.

[3] Concurrent with its filing in this Docket, NERC filed a petition in Docket No. RM10-16-000 seeking approval of certain Emergency Preparedness and Operations Reliability Standards. NERC, Petition for Approval of Three Emergency Preparedness and Operations Reliability Standards, Docket No. RM10-16-000 (filed Dec. 31, 2009). As part of its filing in

IRO-002-2, IRO-004-2, IRO-005-3, and TOP-006-2. NERC also proposes to add the following new terms to the NERC Glossary: "Operational Planning Analysis" and "Real-time Assessment."[4]

Background

On March 16, 2007, the Commission issued Order No. 693, approving 83 of the 107 initial Reliability Standards filed by NERC, including the existing IRO Reliability Standards.[5] Under section 215(d)(5) of the FPA, the Commission directed NERC to develop modifications to the IRO Reliability Standards to address certain issues identified by the Commission.

With respect to IRO-001-1, the Commission directed the ERO to develop modifications to eliminate the regional reliability organization as an applicable entity.[6] The Commission also directed the ERO to modify IRO-002-1 to require a minimum set of capabilities that must be made available to the reliability coordinator to ensure that a reliability coordinator has the capabilities it needs to perform its functions.[7] With respect to IRO-003-2, the Commission directed the ERO to develop a modification to create criteria to define the term "critical facilities" in a reliability coordinator's area and its adjacent systems.[8] The Commission also directed the ERO to modify IRO-004-1 to require the next-day analysis to identify control actions that can be implemented and effective within 30 minutes after a contingency. In addition, the Commission directed the

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RM10-16-000, NERC proposed to retire Requirement R3.4 of EOP-001-0. Each petition proposes unique changes to EOP-001-0 reflecting the distinct issues addressed by the respective Reliability Standards drafting teams. NERC indicated in both petitions that it could not anticipate the sequence in which the Commission would act and therefore included two sets of proposed amendments to EOP-001-0 in each petition. The Commission will clarify upon issuance of Final Rules in each proceeding which revised version of EOP-001-0 it is addressing in its determination.

[4] The proposed new Reliability Standards and other modified Reliability Standards are not codified in the CFR and are not attached to the NOPR. They are, however, available on the Commission's eLibrary document retrieval system in Docket No. RM10-15-000 and are available on the ERO's website, www.nerc.com.

[5] *Mandatory Reliability Standards for the Bulk-Power System*, Order No. 693, 72 FR 16416 (Apr. 4, 2007), FERC Stats. & Regs. ¶ 31,242, *order on reh'g*, Order No. 693-A, 120 FERC ¶ 61,053 (2007).

[6] Order No. 693, FERC Stats. & Regs. ¶ 31,242 at P 896.

[7] *Id*. P 908.

[8] *Id*. P 914.

ERO to consider adding Measures and Levels of Non-Compliance to Reliability Standards IRO-004-1 and IRO-005-1 that are commensurate with the magnitude, duration, frequency and causes of the violations and whether these occur during normal or contingency conditions.[9]

The Commission also directed the ERO to conduct a survey on IROL practices and actual operating experiences by requiring reliability coordinators to report any violations of IROLs, their causes, the date and time, the durations and magnitudes in which actual operations exceed IROLs to the ERO on a monthly basis for one year beginning two months after the effective date of Order No. 693.[10] On October 31, 2008, NERC filed the results of its year-long survey with the Commission.[11] On February 8, 2009, NERC supplemented those results in a second filing.[12]

A. Justification

1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION NECESSARY

Since 1935, the Commission has regulated certain electric utility activities under the FPA. Under FPA Sections 205 and 206, the Commission oversees the rates, terms and conditions of sales for resale of electric energy and transmission service in interstate commerce by public utilities. The Commission must ensure that those rates, terms and conditions are just and reasonable and not unduly discriminatory or preferential. One of the Commission's continuing priorities is to promote electricity grid reliability. Recent legislation has enhanced the Commission's efforts to strengthen the reliability of the interstate grid by granting it with new authority.

A common cause of the past three 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.[13] In response to the outages, the Secretary of

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[9] *Id*. P 935. NERC has subsequently replaced Levels of Non-Compliance with Violation Severity Levels. *See Order on Violation Severity Levels Proposed by the Electric Reliability Organization*, 123 FERC ¶ 61,284 (*Violation Severity Level Order*), *order on reh'g*, 125 FERC ¶ 61,212 (2008).

[10] *Id*. P 951.

[11] NERC, Compliance Filing, Docket No. RM06-16-006 (filed Oct. 31, 2008).

[12] NERC, Compliance Filing, Docket No. RM06-16-006 (filed Feb. 8, 2009).

[13] Information is available in The Electric Power Outages in the Western United States,

Energy convened a task force to advise the Department of Energy (DOE) on issues that 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.[14] 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.

Electric reliability legislation was first proposed after issuance of the September 1998 task force report and has been 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.[15]

Congress directed the development of mandatory, Commission-approved, enforceable electricity Reliability Standards. Section 215 of the FPA provides for a system of mandatory, enforceable Reliability Standards. 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-Electric System. 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

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July 2-3, 1996 (at http://www.nerc.com/docs/docs/pubs/doerept.pdf) and the 1996 System Disturbances Review of Selected 1996 Electric System Disturbances in North America, August 2002 (at http://www.nerc.com/files/disturb96.pdf).

Information on the major blackout in 2003 is available in the Final Report on the August 14, 2003 Blackout in the United States and Canada: Causes and Recommendations (April 2004) at https://reports.energy.gov/BlackoutFinal-Web.pdf.

[14] 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, at http://www.nerc.com/docs/docs/pubs/esrfinal.pdf

[15] Report of the National Energy Policy Development Group, May 2001, at p. 7-6 at http://www.ne.doe.gov/pdfFiles/nationalEnergyPolicy.pdf

undue adverse effect on competition, and can be enforced in a clear and even-handed manner.

The Commission may approve a proposed Reliability Standard if the Commission finds it is just, reasonable, not unduly discriminatory or preferential, and in the public interest.[16] The proposed Reliability Standards in this NOPR were designed to prevent instability, uncontrolled separation, or cascading outages that adversely impact the reliability of the interconnection by ensuring prompt action to prevent or mitigate instances of exceeding interconnection reliability operating limits (IROL).

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

The Commission proposes to approve three new Reliability Standards, IRO-008-1, IRO-009-1 and IRO-010-1a governing reliability coordinator analyses, operational actions and data collection, which standards will replace parts of the currently-effective Reliability Standards EOP-001-0, IRO-002-1, IRO-004-1, IRO-005-2, TOP-003-0, TOP-005-1 and TOP-006-1 approved by the Commission in Order No. 693. Many of the proposed reporting requirements have been approved previously by OMB under Control No. 1902-0244. The exception is the new Reliability Standard IRO-10-1a which includes two related reporting requirements.

Requirement 2 of IRO-10-1a calls for the Reliability Coordinator to provide to applicable entities[17] "specification for data and information to build and maintain models to support Real-time monitoring, Operational Planning Analyses, and Real-time Assessments of its Reliability Coordinator Area to prevent instability, uncontrolled separation, and cascading outages".[18] Requirement 3 of IRO-10-1a obliges the applicable entitiesError: Reference source not found to provide the data and information as specified by the Reliability Coordinator(s).

Without these requirements the Reliability Coordinator would not have the data and information "it needs to monitor and assess the operation of its Reliability Coordinator Area". If the Reliability Coordinator cannot fulfill this responsibility the Bulk-Electric System will be at a higher risk to "instability, uncontrolled separation, or

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[16] 16 U.S.C. § 824o (d)(2).

[17] These entities include: Balancing Authorities, Generator Owners, Generator Operators, Interchange Authorities, Load-serving Entities, Reliability Coordinators, Transmission Operators, and Transmission Owners.

[18] Proposed Reliability Standard IRO-010-1a, Requirement R2.

cascading outages".[19]

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

IRO-10-1a does not require any data or information to be filed with the Commission. However, standard does require the data specification to include a format mutually agreeable to the Reliability Coordinator and the applicable entities.

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. 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

The Commission believes that Reliability Standards in general may cause some small entities to experience economic impact. While the Commission is mindful of the possible impact on small entities, the Commission is also concerned that Bulk-Power-System reliability not be compromised based on an unwillingness of entities, large or small, to incur reasonable expenditures necessary to preserve such reliability. As the Commission explained in Order No. 672:

> A proposed Reliability Standard may take into account the size of the entity that must comply with the Reliability Standard and the cost to those entities of implementing the proposed Reliability Standard. However, the ERO should not propose a "lowest common denominator" Reliability Standard that would achieve less than excellence in operating system reliability solely to protect against reasonable expenses for supporting this vital national infrastructure. For example,

[19] Proposed Reliability Standard IRO-10-1a, Purpose.

a small owner or operator of the Bulk Power-System must bear the cost of complying with each Reliability Standard that applies to it.[20]

While the Commission cannot rule on the merits until a specific proposal has been submitted, the Commission believes that reasonable limits on applicability based on size may be an acceptable alternative to lessen the economic impact on the proposed rule on small entities. The Commission emphasizes, however, that any such limits must not weaken Bulk-Power-System reliability.

The Commission does not foresee any undue impact, due to this NOPR and proposed and revised reliability standards in Docket RM10-15, on the reporting burden for small businesses.

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

If the information were collected less frequently bulk electric system would be at a higher risk to outages and the Commission would be failing in its responsibilities under Section 215 of the Federal Power Act.

7. EXPLAIN ANY SPECIAL CIRCUMSTANCES RELATING TO THE INFORMATION COLLECTION

There are no special circumstances relating to the information collection.

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

The ERO process to establish Reliability Standards is a collaborative process with the ERO, Regional Entities and others developing and reviewing drafts, and providing comments.[21] In addition, each FERC rulemaking (both proposed and final rules) is published in the Federal Register, thereby providing 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. This Notice of Proposed Rulemaking in Docket RM10-10 requests public comments.

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[20] Order No. 672 at P 330.

[21] Details of the ERO standards development process are available on the NERC website at http://www.nerc.com/docs/standards/sc/Standard_Processes_Manual_Approved_May_2010.pdf.

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 to be confidential. If necessary, information provided with a filing may be submitted with a specific request for confidential treatment to the extent permitted by law. The request is considered by FERC pursuant to 18 C.F.R. 388.112 and federal guidelines.

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

The Commission's estimate below is based on the average annual reporting burden contained in the proposed standard IRO-10-1a. As indicated in item 2 above, the reporting burden contained in the other proposed and revised standards has been previously approved by OMB. The estimate is based on the NERC compliance registry as of September 28, 2010. According to the NERC compliance registry, there are 134 balancing authorities, 824 generator owners, 773 generator operators, 61 interchange authorities, 541 load-serving entities, 26 reliability coordinators, 178 transmission operators, and 332 transmission owners that would be involved in providing information. However, under NERC's compliance registration program, entities may be registered for multiple functions, and as such there is some duplication of functions regarding the number of registered entities that would be required to provide information. Given these parameters, the Commission estimates that the Public Reporting burden for the requirements contained in the NOPR is as follows:

FERC-725A	No. of Respondents	No. of Annual Responses	Hours Per Respondent	Total Annual Hours
Reliability Coordinators distribution of	26	1*	8	208

data specification to entities				
Applicable entities [22] **reporting data to their Reliability Coordinator**	1501	1*	8	12,008
Total				12,216

*As needed

The following table shows how the currently approved inventory for FERC-725A will be affected if the new reporting requirements in this NOPR are put into effect.

FERC-725A	Responses	Reporting Hours per Response	Recordkeeping Hours per Response	Total Hours
Current Inventory	1,940	808.5198	82.5015	1,728,581
Program Change due to RM10-15 NOPR	0	+6.297#	0	+12,216
Requested Inventory (applying the program change from the NOPR)	1,940	814.8168	82.5015	1,740,797

#Rounded off

Due to rounding and/or truncation, the burden increase shows as 12,217 hours in ROCIS and 12,216 in the supporting statement and rulemaking.

13. ESTIMATE OF THE TOTAL ANNUAL COST BURDEN TO RESPONDENTS

For the reporting requirements in this NOPR, the Commission has set a rate that

[22] These include Balancing Authorities, Generator Owners, Generator Operators, Interchange Authorities, Load-serving Entities, Reliability Coordinators, Transmission Operators, and Transmission Owners

combines time for legal, technical and administrative support at $120/hour. Total annual cost estimate is **$1,465,920** (12,216 hours @ $120/hour).

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.

IRO-10-1a requires Reliability Coordinators to provide data specifications to applicable entities and for these entities to provide the data to the Reliability Coordinators. Thus the Federal government incurs only the cost of processing this data collection as follows:

Annual Data Collection Cost: $1,575

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

The burden for the data collection FERC-725A (OMB Control No. 1902-0244) is increasing due to a new reporting requirement contained in Reliability Standard IRO-10-1a. As explained in item 2, the increase is necessary in order for Reliability Coordinators to better monitor the Bulk-Electric System and minimize the risk of system instability and outages.

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. RM10-15-000. The Commission requires that all Commission-approved Reliability Standards be available on the ERO's website, with an effective date (http://www.nerc.com/page.php?cid=2|20).

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 Reliability Coordinators and applicable entities must exchange information between themselves

18. **EXCEPTIONS TO THE CERTIFICATION STATEMENT**

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.