Supporting Statement for
FERC-725A, Mandatory Reliability Standards for the Bulk-Power System
As Proposed in Docket No. RM10-16-000
(A Notice of Proposed Rulemaking (NOPR), Issued November 18, 2010)

The Federal Energy Regulatory Commission (Commission) (FERC) requests Office of Management and Budget (OMB) review of **FERC-725A, Mandatory Reliability Standards for the Bulk Power System** as contained in the NOPR in Docket RM10-16-000 "System Restoration of Electric Reliability Standards". 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 March 31, 2013.

In this NOPR, the Commission proposes to approve three Reliability Standards, EOP-001-1 (Emergency Operations Planning), EOP-005-2 (System Restoration from Blackstart Resources), and EOP-006-2 (System Restoration Coordination) developed by the North American Electric Reliability Corporation (NERC), the Commission-certified Electric Reliability Organization (ERO), as well as the definition of the term "Blackstart Resource" to be added to the NERC Glossary of Terms.[1]

Background

In the aftermath of the 1965 Blackout in the northeast United States, the electric industry established the North American Electric Reliability Council (NERC Council), a voluntary reliability organization. Since its inception, the NERC Council developed Operating Policies and Planning Standards that provide voluntary guidelines for operating and planning the North American bulk-power system. In April 2005, the NERC Council adopted "Version O" reliability standards that translated the NERC Council Operating Policies, Planning Standards and compliance requirements into a comprehensible set of measurable standards. While the NERC Council developed a compliance enforcement program to ensure compliance with the reliability standards it developed, industry compliance had been voluntary and not subject to mandatory enforcement penalties. Although the NERC Council 's efforts were important in maintaining the reliability of the nation's bulk-power system, the NERC Council itself recognized the need for mandatory, enforceable reliability standards and was a proponent of legislation to establish a FERC-jurisdictional Electric Reliability Organization (ERO) that would propose and enforce mandatory reliability standards.

On August 8, 2005, The Electricity Modernization Act of 2005, which is Title XII of the Energy Policy Act of 2005 (EPAct 2005), was enacted into law.[2] EPAct 2005 added a new section 215 to the Federal Power Act (FPA), which requires a Commission-certified ERO to develop mandatory and enforceable Reliability Standards, which are subject to Commission

1 This NOPR was not submitted to OMB earlier due to other submissions under the same control number that were submitted previously and pending at the time.

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

review and approval. Once approved, the Reliability Standards may be enforced by the ERO, subject to Commission oversight.

In Order No. 672, the Commission established the criteria that an applicant must satisfy to qualify as the single ERO for the United States under section 215 of the FPA.[3] The Commission received one application, submitted by the NERC Council, on behalf of its wholly-owned subsidiary, the North American Electric Reliability Corporation (NERC Corp.), (collectively NERC).

In July 2006, the Commission certified NERC as the ERO.[4] Concurrent with its 2006 ERO Application, NERC submitted to the Commission a petition seeking approval of 107 proposed Reliability Standards, including nine Emergency Preparedness and Operations (EOP) Reliability Standards. The EOP group of Reliability Standards addresses preparations for emergencies, necessary actions during emergencies and system restoration and reporting following disturbances.

RM06-16-000 Final Rule

On March 16, 2007, the Commission issued Order No. 693, a Final Rule adding 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 required that each Reliability Standard identify the subset of users, owners and operators to which that particular Reliability Standard applies. The new regulations also require that each Reliability Standard that is approved by the Commission will be maintained on the ERO's Internet website for public inspection.

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 NERC.[5] NERC as noted above was certified by the Commission as the ERO responsible for developing and enforcing mandatory Reliability Standards. Those Reliability Standards met the requirements of section 215 of the FPA and Part 39 of the Commission's regulations. NERC Reliability Standards define the reliability requirements for planning and

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3 *Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards*, Order No. 672, FERC Stats. & Regs. ¶ 31,204, *order on reh'g*, Order No. 672-A, FERC Stats. & Regs. ¶ 31,212 (2006). *appeal docketed sub nom. New York Independent System Operator v. FERC*, No. 06-1185 (D.C. Cir. 2006).

4 *North American Electric Reliability Corp.*, 116 FERC ¶ 61,062, *order on reh'g and compliance*, 117 FERC ¶ 61,126 (2006), *order on compliance*, 118 FERC ¶ 61,030, *order on compliance*, 118 FERC ¶ 61,190, *order on reh'g*, 119 FERC ¶ 61,046 (2007).

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

operating the North American Bulk power system. Although the Commission believed 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.

Among the 83 Reliability Standards approved by Order No. 693 were EOP-001-0, EOP-005-1, EOP-006-1 and EOP-009-0.[6] The Commission neither approved nor remanded EOP-007-0 because it applied only to regional reliability organizations, but Order No. 693 did provide guidance for the ERO's further consideration of the Reliability Standard.[7] In addition, under section 215(d)(5) of the FPA, the Commission directed NERC to develop modifications to the EOP Reliability Standards to address certain issues identified by the Commission.

RM10-16-000 Notice of Proposed Rulemaking

On November 18, 2010, the Commission issued a Notice of Proposed Rulemaking in Docket RM10-16-000 "System Restoration Reliability Standards" proposing to adopt modifications to some of the Reliability Standards originally approved in Order No. 693. These proposed Reliability Standards will require that plans, facilities and personnel are prepared to enable system restoration using designated blackstart resources. The Commission is also seeking comment from the ERO and other interested entities on the Commission's specific concerns as discussed below. The Commission may determine that, after considering such comments, it is appropriate to direct the ERO, under section 215(d)(5) of the Federal Power Act, to develop additional modifications to proposed EOP-005-2 and EOP-006-2. The Commission also proposes to approve the retirement of the currently effective Reliability Standards EOP-001-0 (Emergency Operations Planning), EOP-005-1 (System Restoration Plans), EOP-006-1 (Reliability Coordination – System Restoration), and EOP-009-0 (Documentation of Blackstart Generating Unit Test Results) as well as the definition of "Blackstart Capability Plan" from the NERC Glossary of Terms, which are superseded by the proposed Reliability Standards EOP-001-1, EOP-005-2 and EOP-006-2.

"Blackstart" capability refers to the ability of a generating unit or station to start operating and delivering electric power without assistance from the electric system. Blackstart units are essential to restart generation and restore power to the grid in the event of an outage. As discussed below, NERC proposes to define "Blackstart Resource" as "a generating unit(s) and its associated set of equipment which has the ability to be started without support from the System or is designed to remain energized without connection to the remainder of the System, with the ability to energize a bus…" The proposed EOP Reliability Standards addressed in this NOPR were developed by NERC to ensure that applicable entities prepare plans, facilities and personnel to enable system restoration from blackstart resources in order that reliability is maintained during restoration.

6 Order No. 693 at P 542-676.

7 *Id*. at P 644.

In addition to the retirement of certain currently effective EOP Reliability Standards, the Commission is also proposing to approve NERC's petition to withdraw Reliability Standard EOP-007-0. In Order No. 693, the Commission determined that it would not take action on certain proposed Reliability Standards that require supplemental information from a Regional Entity. Such Reliability Standards refer to regional criteria or procedures that have not been submitted to the Commission for approval and, as such, are referred to as "fill-in-the-blank" standards.[8] Pending Reliability Standard EOP-007-0 is one such fill-in-the-blank standard. The Reliability Standards proposed in the NOPR provide a national approach to address the Commission's concerns regarding pending Reliability Standard EOP-007-0, as set forth in Order No. 693.

A. Justification

1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION NECESSARY

On August 8, 2005, the Energy Policy Act of 2005 (EPAct 2005) was enacted into law. Title XII of EPAct 2005 added a new section 215 to the FPA,[9] which requires a Commission-certified ERO to develop mandatory and enforceable Reliability Standards, subject to Commission review and approval. Once approved, the Reliability Standards may be enforced by the ERO, subject to Commission oversight, or by the Commission independently.[10]

Section 215 of the FPA requires a Commission-certified ERO to develop mandatory and enforceable Reliability Standards, which are subject to Commission review and approval. If approved, the Reliability Standards are enforced by the ERO, subject to Commission oversight, or by the Commission independently.

In July 2006, the Commission certified NERC as the ERO.[11] Concurrent with its 2006 ERO Application, NERC submitted to the Commission a petition seeking approval of 107 proposed Reliability Standards, including nine Emergency Preparedness and Operations (EOP) Reliability Standards. The EOP group of Reliability Standards addresses preparations for emergencies, necessary actions during emergencies and system restoration and reporting following disturbances.

Section 39.5(a) of FERC's regulations requires the ERO to file with FERC for its approval each Reliability Standard that the ERO proposes to become mandatory and enforceable in the United States, and each modification to a Reliability Standard that the ERO proposes to

8 *Id*. at P 297.

9 Pub. L. No. 109-58, Title XII, Subtitle A, 119 Stat. 594, 941 (2005) (codified at 16 U.S.C. 824o).

10 *See:* 16 U.S.C. 824o(e)(3).

11 *North American Electric Reliability Corp.*, 116 FERC ¶ 61,062, (2006).), *aff'd sub nom. Alcoa, Inc. v. FERC*, 564 F.3d 1342 (D.C. Cir. 2009).

be made effective. FERC has the regulatory responsibility to approve standards that protect the reliability of the bulk power system. In discharging its responsibility to review, approve, and enforce mandatory Reliability Standards, FERC is authorized to approve those proposed Reliability Standards that meet the criteria detailed by Congress:

> The Commission may approve, by rule or order, a proposed reliability standard or modification to a reliability standard if it determines that the standard is just, reasonable, not unduly discriminatory or preferential, and in the public interest.[12]

When evaluating proposed Reliability Standards, FERC is expected to give "due weight" to the technical expertise of the ERO. Order No. 672 provides guidance on the factors FERC will consider when determining whether proposed Reliability Standards meet the statutory criteria.[13]

The proposed Reliability Standard EOP-001-1 requires each Transmission Operator and Balancing Authority to develop, maintain and implement a set of plans to mitigate operating emergencies and to coordinate these plans with other transmission operators, balancing authorities and the reliability coordinator. The proposed set of Reliability Standards, EOP-005-2 and EOP-006-2, are intended to ensure that a set of coordinated plans are in place and that facilities and personnel are prepared to engage in system restoration using designated Blackstart Resources to assure reliability is maintained during restoration and priority is placed on restoring the Interconnection. The proposed EOP-005-2 standard applies to Transmission Operators, Generator Operators, Transmission Owners and Distribution Providers specifically identified in the Transmission Operator's restoration plan, while the proposed EOP-006-2 standard applies to Reliability Coordinators.

The proposed EOP-005-2 and EOP-006-2 Reliability Standards represent improvement and significant revision from the current set of enforceable standards. The project to develop the proposed EOP-005-2 and EOP-006-2 Reliability Standards involved upgrading the overall quality of the standards, eliminating gaps and ambiguity in the requirements, eliminating "fill-in-the-blank" standards, and addressing FERC Order No. 693 directives.[14]

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

12 Section 215(d)(2) of the FPA, 16 U.S.C. § 824o(d)(2) (2005).

13 *Order on reh'g*, FERC Stats. & Regs. ¶ 31,212 (2006) ("Order No. 672-A").

14 *See Mandatory Reliability Standards for the Bulk-Power System*, 18 CFR Part 40, Docket No. RM06-16-000 (March 16, 2007) ("Order No. 693") at PP 627-630, 636-638.

The information collection requirements contemplated in the proposed standards require reliability coordinators, transmission operators, balancing authorities, certain transmission owners, and certain distribution providers to maintain information as well as work together to develop certain documents. The reliability coordinators and regional entities use the information to ensure that plans are in place for emergencies and that other provisions of the standards are being followed. This information is necessary to ensure reliability on the system during emergencies, including returning the system to functionality following a major event which causes one or more areas to collapse or separate from the interconnection.

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

The proposed reliability standards do require information to be filed with the Commission. However, they do contain reporting and recordkeeping requirements for which using technology is an option.

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 in FERC-725A 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**

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, a small owner or operator of the Bulk Power-System must bear the cost of complying with each Reliability Standard that applies to it.[15]

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 RM10-16, on the reporting burden for small businesses.

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

As stated above and in item #15, the information reported and retained is meant to ensure reliability during emergencies in which the system is coming back online after a black-out. Reliability on the system would be compromised if these standards were not followed. The reporting and recording keeping requirements allow the compliance enforcement authority to monitor compliance with the standard.

7. EXPLAIN ANY SPECIAL CIRCUMSTANCES RELATING TO THE INFORMATION COLLECTION

The proposed reliability standards 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 did not prescribe a set data retention period to apply to all Reliability Standards because the circumstance of each Reliability Standard varies. The proposed standards and reporting and retention requirements were developed, vetted, and proposed by industry in its standards development process. [See #8 below.]

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.[16]

15 Order No. 672 at P 330.

16 Details of the ERO standards development process are available on the NERC website at

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 RM10-16 requests public comments (at http://elibrary.ferc.gov/idmws/common/OpenNat.asp?fileID=12489652).

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 regarding the number of respondents is based on the NERC compliance registry as of September 28, 2010. According to the registry, there are 26 reliability coordinators and 176 transmission operators that would be involved in providing information. However, under NERC's compliance registration program, entities may be registered for multiple functions, so there is some double counting involved in these numbers. Proposed EOP-006-2 requires the reliability coordinator to conduct two system restoration drills, exercises or simulations per calendar year involving transmission operators and generation operators. Depending on the scope of the drill, exercise or simulation, certain transmission operators or generation operators may not be required to provide data to the reliability coordinator in any given year. Proposed reliability Standard EOP-005-2 requires generator operators with Blackstart Resources who have not already done so to document in writing both the terms of their blackstart arrangements with their transmission operator and their procedures for energizing a bus. The registry indicates there are 773 generator operators, but we estimate of these the requirements will apply to 230. Lastly, EOP-005-2 requires transmission owners and distribution providers whose field switching personnel have unique tasks under a restoration

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http://www.nerc.com/docs/standards/sc/Standard_Processes_Manual_Approved_May_2010.pdf.

plan to provide two hours of training every two years. The registry shows a net 678 entities that might be required to carry out such training as a result of these Reliability Standards. Given these parameters, the Commission estimates that the Public Reporting burden for the requirements contained in this NOPR is as follows*:

Data Collection	No. of Respondents	No. of Annual Responses	Hours Per Respondent	Total Annual Hours
FERC-725A				
Reliability coordinators reporting data to NERC on annual basis	26	1	Reporting: 8	Reporting: 208
			Recordkeeping: 8	Recordkeeping: 208
Transmission operators reporting data to their reliability coordinator and reducing blackstart arrangements to writing	176	1	Compliance: 116	Compliance: 20,416
			Recordkeeping: 16	Recordkeeping: 2816
Generator operator system restoration responsibilities including Testing and maintaining records	230	1	80	18,400
Transmission owner and distribution provider training and recordkeeping	678	1	8	5,424
Total				47,472 hours

*Subset of total burden associated with the requirements of FERC-725A.

The following table shows how the currently approved inventory for FERC-725A will be affected if the new reporting/recordkeeping 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 RM10-16 NOPR	0	+10.6309	+ 13.8392	+47,472
Requested Inventory (applying the program change from the NOPR)	1940	819.1507	96.3407	1,776,053

13. ESTIMATE OF THE TOTAL ANNUAL COST BURDEN TO RESPONDENTS

The Commission estimates the costs for compliance with the proposed Reliability Standards in RM10-16 to be:

- Total Annual hours for Collection: (Reporting/Compliance + recordkeeping) = +47,472hours.
- Reporting/Compliance = 44,448 hours @ $132/hour = $5,867,136
- Recordkeeping = 3,024 hours @ $17/hour = $51,408
- Total Cost = $5,918,544

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. The Commission estimates that 1.5 FTEs will review and analyze the data to be generated from these standards or $213,558

(1.5x$142,372). In addition, FERC estimates that the cost to the Commission for processing this data collection is $1,575. The total cost to the Federal Government is estimated as **$215,133** ($213,558 + $1,575)

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

There are changes to the burden. (Question 12 includes a table showing the effect on the current inventory.) This proposed rule would approve revised Reliability Standards that modify the existing requirement for system restoration from a blackstart. The proposed Reliability Standards require some entities to commit agreements or understandings to writing and/or draft written procedures. Other entities may have to produce and maintain training materials. A proposed directive to those Reliability Standards would require entities to report and retain records regarding transmission operator and reliability coordinator system restoration drills, exercises and simulations.

These standards are intended to ensure that a set of coordinated plans are in place and that facilities and personnel are prepared to engage in system restoration using designated Blackstart Resources. During the implementation of the system restoration plan activities, the responsible entities are required to focus on maintaining reliability while restoring the interconnection. These changes to the burden are deemed necessary in order to adequately ensure reliability when system restoration activities are necessary.

16. TIME SCHEDULE FOR THE PUBLICATION OF DATA

There is no data published as a result of this collection.

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 specified entities must prepare and retain information that reflect unique or specific circumstances related to the Reliability Standard. The information is not submitted to FERC. In 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

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.