

Supporting Statement for
FERC-725A, Mandatory Reliability Standards for the Bulk-Power System
In Docket No. RM10-16-000
(A Final Rule Issued March 17, 2011)

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 Final Rule in Docket RM10-16-000 “System Restoration of Electric Reliability Standards”.¹ FERC-725A (Control No. 1902-0244) is an existing Commission data collection, contained in 18 Code of Federal Regulations, Part 40.

In this Final Rule, the Commission approves 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.

The approved Reliability Standards require transmission operators, generation operators, and certain transmission owners and distribution providers to ensure that plans, facilities, and personnel are prepared to enable system restoration from Blackstart Resources and require reliability coordinators to establish plans and prepare personnel to enable effective coordination of the system restoration process. The Commission also approves NERC’s proposal to retire four existing EOP Reliability Standards and the defined term “Blackstart Capability Plan” concurrent with the effectiveness of the Standards and the term Blackstart Resource approved in this Final Rule.

“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.

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 Federal Power Act,² which requires a Commission-certified ERO to develop mandatory and enforceable Reliability Standards, subject

¹ The collection in this Final Rule was not submitted to OMB earlier due to another submission under the same control number that was submitted previously and pending at the time this Final Rule was ready to be submitted.

² Pub. L. No. 109-58, Title XII, Subtitle A, 119 Stat. 594, 941 (2005) (codified at 16 U.S.C. 824o).

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.³

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.

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 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.⁵

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.⁶

The approved 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 approved 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 approved EOP-005-2 standard applies to Transmission Operators, Generator Operators, Transmission Owners and Distribution Providers specifically

³ See: 16 U.S.C. 824o(e)(3).

⁴ *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).

⁵ Section 215(d)(2) of the FPA, 16 U.S.C. § 824o(d)(2) (2005).

⁶ *Order on reh'g*, FERC Stats. & Regs. ¶ 31,212 (2006) ("Order No. 672-A").

identified in the Transmission Operator's restoration plan, while the approved EOP-006-2 standard applies to Reliability Coordinators.

The approved 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 approved 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.⁷

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

The information collection requirements in the approved 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 approved reliability standards do not 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.

⁷ 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.

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.⁸

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 Final Rule and the revised Reliability Standards, 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 as approved. 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 approved reliability standards have records retention schedules that exceed OMB guidelines in 5 CFR 1320.5(d)(2)(iv) of not retaining records for longer than three years. The

⁸ Order No. 672 at P 330.

Commission did not prescribe a set data retention period to apply to all Reliability Standards because the circumstance of each Reliability Standard varies. The approved 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.⁹ 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.

The NOPR in Docket No. RM10-16 requested public comments (at <http://elibrary.ferc.gov/idmws/common/OpenNat.asp?fileID=12489652>). The Commission received comments from several entities directly related to a proposed reporting requirement in the NOPR. The comments and Commission response are summarized here.

Data Reporting

Given the importance of effective blackstart and restoration plans and well-trained personnel, the NOPR proposed that the ERO collect data on the performance of system restoration exercises and make such data available to transmission operators, reliability coordinators and the Commission. This data could then be used to identify the effectiveness of restoration plans and help identify improvements to enhance restoration. The Commission sought comment on the proposed data collection.

Comments

NERC notes that formal debriefings are held after each required drill and is unclear whether there would be any additional reliability benefit arising from the data collection contemplated in the NOPR. EEI proposes that companies should be allowed to gather experience on the new requirements before undertaking data collection efforts and points out that the North American Transmission Forum (NATF) would be an appropriate venue for discussions on the efficacy of various training experiences. BPA and NorthWestern also cite NATF as an appropriate venue to share best practices. BPA views its restoration information as extremely sensitive and perceives risk that such information could fall into the wrong hands.

⁹ 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.

NERC, EEI, APPA, Pacificorp, and NorthWestern question the reliability benefit of creating such a database compared to the burden it would impose on the industry. NERC asks whether developing such a database would direct industry resources where they can best serve reliability. IRC does not see the value of the proposed data gathering, but notes section 1600 – Requests for Data or Information of NERC’s Rules of Procedure¹⁰ could be an appropriate means of collecting data without creating an ongoing requirement.

Commission Determination

The Commission agrees with NERC that the formal debriefing of system restoration drills, exercises and simulations can capture lessons learned and identify best practices. But lessons learned in such debriefings are not necessarily communicated to all who might benefit from them. In addition, the Commission understands that NATF may be an appropriate forum to discuss industry activity and best practices, but we continue to believe that there would be a reliability benefit in the ERO aggregating and disseminating lessons learned derived from restoration drills, exercises and simulations. Nevertheless, we will allow the industry to develop some experience with the new Reliability Standards and then review whether or not to pursue this matter under section 39.2(d) of the Commission’s regulations and the use of Requests for Data or Information under section 1600 of NERC’s Rules of Procedure or through some other means.

Other Comments

The Commission also received comments on other aspects of the NOPR that are not directly related to the reporting requirements and burden. A summary of these comments and Commission responses can be found in the Final Rule in Docket No. RM10-16 at paragraphs 17 through 44 (at <http://elibrary.ferc.gov/idmws/common/OpenNat.asp?fileID=12589890>).

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.

¹⁰ North American Electric Reliability Corporation, Rules of Procedure 85-87 (2011), available at http://www.nerc.com/files/NERC_Rules_of_Procedure_EFFECTIVE_20110101.pdf.

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. Approved 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. Approved 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 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.¹¹

The Commission solicited comments on the need for and the purpose of the information contained in these three Emergency Operations and Performance Reliability Standards and the corresponding burden to implement them. The commission received comments on its proposed data reporting requirement regarding the performance of system restoration exercises which is addressed in item 8 above. The result of not including this data reporting requirement leads to a reduction the estimated burden; however, we have exactly offset the decrease by increasing the time expended by reliability coordinators on recordkeeping in order to better reflect their enhanced involvement in the planning process.

Given these parameters, the Commission estimates that the Public Reporting burden for the requirements contained in the Final Rule is as follows*:

FERC-725A Data Collection	No. of Respondents (A)	No. of Annual Responses Per	Hours Per Respondent Per Response (C)	Total Annual Hours (A X B X C)
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¹¹ The new Reliability Standard EOP-001-1 is different from the previous version in that certain reporting requirements have been moved to Reliability Standards EOP-005-2 and EOP-006-2.

		Respondent (B)		
Reliability Coordinators data retention	26	2	Recordkeeping: 8	Recordkeeping: 416
Transmission operators reporting data to their reliability coordinator and reducing blackstart arrangements to writing	176	1	Compliance: ¹² 116	Compliance: 20,416
			Recordkeeping: 16	Recordkeeping: 2816
Generator operator system restoration responsibilities including testing and maintaining records	230	1	80 ¹²	18,400
Transmission owner and distribution provider training and recordkeeping ¹³	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 Final Rule are put into effect.

FERC-725A	Responses	Reporting Hours per Response	Recordkeeping Hours per Response	Total Hours
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¹² These hours are mostly due to initial implementation and it is expected that the hours will decrease by approximately 75% after the first three years. The remaining hours are considered ongoing compliance burden and incorporates any new entities that must come into compliance with this standard anytime after the initial implementation period.

¹³ The burden hours for this requirement include both recordkeeping and reporting hours. The Commission is unsure of how these hours are split between the two categories and is, therefore, providing them to OMB as all reporting hours.

Current Inventory	1,940	814.8168	82.5015	1,740,798
Program Change due to RM10-16 Final Rule	0	+22.8041	+ 1.661	+47,472
Requested Inventory (applying the program change from the Final Rule)	1940	837.6209	84.1676	1,788,270

13. ESTIMATE OF THE TOTAL ANNUAL COST BURDEN TO RESPONDENTS

The Commission estimates the costs for compliance with the approved Reliability Standards in Docket No. RM10-16 to be:

- Reporting/Compliance = 44,240 hours @ \$132/hour = \$5,839,680
- Recordkeeping = 3,232 hours @ \$17/hour = \$54,944
- Total Cost = \$5,894,624

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 requirements for system restoration from a blackstart. The approved 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. The net result is a program change of 47,472 hours.

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 reflects unique or specific circumstances related to the Reliability Standard. The information is not submitted to FERC.

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 (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.