Supporting Statement for
FERC-725A, Mandatory Reliability Standards for the Bulk-Power System
Docket No. RD11-4-000
(Commission Order Issued April 21, 2011)

The Federal Energy Regulatory Commission (Commission or FERC) requests Office of Management and Budget (OMB) review of **FERC-725A, Mandatory Reliability Standards for the Bulk Power System** as contained in the Commission Order in Docket No. RD11-4-000.[1] FERC-725A (Control No. 1902-0244) is an existing Commission data collection, contained in 18 Code of Federal Regulations (CFR), Part 40.[2]

In this Order, the Commission approved one Reliability Standard, EOP-008-1, developed by the North American Electric Reliability Corporation (NERC), the Commission-certified Electric Reliability Organization (ERO).[3]

Reliability Standard EOP-008-1 contains eight Requirements for the stated purpose of ensuring continued reliable operations of the bulk electric system in the event that a control center becomes inoperable. Requirement R1 requires each applicable entity to have a current operating plan describing the manner in which it will continue to meet its functional obligations in the event that its primary control center functionality is lost. Requirement R2 instructs each applicable entity to have a copy of its current plan for backup functionality at its primary control center and at the location providing backup functionality. Requirement R3 mandates that each reliability coordinator have a backup control center that provides functionality sufficient to maintain compliance with all Reliability Standards that depend on primary control center functionality. Requirement R4 directs balancing authorities and transmission operators to have a backup functionality, either through a facility or contracted services, to maintain compliance with all Reliability Standards that depend on their primary control center functionality. Requirement R5 requires each applicable entity to review annually and approve its plan for backup functionality. Requirement R6 mandates that primary and backup functionality cannot depend on each other. Requirement R7 requires each applicable

[1] *North American Electric Reliability Corporation*, 135 FERC ¶ 61,040 (2011).

[2] The collection in this Order 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 package was ready to be submitted.

[3] Historically, the Commission has approved most Reliability Standards using the rulemaking approach (Notice of Proposed Rulemaking, followed by a Final Rule). However, the Commission has the authority to approve Reliability Standards in an Order, as was done here (Energy Policy Act of 2005 (1211(d)(2) and 18 CFR 39.5)). Nonetheless, the Paperwork Reduction Act requirements are still being met.

entity to annually test and document the results of its plan demonstrating the transition time between the simulated loss of the primary control center and the full implementation of the backup functionality.

Finally, each reliability coordinator, balancing authority or transmission operator that experiences a loss of either primary or backup functionality anticipated to last for more than six months must, in accordance with Requirement R8, provide a plan to its Regional Entity within six calendar months of the date when functionality is lost showing how it will re-establish such functionality.

A. Justification

1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION NECESSARY

In the Energy Policy Act of 2005 (EPAct 2005), Congress entrusted the Commission with a major new responsibility to oversee mandatory, enforceable Reliability Standards for the Nation's Bulk-Power System (excluding Alaska and Hawaii). This authority is in section 215 of the Federal Power Act (FPA). Section 215 requires the Commission to select an ERO that is responsible for proposing, for Commission review and approval, Reliability Standards or modifications to existing Reliability Standards to help protect and improve the reliability of the Nation's Bulk-Power System. The Commission has certified NERC as the ERO. The Reliability Standards apply to the users, owners and operators of the Bulk-Power System and become mandatory and enforceable in the United States only after Commission approval. The ERO also is authorized to impose, after notice and opportunity for a hearing, penalties for violations of the Reliability Standards, subject to Commission review and approval. The ERO may delegate certain responsibilities to Regional Entities, subject to Commission approval.

The Commission may approve proposed Reliability Standards or modifications to previously approved standards if it finds them "just, reasonable, not unduly discriminatory or preferential, and in the public interest."[4] The Commission itself does not have authority to modify proposed standards. Rather, if the Commission disapproves of a proposed standard or modification, section 215 requires the Commission to remand it to the ERO for further consideration. The Commission, upon its own motion or upon complaint, may direct the ERO to submit a proposed standard or modification on a specific matter but it does not have the authority to modify or author a standard and must depend upon the ERO to do so.

[4] 16 U.S.C. 824o(d)(3).

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. On March 16, 2007, the Commission issued Order No. 693 approving 83 of the 107 Reliability Standards proposed by NERC, including Reliability Standard EOP-008-0.[5] In addition, pursuant to section 215(d)(5) of the FPA, the Commission directed the ERO to develop a modification to EOP-008-0 to address specific issues identified by the Commission. In particular, the Commission directed that the modification include a Requirement that provides for backup capabilities that, at a minimum, must: (1) be independent of the primary control center; (2) be capable of operating for a prolonged period of time, generally defined by the time it takes to restore the primary control center; (3) provide for a minimum functionality to replicate the critical reliability functions of the primary control center; and (4) provide that the extent of the backup capability be consistent with the impact of the loss of the entity's primary control center on the reliability of the Bulk-Power System.[6]

The Commission also directed that the modification include a Requirement that provides for backup capabilities that must: (1) include a Requirement that all reliability coordinators have full backup control centers and (2) require transmission operators and balancing authorities that have operational control over significant portions of generation and load to have minimum backup capabilities… but may do so through contracting for these services instead of through dedicated backup control centers.[7]

In its February 11, 2011 filing,[8] NERC requests Commission approval of proposed Reliability Standard EOP-008-1. NERC states that EOP-008-1 is intended to ensure that a plan is in place for backup functionality and that facilities and personnel are prepared to implement that plan. NERC states that proposed Reliability Standard EOP-008-1 represents a significant revision and improvement to the current standard by eliminating gaps, reducing ambiguity, eliminating fill-in the-blank components, and addressing the relevant Commission directives in Order No. 693.

---

[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).

[6] *Id*. P 672.

[7] *Id*.

[8] *North American Electric Reliability Corp*., February 11, 2011 Petition of the North American Electric Reliability Corporation for Approval of One Emergency Preparedness and Operations Reliability Standard EOP-008-1 and Retirement of One Existing Reliability Standard EOP-008-0 (NERC Petition or Petition).

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 of the Federal Power Act, FERC had acted primarily as an economic regulator of the 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).

The passage of the Energy Policy Act of 2005 added to the Commission's efforts, by giving it the authority to strengthen the reliability of the interstate electric transmission grid through the grant of new authority pursuant to section 215 of the Federal Power Act which provides for a system of mandatory Reliability Standards developed by the ERO, established by FERC, and enforced by the ERO and Regional Entities. As part of FERC's efforts to promote electric transmission grid reliability, the Commission created the Office of Electric Reliability (OER) in 2007. OER oversees the development and review of mandatory Reliability Standards. OER also oversees compliance with the approved mandatory standards by users, owners, and operators of the Bulk Power System, and maintains a situational awareness monitoring tool to provide wide area visibility of the Bulk Power System.

On February 11, 2011, NERC submitted a filing in accordance with Section 215(d)(1) of the Federal Power Act and Part 39.5 of the Commission's regulations, seeking approval of one revised Reliability Standard, and the retirement of one existing approved Reliability Standard. Specifically, NERC sought FERC's approval of revised Reliability Standard EOP-008-1 – Loss of Control Center Functionality as well as approval to concurrently retire existing Reliability Standard EOP-008-0. On April 21, 2011, FERC issued an order approving Reliability Standard EOP-008-1, finding that the Reliability Standard is just, reasonable, not unduly discriminatory or preferential, and in the public interest. In addition, the Commission approved the retirement of EOP-008-0 as requested by NERC.

In the order the Commission states that rather than creating entirely new obligations with respect to the loss of control center functionality, Reliability Standard EOP-008-1 upgrades the existing planning requirements contained in EOP-008-0 and specifically requires reliability coordinators, balancing authorities and transmission operators to have backup functionality. Thus, this order does not impose entirely new burdens on the affected entities. For example, EOP-008-0 requires each applicable entity to have a plan

to continue reliable operations in the event its control center becomes inoperable and to conduct reviews and tests, at least annually, to ensure viability of the plan. EOP-008-1 however, imposes new requirements regarding the approval, placement, documentation and updating of plans, as well as requiring entities that may not already possess backup functionality to obtain, possibly through contractual arrangements, backup capabilities.

In the event that an entity's primary control center becomes inoperable, a failure to possess backup functionality that is planned for, approved and documented in a current operating plan could result in non-compliance with the Reliability Standards, leaving the bulk-power system more prone to cascading outages.

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

The approved Reliability Standard does not require information to be filed with the Commission. However, it does contain reporting and recordkeeping requirements such as creating and maintaining an Operating Plan for backup functionality, for which using current technology is an option that may reduce burden compared to not using current technology.

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. The information collection requirements are unique to this Reliability Standard and are not contained in any other collection.

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

This Reliability Standard does not contain provisions for minimizing the burden of the collection for small entities. All the requirements in the Reliability Standard apply to every applicable entity, be it large or small. However, the Commission does certify that the Reliability Standard will not have a significant economic impact on a substantial number of entities according with the regulatory flexibility threshold analysis contained

in the Order.[9]

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

The ERO conducts periodic assessments of the reliability and adequacy of the Bulk-Power System in North America and reports 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 stated purpose of NERC Reliability Standard EOP-008-1 is to ensure continued reliable operations of the bulk electric system in the event that a control center becomes inoperable. NERC states in its Petition that the proposed standard is intended to ensure that a plan is in place for backup functionality and those facilities and personnel are prepared to implement that plan.

In the event that an entity's primary control center becomes inoperable, a failure to possess backup functionality that is planned for, approved and documented in a current operating plan could result in non-compliance with the Reliability Standards, leaving the bulk-power system more prone to cascading outages.

7. EXPLAIN ANY SPECIAL CIRCUMSTANCES RELATING TO THE INFORMATION COLLECTION

Much of the documentation required to be maintained must be kept since the last compliance audit for a given entity. Because compliance audits may occur more than 3 years apart, the records may be kept for a period that exceeds OMB guidelines in 5 CFR 1320.5(d)(2)(iv) of not retaining records for 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 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, with the final proposed standard submitted to the FERC for review and

[9] Commission Order in Docket No. RD11-4-000, 135 FERC ¶ 61,040, issued April 21, 2011.

approval.[10] [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 Order in Docket No. RD11-4 requested public comments (at http://elibrary.ferc.gov/idmws/common/OpenNat.asp?fileID=12630473). The Commission received no comments in response to this Order.

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.

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

Rather than creating entirely new obligations with respect to the loss of control center functionality, Reliability Standard EOP-008-1 upgrades the existing planning requirements contained in EOP-008-0 and specifically requires reliability coordinators, balancing authorities and transmission operators to have backup functionality. This Order, however, imposes new requirements regarding the approval, placement, documentation and updating of plans as well as requires entities that may not already possess backup functionality to obtain, possibly through contractual arrangements, backup capabilities.

Our estimate below regarding the number of respondents is based on the NERC compliance registry as of February 17, 2011. According to the registry, there are 23 reliability coordinators, 120 balancing authorities and 176 transmission operators that

[10] 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.

will be involved in providing information. Under NERC's compliance registration program, however, entities may be registered for multiple functions or, particularly in the case of reliability coordinators, registered for the same function with multiple regional entities, so these numbers incorporate some double counting. The net number of entities responding will be 215, consisting of 17 reliability coordinators, 94 entities registered as both balancing authorities and transmission operators, and 104 entities registered solely as either a balancing authority or a transmission operator. This Order will require applicable entities to revise their plans and document compliance with the Reliability Standard's requirements. For those balancing authorities and transmission operators that do not already comply with the Standard's requirement for backup functionality, they will, at a minimum, be required to contract for such services. We understand that all reliability coordinators currently have backup control centers and estimate that approximately 27 entities will have to procure backup functionality.

The estimated burden for the requirements in this RD11-4 Order follows:

FERC-725A Data Collection	No. of Respondents (A)	No. of Annual Responses Per Respondent (B)	Hours Per Respondent Per Response (C)	Total Annual Hours (A x B x C)
Review and possible revision of plan (one-time)	215	1	20	4,300
Updating, approving , and maintaining records (recurring)	215	1	Compliance: 6	1,290
			Recordkeeping: 2	430
Balancing authoriti	27	1	120	3,240

es and transmission operators contracting for backup functionality (one-time)				
Total, one-time				7,540
Total, Recurring				1,720
Total (program increase, due to RD11-4)				9,260

The following table shows how the currently approved inventory for FERC-725A will be affected by the new reporting/recordkeeping requirements in this Order.

FERC-725A	No. of Respondents[11]	Reporting Hours per Response	Recordkeeping Hours per Response	Total Hours
Current Inventory	1,940	837.6209	84.1676	1,788,270
Program Change due to RD11-4 Order	0	+4.5515	+.2217	9,260
Requested	1,940	842.1724	84.3893	1,797,530

[11] The total respondent universe for the FERC-725A is estimated to include 1,940 respondents. However, this proceeding only affects 215 of these entities by adding a total of 9,260 hours. In order to report the aggregate affect of the change in burden hours the increased burden of 9,260 hours has been averaged over all 1,940 entities, yielding the reporting and recordkeeping hours per response listed in the second table.

Inventory (applying the program change from the RD11-4 order)				

13. ESTIMATE OF THE TOTAL ANNUAL COST BURDEN TO RESPONDENTS

The Commission estimates the cost as imposed by the Reliability Standard EOP-008-1 in RD11-4 to be:

> Total Annual Hours imposed by the Reliability Standard: (Compliance and Documentation + Recordkeeping) = 9,260 hours.
>
> Total One-Time Compliance Cost = 7,540 hours X $120/hour = $904,800.
>
> Total Recurring Compliance Cost = [1290 hours X$120 an hour (compliance cost)] + [430 hours X $28 an hour (recordkeeping cost)] = $166,840.
>
> Total Recordkeeping Cost, which is a subset of reoccurring compliance costs, above = 430 hours X $28/hour = $12,040

Total First Year Cost = $1,071,640 (one-time plus recurring compliance cost, or $904,800 + $166,840 = $1,071,640).

Subsequent Year Costs = $166,840 (Recurring compliance cost)

Cost reported in ROCIS = $126,725. This cost originated in the rulemaking under FERC Docket No. RM08-19 (ICR No. 200912-1902-005, approved by OMB 3/12/2009) and represents the cost of storing records offsite.

14. ESTIMATED ANNUALIZED COST TO FEDERAL GOVERNMENT

EOP-008-1 requires Reliability Coordinators, Balancing Authorities, and Transmission Operators to maintain a current operating plan for back-up functionality. This includes reviewing, testing, and approving the plan on a yearly basis. No information is provided to the Federal Government, nor does the Commission actively monitor compliance with

this Reliability Standard. Thus, the Federal government incurs only the cost of processing this data collection as follows:

Annual Data Collection Cost as contained in this Order: $1,575

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

This Order results in a 9,260 hour program increase in the burden. Rather than creating entirely new obligations with respect to the loss of control center functionality, Reliability Standard EOP-008-1 upgrades the existing planning requirements contained in EOP-008-0 and specifically requires reliability coordinators, balancing authorities and transmission operators to have backup functionality. Thus, this Order does not impose entirely new burdens on the affected entities. For example, EOP-008-0 requires each applicable entity to have a plan to continue reliable operations in the event its control center becomes inoperable and to conduct reviews and tests, at least annually, to ensure viability of the plan. This Order, however, imposes new requirements regarding the approval, placement, documentation and updating of plans and requires entities that may not already possess backup functionality to obtain, possibly through contractual arrangements, backup capabilities.

The purpose of Reliability Standard EOP-008-1 is to ensure reliability on the bulk electric system in the event that a control center becomes inoperable.[12] The increase in burden is necessary to ensure that this purpose is maintained.

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.

[12] See Reliability Standard EOP-008-1, at http://www.nerc.com/files/EOP-008-1.pdf

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.