

Supporting Statement
FERC-725R, Mandatory Reliability Standards: Reliability Standard BAL-003-1
Final Rule (in RM13-11) issued January, 16, 2014

The Federal Energy Regulatory Commission (Commission or FERC) requests Office of Management and Budget (OMB) review and approval of **FERC-725R, Mandatory Reliability Standards: Reliability Standard BAL-003-1** as contained in the Final Rule in Docket No. RM13-11-000 (Reliability Standard BAL-003-1) (<http://elibrary.ferc.gov/idmws/common/OpenNat.asp?fileID=13439345>).

During the NOPR stage, we submitted this rule under a new collection number and control number because of other Commission proceedings also affecting the FERC-725A collection. The FERC-725R only contains the information collection burden that is new and a direct result of RM13-11.

1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION NECESSARY

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

On March 16, 2007, in Order No. 693, pursuant to section 215(d) of the FPA, the Commission approved 83 of 107 proposed Reliability Standards, six of the eight proposed regional differences, and the North American Electric Reliability Corporation (NERC) Glossary of Terms used in Reliability Standards (NERC Glossary), including currently-effective BAL-003-0. In addition, pursuant to section 215(d)(5) of the FPA, the Commission directed NERC, among other things, to develop modifications to BAL-003-0 to address certain issues identified by the Commission. Specifically, the Commission directed NERC to develop a modification to BAL-003-0 through the Reliability Standards development process that: (1) includes Levels of Non-Compliance; (2) determines the appropriate periodicity of frequency response surveys necessary to ensure that Requirement R2 and other requirements of the Reliability Standard are being met, and to modify Measure M1 based on that determination and (3) defines the necessary amount of Frequency Response needed for Reliable Operation for each balancing authority with methods of obtaining and measuring that the frequency response is achieved.

On March 18, 2010, the Commission established a six month compliance deadline for NERC to submit modifications to Reliability Standard BAL-003-0 responsive to the Commission's directives in Order No. 693. NERC requested rehearing and clarification. On rehearing for further consideration, the Commission directed Commission staff to convene a technical conference to provide an opportunity for a public discussion regarding technical issues pertaining to the development of a frequency response requirement. The Commission also directed NERC to submit a proposed schedule that includes firm deadlines for completing studies and analyses needed to develop a frequency response requirement, and for submission of a modified BAL-003-0 Reliability Standard responsive to the Commission directives in Order No. 693.

On October 25, 2010, NERC submitted an action plan and estimated timelines for completing studies and analyses needed to develop a frequency response requirement. NERC indicated that it would complete the revised Reliability Standard by May 2012. On March 30, 2012, NERC submitted a motion for an extension of time to submit modifications, and on May 4, 2012, the Commission granted the request through May 2013. NERC submitted its petition requesting approval of approved Reliability Standard BAL-003-1 on March 29, 2013.

Frequency response is a measure of an Interconnection's ability to stabilize frequency immediately following the sudden loss of generation or load, and is a critical component of the reliable operation of the Bulk-Power System, particularly during disturbances and recoveries. Frequency response is predominately provided by the automatic and autonomous actions of turbine-governors with some response being provided by changes in demand due to changes in frequency.

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

Reliability Standard BAL-003-1 requires Balancing Authorities and/or Reserve Sharing Groups to collect certain information to establish the Interconnection Frequency Response Obligation and the Frequency Bias Setting for each balancing authority. Each balancing authority reports its previous year Frequency Response Measure and Frequency Bias Setting to NERC, and revised Frequency Bias Settings are based on data from events the balancing authorities report on the proposed FRS Form 1. The information provided on the FRS Form 1 is based on events which qualify for analyses, and NERC states that it will identify between 20 and 35 events in each Interconnection for calculating the Frequency Response Measure and Frequency Bias Setting. The failure to collect this information could undermine the purpose of the Reliability Standard.

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

The use of current or improved technology is not covered in Reliability Standards. Its use is, therefore, left to the discretion of each reporting entity.

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

The information collection requirements are unique to this reliability standard and to this information collection. The Commission does not know of any duplication in the requirements.

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

The NERC registry includes 132 individual Balancing Authorities. Comparison of the NERC Compliance Registry with data submitted to the Energy Information Administration on Form EIA-861 indicates that, of these entities, 15 may qualify as small entities.

The Commission estimates the annual regulatory burden for compliance with the approved Reliability Standard to be \$13,560 per Balancing Authority. This estimate for all Balancing Authorities was established using 28 events per year (more fully described in Question #12), but smaller entities may have fewer events which qualify for analysis, and the costs for these smaller entities may be reduced. Further, while the approved Reliability Standard establishes a Balancing Authority's Frequency Response Obligation, because Balancing Authorities are currently providing frequency response, we do not anticipate additional compliance costs.

In general, small entities may reduce their burden by taking part in a joint registration organization or a coordinated functional registration. These options allow an entity to share its compliance burden with other entities.

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

If the requirements of this standard (and its associated information collection requirements) were performed less frequently, NERC would not be provided the necessary information to appropriately calculate frequency response settings and measurements on the Bulk Electric System.

7. EXPLAIN ANY SPECIAL CIRCUMSTANCES RELATING TO THE INFORMATION COLLECTION

There is one special circumstances as described in 5 CFR 1320.5(d)(2) related to this information collection:

The data retention requirement in the Reliability Standard BAL-003-1 says:

The Balancing Authority shall retain data or evidence to show compliance with Requirements R1, R2, R3 and R4, Measures M1, M2, M3 and M4 for the current year plus the previous three calendar years unless directed by its Compliance Enforcement Authority to retain specific evidence for a longer period of time as part of an investigation.

This is the language adopted by the standards drafted team and approved by industry representatives during the balloting process. As such, this is the data retention period deemed necessary for the reliability purposes contained in this standard.

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

The ERO, Regional Entities, and others work within a collaborative process to establish Reliability Standards by jointly developing and reviewing drafts, providing responses to comments, vetting, and voting, and NERC's submitting to FERC a final approved standard for review.

The Commission published this rulemaking in the Federal Register to provide public utilities, state commissions, Federal agencies, and other interested parties an opportunity to submit data, comments, or suggestions¹.

The Commission received comments responding to several issues raised in the NOPR, including the use of the median statistical method in determining the Frequency Response Measure, the determination of Interconnection Frequency Response Obligation, the methods of obtaining frequency response and the withdrawal of primary frequency response before secondary frequency response is activated. The Commission did not receive any comments on the reporting burden estimates.

For full review of all of the comments and discussion, reference Paragraphs 28-94 in the Final Rule: <http://elibrary.ferc.gov/idmws/common/OpenNat.asp?fileID=13439345>.

9. EXPLAIN ANY PAYMENT OR GIFTS TO RESPONDENTS

There are no payments or gifts to the respondents.

¹ In accordance with 5 CFR 1320.11

10. DESCRIBE ANY ASSURANCE OF CONFIDENTIALITY PROVIDED TO RESPONDENTS

The Commission does not consider this information to be confidential.

11. PROVIDE ADDITIONAL JUSTIFICATION FOR ANY QUESTIONS OF A SENSITIVE NATURE

The Commission considers the questions within the approved reliability standard neither sensitive in nature nor private.

12. ESTIMATED BURDEN OF COLLECTION OF INFORMATION

Final Rule in RM13-11. The approved Reliability Standard requires the collection of certain information to establish the Interconnection Frequency Response Obligation and the Frequency Bias Setting for each Balancing Authority. Each Balancing Authority reports its previous year Frequency Response Measure and Frequency Bias Setting to NERC. The revised Frequency Bias Settings are based on data from events the Balancing Authorities report on the proposed FRS Form 1 and FRS Form 2. Applicable entities file the FRS Form 1 and FRS Form 2 on an annual basis, as specified in Attachment 1 to Reliability Standard BAL-003-1. The information provided on the FRS Form 1, supported by the FRS Form 2, is based on events which qualify for analyses, and NERC states that it will identify between 20 to 35 events in each Interconnection for calculating the Frequency Response Measure and Frequency Bias Setting and the Frequency Response Measure.

Allotting eight hours for Balancing Authorities to compile the information on candidate events, multiplied by 28 events per Balancing Authority per year yields 224 hours per year per Balancing Authority as the paperwork burden for compliance. As of May 31, 2013, there are 132 registered Balancing Authorities. Accordingly, the Commission estimates the annual regulatory burden for compliance with the proposed Reliability Standard to be \$13,440 per Balancing Authority, with a total annual cost for all Balancing Authorities to be \$1,774,080.

FERC-725R, modified by RM13-11-000: Reliability Standard BAL-003-1 (Frequency Response and Frequency Bias Setting)					
	Number of Respondents (A)	One-Time Number of Responses Per Respondent (B)	Total Number of Responses (A) x(B)=(C)	Average Burden Hours per Response (D)	Estimated Total One-Time Burden (C)x(D)

Annual Reporting	132	28	3,696	8	29,568
Data Retention	132	1	132	2	264
TOTAL			3,828		29,832

The total estimated burden (as related to RM13-11-000) to respondents is \$1,789,920 [29,832 * \$60/hour² = \$1,789,920].

13. ESTIMATE OF THE TOTAL ANNUAL COST BURDEN TO RESPONDENTS

There is no start-up or other non-labor hour cost associated with this Final Rule. We assume that the information collection requirements associated with this final rule can be completed by entities using existing hardware and software.

14. ESTIMATED ANNUALIZED COST TO FEDERAL GOVERNMENT

The Regional Entities and NERC do most of the data processing, monitoring, and compliance work for reliability standards. Any involvement by the Commission is covered under the FERC-725 collection (OMB Control No. 1902-0225) and is not part of this information collection request.

The Commission does incur the costs associated with obtaining OMB clearance under the Paperwork Reduction Act for this collection. The Commission estimates \$2,250 as the annual cost for this effort.

	Number of Employees (FTEs) or Number of Hours	Estimated Annual Federal Cost
Analysis and Processing of filings ³	0	\$0
Paperwork Reduction Act Administrative Cost ⁴		\$2,250
FERC Total		\$2,250

The Commission bases its estimate of the “Analysis and Processing of filings” cost to the Federal Government on salaries and benefits for professional and clerical support. This estimated cost represents staff analysis, decision-making, and review of any actual filings submitted in response to the information collection.

² Average salary (per hour) plus benefits per full-time equivalent employee

³ Based upon 2013 FTE average salary (\$145,818 or \$70/hour)

⁴ The Commission bases the cost of Paperwork Reduction Act administration on staff time, and other costs related to compliance with the Paperwork Reduction Act of 1995.

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

The change in burden is due to a new annual reporting requirement for Balancing Authorities. The change in burden is necessary in order to meet the reliability purposes of the proposed standards.

The following table shows burden inventory for the new FERC-725R because of the proposed rule.

FERC-725R	Total Request	Previously Approved	Change due to Adjustment in Estimate	Change Due to Agency Discretion
Annual Number of Responses	3,696	0	0	3,696
Annual Time Burden (Hr)	29,832	0	0	29,832
Annual Cost Burden (\$)	\$0	\$0	\$0	\$0

The format, label, and definitions of the table above follow the Office of Management and Budget's online submittal system for information collection requests.

16. TIME SCHEDULE FOR PUBLICATION OF DATA

There are no tabulating, statistical or tabulating analysis or publication plans for the collection of information.

17. DISPLAY OF EXPIRATION DATE

It is not appropriate to display the expiration date for OMB approval on the information collection. The information is not collected upon a standard form which would facilitate the display of the expiration date for OMB approval.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT

The Commission does not use the data collected for this reporting requirement for statistical purposes. Therefore, the Commission does not use as stated in item (i) of the certification to OMB "effective and efficient statistical survey methodology." The information collected is case specific to each information collection.