

Supporting Statement

**FERC-725R, Mandatory Reliability Standards for BAL-001-2**

for the Notice of Proposed Rulemaking in Docket Number RM14-10-000 (issued on 11/20/2014)

The Federal Energy Regulatory Commission (Commission or FERC) requests that the Office of Management and Budget (OMB) review FERC-725R (Mandatory Reliability Standards for the Bulk-Power System: BAL<sup>1</sup> Reliability Standards). The requirements for this information collection are referenced in the Commission's regulations at 18 Code of Federal Regulations (CFR) Part 40.

In this notice of proposed rulemaking (NOPR), the Commission proposes to approve the Reliability Standard pertaining to requiring balancing authorities to operate such that its clock-minute average reporting Area Control Error (ACE) does not exceed its clock-minute Balancing Authority ACE Limits (BAAL) for more than 30 consecutive clock-minutes. The proposed Reliability Standard Requirement R2 provides each balancing authority a dynamic ACE limit that is a function of Interconnection frequency. The proposed Reliability Standard will provide dynamic limits that are balancing authority and Interconnection specific. In addition, these ACE limits are based on identified Interconnection frequency limits to ensure the Interconnection returns to a reliable state when an individual balancing authority's ACE or Interconnection frequency deviation contributes undue risk to the Interconnection. The Commission submits the changes due to the NOPR in Docket No. RM14-10-000 under the FERC-725R information collection (OMB Control No. 1902-0268).

**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-001-1 and a

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<sup>1</sup> BAL is not an acronym. Rather, it is a prefix that denotes reliability standards related to "Resource and Demand Balancing".

companion standard BAL-002-0. In addition, pursuant to section 215(d)(5) of the FPA, the Commission directed NERC, among other things, to develop modifications to BAL-002-0. The Commission directed NERC “to modify this Reliability Standard to define a significant deviation and a reportable event, taking into account all events that have an impact on frequency, e.g., loss of supply, loss of load and significant scheduling problems, which can cause frequency disturbances and to address how balancing authorities should respond.”

On May 9, 2014, NERC submitted a supplemental filing (Supplemental Filing) to address the status of the Commission directive in Order No. 693 pertaining to Reliability Standard BAL-002-0 and update the Commission regarding the status of a field trial undertaken for proposed Reliability Standard BAL-001-2. In its Supplemental Filing, NERC reiterates the importance of the proposed revision establishing dynamic limits for a balancing authority’s ACE as a function of the Interconnection frequency, stating that “[o]ne of the reliability benefits of the proposed Reliability Standard is that it allows Balancing Authorities to calculate their position within these boundaries on a real-time basis and take action to support reliability.”<sup>2</sup>

The NPR proposes to replace the Control Performance Standard 2 (CPS2) in the currently effective Requirement R2 with a new term, “Balancing Authority ACE (Authority Control Error) Limit (BAAL)”. The BAAL contains dynamic limits as a function of Interconnection frequency and provides the basis for a balancing authority’s obligation to balance its resources and demand in real-time.

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

The proposed Reliability Standard BAL-001-2 has two requirements and two attachments containing the mathematical equations for calculating the Control Performance Standard 1 (CPS1) in Requirement R1, the Balancing Authority ACE Limit in Requirement R2, and associated measures.

### Requirement R1:

The only proposed change to Requirement R1 is to move the equation<sup>3</sup> and explanation of the components of CPS1 to Attachment 1 of the same standard.

NERC intends the aforementioned proposal to clarify and to make more efficient the content of the Requirement. The proposed changes have no effect on the performance aspect of Requirement R1 or entities’ ability to comply.

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<sup>2</sup> NERC Supplemental Filing at 2

<sup>3</sup>  $ACE = (NI_A - NI_S) - 10B (F_A - F_S) - I_{ME}$ .

Requirement R2:

This proposed requirement is new and replaces the existing Control Performance Standard 2 requirement. The current Reliability Standard BAL-001-1 Requirement R2 requires each balancing authority to operate such that for at least 90 percent of the ten-minute periods in a calendar month (using six non-overlapping periods per hour), the average area control error (ACE) must be within a specific limit, referred to as  $L_{10}$ <sup>4</sup>. The new Requirement R2 of the proposed BAL-001-2 states: “Balancing Authority shall operate such that its clock-minute average of Reporting ACE does not exceed its clock-minute Balancing Authority ACE Limit (BAAL) for more than 30 consecutive clock-minutes, calculated in accordance with Attachment 2, for the applicable Interconnection in which the Balancing Authority operates.”

Balancing Authority ACE limits are unique to each balancing authority and provide dynamic limits for the BA’s ACE value as a function of its interconnection frequency. The proposed Reliability Standard is intended to enhance the reliability of each interconnection by maintaining frequency within predefined limits under all conditions. The proposed changes to Reliability Standard BAL-001-2 and the accompanying definitions include the benefits of the Automatic Time Error Correction (ATEC) equation in the WECC-specific regional variance included in the previous version of the standard, namely BAL-001-1.

Also, NERC proposes violation risk factors and violation severity levels for each requirement of the proposed Reliability Standard and an implementation plan along with applicable effective dates. NERC proposes an effective date for BAL-001-2 of the first day of the first calendar quarter that is twelve months after the date of Commission approval. NERC asserts that the proposed implementation date will allow entities to make any software adjustment that may be required to perform the BA ACE limit calculations.

**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 and the medium are not covered in Reliability Standards, and are therefore left to the discretion of each respondent.

**4. DESCRIBE EFFORTS TO IDENTIFY DUPLICATION AND SHOW SPECIFICALLY WHY ANY SIMILAR INFORMATION ALREADY AVAILABLE**

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<sup>4</sup> Referred to as  $L_{10}$ . For a more granular breakdown of this value, please refer to the proposed Reliability Standard BAL001-2 (Requirement R2), included in [reginfo.gov](http://reginfo.gov) and ROCIS under supplementary documents.

**CANNOT BE USED OR MODIFIED FOR USE FOR THE PURPOSE(S)  
DESCRIBED IN INSTRUCTION NO. 2**

The Commission periodically reviews filing requirements concurrent with OMB review or as the Commission deems necessary to eliminate duplicative filing and to minimize the filing burden. Under this proceeding, Reliability Standard BAL-001-2 does not duplicate any filing requirements since the NOPR revises an existing standard to improve clarity and efficiency.

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

FERC estimates that there are 23<sup>5</sup> small entities applicable to this rule. FERC considers the impact of the rule to be very minimal. In general, small entities may reduce their burden by taking part in a joint registration organization or a coordinated functional registration. These options allow a small entity to share the compliance burden with other entities and, thus, to minimize their own compliance burden. Detailed information regarding these options is available in NERC's Rule of Procedure at Sections 507 and 508<sup>6</sup>.

**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 assess the compliance with calculating Control Performance Standard 1 (CPS1) and Balancing Authority ACE Limit (BAAL) 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-001-2 says:

The Responsible Entity shall retain data or evidence to show compliance for the current year, plus three previous calendar years unless, directed by its Compliance Enforcement Authority, to retain specific evidence for a longer period of time as part of an

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<sup>5</sup> 21.4% of affected entities

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[http://www.nerc.com/FilingsOrders/us/RuleOfProcedureDL/NERC\\_ROP\\_Effective\\_20140701\\_updated\\_20140602%20\(updated\).pdf](http://www.nerc.com/FilingsOrders/us/RuleOfProcedureDL/NERC_ROP_Effective_20140701_updated_20140602%20(updated).pdf)

investigation. Data required for the calculation of Regulation Reserve Sharing Group Reporting ACE, or Reporting ACE, CPS1, and BAAL shall be retained in digital format at the same scan rate at which the Reporting ACE is calculated for the current year, plus three previous calendar years.

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 process to establish Reliability Standards is a collaborative process with the ERO, Regional Entities, and other stakeholders developing and reviewing drafts and providing comments. The final proposed reliability standard was submitted to the FERC for review and approval. 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 proposed rule was published in the Federal Register on 11/26/2014 (79 FR 70483).

## **9. EXPLAIN ANY PAYMENT OR GIFTS TO RESPONDENTS**

There are no payments or gifts to respondents associated with this collection.

## **10. DESCRIBE ANY ASSURANCE OF CONFIDENTIALITY PROVIDED TO RESPONDENTS**

According to the NERC Rules of Procedure<sup>7</sup>, "...a Receiving Entity shall keep in confidence and not copy, disclose, or distribute any Confidential Information or any part thereof without the permission of the Submitting Entity, except as otherwise legally required." This serves to protect confidential information submitted to NERC or Regional Entities.

Responding entities do not submit the information collected under the proposed Reliability Standard to FERC. Rather, they maintain it internally. Since there are no submissions made to FERC, FERC provides no specific provisions in order to protect confidentiality.

## **11. PROVIDE ADDITIONAL JUSTIFICATION FOR ANY QUESTIONS OF A SENSITIVE NATURE, SUCH AS SEXUAL BEHAVIOR AND ATTITUDES,**

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<sup>7</sup> Section 1502, Paragraph 2, available at NERCs website.

**RELIGIOUS BELIEFS, AND OTHER MATTERS THAT ARE COMMONLY CONSIDERED PRIVATE.**

There are no questions of a sensitive nature in the reporting requirements.

**12. ESTIMATED BURDEN OF COLLECTION OF INFORMATION**

According to the NERC Compliance Registry as of 10/17/2014, there are 71 balancing authorities in the Eastern Interconnection, 34 balancing authorities in the Western Interconnection and one balancing authority in the Electric Reliability Council of Texas (ERCOT). The Commission bases individual burden estimates on the time needed for balancing authorities to develop tools needed to facilitate reporting that are required in the Reliability Standard. These burden estimates are consistent with estimates for similar tasks in other Commission-approved Reliability Standards.

The existing OMB-approved reporting burden for FERC-725R [due to a Final Rule in Docket RM13-11 (issued by FERC on 1/16/2014)<sup>9</sup>] is contained within the following table:

<b>FERC-725R</b>					
	<b>Number of Respondents (A)</b>	<b>One-Time Number of Responses Per Respondent (B)</b>	<b>Total Number of Responses (A) x(B)=(C)</b>	<b>Average Burden Hours per Response (D)</b>	<b>Estimated Total One-Time Burden (C)x(D)</b>
Annual Reporting	132	28	3,696	8	29,568
Data Retention	132	1	132	2	264
<b>TOTAL</b>					<b>29,832</b>

The public reporting burden estimates due to this NPR in Docket RM14-10 are in the table provided below:

<b>RM14-10-000 NPR (BAL-001-2: Real Power Balancing Control Performance)<sup>9</sup></b>
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<sup>8</sup> 79 FR 3723

<sup>9</sup> Proposed Reliability Standard BAL-001-2 applies to balancing authorities and regulation reserve sharing groups. However, the burden associated with the BA complying with Requirement R1 is not included within this table because the Commission already included it under Commission-approved Reliability Standard BAL-001-1.

	Number of Respondents (1)	Annual Number of Responses per Respondent (2)	Total Number of Responses (1)*(2)=(3)	Average Burden & Cost Per Response (4)	Total Annual Burden Hours & Total Annual Cost <sup>10</sup> (3)*(4)=(5)	Cost per Respondent (\$) (5)÷(1)
BA/RRSG: <sup>11</sup> Update and Maintain Energy Management Systems	106	1	106	8 \$1030	848 \$109,180	\$1030
BA: Record Retention	106	1	106	4 \$112	424 \$11,872	\$112
<b>TOTAL</b>					<b>1,272 \$121,052</b>	<b>\$1,142</b>

### 13. ESTIMATE OF THE TOTAL ANNUAL COST BURDEN TO RESPONDENTS

There are no non-labor costs currently associated with the FERC-725R.

All of the costs in the proposed rule are associated with burden hours (labor) and described in #12 and 15.

### 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 request or package.

The estimated annualized cost to the Federal Government for FERC-725R as related to the requirements in the NOPR in RM14-10-000 follows:

	Number of Employees (FTE)	Estimated Annual Federal Cost

10 The estimated hourly cost (salary plus benefits) is based on Bureau of Labor Statistics (BLS) information (available at [http://www.bls.gov/oes/current/naics2\\_22.htm](http://www.bls.gov/oes/current/naics2_22.htm)) for a lawyer (\$128.76). Hourly costs for record retention are estimated at \$28/hour, based on a Commission staff study of record retention burden cost.

11 BA=Balancing Authority; RRSg=Regulation Reserve Sharing Group.

FERC-725R Analysis and Processing of filings	0	\$0
PRA <sup>12</sup> Administrative Cost <sup>13</sup>		\$5,092
<b>FERC Total</b>		\$5,092

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

The burden for the FERC-725R information collection increased<sup>14</sup> due to the NOPR in RM14-10 and related to:

- The new Requirement R2 requires that Balancing Authority shall operate such that its clock-minute average of Reporting ACE does not exceed its clock-minute Balancing Authority ACE Limit (BAAL) for more than 30 consecutive clock-minutes, calculated in accordance with Attachment 2, for the applicable Interconnection in which the Balancing Authority operates.

The new requirement necessitates respondent entities to update documentation and software to ensure compliance.

FERC-725R	Total Request	Previously Approved	Change due to Adjustment in Estimate	Change Due to Agency Discretion
Annual Number of Responses	3,802	3,696	0	106
Annual Time Burden (Hr)	31,104	29,832	0	1,272
Annual Cost Burden (\$)	0	0	0	0

## 16. TIME SCHEDULE FOR PUBLICATION OF DATA

FERC does not publish any data associated with this collection.

<sup>12</sup> Paperwork Reduction Act of 1995 (PRA)

<sup>13</sup> The PRA Administrative Cost is a Federal Cost associated with preparing, issuing, and submitting materials necessary to comply with the PRA for rulemakings, orders, or any other vehicle used to create, modify, extend, or discontinue an information collection. This average annual cost includes requests for extensions, all associated rulemakings (not just the NOPR in Docket No. RM14-10), and other changes to the collection.

<sup>14</sup> This increase is over and above the baseline burden (being retained at this time) of the existing standards included in FERC-725A (OMB Control Number: 1902-0268)



OMB Control Number: 1902-0268 (FERC-725R)  
RM14-10-000, Notice of Proposed Rulemaking (NOPR)  
RIN: 1902-AE94

#### **17. DISPLAY OF EXPIRATION DATE**

It is not appropriate to display the expiration date for OMB approval of the information collected pursuant to this rulemaking affecting FERC-725R because there are no specific instruments used in the collection.

The expiration date is displayed at <http://www.ferc.gov/docs-filing/info-collections.asp>.

#### **18. EXCEPTIONS TO THE CERTIFICATION STATEMENT**

The data collected for this reporting requirement are not used for statistical purposes.