

Supporting Statement

**FERC-725R, Mandatory Reliability Standards: BAL Reliability Standards**  
for the Final Rule in Docket Number RM16-7-000 (issued on 1/19/2017)

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 Final Rule, the Commission approves Reliability Standard BAL-002-2. The BAL-002-2 Reliability Standard is designed to ensure that a responsible entity (either a balancing authority or reserve sharing group) is able to recover from system contingencies by deploying adequate reserves to return their Area Control Error (ACE) to defined values and replacing the capacity and energy lost due to generation or transmission equipment outages. Reliability Standard BAL-002-2, Requirement R1 requires a responsible entity, either a balancing authority or reserve sharing group, experiencing a Reportable Balancing Contingency Event to deploy its contingency reserves to recover its ACE to certain prescribed values within the Contingency Event Recovery Period of 15 minutes. Requirement R2 requires a balancing authority or reserve sharing group to develop, review and maintain a process within its Operating Plans for determining its most severe single contingency and prepare to have contingency reserves equal to, or greater than, its most severe single contingency. Requirement R3 provides that, following a Reportable Balancing Contingency Event, the responsible entity shall restore its Contingency Reserve to at least its most severe single contingency, before the end of the Contingency Reserve Restoration Period of 90 minutes. The Commission submits the changes due to the Final Rule in Docket No. RM16-7-000<sup>2</sup> 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 (EPAct 2005), was enacted into law. EPAct 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

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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”.

<sup>2</sup> The Final Rule is posted on FERC’s eLibrary at <https://elibrary.ferc.gov/idmws/common/OpenNat.asp?fileID=14469204> and included in Supplementary Documents in reginfo.gov and ROCIS.

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 companion standard BAL-002-0.<sup>3</sup> 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.”

This Final Rule approves Reliability Standard BAL-002-2, which is designed to ensure that a responsible entity, either a balancing authority or reserve sharing group, is able to recover from system contingencies by deploying adequate reserves to return their ACE to defined values and replacing the capacity and energy lost due to generation or transmission equipment outages. Reliability Standard BAL-002-2, Requirement R1 requires a responsible entity, either a balancing authority or reserve sharing group, experiencing a Reportable Balancing Contingency Event to deploy its contingency reserves to recover its ACE to certain prescribed values within the Contingency Event Recovery Period of 15 minutes. Requirement R2 requires a balancing authority or reserve sharing group to develop, review and maintain a process within its Operating Plans for determining its most severe single contingency and prepare to have contingency reserves equal to, or greater than, its most severe single contingency. Requirement R3 provides that, following a Reportable Balancing Contingency Event, the responsible entity shall restore its Contingency Reserve to at least its most severe single contingency, before the end of the Contingency Reserve Restoration Period of 90 minutes.

## **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-002-2 has three requirements that clarifies the obligations associated with BAL-002 by streamlining and organizing the responsibilities required, thus, enhancing the obligation to maintain reserves and further defining events that predicate action under the standard.

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<sup>3</sup> The original standards in Order 693 were included in FERC-725A (OMB Control No. 1902-0244).

Requirement R1:

Requirement R1 requires responsible entities [Balancing Authorities (BA) or Reserve Sharing (RSG) Groups] experiencing a Reportable Balancing Contingency Event to deploy its contingency reserves to recover its ACE to prescribed values within the Contingency Event Recovery Period of 15 minutes.

Part 1.3.1 provides that a BA or RSG is not subject to Requirement R1, Part 1.1 if: (1) is experiencing a Reliability Coordinator declared Energy Emergency Alert Level; (2) is utilizing its contingency reserve to mitigate an operating emergency in accordance with its emergency Operating Plan, and (3) has depleted its contingency reserve to a level below its Most Severe Single Contingency (MSSC). Each of the three aforementioned conditions needs to be satisfied for a BA or RSG not to be subjected to Requirement R1.

Part 1.3.2 provides that a BA or RSG is not subject to Requirement R1, Part 1.1 if the balancing authority or reserve sharing group experiences: (1) multiple Contingencies where the combined megawatt (MW) loss exceeds its MSSC and that are defined as a single Balancing Contingency Event or (2) multiple Balancing Contingency Events within the sum of the time periods defined by the Contingency Event Recovery Period and Contingency Reserve Restoration Period whose combined magnitude exceeds the Responsible Entity's MSSC.

Requirement R2:

R2 requires responsible entities to demonstrate that their process for calculating their MSSC “surveys all contingencies, including single points of failure, to identify the event that would cause the greatest loss of resource output used by the [reserve sharing group or balancing authority] to meet Firm Demand.” NERC further states that Requirement R2 supports Requirements R1 and R3 in proposed Reliability Standard BAL-002-2 “as these requirements rely on proper calculation of [Most Severe Single Contingency].”

Requirement R3:

Requirement R3 provides that “each Responsible Entity, following a Reportable Balancing Contingency Event, shall restore its Contingency Reserve to at least its Most Severe Single Contingency, before the end of the Contingency Reserve Restoration Period [90 minutes], but any Balancing Contingency Event that occurs before the end of a Contingency Reserve Restoration Period resets the beginning of the Contingency Event Recovery Period.”

NERC states that the new definitions for Balancing Contingency Event and Reportable Balancing Contingency Event more clearly identify the types of events that cause frequency

deviations necessitating action under the Reliability Standard and provide additional detail regarding the types of resources that may be identified as contingency reserves.

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

We think that nearly all of the respondents are likely to make and keep related records in an electronic format. Each of the eight Regional Entities has a well-established compliance portal for registered entities to electronically submit compliance information and reports. The compliance portals allow documents developed by the registered entities to be attached and uploaded to the Regional Entity's portal. Compliance data can also be submitted by filling out data forms on the portals. These portals are accessible through an internet browser password-protected user interface.

In general, the Commission supports the use of information technology to reduce burden.

**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 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-002-2 does not duplicate any filing requirements since this Final Rule 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>4</sup> small entities applicable to this rule. (Of these, FERC estimates that one of the small entities will be affected by the new requirement of BAL-002-2.) 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>5</sup>.

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<sup>4</sup> 21.73% of affected entities

<sup>5</sup> NERC Rules of Procedure Sections 507 and 508:

## **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 maintain reserves nor adequately define events that predicate action under the BAL-002-2 Reliability Standard. Without this data, NERC would not be able to ensure that interconnection frequency is maintained within predefined limits to improve reliability.

## **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-002-2 (at Compliance 1.2) 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 investigation.

This is the language adopted by the standards drafting 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.<sup>6</sup> The approved reliability standard was submitted by NERC 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

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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)

6 The NERC “Standard Processes Manual” which describes the process for developing Reliability Standards is posted at [http://www.nerc.com/comm/SC/Documents/Appendix\\_3A\\_StandardsProcessesManual.pdf](http://www.nerc.com/comm/SC/Documents/Appendix_3A_StandardsProcessesManual.pdf).

suggestions concerning the collection of data. The final rule was published in the Federal Register on 2/2/2017 (82 FR 8894).

Eleven entities submitted comments in response to the NOPR, including NERC, several individual energy companies, ISO/RTOs and trade associations. The commenters addressed a number of technical issues associated with the Reliability Standard, including possible extensions of the 15-minute ACE recovery period, contingency reserve restoration, and limiting the scope of the Reliability Standard to an entity's most severe single contingency. The Commission did not receive any comments regarding the information collection requirements contained in the Reliability Standard.

## **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 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, 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**

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

According to the NERC Compliance Registry as of 4/15/2016, there are 70 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.

<b>FERC-725R, as modified by RM16-7-000 Final Rule (BAL-002-2: Disturbance Control Standard—Contingency Reserve for Recovery from a Balancing Contingency Event)<sup>8</sup></b>						
	<b>Number of Respondents (1)</b>	<b>Annual Number of Responses per Respondent (2)</b>	<b>Total Number of Responses (1)*(2)=(3)</b>	<b>Average Burden Hours &amp; Cost Per Response<sup>9</sup> (4)</b>	<b>Total Annual Burden Hours &amp; Total Annual Cost (3)*(4)=(5)</b>	<b>Cost per Respondent (\$) (5)÷(1)</b>
BA/RSG: <sup>10</sup> Develop and Maintain annually, Operating Process and Operating Plans	105	1	105	8 <sup>11</sup> hrs.; \$773	840 hrs.; \$81,119	\$773
BA/RSG: Record Retention <sup>12</sup>	105	1	105	4 hrs.; \$112	420 hrs.; \$11,760	\$112
<b>TOTAL</b>			<b>210</b>		<b>1,260 hrs.; \$92,879</b>	

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

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

<sup>8</sup> Reliability Standard BAL-002-2 applies to balancing authorities and reserve sharing groups. However, the burden associated with the balancing authorities complying with Requirements R1 and R3 is not included within this table because that burden doesn't change and the Commission already accounted for it under Commission-approved Reliability Standard BAL-002-1.

<sup>9</sup> The estimated hourly cost (salary plus benefits) of \$96.57 is an average 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 an electrical engineer (\$64.20/hour) and a lawyer (\$128.94).

<sup>10</sup> BA=Balancing Authority; RSG=Reserve Sharing Group.

<sup>11</sup> This figure of 8 hours/response is an average of the hourly burden per response for Years 1-3. Year 1 burden: 12 hours per response; Years 2-3: 6 hours/response. 12 hours + 6 hours + 6 hours = 24 hours ÷ 3 = 8 hours/response.

<sup>12</sup> \$28/hour, based on a Commission staff study of record retention burden cost.

FERC-725R (OMB Control Number: 1902-0268)  
Final Rule (issued 1/19/2017) in Docket No. RM16-7-000  
RIN: 1902-AF21  
[updated 3/16/2017]

All of the costs in the final 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 Final Rule in RM16-7-000 follows:

	<b>Number of Employees (FTE)</b>	<b>Estimated Annual Federal Cost</b>
FERC-725R Analysis and Processing of filings	0	\$0
PRA <sup>13</sup> Administrative Cost <sup>14</sup>		\$5,481
<b>FERC Total</b>		<b>\$5,481</b>

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

The estimated annual burden for the FERC-725R information collection increased<sup>15</sup> due to the Final Rule in RM16-7:

- The Measure (M1) related to the new Requirement R1 states: Each Responsible Entity shall have, and provide upon request, as evidence, a CR Form 1 with date and time of occurrence to show compliance with Requirement R1. If Requirement R1 part 1.3 applies, then dated documentation that demonstrates compliance with Requirement R1 part 1.3 must also be provided.
- The Measure (M2) related to the new Requirement R2 states: “Each Responsible Entity will have the following documentation to show compliance with Requirement R2:

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13 Paperwork Reduction Act of 1995 (PRA)

14 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 Final Rule in Docket No. RM16-7), and other changes to the collection, and publication of the associated notice in the Federal Register.

15 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)

- o a dated Operating Process;
- o evidence to indicate that the Operating Process has been reviewed and maintained annually; and,
- o evidence such as Operating Plans or other operator documentation that demonstrate that the entity determines its Most Severe Single Contingency and that Contingency Reserves equal to or greater than its Most Severe Single Contingency are included in this process.”
- Data Retention says in part “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 investigation.”

The current OMB-approved inventory is listed under the “Previously Approved” column. The annual responses and annual burden was 3,802 and 31,104 respectively. The added annual responses and annual burden (change due to agency discretion as discussed above) is 210 and 1,260 respectively.

FERC-725R	Total Request	Previously Approved	Change due to Adjustment in Estimate	Change Due to Agency Discretion
Annual Number of Responses	4,012	3,802	0	210
Annual Time Burden (Hr)	32,364	31,104	0	1,260
Annual Cost Burden (\$)	0	0	0	0

## **16. TIME SCHEDULE FOR PUBLICATION OF DATA**

FERC does not publish any data associated with this collection.

## **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**

There are no exceptions.