

Supporting Statement

**FERC-725X, Mandatory Reliability Standards: Voltage and Reactive (VAR) Standards**  
(Three-year extension requested)

The Federal Energy Regulatory Commission (FERC or Commission) requests that the Office of Management and Budget (OMB) review and renew the information collection requirements in FERC-725X under OMB Control No. 1902-0278. This supporting statement covers the requirements of the FERC-725X information collection. The reporting requirements in the FERC-725X are also contained in FERC's regulations in 18 Code of Federal Regulations (CFR) Part 40.

NOTE: the 60 and 30-day public notices related to this extension request sought comment on the paperwork burden related to VAR-001-4 and VAR-002-3 Reliability Standards. Those standards have both been revised into newer versions, VAR-001-4.2 and VAR-002-4.1 respectively. The updates make slight administrative corrections to each standard and had no effect on the reporting requirements for either. The burden estimate and reporting requirements presented here are the same as they were proposed in the 60 and 30-day public notices. All subsequent references in this supporting statement will use the revised standards, VAR-001-4.2 and VAR-002-4.1.

**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 subject to Commission review and approval. Once approved, the Reliability Standards may be enforced by the ERO, subject to Commission oversight. In 2006, the Commission certified the North American Electric Reliability Corporation (NERC) as the ERO pursuant to FPA section 215.<sup>1</sup>

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

The Commission approved Reliability Standards VAR-001-4 and VAR-002-3 in the order in Docket No. RD14-11-000<sup>2</sup>. Reliability Standard VAR-001-4 was revised by two errata notices

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<sup>1</sup> *North American Electric Reliability Corp.*, 116 FERC ¶ 61,062, *order on reh'g & compliance*, 117 FERC ¶ 61,126 (2006), *aff'd sub nom. Alcoa, Inc. v. FERC*, 564 F.3d 1342 (D.C. Cir. 2009).

<sup>2</sup> The Order in Docket No. RD14-11-000 was issued on 8/1/2014

(<https://elibrary-backup.ferc.gov/idmws/common/OpenNat.asp?fileID=13606637>)

approved by the Commission<sup>3</sup>. Reliability Standard VAR-002-3 was revised into VAR-002-4 in the Order in Docket No. RD15-3-000. The revision updated the applicability language in provisions related to generation owners and generation operators of “any resources identified through inclusion I4 of the bulk electric system definition”<sup>4</sup>.

Additionally, the following paragraphs describe the information collection requirements contained in this collection. Each Reliability Standard requirement is accompanied by a compliance measure which requires the applicable entity to have evidence that it complied with the requirement. Each Reliability Standard is included as supplemental documents to this extension request.

#### **Reliability Standard VAR-001-4.2**

Reliability Standard VAR-001-4.2 requires each Transmission Operator to:

- Specify a system-wide voltage schedule (which is either a range or a target value with an associated tolerance band) as part of its plan to operate within SOLs and IROLs, and to provide the voltage schedule to its Reliability Coordinator and adjacent Transmission Operators upon request (Requirement R1);
- Schedule sufficient reactive resources to regulate voltage levels (Requirement R2);
- Operate or direct the operation of devices to regulate transmission voltage and reactive flows (Requirement R3);
- Develop a set of criteria to exempt generators from certain requirements under Reliability Standard VAR-002-4.1 related to voltage or Reactive Power schedules, automatic voltage regulations, and notification (Requirement R4);
- Specify a voltage or Reactive Power schedule (which is either a range or a target value with an associated tolerance band) for generators at either the high or low voltage side of the generator step-up transformer, provide the schedule to the associated Generator Operator, direct the Generator Operator to comply with that schedule in automatic voltage control mode, provide the Generator Operator the notification requirements for deviating from the schedule, and, if requested, provide the Generator Operator the criteria used to develop the schedule (Requirement R5); and
- Communicate step-up transformer tap changes, the time frame for completion, and the justification for these changes to Generator Owners (Requirement R6).

#### **Reliability Standard VAR-002-4.1**

Reliability Standard VAR-002-4.1 requires each Generator Operator to:

- Operate each of its generators connected to the interconnected transmission system in automatic voltage control mode or in a different control mode as instructed by the Transmission Operator, unless the Generator Operator (1) is exempted pursuant to the criteria developed under VAR-001-4.1, Requirement R4, or (2) makes certain notifications to the Transmission Operator specifying the reasons it cannot so operate (Requirement R1);

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<sup>3</sup> VAR-001-4 was revised into VAR-001-4.1 by an errata in Docket No. RD15-3-000 on 11/13/2015. VAR-001-4.1 was then revised into VAR-001-4.2 and VAR-002-4 was revised into VAR-002-4.1 by another errata in Docket No. RD17-7-000 on 9/26/2017. Both of these errata notice provided administrative corrections only and had no effect on the reporting burden for either reliability standard.

<sup>4</sup> Order in Docket No. RD15-3-000, page 3, paragraph 4.

- Maintain the Transmission Operator's generator voltage or Reactive Power schedule, unless the Generator Operator (1) is exempted pursuant to the criteria developed under VAR-001-4.2, Requirement R4, or (2) complies with the notification requirements for deviations as established by the Transmission Owner pursuant to VAR-001-4.2, Requirement R5 (Requirement R2);
- Notify the Transmission Operator of a change in status of its voltage controlling device within 30 minutes, unless the status is restored within that time period (Requirement R3);
- Notify the Transmission Operator of a change in reactive capability due to factors other than those described in VAR-002-4.1, Requirement R3 within 30 minutes unless the capability has been restored during that time period (Requirement R4);
- Provide information on its step-up transformers and auxiliary transformers within 30 days of a request from the Transmission Operator or Transmission Planner (Requirement R5); and
- Comply with the Transmission Operator's step-up transformer tap change directives unless compliance would violate safety, an equipment rating, or applicable laws, rules or regulations (Requirement R6).

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

This collection does not require industry to file the information with the Commission. However, FERC-725X does contain information collection and record retention requirements for which using current technology is an option.

The information technology to meet the information collection requirements is not specifically covered in the Reliability Standard.

**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. The Commission is unaware of any other source of information related to bulk-electric system physical security.

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

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>.

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

The Reliability Standard provides consistent documentation and information sharing practices for demand and energy data while promoting efficient planning practices across industry and supporting identification of necessary system reinforcements. As stated earlier, all of this would be hindered if this collection of information were discontinued or conducted less frequently.

**7. EXPLAIN ANY SPECIAL CIRCUMSTANCES RELATING TO THE INFORMATION COLLECTION**

There are no special circumstances related to the FERC-725X information collection.

**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 NERC-approved Reliability Standards were then submitted by NERC to the FERC for review and approval.

In accordance with OMB requirements, the Commission published a 60-day notice<sup>7</sup> and a 30-day notice<sup>8</sup> to the public regarding this information collection on 2/7/2018 and 4/25/2018 respectively. Within the public notices, the Commission noted that it would be requesting a three-year extension of the public reporting burden. The Commission received no comments from the public in response to the 60-day notice regarding the FERC-725X information collection.

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

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

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5 [http://www.nerc.com/FilingsOrders/us/RuleOfProcedureDL/NERC\\_ROP\\_Effective\\_20161031.pdf](http://www.nerc.com/FilingsOrders/us/RuleOfProcedureDL/NERC_ROP_Effective_20161031.pdf)

6 Details of the ERO standards development process are available on the NERC website at [http://www.nerc.com/pa/Stand/Documents/Appendix\\_3A\\_StandardsProcessesManual.pdf](http://www.nerc.com/pa/Stand/Documents/Appendix_3A_StandardsProcessesManual.pdf).

7 83 FR 5416

8 83 FR 18019

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

According to the NERC Rule of Procedure<sup>9</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 these Reliability Standards to FERC. Rather, they maintain it internally and provide information collected to applicable Regional Entities. 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**

<b>FERC-725X, Mandatory Reliability Standards: Voltage and Reactive (VAR) Standards</b>						
	<b>Number of Respondents<sup>10</sup></b> <b>(1)</b>	<b>Annual Number of Responses per Respondent</b> <b>(2)</b>	<b>Total Number of Responses</b> <b>(1)*(2)=(3)</b>	<b>Average Burden &amp; Cost Per Response<sup>11</sup></b> <b>(4)</b>	<b>Total Annual Burden Hours &amp; Total Annual Cost</b> <b>(3)*(4)=(5)</b>	<b>Cost per Respondent (\$)</b> <b>(5)÷(1)</b>
VAR-001-4.2 (Requirements R1-R6)	181 (TOP)	1	181	160 hrs.; \$10,899.20	28,960 hrs.; \$1,972,755	\$10,899.20
VAR-002-4.1 (Requirement R1)	944 (GOP)	1	944	80 hrs.; \$5,449.60	75,520 hrs.; \$5,144,422	\$5,449.60
VAR-002-4.1 (Requirements R2-R6)	944 (GOP)	1	944	120 hrs.; \$8,174.40	113,280 hrs.; \$7,716,634	\$8,174.40

9 Section 1502, Paragraph 2, available at NERCs website.

10 TOP = transmission operator; GOP = generator operators.

11 The estimate for hourly cost is \$68.12/hour. This figure is the average salary plus benefits for an electrical engineer (Occupation Code: 17-2071) from the Bureau of Labor Statistics at [https://www.bls.gov/oes/current/naics2\\_22.htm](https://www.bls.gov/oes/current/naics2_22.htm).

<b>TOTAL</b>		<b>2,069</b>		<b>217,760 hrs.;</b>	
				<b>\$14,833,811</b>	

The burden for the FERC-725X information collection includes estimates related to both of the previously approved Reliability Standards (VAR-001-4.2 and VAR-002-4.1).

The total annual burden and cost of the FERC-725X information collection is 217,760 hours and \$14,833,811.

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

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

All of the costs 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; the burden and cost are included under the FERC-725 collection (OMB Control No. 1902-0225) and are not part of this request or package. 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-725X follows:

	<b>Number of Employees (FTE)</b>	<b>Estimated Annual Federal Cost</b>
FERC-725X Analysis and Processing of filings <sup>12</sup>	0	\$0
PRA <sup>13</sup> Administrative Cost		\$5,723
<b>FERC Total</b>		<b>\$5,723</b>

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 made in response to the information collection.

The PRA Administrative Cost is a Federal Cost associated with preparing, issuing, and submitting materials necessary to comply with the Paperwork Reduction Act (PRA) for

<sup>12</sup> Based upon FERC’s 2017 FTE average salary plus benefits.

<sup>13</sup> Paperwork Reduction Act of 1995 (PRA)

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, and other changes to the collection.

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

There are no program changes or changes to reporting requirements for the FERC-725X information collection.

The burden for the FERC-725X information collection will increase by 13,520 hours due to normal industry fluctuations and correction of an accounting error described below. These industry fluctuations (e.g. companies merging/splitting, companies entering or leaving the industry) caused the number of respondents and their associated annual burden to increase.

NOTE: The table below shows an increase in the number of annual responses of 1,011. This is due to an accounting error in the previous approval for the FERC-725X information collection. Specifically, responses required by the VAR-002-4.1 Reliability Standard were previously assumed to include the requirements in R1-R6 in one response category (i.e. Requirements R1-R6 was assumed to be one response per entity). This assumption was incorrect. The response categories are now split between Requirements R1 and Requirements R2-R6. Moreover, both response categories possess different levels of associated burden. The result of these corrections is the response count associated with the VAR-002-4.1 Reliability Standard essentially doubled from the previous approval despite there being no programmatic change to the FERC-725X information collection.

<b>FERC-725X</b>	<b>Total Request</b>	<b>Previously Approved</b>	<b>Change due to Adjustment in Estimate</b>	<b>Change Due to Agency Discretion</b>
Annual Number of Responses	2,069	1,058	1,011	0
Annual Time Burden (Hr.)	217,760	204,240	13,520	0
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**

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.