

Supporting Statement for  
**FERC-725, Certification of Electric Reliability Organization; Procedures for  
Electric Reliability Standards**

The Federal Energy Regulatory Commission (Commission or FERC) requests that the Office of Management and Budget (OMB) review and approve FERC-725 (Certification of Electric Reliability Organization; Procedures for Electric Reliability Standards) for a three-year period. FERC-725 (OMB Control No. 1902-0225) is an existing Commission data collection, as stated by Title 18 Code of Federal Regulations (CFR), Part 39. The reporting and recordkeeping requirements are not changing.

**1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF  
INFORMATION NECESSARY**

The Energy Policy Act of 2005 added section 215 to the Federal Power Act (FPA),<sup>1</sup> enhancing the Commission's ability to strengthen the reliability of the interstate electric grid. Section 215 of the FPA aids the Commission's efforts to strengthen the reliability of the interstate grid by granting authority to provide for a system of mandatory Reliability Standards developed by the Electric Reliability Organization (ERO) and reviewed and approved by FERC.

On February 3, 2006, the Commission issued Order No. 672<sup>2</sup> certifying a single ERO [the North American Electric Reliability Corporation (NERC)], to oversee the reliability of the United States' portion of the interconnected North American Bulk-Power System, subject to Commission oversight. The ERO is responsible for developing and enforcing the mandatory Reliability Standards. The Reliability Standards apply to all users, owners, and operators of the Bulk-Power System.

The Commission has the authority to approve all ERO actions, to order the ERO to carry out its responsibilities under these statutory provisions, and (as appropriate) to enforce Reliability Standards. The ERO can delegate its enforcement responsibilities to a Regional Entity. Delegation is effective only after the Commission approves the delegation agreement. A Regional Entity can also propose a Reliability Standard to the ERO for submission to the Commission for approval.

(More information on FERC's Electric Reliability program is posted at <https://www.ferc.gov/industries/electric/indus-act/reliability.asp>.)

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<sup>1</sup> Section 215 was added by the Energy Policy Act of 2005, Pub. L. No. 109-58, 119 Stat. 594 (2005) (codified at 42 USC 16451, et seq.).

<sup>2</sup> Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards ¶ 31,204 71 FR 8662 (2006) Order on rehearing, 71 FR 19,814 (2006), FERC Statutes and Regulations ¶ 31,212 (2006).

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

The FERC-725 contains the following information collection elements.

1. Self Assessment and ERO Application: The Commission requires the ERO to submit to FERC a performance assessment report every five years. The next assessment is due in 2024. Each Regional Entity submits a performance assessment report to the ERO. Submitting an application to become an ERO is also part of this collection.<sup>3</sup>
2. Reliability Assessments: 18 CFR 39.11 requires the ERO to assess the reliability and adequacy of the Bulk-Power System in North America. Subsequently, the ERO must report to the Commission on its findings. Regional entities perform similar assessments within individual regions. Currently the ERO submits to FERC three assessments each year: long term, winter, and summer. In addition, NERC also submits various other assessments as needed.
3. Reliability Standards Development<sup>4</sup>: Under Section 215 of the FPA, the ERO is charged with developing Reliability Standards. Regional Entities may also develop regional specific standards.
4. Reliability Compliance: Reliability Standards are mandatory and enforceable upon approval by FERC. In addition to the specific information collection requirements contained in each standard (cleared under other information collections, such as FERC-725A, FERC-725G, and FERC-725Y), there are general compliance, monitoring and enforcement information collection requirements imposed on applicable entities. Audits, spot checks, self-certifications, exception data submittals, violation reporting, and mitigation plan confirmation are included in this area.
5. Stakeholder Survey: The ERO uses a stakeholder survey to solicit feedback from registered entities<sup>5</sup> in preparation for its three-year and five-year self-performance

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<sup>3</sup> The Commission does not expect any new ERO applications to be submitted in the next five years and is not including any burden for this requirement in the burden estimate. FERC still seeks to renew the regulations pertaining to a new ERO application under this renewal but is expecting the burden to be zero for this component of FERC-725 for the foreseeable future. 18 CFR 39.3 contains the regulation pertaining to ERO applications.

<sup>4</sup> ‘Reliability Standards Development’ covers standards development initiated by NERC, the Regional Entities, and industry, as well as standards the Commission may direct NERC to develop or modify.

<sup>5</sup> A “registered entity” is an entity that is registered with the ERO. All Bulk-Power System owners, operators and users are required to register with the ERO. Registration is the basis for determining the Reliability Standards with which an entity must comply. See <http://www.nerc.com/page.php?cid=3%7C25> for more details.

assessment. The Commission assumes that the ERO will perform another survey prior to the 2019 self- assessment.

6. Other Reporting: This category refers to all other reporting requirements imposed on the ERO or regional entities in order to comply with the Commission's regulations. For example, FERC may require NERC to submit a special reliability assessment. This category includes one-time filings required of NERC or the Regions.

In addition, on 8/24/21, NERC submitted its "Request for Acceptance of 2022 Business Plans and Budgets of NERC and Regional Entities and for Approval of Proposed Assessments to Fund Budgets" (posted at - <https://elibrary.ferc.gov/eLibrary/filedownload?fileid=500D577D-39AD-C7F7-9CBA-7B7D37A00000> ) for Commission approval. The NERC 2022 Business Plan and Budget details its budget for the various areas. For example, on page 12, NERC estimates \$9,430,925 for its Reliability Standards and Power Risk Issues Strategic Management 2022. On 11/2/2021, in Docket No. RR21-9-000, the Commission accepted the NERC 2022 Business Plan and Budget as amended on 9/29/21 (at <https://elibrary.ferc.gov/eLibrary/filedownload?fileid=E0A70F1C-9BFE-C50D-95A5-7CE1C8D00000>).

The Commission implements its responsibilities related to FERC-725 through 18 CFR Part 39. Without the FERC-725 information, the FERC, ERO, and Regional Entities will not have the data needed to determine whether sufficient and appropriate measures are being taken to ensure the reliability of the nation's electric grid.

Self Assessment and ERO Applications information is a valuable tool to communicate to Commission and entities how the ERO is performing and identifying areas they are seeking to improve. Reliability Assessment for long term, summer and winter help to identify areas of the grid that may need extra monitoring or configuration changes to ensure the BES can operate reliably. Failure to do Reliability Standards Development may create situations in which changing resources mix of the BES requires reliability standard modifications to ensure the systems operate correctly. If Reliability Compliance was not collected a useful tool would be lost, as the Compliance provides feedback into the Reliability Standards, helps determine shared problems areas that entities may have when implementing Reliability Standards. The ERO Stakeholder Survey collects information that is used to project direction for the ERO, not having entity survey input would diminish accuracy of forecasting and could lead to not identifying emerging trends. If Other Reporting is unavailable the ERO and other entities may not respond to Commission regulations or not examine significant events such as impact of severe on BES

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

All of the information that is reported to the Commission in this collection may be submitted electronically, through the Commission's eFiling system (as described at <http://www.ferc.gov/docs-filing/efiling.asp>). For the remaining information collection requirements (information not submitted to the Commission), the use of current or improved technology is not controlled by the Commission and is therefore left to the discretion of each reporting entity. However, there is evidence that entities/regions are working together. For example, with the proposed revisions to the definition of "Bulk Electric System" the regional entities are working together to develop common forms to be used for submittal of information (covered under FERC-725J, OMB Control Number 1902-0259).

**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, in order to eliminate duplication and ensure that filing burden is minimized. The Commission believes there are no similar sources of information available that can be used or modified for these purposes.

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

This collection affects primarily NERC but also affects small registered entities. The Commission allows small entities to join a joint action agency or similar organization, which could accept responsibility for compliance with the Reliability Standards and related reporting requirements on behalf of its members. In NERC's compliance database there are 46 entries for Joint Registration Organizations (JROs). FERC does not have records to indicate how many of the 46 entries are small business entities or parties of a joint action agency or similar organization, but FERC does estimate that at least half of the listed JROs are large organizations.

The Commission does not know of any barriers that prevent entities from entering into joint action agreements. Generally, entities that enter into agreements do this because of shared responsibilities or geographic convenience.

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

This collection focuses on electric reliability reporting requirements that are not contained within any Reliability Standards. The Commission approves these requirements as necessary for the reliable operation and oversight of the bulk electric system. Any reduction in frequency may diminish the ability of NERC, Regional Entities, or FERC in maintaining reliability on the bulk electric system.

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

There are no special circumstances related to this collection.

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

The 60-day notice for FERC-725 published on November 3, 2021 (86 FR 60626) and no comments were received. The 30-day notice published on January 12, 2022 (87 FR 1744).

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

There are no payments or gifts to FERC-725 respondents.

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

The Commission generally does not consider the data to be confidential. However, certain actions have confidentiality provisions which prevent the disclosure of information relating to enforcement actions and Critical Energy/Electric Infrastructure Information (CEII).<sup>6</sup> A request for material to be treated as CEII or privileged may be made under 18 CFR Part 388.

There are procedures in 18 CFR § 39.7(b)(4), and 39.7(e)(7), which prevent disclosure of information received pursuant to Section 215 of the Federal Power Act, which pertain to violations of Reliability Standards.

Section 39.7(b)(4) provides that,

“each violation or alleged violation shall be treated as nonpublic until the matter is filed with the Commission as a notice of penalty or resolved by an admission that the user, owner or operator of the Bulk-Power System violated a Reliability Standard or by a settlement or other negotiated disposition. The disposition of each violation or alleged violation that relates to a Cybersecurity Incident or that would jeopardize the security of the Bulk-Power System if publicly disclosed shall be nonpublic unless the Commission directs otherwise.”

Similarly, Section 39.7(e)(7) provides that,

“a proceeding for Commission review of a penalty for violation of a Reliability Standard will be public unless the Commission determines that a nonpublic proceeding is necessary and lawful, including a proceeding involving a

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<sup>6</sup> For more information on the Commission's CEII program (and submitting and accessing CEII materials), see <https://www.ferc.gov/legal/ceii-foia/ceii.asp>.

Cybersecurity Incident. For a nonpublic proceeding, the user, owner or operator of the Bulk-Power System that is the subject of the penalty will be given timely notice and an opportunity for hearing and the public will not be notified and the public will not be allowed to participate.”

In addition, 18 C.F.R. 388.112 provides that,

“any person submitting a document to the Commission may request privileged treatment by claiming that some or all of the information contained in a particular document is exempt from the mandatory public disclosure requirements of the Freedom of Information Act, 5 U.S.C. 552, and should be withheld from public disclosure.”

Finally, 18 CFR § 388.113 of the Commission’s rules and regulations governs access to CEII information. Under 18 CFR §388.113(b), the Commission may restrict access to previously filed documents as well as Commission-generated documents which contain CEII information.<sup>7</sup>

**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**

The Commission does not consider any of the questions to be sensitive or private.

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

*Estimate of Annual Burden*<sup>8</sup>: The Commission estimates the total annual burden and cost<sup>9</sup> for this information collection in the table below. For hourly cost (for wages and benefits), we estimate that 70% of the time is spent by Electrical Engineers (code 17-2071, at \$72.15/hr.), 20% of the time is spent by Legal (code 23-0000, at \$142.25/hr.), and 10% by Office and Administrative Support (code 43-0000, at \$44.47/hr.). Therefore, we use the weighted hourly cost (for wages and benefits) of \$83.40(rounded) {or [(0.70) \* (\$72.15/hr.)] + [(0.20) \* \$142.25/hr.] + [(0.10) \* \$44.47/hr.] }.

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<sup>7</sup> 18 CFR 388.112

<sup>8</sup> “Burden” is the total time, effort, or financial resources expended by persons to generate, maintain, retain, or disclose or provide information to or for a Federal agency. For further explanation of what is included in the information collection burden, refer to Title 5 Code of Federal Regulations 1320.3.

<sup>9</sup> Costs (for wages and benefits) are based on wage figures from the Bureau of Labor Statistics (BLS) for May 2021 (at [https://www.bls.gov/oes/current/naics2\\_22.htm](https://www.bls.gov/oes/current/naics2_22.htm)) and benefits information (at <https://www.bls.gov/news.release/ecec.nr0.htm>) :

Type of Respondent	Type of Reporting Requirement	No. of Respondents (A)	Annual No. of Responses Per Respondent (B) <sup>10</sup>	Total No. of Responses (A)x(B)=(C)	Average Burden Hours & Cost (\$) per Response (rounded) (D)	Estimated Total Annual Burden Hrs. & Cost (\$) (rounded) (C)x(D)
Electric Reliability Organization (ERO)	Self-Assessment	1	.2	.2	4,160hrs.; \$346,944	832 hrs.; \$69,388.8
	Reliability Assessments		5.0	5.0	10,400 hrs.; \$867,360	52,000 hrs.; \$4,336,800
	Reliability Compliance		2	2	17,680 hrs.; \$1,474,512	35,360 hrs.; \$2,949,024
	Standards Development		1	1	20,800 hrs.; \$1,734,720	20,800 hrs.; \$1,734,720
	Other Reporting		1	1	4,160 hrs.; \$346,944	4,160 hrs.; \$346,944
<i>ERO, Sub-Total</i>				9.2		113,152 hrs.; \$9,436,877
Regional Entities	Self-Assessment	6	.2	1.2	4,160 hrs.; \$346,944	4,992 hrs.; \$416,332.8
	Reliability Assessments		1	6	15,600 hrs.; \$1,301,040	93,600 hrs.; \$7,806,240
	Reliability Compliance		1	6	47,840 hrs.; \$3,989,856	287,040 hrs.; \$23,939,136
	Standards Development		1	6	4,680 hrs.; \$390,312	28,080 hrs.; \$2,341,872
	Other Reporting		1	6	1,040 hrs.; \$86,736	7,280 hrs.; \$607,152
<i>Regional Entities, Sub-Total</i>				25.2		420,992 hrs.; \$35,110,732.6
Registered Entities	Stakeholder Survey	estimated 1,496	.2	299.2	8 hrs.; \$667.20	2,393.6 hrs.; \$199,626.2
	Reliability Compliance		1	1,496	400 hrs.; \$33,360	598,400 hrs.; \$49,906,186
<i>Registered Entities, Sub-Total</i>				1,795.2		600,793.60 hrs.; \$50,106,186
<b>Total Burden Hrs. and Cost</b>				1,829.6		1,134,938 hrs.; \$94,653,796

<sup>10</sup> In instances where the number of responses per respondent is “1,” the Commission Staff thinks that the actual number of responses varies and cannot be estimated accurately.

As indicated in the table, there was a decrease from seven to six in the number of Regional Entities because the Florida Reliability Coordinating Council (FRCC) dissolved in July 2019. Other changes from previous estimates are based on new data in the proposed NERC 2022 Business Plan and Budget to reflect changes in the number of Full-Time Equivalent Employees (FTE) working in applicable areas. Reviewing the NERC Compliance database, we determined the number of unique U.S. entities is 1,496 (compared to the previous value of 1,409). Lastly, in several instances, the amount of time an FTE devotes to a given function may have been increased or decreased. We provide below more details on the assumptions we used to calculate the burden and where we obtained our information.

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

Commission staff estimates annual non-labor related cost burden for the information collection remains unchanged from the last approval as:

- Software costs (ERO): \$15,000/year
- Software costs (Regional Entities): \$50,000/year

Therefore, the total estimated annual non-labor related cost is \$65,000 for the FERC-725. All other costs are related to burden hours and are addressed in Questions #12 and #15.

### **14. ESTIMATED ANNUALIZED COST TO FEDERAL GOVERNMENT**

	<b>Number of Employees (FTEs)</b>	<b>Estimated Annual Federal Cost</b>
PRA <sup>11</sup> Administration Cost		\$8,279
Data Processing and Analysis <sup>12</sup>	25	\$4,517,575
FERC Total		\$4,525,854

The Commission bases its estimate of the ‘Data Processing and Analysis’ 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 actual filings.

The Paperwork Reduction Act (PRA) Administrative Cost (updated May 2021) is the average annual FERC cost associated with preparing, issuing, and submitting

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<sup>11</sup> Paperwork Reduction Act of 1995 (PRA).

<sup>12</sup> The cost estimate is based upon FERC’s FY2021 average annual salary plus benefits per FTE (full-time equivalent) of \$180,703.



materials necessary to comply with the PRA for rulemakings, orders, or any other vehicle used to create, modify, extend, or discontinue an information collection. It also includes the cost of publishing the necessary notices in the Federal Register.

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

The table below shows the total burden of the collection of information, with adjustments due to the following reasons.

- As shown in Question 12 above, there was a decrease from seven to six in the number of Regional Entities because the Florida Reliability Coordinating Council (FRCC) dissolved in July 2019. The decrease changed the number of responses from 29.4 to 25.2 Regional entities.
- Other changes from previous estimates come from new data in the proposed NERC 2022 Business Plan and Budget to reflect changes in the number of FTEs working in applicable areas.
- Reviewing the NERC Compliance database, we determined the number of unique U.S. entities was updated from 1,409 to 1,496.
- Lastly, in several instances, the amount of time an FTE devotes to a given function may have been increased or decreased.

<b>FERC-725</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	1,829	1,730	99	0
Annual Time Burden (Hr.)	1,134,938	1,117,730	17,208	0
Annual Cost Burden (\$)	65,000	65,000	0	0

The format, labels, and definitions of the table above follow the ROCIS system's "ICR Summary of Burden" for the meta-data.

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

There are no tabulating, statistical, tabulating analysis, or publication plans for the collection of information. The data are used for regulatory purposes only.

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

The expiration date is displayed in a table posted on ferc.gov at <https://www.ferc.gov/information-collections>.

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

There are no exceptions.