

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Electric Reliability Organization)	Docket No. RM13-6-000
Interpretation of Specific Requirements of)	
the Disturbance Control Performance)	
Standard)	

**COMMENTS OF THE
ISO/RTO COUNCIL**

The ISO/RTO Council (“IRC”) submits these comments in response to the Notice of Proposed Rulemaking (the “NOPR”) issued by the Federal Energy Regulatory Commission (the “Commission”) on May 16, 2013, in this proceeding.¹

I. BACKGROUND AND INTRODUCTION

The NOPR seeks comments on the North American Electric Reliability Corporation’s (“NERC”) February 12, 2013 petition (the “NERC Petition”) for approval of an interpretation to Reliability Standard BAL-002-1 (Disturbance Control Performance) (the “Interpretation”).

Briefly, Reliability Standard BAL-002-1 is applicable to Balancing Authorities, Reserve Sharing Groups and Regional Reliability Organizations and maintains interconnection frequency by setting the Balancing Authority’s (or Reserve Sharing Group’s or Regional Reliability Organization’s) time limit for balancing real power (*i.e.*, megawatt) demand and supply following the sudden failure of generation. The purpose of the Reliability Standard BAL-002 standard is “to ensure the Balancing Authority is able to utilize its Contingency Reserve to balance resources and demand, and return Interconnection frequency within defined limits,

¹ See *Electric Reliability Organization Interpretation of Specific Requirements of the Disturbance Control Performance Standard*, 143 FERC ¶ 61,138 (2013).

following a Reportable Disturbance.”² A Reportable Disturbance is “[a]ny event that causes an [Area Control Error (“ACE”)] change greater than or equal to 80% of a Balancing Authority’s or reserve sharing group’s most severe contingency.”³ The “Disturbance Recovery Period” is 15 minutes.⁴

The Interpretation of Reliability Standard BAL-002-1 at issue in the NERC Petition is in response to an interpretation request submitted on September 2, 2009, by the Northwest Power Pool Reserve Sharing Group (“NWPP”).⁵ In response to NWPP’s questions,⁶ the proposed Interpretation clarifies:

(1) a Disturbance that exceeds the most severe single Contingency, regardless if it is a simultaneous Contingency or non-simultaneous multiple Contingency, would be a reportable event, but would be excluded from compliance evaluation; (2) a pre-acknowledged Reserve Sharing Group would be treated in the same manner as an individual Balancing Authority; however, in a dynamically allocated Reserve Sharing Group, exclusions are only provided on a Balancing Authority member by member basis; and (3) an excludable Disturbance was an event with a magnitude greater than the magnitude of the most severe single Contingency.⁷

As the NERC Petition explains, the proposed interpretation is necessary “to prevent Registered Entities from shedding load to avoid possible violations of BAL-002, a result that is inconsistent with reliability principles.”⁸ The Interpretation “neither expands on any Requirement nor explains how to comply with any Requirement, and provides guidance on the meaning of

² NERC Petition at 9.

³ NERC Petition at 2-3 (citing *Glossary of Terms Used in NERC Reliability Standards* (“NERC Glossary”), available here: http://www.nerc.com/files/Glossary_of_Terms.pdf).

⁴ See BAL-002-1 at R4.2.

⁵ See NOPR at P 8.

⁶ See NOPR at P 8.

⁷ NERC Petition at 3.

⁸ NERC Petition at 3.

Requirements R4 and R5 and their sub-parts.”⁹ The Interpretation was approved by industry ballot,¹⁰ and subsequently by the NERC Board of Trustees on November 7, 2012.

The NOPR proposes to remand the Interpretation on the basis that it exceeds the permissible scope of interpretations by changing the requirements of the Reliability Standard.¹¹ The NOPR suggests that the Interpretation modifies Requirement R4 of BAL-002-1, and in doing so redefines the term “Reportable Disturbance” as defined in the NERC Glossary, a change that must be effected through the standards development procedure.¹² In light of this perceived impermissible change, the NOPR proposes to remand the Interpretation, and seeks comment on this proposal.¹³

The IRC supports the Interpretation and urges the Commission to accept it. As further discussed in Section III below, the Interpretation is permissible because it clarifies the meaning of the requirements in Reliability Standard BAL-002-1 rather than changing its requirements, as the NOPR suggests. Further, the Interpretation is consistent with the reliable operation of the Bulk Power System in that it will help Registered Entities, such as Balancing Authorities, protect reliability by avoiding load shedding that could otherwise occur to meet the Disturbance Recovery Criterion in the circumstances described in the Petition,¹⁴ which would be inconsistent with the established Contingency Reserve obligation and reliable operation of the power system.

⁹ NERC Petition at 3.

¹⁰ The majority of the members of the Standards Review Committee of the IRC voted “affirmative” on the third and final ballot.

¹¹ See NOPR at P 18.

¹² NOPR at P 18.

¹³ See NOPR at P 23.

¹⁴ See NERC Petition at 3, 12, 17.

II. IDENTIFICATION OF FILING PARTIES

The IRC is comprised of the Alberta Electric System Operator (“AESO”), California Independent System Operator (“CAISO”), Electric Reliability Council of Texas (“ERCOT”), the Independent Electricity System Operator (“IESO”), ISO New England Inc. (“ISO-NE”), Midcontinent Independent System Operator, Inc. (“MISO”), New York Independent System Operator, Inc. (“NYISO”), PJM Interconnection, L.L.C. (“PJM”), and Southwest Power Pool, Inc. (“SPP”).¹⁵

III. COMMENTS

A. **The Interpretation is Within the Permissible Scope Because it Clarifies the Requirements in Reliability Standard BAL-002-1 Rather Than Changing the Requirements and Therefore Should be Accepted**

The IRC disagrees with the proposition put forward in the NOPR that the Interpretation changes BAL-002-1, Requirement R4.¹⁶ To the contrary, as discussed in these comments, the Interpretation comports with the requirements for interpretations because it clarifies BAL-002-1, Requirement R4 and its subparts.

The Interpretation is appropriate because it provides meaning to Requirement R4 in the context of the Standard as a whole. As NERC states in the Petition, the Standard must be read as an “integrated whole”.¹⁷ If the understanding of a Requirement were limited to the language in the Requirement alone, it would preclude any interpretation, as that would, by definition, change the requirement. While “the Requirements are the most critical element of a Reliability

¹⁵ The IESO and AESO are not subject to the Commission’s jurisdiction and these comments do not constitute agreement or acknowledgement that they can be subjected to the Commission’s jurisdiction.

¹⁶ See NOPR at PP 18-22.

¹⁷ NERC Petition at 3

Standard,” as the Commission has acknowledged, “other information in the Reliability Standard, including in the Compliance section, can and should be used to clarify ambiguities.”¹⁸

In interpreting Requirement R4, NERC relied in part on information contained in the Compliance section of Reliability Standard BAL-002-1. Specifically, NERC relied on the following language contained in Part D, Section 1.5 (Additional Compliance Information) of BAL-002-1:

Simultaneous Contingencies—Multiple Contingencies occurring within one minute or less of each other shall be treated as a single Contingency. *If the combined magnitude of the multiple Contingencies exceeds the most severe single Contingency, the loss shall be reported, but excluded from compliance evaluation.*

As briefly described in Section I above, Requirement R4 relates to Reportable Disturbances. The above-quoted language is contained in the same Compliance section addressing Contingencies in the context of Reportable Disturbances to clarify that Contingencies exceeding the most severe single Contingency are exempt from compliance evaluation. Given this construction, it follows that the exclusion language relied upon by NERC speaks directly to compliance with the Requirements and should be read as clarifying the language of the Requirements. That is, because the Additional Compliance Information states that Contingencies exceeding the most severe single Contingency are exempt from compliance evaluation, it logically follows that the obligation to restore ACE within 15 minutes is not applicable to these events.

The NOPR suggests that the exclusion language contained in the Additional Compliance Information modifies the Levels of Non-Compliance section contained in BAL-002-1, Part D,

¹⁸ NERC Petition at 11. *See also Mandatory Reliability Standards for the Bulk Power System*, Order No. 693, FERC Stats. & Regs. ¶ 31,242 at P 280, *order on reh’g*, 693-A, 120 FERC ¶ 61,053 (2007) (stating, “Requirements in each Reliability are core obligations and that the Measures and Levels of Non-Compliance provide useful guidance to the industry and can be supporting information, an explanatory statement or an administrative process.”).

Section 2.¹⁹ This interpretation is contrary to the plain reading of the Standard and improperly parses the disputed language. The Levels of Non-Compliance section addresses the severity of the penalty. Given this, the exclusion language in the Additional Compliance Information section, Part D, Section 1.5, should be understood as clarifying the Requirements and their subparts.

Moreover, to interpret the exclusion language as modifying the Levels of Non-Compliance section, as the NOPR suggests, would mean that a Balancing Authority is required to keep an unreasonable amount of Contingency Reserve on hand. Not only would this be inconsistent with the plain language of the Standard and the explicit Contingency Reserve obligation, which only requires an amount equal to an entity's single largest Contingency, but also an unreasonable outcome. As the NERC Petition explains, an excludable disturbance should be interpreted as an event with a magnitude greater than the magnitude of the most severe single Contingency because,

[a]ny other interpretation would result in treating BAL-002-0 as if it required Balancing Authorities and Reserve Sharing Groups to recover ACE[] within the 15-minute Disturbance Recovery Period without regard to Disturbance magnitude.²⁰

Further, this interpretation of an "excludable disturbance" is consistent with:

(a) the reserve requirement specified in R3.1 of BAL-002-0, (b) the text of Section 1.4 of Part D of BAL-002-0, and (c) the documented history of the development of BAL-002-0 (*see, e.g., Performance Standards Document, Version 3* (as accepted by NERC Resources Subcommittee on October 23, 2007), which provides in Section D, Disturbance Control Standard, DCS, that "An excludable disturbance is a disturbance whose magnitude was greater than the magnitude of the most severe single contingency.").²¹

¹⁹ See NOPR at P 22.

²⁰ NERC Petition at 16.

²¹ NERC Petition at 16.

The exclusion language contained in the Additional Compliance Information section and the additional details upon which NERC relied speak to the intent of the Requirements, should be relied on in interpreting the Standard and NERC's use thereof do not change the Standard. The Interpretation appropriately provides guidance regarding the application of BAL-002-1 consistent with the plain language of the Standard. It does not exceed the scope of an interpretation of the Standard's existing language nor does it modify the stated Requirements of the Standard. The Interpretation is thus reasonable and appropriate, and should be accepted by the Commission.

B. The Commission Should Accept the Interpretation Because It Results in Sound Reliable Operation of the Bulk Power System

The Commission should also accept the Interpretation because it provides clarity and promotes greater system reliability.

As the NERC Petition states, Reliability Standard BAL-002-1 should be examined in its totality.²² To that end, and as discussed above, NERC relied on the exclusion language in the Additional Compliance Information section to clarify that “a Disturbance that exceeds the most severe single Contingency . . . would be a reportable event, but would be excluded from compliance evaluation.”²³ NERC appropriately relied on the exclusion language in the Additional Compliance Information section to provide context that supports a reasonable and logical end point to Requirement R4 given the entirety of a Registered Entities' obligations under BAL-002-1, and to avoid unintended consequences.²⁴

²² See NERC Petition at 3, 10-11.

²³ NERC Petition at 3, 15-16.

²⁴ NERC Petition at 16.

If the language in Requirement R4 is to be read in isolation, as the NOPR suggests, Registered Entities, such as a Balancing Authority, could be placed in the untenable position of having to choose between compliance and reliability. If the exclusion language in the Additional Compliance Information section cannot be used to provide meaning to Requirement R4, then the Standard must be interpreted as requiring a Balancing Authority to return ACE to zero even for a Disturbance that exceeds the most severe single Contingency. That Interpretation, in turn, would require a Balancing Authority to take drastic operational actions even when the measures of system reliability indicate otherwise. To avoid possible violations of BAL-002, a Balancing Authority would have: (1) to acquire Contingency Reserves sufficient to cover all contingencies, (2) shed load, or (3) not protect the transmission system in the name of compliance. Such an interpretation of the Standard would be inconsistent with the language and intent of the Standard read as a whole.

As noted above, the purpose of Reliability Standard BAL-002-1 is “to ensure the Balancing Authority is able to utilize its Contingency Reserve to balance resources and demand and return Interconnection frequency within defined limits following a Reportable Disturbance.”²⁵ It is industry practice to plan to the loss of a Balancing Authority’s largest source (typically considered a worst-case scenario), and acquire sufficient Contingency Reserves equal to such loss. Due to the interconnected nature of the power system, following the loss of a large source (such as 1,000 to 2,000 MW), all online generators that are not fully loaded will respond to address the imbalance of generation and load. As long as the inadvertent flow over ties does not exceed a transmission limit, this is a secure state in which to operate until such time as Contingency Reserves can be fully deployed by the Balancing Authority to recover from the

²⁵ NERC Petition at 9.

loss. Without a clear boundary to the Standard, however, a Balancing Authority would be required to acquire an amount of Contingency Reserves equal to several large contingencies in order to restore ACE following events exceeding the most severe single Contingency. Because Contingency Reserves must be a quantifiable amount (and because a limited number of resources is available to Balancing Authorities for dispatch purposes), it would be unreasonable to require the acquisition of Contingency Reserves for an unlimited number of source losses. Such a requirement also would be inconsistent with the language of Requirement R3.1, which requires a Balancing Authority to carry “at least enough Contingency Reserve to cover the most severe single contingency.”

On par with the issue of requiring an unreasonable amount of Contingency Reserve, if the exclusion language in the Additional Compliance Information section cannot be relied on to provide meaning to Requirement R4, a Balancing Authority could find itself in the position of having no other option but to shed load to meet the Disturbance Recovery Criterion in the unusual instance where a Disturbance results in its total source losses exceeding the largest single source loss. Although load-shedding can be an acceptable and necessary tool in maintaining system reliability, it is appropriately used to correct for issues which, if unaddressed, may cause instability, cascading, or uncontrolled separation. Indicators of such issues are low voltage, transmission limit violations, or continued frequency decay. The Office of Enforcement recently affirmed that “[s]hedding load is typically an option of last resort and generally is reserved for emergencies when electricity flows exceed the reliable limits needed to maintain normal voltage.”²⁶ With regard to the BAL-002-1 Interpretation at issue, losses on the order of the largest single contingency do not normally present such issues, and even losses exceeding the

²⁶ See FERC, Office of Enforcement, Division of Audits, *Reliability Audit of Bonneville Power Authority*, Docket No. PA12-17-000 at 21 (Apr. 24, 2013).

value of the largest single source do not necessarily present such issues. As the NERC Petition states, “[t]he proposed interpretation is necessary in order to prevent Registered Entities from shedding load to avoid possible violations of BAL-002, a result that is inconsistent with reliability principles.”²⁷ A remand of the Interpretation, as the NOPR proposes, would contradict this purpose by leading to unwarranted load shedding.

Further, events exceeding the most severe single Contingency are often triggered by multiple transmission contingencies. Arbitrary ACE correction without regard to the impact on transmission will lead to problems greater than that caused by the load-generation mismatch. The proposed Interpretation provides assurance that Balancing Authorities do not need to sacrifice reliability by taking steps that may not be consistent with the reliable, secure operation of the Bulk Power System in order to comply with an obligation that is currently not part of the Standard. A remand of the Interpretation could undermine reliable operations going forward, and would, ironically, change the scope of the Standard by directing compliance with a requirement not contained in the Standard and that is contrary to reliable operation of the power system.

For these reasons, the Interpretation is reasonable and appropriate, and should be accepted by the Commission.

²⁷ NERC Petition at 3.

IV. CONCLUSION

The IRC respectfully requests that the Commission approve the Interpretation in the Final Rule in this proceeding consistent with the comments submitted herein.

Respectfully submitted,

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Dated: July 8, 2013