

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

Commission Role Regarding	)	
Environmental Protection Agency's	)	
Mercury and Air Toxics Standards	)	Docket No. AD12-1-000
	)	

**COMMENTS OF THE NORTH AMERICAN
ELECTRIC RELIABILITY CORPORATION
AND THE EIGHT REGIONAL ENTITIES**

Pursuant to the Notice of White Paper issued by the Federal Energy Regulatory Commission ("Commission") in the above-captioned proceeding on January 30, 2012, the North American Electric Reliability Corporation ("NERC") submits these comments on behalf of itself and the eight Regional Entities¹ on the Staff White Paper on the Commission's Role Regarding Environmental Protection Agency's Mercury and Air Toxics Standards ("MATS"). The White Paper sets forth the Commission Staff's position on how the Commission should advise the Environmental Protection Agency ("EPA"), under a December 16, 2011 EPA Policy Memorandum,² on requests for extensions of time to comply with the MATS.³

¹ The eight Regional Entities include: Florida Reliability Coordinating Council (FRCC), Midwest Reliability Organization (MRO), Northeast Power Coordinating Council (NPCC), ReliabilityFirst Corporation (RFC), SERC Reliability Corporation (SERC), Southwest Power Pool, RE (SPP), Texas Reliability Entity (TRE), and the Western Electricity Coordinating Council (WECC).

² U.S. EPA, Office of Enforcement and Compliance Assurance, The Environmental Protection Agency's Enforcement Response Policy for Use of Clean Air Act Section 113(a) Administrative Orders in Relation to Electric Reliability and the Mercury and Air Toxics Standard (Dec. 16, 2011).

³ National Emission Standards for Hazardous Air Pollutants from Coal- and Oil-Fired Electric Utility Steam Generating Units and Standards of Performance for Fossil-Fuel-Fired Electric Utility, Industrial-Commercial-Institutional, and Small Industrial-Commercial-Institutional Steam Generating Units, 77 Fed. Reg. 9304 (Feb. 16, 2012).

NERC appreciates this opportunity to comment on the Staff's White Paper. NERC's objective is to help provide EPA with the best expertise and information available on the local and regional reliability impacts of Electric Generating Unit retirements or extended outages due to difficulties in complying with the emissions limitations imposed by the MATS.

I. COMMUNICATIONS AND SERVICE

All communications and correspondence with respect to this proceeding should be served upon the following individuals:

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II. COMMENTS

A. NERC is a Reliability Expert

As the Commission-designated Electric Reliability Organization ("ERO"), NERC establishes and enforces Reliability Standards for the bulk power system, subject to Commission review, pursuant to Section 215 of the Federal Power Act.⁴ Section 215(d)(2) directs the Commission to give due weight to the technical expertise of the ERO with respect to the content of a proposed standard and to the technical expertise of a regional entity organized on an Interconnection-wide basis with respect to a Reliability Standard to be applicable within that

⁴ 16 U.S.C. § 824o.

Interconnection.⁵ In addition, Section 215(g) directs the ERO to conduct periodic assessments of the reliability and adequacy of the bulk power system in North America.⁶ As the EPA Policy Memorandum recognizes, NERC and its affiliated Regional Entities are reliability experts. EPA Policy Memorandum at 2.

NERC and the Regional Entities work continually with planning coordinators⁷ to assess reliability on both a local operating area and regional basis. Differences in operations and markets may result in some variation in practices among planning coordinators, depending, for example, on whether there is a capacity market in the area. Generally, however, when a planning coordinator receives a deactivation request from a generator owner, practices are similar. The planning coordinator simulates power flows and stability of the bulk power system and assesses resource adequacy based on forecast system conditions. Studies test the bulk power system against NERC and regional Reliability Standards to identify any potential transmission overloads, voltage limitations, system stability and other reliability performance conditions. The planning coordinator is required to develop plans and implement solutions for any identified potential violation, which could otherwise lead to overloads, equipment failure, instability, uncontrolled cascading outages and, in the most extreme circumstances, a black-out.

⁵ *Id.* § 824o(d)(2).

⁶ *Id.* § 824o(g).

⁷ “Planning Coordinator” is defined in NERC's Functional Model (http://www.nerc.com/files/Functional_Model_V5_Final_2009Dec1.pdf) as: the functional entity that coordinates, facilitates, integrates and evaluates (generally one year and beyond) transmission facility and service plans, and resource plans within a Planning Coordinator area and coordinates those plans with adjoining Planning Coordinator areas. NERC understands the term “planning authority” used in the EPA Policy Memorandum and the FERC Staff White Paper to be a reference to the planning coordinator for that area.

NERC and the Regional Entities review these planning coordinator plans and solutions, assess the resultant reliability of the bulk power system and reflect the results of this assessment in NERC's annual Seasonal and Long-Term Reliability Assessments, and in special assessments published periodically on issues of emerging concern.⁸ These independent reliability assessments evaluate more than just strict compliance with Reliability Standards. They include matters related to adequacy such as planning and operating reserve margins, frequency response, voltage/reactive power requirements, and operational procedures. This is important because a planning coordinator may be compliant with Commission-approved bulk power system Reliability Standards, but may be required to put in place operating procedures, which may include load shedding, to do so. Thus, although compliance with bulk power system Reliability Standards is necessary to assure the security of the bulk power system, it may not be sufficient to ensure reliable electric service in all circumstances.

B. FERC Should Obtain Advice from NERC in Formulating a Recommendation to EPA and Should Consider Reliability Impacts Beyond Potential Violations of Commission-Approved Reliability Standards

Staff states that its proposal “would provide a fair, timely and transparent process for the Commission to advise the EPA on requests for extension of time to comply with EPA’s MATS rule applying the Commission’s expertise on reliability issues as appropriate in this context.” White Paper at 8. The Commission could be of more assistance to EPA if the Commission’s advice to EPA also reflected the views of the existing reliability infrastructure, which includes the independent reliability assessments performed by NERC and the Regional Entities.

⁸ See, e.g., North American Electric Reliability Corporation, 2011 Long-Term Reliability Assessment (Nov. 2011); North American Electric Reliability Corporation, 2010 Special Reliability Scenario Assessment: Resource Adequacy Impacts of Potential U.S. Environmental Regulations (Oct. 2010).

When MATS compliance plans are filed with the planning coordinators one year after the effective date of MATS, NERC, as it does currently, will work with the planning coordinators and Regional Entities to assess these plans and other reliability-related information in an integrated fashion, from both local operating area and regional perspectives.

The information from this effort will be used for NERC's preparation of the summer, winter and long-term reliability assessments. In conducting these assessments, all requirements for a reliable grid will be considered, just as they are now, including: impacts on planning reserve margins; effects on local, regional and interconnection-wide operational reliability; and the expected operating procedures that planning coordinators will use to address NERC Reliability Standards.

By the time a request for an EPA Administrative Order ("AO") extending a compliance deadline is made, NERC will have a distinctive understanding of the reliability implications in the local area and region in which the Electric Generating Unit making the request is located. NERC, along with the technical expertise of the regions, is uniquely positioned to assess the particular information submitted with the AO request, and to provide views to the Commission regarding both compliance with Commission-approved bulk power system Reliability Standards and reliability implications more broadly.

NERC urges the Commission not to limit its review of a request for an AO solely to whether "there might be a violation of a Commission-approved Reliability Standard." White Paper at 8. As discussed previously, it may be necessary for a planning coordinator to put in place operational procedures which may ultimately include firm load shedding to meet bulk power system Reliability Standards. Even though no Reliability Standards would be violated, there may be service reliability concerns.

NERC could provide its views on an AO request separately to EPA, but would prefer to share its integrated reliability assessment determinations with the Commission and support FERC in providing informed recommendations to EPA. There are issues that the Commission, along with state regulators, can address that go beyond NERC's FPA Section 215 reliability assessment authority. Combining this information with that provided by NERC, the Commission, in coordination with the Department of Energy and state regulators, could greatly assist EPA regarding bulk power system reliability considerations.

This suggested process uses the existing infrastructure to help ensure reliability, including the independent reliability assessments that only NERC and the Regional Entities can provide, and as called for in FPA Section 215. Further, it provides a basis for a coordinated federal/state approach to make environmental rule compliance extension decisions based on industry requirements to preserve reliability.

III. CONCLUSION

We understand there are many discussions underway on how a process for identifying reliability issues in response to final EPA regulations may occur. NERC is ready to assist in this effort, using its expertise and existing authority under Section 215 of the Federal Power Act.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing document upon all parties listed on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, DC this 29th day of February, 2012.

/s/ David N. Cook

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