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

**MODIFICATION OF INTERCHANGE AND) Docket No. RM08-7-000
TRANSMISSION LOADING RELIEF RELIABILITY)
STANDARDS; AND ELECTRIC RELIABILITY)
ORGANIZATION INTERPRETATION OF)
SPECIFIC REQUIREMENTS OF FOUR)
RELIABILITY STANDARDS)**

**COMPLIANCE FILING OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
IN RESPONSE TO PARAGRAPH 50 OF ORDER No. 713 –
MODIFICATION OF INTERCHANGE AND TRANSMISSION LOADING RELIEF
RELIABILITY STANDARDS; AND ELECTRIC RELIABILITY ORGANIZATION
INTERPRETATION OF SPECIFIC REQUIREMENTS OF FOUR RELIABILITY
STANDARDS**

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I. INTRODUCTION

The North American Electric Reliability Corporation (“NERC”) submits its response to paragraph 50 of the Federal Energy Regulatory Commission’s (“FERC” or the “Commission”) July 21, 2008 Order No. 713 (“July 21 Order”) in Docket No. RM08-7-000.¹ In paragraph 50 of the July 21 Order, the Commission directed NERC to provide an explanation regarding Requirements R1 and R1.1 of IRO-006- 4 — Reliability Coordination — Transmission Loading Relief (“TLR”) Reliability Standard:

Therefore, the Commission does not approve or remand IRO-006-4. Rather, the Commission directs the ERO to submit a filing, within 15 days of the effective date of this Final Rule, that provides an explanation regarding Requirements R1 and R1.1 of IRO-006-4. Specifically, in light of the above discussion, the Commission directs the ERO to provide an explanation regarding the phrase “[t]he TLR procedure alone is an inappropriate and ineffective tool to mitigate an [interconnection reliability operating limits] IROL violation . . .” Further, the ERO should explain whether Requirements R1 and R1.1 only allow the TLR procedure to be continued when already deployed prior to an actual IROL violation or, alternatively, whether Requirements R1 and R1.1 allow use of the TLR procedure as a tool to address actual violations after they occur. If the latter, the ERO is directed to explain why this application is not contrary to both Blackout Report Recommendation 31 and the Commission’s determination in Order No. 693. The ERO’s filing should include an explanation of those actions that are acceptable, and those that are unacceptable, pursuant to Requirement R1 and R1.1.

¹ *Modification of Interchange and Transmission Loading Relief Reliability Standards; and Electric Reliability Organization Interpretation of Specific Requirements of Four Reliability Standards*, 124 FERC ¶ 61,071 (2008).

II. NOTICES AND COMMUNICATIONS

Notices and communications with respect to this filing may be addressed to the following:

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III. RESPONSE TO PARAGRAPH 50 OF THE COMMISSION'S JULY 21 ORDER

In paragraph 49 of the July 21 Order, the Commission states the following:

The Commission notes that an entity is not prevented from using the TLR procedure to avoid a potential IROL violation before a violation occurs. If, while a TLR procedure is in progress, an IROL violation occurs, it is not necessary for the entity to terminate the TLR procedure. However, the Commission believes that it is inappropriate and ineffective to rely on the TLR procedure, even in conjunction with another tool, to address an actual IROL violation.

The Commission has stated that the use of TLR prior to an actual IROL violation is an acceptable practice, and NERC agrees. The Commission has also stated that the use of TLR is not required to be terminated following the occurrence of an IROL violation if that TLR procedure was already in progress. NERC also agrees with this statement.

However, it is important to recognize that the use of TLR establishes a foundation upon which future actions rely, and it is impossible to decouple the actions of the previous hour from those of the current hour. The progressive nature of TLR requires

constant management to ensure both reliability and open access are maintained. From hour to hour, transactions are curtailed and reloaded based on projections of system conditions. As such, while the Commission has stated clearly that it does not believe the TLR process must be terminated, NERC believes that simply “holding” TLR where it is, does not align with the reality of the way transactions must be managed. In actuality, if a TLR process is already in effect when an actual IROL violation occurs, the TLR process must be continuously supported, and the TLR reissued on an hourly basis, until such time as the relief it provides is no longer necessary. By stating that “If, while a TLR procedure is in progress, an IROL violation occurs, it is not necessary for the entity to terminate the TLR procedure,” the Commission has endorsed a situation where, on a continuing basis, a TLR is being reissued for the constrained facility in order to assist in providing relief in addition to the more immediate operator actions taken to alleviate the actual overload. NERC believes this to be the correct approach.

In the event NERC’s above interpretation is incorrect, NERC sees two actions that could be taken: (1) to freeze all transactions at current levels and hold any new transactions, or (2) let the curtailments issued for the current hour expire and do not reissue the TLR. The first case could result in aggravation of the IROL violation and a decrease in reliability because native load and/or parallel flows could increase while the TLR actions stays constant. In addition, equity and open access may be compromised, because opportunities for reloading and reallocation based on the changes in load and the transaction mix would be ignored.

The second case could result in aggravation of the IROL violation and a decrease in reliability. As the single-hour curtailments that were established prior to the violation

expire, transactions would be reloaded. These reloads could undo all the preventative measures taken by the Reliability Coordinator (“RC”) proactively to avoid the IROL violation in the first instance.

Accordingly, NERC believes that any standard that would require an RC to explicitly NOT use TLR as *one of the tools* it has in responding to an actual IROL violation could, in effect, compromise reliability, open access, or both by forcing one of the two actions described above when an actual IROL occurs on a facility whose flow is being mitigated by the use of the TLR procedure.

With regard to acceptable options to respond to an actual IROL violation, NERC believes there are four acceptable options:

- Inter-area redispatch (curtailment of one or more Interchange Transactions)
- Intra-area redispatch of generation
- Reconfiguration of the Transmission System
- Voluntary or involuntary reductions in Load

These have been identified in IRO-006-4 Requirement R1.1 as “reconfiguration, redispatch, or load shedding.”

NERC believes that the intent of the Commission’s directive is that, should an entity experience an actual IROL violation, that entity should not invoke the TLR process with the belief that the IROL violation will be mitigated by the TLR within an acceptable timeframe. However, NERC believes that taking concurrent action – TLR in conjunction with one of the other operator actions cited above – can result in positive outcomes. For example, if an entity redispatches generation and invokes TLR at the same time in response to an actual IROL violation, that entity may utilize the generation to respond

immediately to mitigate the violation and bring the flow below the IROL, then reduce the generation once the TLR is able to effectively and more equitably address the issue.² Or, an entity may choose to curtail interruptible load in a similar strategy, such that the IROL violation is mitigated immediately by the reduction in load and the load is later reinstated once the appropriate transactions to curtail have been identified and curtailed, which will permit the restoration of the load shed in the first instance. In both of these cases, the concurrent invocation of TLR with other mitigation measures ensures a more rapid and effective return from unilateral emergency operator action to the more equitable congestion management protocols afforded by TLRs. For these reasons, NERC believes that it is appropriate for an entity to use the TLR process in response to an actual IROL, provided it is a complementary action to other operator actions employed to mitigate the IROL violation more expeditiously and, as such, invoking TLR is not the only action taken.

NERC notes that the most immediate reliability goal is the mitigation of the IROL violation itself. Several of NERC's standards currently protect against IROL violations and support the intent of Blackout Recommendation 31 and Order No. 693. IRO-006-4 and any implementation of the TLR process does not excuse an entity from non-compliance with these standards. Below are listed eight requirements in three different Commission-approved reliability standards that NERC believes support the reliability goals being discussed in both a proactive and a reactive fashion.

² NERC's TLR procedures, which address multi-system transactions and parallel flows, were designed to implement the curtailment priorities of the Commission's pro forma open access tariff. The Commission found the procedures to be generally consistent with or superior to the pro forma tariff with respect to these issues. *North American Electric Reliability Council*, "Order on Petition For Declaratory Order," 85 FERC ¶ 61,353 (1998).

IRO-004-1, Requirement R3: Each Reliability Coordinator shall, in conjunction with its Transmission Operators and Balancing Authorities, develop action plans that may be required, including reconfiguration of the transmission system, re-dispatching of generation, reduction or curtailment of Interchange Transactions, or reducing load to return transmission loading to within acceptable [system operating limits] SOLs or IROLs.

This requirement mandates that the RC be prepared in the operations planning timeframe for any potential SOL or IROL violations. Not being prepared in the operations planning timeframe is a violation that can result in significant penalties. Having a “High” Violation Risk Factor, violations of this requirement are considered “Lower” to “Severe” Violation Severity Levels, which can result in sanctions from \$4,000 to \$1,000,000, based on NERC’s current Sanction Guidelines.

IRO-004-1, Requirement R6: If the results of [studies required in Requirement 5] indicate potential SOL or IROL violations, the Reliability Coordinator shall direct its Transmission Operators, Balancing Authorities and Transmission Service Providers to take any necessary action the Reliability Coordinator deems appropriate to address the potential SOL or IROL violation.

This requirement is intended to ensure that actions are taken proactively to avoid SOL or IROL violations in the operations planning timeframe. Failure to direct preventative action during the operations planning timeframe based on those studies is a violation that can result in significant penalties. Having a “High” Violation Risk Factor, violations of this requirement are considered “Lower” to “Severe” Violation Severity Levels, which can result in sanctions from \$4,000 to \$1,000,000, based on NERC’s current Sanction Guidelines.

IRO-005-1, Requirement R3: As portions of the transmission system approach or exceed SOLs or IROLs, the Reliability Coordinator shall work with its Transmission Operators and Balancing Authorities to evaluate and assess any additional Interchange Schedules that would violate those limits. If a potential or actual IROL violation cannot be

avoided through proactive intervention, the Reliability Coordinator shall initiate control actions or emergency procedures to relieve the violation without delay, and no longer than 30 minutes. The Reliability Coordinator shall ensure all resources, including load shedding, are available to address a potential or actual IROL violation.

This requirement mandates (among other things) that the RC review Interchange Schedules to determine if they will cause an SOL or IROL violation, and if so, act in real time without delay and within 30 minutes to relieve the potential or actual violation. Failure to review the Interchange Transactions and take appropriate action in real time without delay and within 30 minutes is a violation that can result in significant penalties. Having a “High” Violation Risk, violations for failure to act are considered “Moderate” to “Severe” Violation Severity Levels for this requirement, which can result in sanctions from \$8,000 to \$1,000,000, based on NERC’s current Sanction Guidelines.

IRO-005-1, Requirement R5: Each Reliability Coordinator shall identify the cause of any potential or actual SOL or IROL violations. The Reliability Coordinator shall initiate the control action or emergency procedure to relieve the potential or actual IROL violation without delay, and no longer than 30 minutes. The Reliability Coordinator shall be able to utilize all resources, including load shedding, to address an IROL violation.

This requirement mandates that the RC identify the cause of an actual or potential SOL or IROL violation and act in real time without delay and within 30 minutes to relieve the potential or actual violation. Failure to identify the cause of an actual or potential SOL or IROL violation and take action in real time without delay and within 30 minutes is a violation that can result in significant penalties. Having a “High” Violation Risk, violations for failure to act are considered “High” and “Severe” Violation Severity Levels for this requirement, which can result in sanctions from \$12,000 to \$1,000,000, based on NERC’s current Sanction Guidelines.

IRO-005-1, Requirement R9: The Reliability Coordinator shall coordinate with Transmission Operators, Balancing Authorities, and Generator Operators as needed to develop and implement action plans to mitigate potential or actual SOL, IROL, [Control Performance Standard] CPS, or [Disturbance Control Standard] DCS violations. The Reliability Coordinator shall coordinate pending generation and transmission maintenance outages with Transmission Operators, Balancing Authorities, and Generator Operators as needed in both the real time and next-day reliability analysis timeframes.

This requirement is intended to mandate (among other things) that the RC be prepared in real time for any potential SOL or IROL violations. Failure to be prepared is a violation that can result in significant penalties. Having a “High” Violation Risk Factor, violations of this requirement are considered “Moderate” to “Severe” Violation Severity Levels, which can result in sanctions from \$8,000 to \$1,000,000, based on NERC’s current Sanction Guidelines.

IRO-005-1, Requirement R17: When an IROL or SOL is exceeded, the Reliability Coordinator shall evaluate the local and wide-area impacts, both real-time and post-contingency, and determine if the actions being taken are appropriate and sufficient to return the system to within IROL in thirty minutes. If the actions being taken are not appropriate or sufficient, the Reliability Coordinator shall direct the Transmission Operator, Balancing Authority, Generator Operator, or Load-Serving Entity to return the system to within IROL or SOL.

This requirement specifies that the RC must direct action if, in their evaluation, current actions will not return the system within its SOL or IROL in 30 minutes. Failure to direct those actions when evaluation shows that the 30 minute target will not be met is a violation that can result in significant penalties. Having a “High” Violation Risk Factor, violations of this requirement are considered a “Severe” Violation Severity Level, which can result in sanctions from \$20,000 to \$1,000,000, based on NERC’s current Sanction Guidelines.

IRO-001-1, Requirement R3: The Reliability Coordinator shall have clear decision-making authority to act and to direct actions to be taken by Transmission Operators, Balancing Authorities, Generator Operators, Transmission Service Provides, Load-Serving Entities, and Purchasing-Selling Entities within its Reliability Coordinator Area to preserve the integrity and reliability of the Bulk Electric System. These actions shall be taken without delay, but no longer than 30 minutes.

Not acting or directing those actions to preserve the integrity and reliability of the bulk power system can result in significant penalties. Having a “High” Violation Risk Factor, violations of this requirement are considered “High” and “Severe” Violation Severity Levels, which can result in sanctions from \$12,000 to \$1,000,000, based on NERC’s current Sanction Guidelines.

IRO-001-1, Requirement R8: Transmission Operators, Balancing Authorities, Generator Operators, Transmission Service Providers, Load-Serving Entities, and Purchasing-Selling Entities shall comply with Reliability Coordinator directives unless such actions would violate safety, equipment, or regulatory or statutory requirements. Under these circumstances, the Transmission Operator, Balancing Authority, Generator Operator, Transmission Service Provider, Load-Serving Entity, or Purchasing-Selling Entity shall immediately inform the Reliability Coordinator of the inability to perform the directive so that the Reliability Coordinator may implement alternate remedial actions.

Not following directives from a RC (unless such actions violate safety, equipment, or regulatory or statutory requirements) can result in significant penalties. Having a “High” Violation Risk Factor, violations of this requirement are considered “Lower” to “Severe” Violation Severity Levels, which can result in sanctions from \$4,000 to \$1,000,000, based on NERC’s current Sanction Guidelines.

The eight requirements above work in concert with IRO-006-4 to proactively address potential and actual SOL and potential IROL violations. When an actual IROL violation occurs, the six requirements from IRO-005-1 and IRO-001-1 listed above

require a response to address the IROL violation. NERC believes these standards effectively protect the Interconnection from actual major transmission limit violations.

NERC notes that the next version of the TLR standard is currently in development. To the extent the Commission believes that changes should be made to the current language in IRO-006-4, NERC respectfully requests that the Commission allow such refinement in the future version of IRO-006-5, rather than directing changes at this time to IRO-006-4 before approval.

The Future of Congestion Management

NERC is committed to ensuring the reliability of the bulk power system, and while we believe that the standards referenced in this filing are adequate for meeting this charge, we also agree that there are ways in which the standards can be improved and NERC is working to do so.

NERC's short-term goal for the next two to five years is to improve TLR procedures through new and revised reliability standards. Preliminary efforts are currently underway to update the Interchange Distribution Calculator (the principal tool used in the TLR process) such that it can more accurately determine the impacts of native load and network service, and promote intra-area redispatch as necessary to support reliability goals. These efforts are expected to require standards setting efforts at both NERC and the North American Energy Standards Board.

Fundamentally, there are only a few actions that can be taken in response to actual major transmission limit violations (intra-area redispatch, inter-area redispatch, reconfiguration or reductions in load). NERC recognizes that there are many ways that such actions can be implemented. However, the policy choices developed in the past to

support open access have created a physical-based environment in which, absent an approved alternative market design, most of the actions related to congestion management are based on the curtailment of physical transmission service and are therefore limited by physical equity concerns. Many alternative market mechanisms to accomplish congestion management exist and have been approved by the Commission as meeting the goals of open access. To the extent new ways to achieve congestion management are desired by the Commission, NERC believes the industry can develop such options, provided the industry is given ample time and the appropriate regulatory support (including any necessary market reforms that address the equity implications of such actions) to develop them. However, NERC believes bulk power system reliability and electricity markets are inseparable and mutually interdependent, and NERC's Rules of Procedure require that NERC not create any reliability standard that mandates or prohibits any specific market structure. NERC believes that the various tariffs and regulatory structures that resulted in the negotiations and compromises leading to TLR have also created a situation where much of the industry is heavily invested in TLR. Absent specific regulatory reform, NERC does not expect to see fundamental changes to the TLR process (and their associated costs) in the near future.

IV. CONCLUSION

The North American Electric Reliability Corporation respectfully requests that the Commission accept this filing as compliant with paragraph 50 of the July 21 Order.

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, D.C. this 11th day of September, 2008.

/s/ Rebecca J. Michael
Rebecca J. Michael

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