



## **I. NOTICES AND COMMUNICATIONS**

Notices and communications with respect to this filing may be addressed to the following:<sup>4</sup>

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## **II. BACKGROUND**

By enacting the Energy Policy Act of 2005,<sup>5</sup> Congress entrusted the Commission with the duties of approving and enforcing rules to ensure the reliability of the Nation’s Bulk-Power System, and with the duties of certifying an Electric Reliability Organization (“ERO”) that would be charged with developing and enforcing mandatory Reliability Standards, subject to Commission approval. Section 215(b)(1)<sup>6</sup> of the FPA states that all users, owners, and operators of the Bulk-Power System in the United States will be subject to Commission-approved Reliability Standards. The Commission has the regulatory responsibility to approve Reliability Standards that protect the reliability of the Bulk-Power System and to ensure that such Reliability Standards are just, reasonable, not unduly discriminatory or preferential, and in the

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<sup>4</sup> Persons to be included on the Commission’s service list are identified by an asterisk. NERC respectfully requests a waiver of Rule 203 of the Commission’s regulations, 18 C.F.R. § 385.203 (2014), to allow the inclusion of more than two persons on the service list in this proceeding.

<sup>5</sup> 16 U.S.C. § 824o (2012).

<sup>6</sup> *Id.* § 824(b)(1).

public interest. Pursuant to Section 215(d)(2) of the FPA<sup>7</sup> and Section 39.5(c)<sup>8</sup> of the Commission's regulations, the Commission will give due weight to the technical expertise of the ERO with respect to the content of a Reliability Standard.

In Order No. 773, the Commission approved modifications to the definition of BES, which (i) established a bright-line threshold including all facilities operated at or above 100 kV, (ii) removed language allowing for broad regional discretion, and (iii) included clarifications identifying categories and configurations of facilities to as Inclusions and Exclusions to the BES. Exclusion E3 of the revised definition excluded local networks operated at less than 300 kV. As reflected in the NERC Glossary of Terms, Exclusion E3 applies to:

**E3 - Local networks (LN):** A group of contiguous transmission Elements operated at less than 300 kV that distribute power to Load rather than transfer bulk power across the interconnected system. LN's emanate from multiple points of connection at 100 kV or higher to improve the level of service to retail customers and not to accommodate bulk power transfer across the interconnected system. The LN is characterized by all of the following:

- a) Limits on connected generation: The LN and its underlying Elements do not include generation resources identified in Inclusions I2, I3, or I4 and do not have an aggregate capacity of non-retail generation greater than 75 MVA (gross nameplate rating);
- b) Real Power flows only into the LN and the LN does not transfer energy originating outside the LN for delivery through the LN; and
- c) Not part of a Flowgate or transfer path: The LN does not contain any part of a permanent Flowgate in the Eastern Interconnection, a major transfer path within the Western Interconnection, or a comparable monitored Facility in the ERCOT or Quebec Interconnections, and is not a monitored Facility included in an Interconnection Reliability Operating Limit (IROL).<sup>9</sup>

In approving Exclusion E3 and its 300 kV threshold, the Commission directed "NERC to submit a compliance filing within one year of the implementation date identifying in sufficient

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<sup>7</sup> 16 U.S.C. § 824o(d)(2).

<sup>8</sup> 18 C.F.R. § 39.5(c)(1).

<sup>9</sup> See, NERC Glossary of Terms, at pp. 20-21.

detail the types of local network configurations that have been excluded from the bulk electric system under this exclusion.”<sup>10</sup> This compliance filing accordingly details the types of local network configurations excluded from the BES upon implementation of Exclusion E3, as documented through confirmed notifications of self-determination submitted by registered entities (such notices are referred to herein as “Self-Determined Notifications” or “SDNs”).

### **III. LOCAL NETWORK CONFIGURATIONS EXCLUDED UNDER EXCLUSION E3**

Pursuant to the Commission’s directive that NERC identify in sufficient detail the types of local network configurations excluded from the BES under Exclusion E3, NERC has prepared the summary report attached as Exhibit A.<sup>11</sup> Exhibit A summarizes the types of local network configurations confirmed by NERC as excluded under Exclusion E3, after registered entities submitted SDNs under implementation of Exclusion E3. In the interest of a comprehensive review of available data, Exhibit A also includes details on local network configurations for SDNs approved by Regional Entities that are now awaiting completion of NERC review.

NERC evaluated SDNs as the best source to examine application of Exclusion E3, because the data included in SDNs is provided to the Regional Entities and NERC as part of implementation of the revised definition of BES. The data reflected in Exhibit A does not capture details regarding (i) entities which did not need to change their NERC registration after the revised definition of BES, or (ii) facilities which did not fall within the scope of the prior definition of the BES and which now fall within Exclusion E3. This comports with the Commission’s statement in Order No. 773-A that, “an entity may apply the E3 exclusion without having to submit an application to NERC for a case-specific ruling.”<sup>12</sup> Therefore, the data

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<sup>10</sup> Order No. 773, at P 206; and *N. Am. Elec. Reliability Corp.*, 146 FERC ¶ 61,199 (2014).

<sup>11</sup> *Local Area Summary*, attached hereto as Exhibit A.

<sup>12</sup> Order No. 773-A, at P 125.

reflected in Exhibit A provides a comprehensive summary of available detail on the types of local network configurations that may be excluded from the BES pursuant to implementation of Exclusion E3.

The data summarized in Exhibit A details the types of local networks excluded and demonstrates the limited magnitude of systems (including higher voltage facilities) excluded under Exclusion E3. NERC has processed 1,071 SDNs since implementation of the BES definition, representing review of over 6,700 Elements.<sup>13</sup> Out of the 1,071 SDNs processed, only 21 SDNs were submitted under implementation of Exclusion E3 and only 13 SDNs (1.2%) were approved by NERC under Exclusion E3.<sup>14</sup> Further, the average load of the full 13 networks approved is 168 MW, ranging from 40 MW to 641 MW, totaling 2,016 MW.<sup>15</sup>

In addition, as reflected in Exhibit A, the majority of local network configurations that NERC has confirmed as excluded from the BES under SDNs submitted by registered entities pursuant to implementation of Exclusion E3 have been for facilities within 200 kV. Only three SDNs have been approved by NERC under Exclusion E3 for local networks within the above 200 kV category of facilities.<sup>16</sup> There are also six local network SDNs submitted under Exclusion E3 awaiting NERC processing, of which three fall into the above 200 kV category.<sup>17</sup> As a result, the data summarized in Exhibit A details the types of local network configurations that have been excluded from the BES under Exclusion E3, and the data indicates that only a

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<sup>13</sup> See, Exhibit A, at Table 1.

<sup>14</sup> See, Exhibit A, at Tables 1 and 2.

<sup>15</sup> See, Exhibit A, at p. 1 (describing the Local Network SDNs Processed).

<sup>16</sup> See, Exhibit A, at Table 2. Eight local network SDNs were rejected. Seven out of those eight SDNs were rejected due to misapplications that defined boundaries of the local networks based on normally open switches and breakers, which is not an option under Exclusion E3. That option is only available under Exclusion E1 as defined in the revised definition of BES. *Id.* See also, NERC Glossary, at p. 2 (including Note 1 of the definition of Exclusion E1).

<sup>17</sup> See, Exhibit A, at Table 3.

limited number of systems have been excluded under Exclusion E3 (inclusive of systems that fall into above 200 kV category).

**IV. CONCLUSION**

For the reasons stated above, NERC respectfully requests that the Commission accept this filing as compliant with the Commission's directive in Order No. 773, at Paragraph 206.

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 lists compiled by the Secretary in Docket Nos. RM12-6-000 and RM12-7-000.

Dated at Washington, D.C. this 1<sup>st</sup> day of July, 2015.

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## Exhibit A – Local Area Summary

### Self-Determined Notifications (SDNs) Processed

Since the implementation of the Bulk Electric System (BES) definition on July 1, 2014, NERC has processed 1,071 self-determined notifications (SDNs) for inclusion or exclusion of Elements as part of the BES. Table 1 reflects a breakdown of all SDNs processed through June 26, 2015, their composition, and their disposition.

SDNs Processed	SDNs Rejected	Local Networks	Wind Farms	Inclusion Elements	Exclusion Elements	Total Elements
1,071	24 (2.2%)	21	41	5,157	1,541	6,739

### Local Network SDNs Processed

Table 2 reflects all local network SDNs reviewed and processed under Exclusion E3 of the BES definition as of June 26, 2015. Only 3 of the local networks approved as excluded fell within the above 200 kV category of systems. The average load of the 13 networks approved for confirmed exclusion under E3 is 168 MW, ranging from 40 MW to 641 MW, totaling 2,016 MW. That demonstrates the limited magnitude of systems excluded under Exclusion E3.

It should be noted that 8 local network SDNs were rejected. In particular, 7 of those rejected SDNs defined boundaries of the local networks based on normally open switches and breakers, which is not an option under Exclusion E3. That option only is applicable within Exclusion E1.

Local Networks Processed	Local Networks Rejected	Local Networks Approved	Average Load <sup>1</sup>	100 kV to 200 kV Networks Approved		> 200 kV Networks Approved	
				Networks	Network Elements	Networks	Network Element
21	8 (38%)	13	168 MW	10	38	3	11

<sup>1</sup> Average load of approved SDNs, approximated from flow data submitted and powerflow peak load base case representations.

## Local Network SDNs Awaiting Processing

Table 3 reflects an overview of the local network SDNs approved by the regions, and awaiting processing by NERC.

<b>Table 3: Local Network SDNs Awaiting Processing by NERC As Of 6-26-2015</b>		
<b>Network SDNs Waiting</b>	<b>100 kV to 200 kV Networks</b>	<b>&gt; 200 kV Networks</b>
6	3	3