

139 FERC ¶ 61,097
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
and Cheryl A. LaFleur.

Mandatory Reliability Standards
for the Bulk-Power System

Docket Nos. RM06-16-010
RM06-16-011

ORDER ON MOTION FOR AN EXTENSION OF TIME
AND SETTING COMPLIANCE SCHEDULE

(Issued May 4, 2012)

1. On March 30, 2012, the North American Electric Reliability Corporation (NERC), the Commission-certified Electric Reliability Organization (ERO), submitted a motion for an extension of time to submit a revised Resource and Demand Balancing Reliability Standard on Frequency Response and Frequency Bias, BAL-003 (March 30, 2012 Motion). In this order, we grant NERC's motion to the extent discussed herein and establish a compliance schedule for NERC to submit a revised BAL-003 Reliability Standard consistent with the Commission's directives in Order No. 693.¹

I. Background

2. In Order No. 693, issued in March 2007, the Commission, *inter alia*, approved NERC's Resource and Demand Balancing (BAL) Reliability Standards, including BAL-003-0, which addresses frequency response and bias.² The Commission approved BAL-003-0, noting that Requirement R5 places a minimum magnitude on frequency bias, and that Requirement R2 identifies that the Frequency Bias be "as close as practical to, or

¹ *Mandatory Reliability Standards for the Bulk-Power System*, Order No. 693, FERC Stats. & Regs. ¶ 31,242, at PP 369-375, *order on reh'g*, Order No. 693-A, 120 FERC ¶ 61,053 (2007). *See also Mandatory Reliability Standards for the Bulk-Power System*, 130 FERC ¶ 61,218, *order on reh'g* (March 18 2010 Order), 131 FERC ¶ 61,136, *order on compliance filing*, 133 FERC ¶ 61,212 (2010).

² The terms Frequency Response and Frequency Bias are defined in the NERC Glossary of Terms Used in the Reliability Standards.

greater than, the Balancing Authority's [yearly average] Frequency Response."³ The Commission concluded that "the minimum frequency response needed for Reliable Operation should be defined and methods of obtaining the frequency response identified."⁴ Accordingly, in Order No. 693 the Commission approved Reliability Standard BAL-003-0 as mandatory and enforceable. In addition, the Commission directed the ERO to develop a modification to BAL-003-0 through the Reliability Standards development process that "defines the necessary amount of Frequency Response needed for Reliable Operation for each balancing authority with methods of obtaining and measuring that the frequency response is achieved."⁵

3. On March 18, 2010, the Commission established a six-month compliance deadline for NERC to submit modifications to Reliability Standard BAL-003-0 responsive to the Commission's directives in Order No. 693.⁶ NERC requested rehearing and clarification. On rehearing for further consideration, the Commission directed Commission staff to convene a technical conference to provide an opportunity for a public discussion regarding technical issues pertaining to the development of a frequency response requirement.⁷ The Commission also directed NERC to submit a proposed schedule that included firm deadlines for completing studies and analyses needed to develop a frequency response requirement, and for submission of a modified BAL-003-0 Reliability Standard responsive to the Commission directives in Order No. 693.

4. On October 25, 2010, NERC submitted an action plan, which included estimated timelines for completing studies and analyses needed to develop a frequency response requirement. NERC indicated that it would complete the revised Reliability Standard by May 2012. On December 16, 2010, the Commission accepted NERC's proposed action

³ See Order No. 693, FERC Stats. & Regs. ¶ 31,242 at PP 370-373.

⁴ *Id.* P 372.

⁵ *Id.* P 375.

⁶ March 18, 2010 Order, 130 FERC ¶ 61,218.

⁷ March 18 2010 Order, 130 FERC ¶ 61,218, *order on reh'g*, 131 FERC ¶ 61,136 at P 15. On September 23, 2010, Commission staff convened the technical conference. The agenda for the technical conference included the following issues: (1) the fundamental physics that determine the frequency response of an interconnected Alternating Current power system; and (2) approaches used by various interconnections (domestic and international) to determine and measure the magnitude and sources of frequency response. See Supplemental Notice, September 14, 2010 at 2-3.

plan, including NERC's proposed deadline for filing a revised Reliability Standard by May 2012.⁸

II. March 30, 2012 Motion for Extension of Time

5. On March 30, 2012, NERC filed its motion for additional time to comply with Order No. 693. NERC explains that it will not meet its May 2012 deadline. NERC does not ask for an extension to file a revised Reliability Standard by a date certain but proposes to file a revised timeline with the Commission no later than 21 days following the end of the comment period that begins after the second of two technical conferences NERC proposes to convene with stakeholders in May 2012. NERC also proposes to make informational filings with the Commission on a quarterly basis following the proposed technical conferences to keep the Commission informed of its progress with respect to this issue.

6. In support of the March 30, 2012 Motion, NERC states that there are certain technological and practical impediments as well as the added complication of a market component that NERC alone is unable to address, and these elements necessitate additional time for development of a successful Reliability Standard.⁹ NERC states that additional time will allow NERC and the standard drafting team to complete necessary analyses and research, gain support for the current draft of the standard and allow for input from both the industry and the Commission.

III. Discussion

7. The Commission first directed NERC to submit a revised BAL-003-0 Reliability Standard in 2007. Because of the importance of this standard to the reliability of the grid, the Commission later set a deadline for NERC to comply with the Commission's directive.¹⁰ At NERC's request, the Commission subsequently approved a schedule that

⁸ *Mandatory Reliability Standards for the Bulk-Power System*, 133 FERC ¶ 61,212.

⁹ In requesting rehearing of the March 18, 2010 Order, NERC also explained the highly technical issues related to Frequency Response and the necessity of conducting studies and analyses.

¹⁰ NERC has identified the BAL-003 Reliability Standard as a high priority matter. See NERC 2011-2013 Reliability Standards Development Plan, Docket Nos. RM05-17-000, et al. (filed May 13, 2011) in which NERC listed Project 2007-12: Frequency Response as "High Priority Project No.5." and NERC 2012-2014 Reliability Standards Development Plan, Docket Nos. RM05-17-000, et al. (filed December 13, 2011) in which

(continued...)

adopted an extension, which NERC itself proposed. NERC now seeks more time. The Commission appreciates that these matters may be complex and that NERC is simultaneously working on other important matters, some at our direction. However, the Commission cannot overlook that it has been five years since the Commission first directed NERC to revise the BAL-003-0 Reliability Standard and NERC has yet to comply. Given the time that has elapsed, that Frequency Response is essential to the reliable operation of the grid,¹¹ and that the Commission already has granted NERC additional time at its request, the Commission is reluctant to grant any further extensions of time, let alone the undefined extension that NERC now seeks for filing a revised BAL-003-0 Reliability Standard.

8. Nonetheless, in the interest of ensuring a properly developed Reliability Standard, the Commission grants NERC an extension of time, explained as follows. First, NERC indicates that the BAL-003-0 standard drafting team plans to conduct a statistical analysis and additional research into the calculation of the Frequency Response Obligation.¹² The Commission is concerned that this additional analysis and research not extend so long as to delay progress on developing the revised Reliability Standard. Therefore, the Commission sets a compliance deadline for completing this analysis and research to no later than six months from the date of this order.¹³ Second, the Commission grants NERC an extension of twelve months -- until the end of May 2013 -- for NERC to complete the remainder of its work and file a revised BAL-003-0 Reliability Standard with the Commission as directed in Order No. 693.

9. Finally, the Commission accepts NERC's proposal to file informational quarterly reports. The Commission directs that the informational reports be submitted on a quarterly basis from the date of this order. The reports shall describe the progress NERC is making toward completing its analysis and research as well as the progress it is making in completing work on the other issues and filing a revised BAL-003-0 Reliability Standard by May 31, 2013, as required by this order.

NERC listed Project 2007-12: Frequency Response as "No.10 in Reliability Priority," and tied for "No.2 in Time Sensitivity Priority."

¹¹ March 30, 2012 Motion at 16 ("Like reactive power and installed capacity, Frequency Response is essential to ensure the reliable operation of the North American power grid.").

¹² March 30, 2012 Motion at 23-24.

¹³ The Commission leaves to NERC's discretion the procedures it believes it needs to complete this work so long as NERC completes the work in the allotted time.

The Commission orders:

(A) NERC's March 30, 2012 Motion is granted to the extent discussed herein.

(B) NERC is directed to complete its analysis and research and to submit modifications to Reliability Standard BAL-003-0 that comply with the Commission's directives as set forth in Order No. 693, as discussed in the body of this order.

(C) NERC shall file quarterly reports with the Commission, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.