

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

Revisions to Electric Reliability)	Docket Nos. RM12-6-000
Organization Definition of Bulk Electric System)	RM12-7-000
And Rules of Procedure)	

**REQUEST FOR CLARIFICATION OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION**

Pursuant to Rules 212 and 713, of the Federal Energy Regulatory Commission’s (“FERC” or the “Commission”) Rules of Practice and Procedure, 18 C.F.R. § 385.212, 385.713, the North American Electric Reliability Corporation (“NERC”)¹ requests clarification of the Commission’s December 20, 2012 Order on Revisions to Electric Reliability Organization Definition of Bulk Electric System and Rules of Procedure (“Order No. 773”).²

NERC appreciates the Commission’s recognition in Order No. 773³ of NERC and the industry’s efforts to provide a technically grounded and legally supportable foundation for identifying elements and facilities that comprise the Bulk Electric System (“BES”). Similarly, NERC recognizes the Commission’s commitment to resolving this important issue and the time frame in which the Commission issued a final order following NERC’s initial submission of a revised definition of the Bulk Electric System (“BES Definition”). However, there are several areas where NERC requests the Commission to clarify its interpretation of the BES Definition in Order No. 773.

¹ The Federal Energy Regulatory Commission certified NERC as the electric reliability organization (“ERO”) in its order issued on July 20, 2006 in Docket No. RR06-1-000. *North American Electric Reliability Corporation*, 116 FERC ¶ 61,062 (2006).

² *Revisions to Electric Reliability Organization Definition of Bulk Electric System and Rules of Procedure*, Order No. 773, 141 FERC ¶ 61,236 (2012).

³ Order No. 773 at P 3.

I. EXECUTIVE SUMMARY

NERC respectfully requests the following:

(1) clarification of the Commission directive to revise Exclusion E3; and

(2) clarification of the Commission directives to:

(a) implement Exclusion E1 so that the exclusions for radial systems do not apply to tie-lines for BES generators identified in inclusion I2, and

(b) implement Exclusion E3 so that the exclusion for local networks does not apply to BES generator tie-lines operated at or above 100 kV.

First, NERC requests the Commission clarify the directive in Order No. 773 to remove the 100 kV minimum operating threshold language from Exclusion E3.⁴ NERC requests additional information and rationale regarding the technical justification for this directed modification in order to implement this directive appropriately.

Second, NERC requests the Commission clarify its directives to (a) implement Exclusion E1 so that the exclusions for radial systems do not apply to tie-lines for BES generators identified in inclusion I2, and (b) to implement Exclusion E3 so that the exclusion for local networks does not apply to BES generator tie-lines operated at or above 100 kV. NERC requests clarification in order to implement these directives appropriately.

II. BACKGROUND

NERC's BES Definition is an integral part of the NERC Reliability Standards and is included in the NERC Glossary of Terms Used in Reliability Standards.⁵ The Commission approved NERC's BES Definition in Order No. 693 with reservations.⁶ The Commission noted

⁴ Order No. 773 at P 155 ("we direct NERC to modify exclusion E3 to remove the 100 kV minimum operating voltage in the local network definition.").

its concern that the Bulk Electric System definition had the potential for gaps in coverage of facilities, and indicated that it would revisit the issue.⁷

In Order No. 743, the Commission directed NERC to undertake the process of revising the BES Definition to address the Commission's concerns about the broad discretion the former definition granted to Regional Entities to modify the definition without Commission or ERO oversight, and the Commission provided a suggested solution.⁸ Specifically, the Order directed the ERO to revise the definition of BES "through the NERC Standards Development Process to address the Commission's concerns."⁹ The Commission stated its belief that one effective way to address those concerns would be to eliminate the regional discretion contained in the current definition, which allows Regional Entities to define the term without Commission or ERO oversight; maintain the threshold contained in the current definition, which includes all facilities operated at or above 100 kV except defined radial facilities; and adopt an exemption process and criteria for excluding facilities that the ERO determines are not necessary to operate an interconnected electric transmission network. In Order No. 743-A, "the Commission emphasize[d] that Order No. 743 did not mandate or direct NERC to adopt a 100 kV bright-line threshold."¹⁰

On January 25, 2012, NERC submitted two petitions pursuant to the directives in Order No. 743: (1) NERC's proposed revision to the definition of "bulk electric system" which includes provisions to include and exclude facilities from the "core" definition; and (2) revisions

⁵ See Glossary of Terms Used in NERC Reliability Standards, available here: http://www.nerc.com/files/Glossary_of_Terms.pdf.

⁶ Order No. 693 at P 75.

⁷ *Id.* See also Order No. 693-A at P 19 (the Commission will continue to rely on NERC's definition of bulk electric system, with the appropriate regional differences, and the registration process until the Commission determines in future proceedings the extent of the Bulk-Power System").

⁸ *Revision to Electric Reliability Organization Definition of Bulk Electric System*, Order No. 743, 75 FR 72910 (Nov. 26, 2010), 133 FERC ¶ 61,150 (2010), *order on reh'g*, Order No. 743-A, 134 FERC ¶ 61,210 (2011).

⁹ Order No. 743 at P 16.

¹⁰ Order No. 743-A at P 20.

to NERC's Rules of Procedure to add a procedure creating an exception process to classify or de-classify an element as part of the "bulk electric system." In Docket No. RM12-6-000, NERC filed a petition requesting Commission approval of a revised definition of "bulk electric system" in the NERC Glossary. The definition consists of a "core" definition and a list of facilities configurations that will be included or excluded from the "core" definition. NERC proposed the following "core" definition of bulk electric system:

Unless modified by the [inclusion and exclusion] lists shown below, all Transmission Elements operated at 100 kV or higher and Real Power and Reactive Power resources connected at 100 kV or higher. This does not include facilities used in the local distribution of electric energy.

The Commission issued the BES Notice of Proposed Rulemaking ("NOPR") on June 22, 2012, and required that comments be filed within 60 days after publication in the *Federal Register*, or September 4, 2012.¹¹ While seeking comment on various provisions of NERC's petitions, the NOPR proposed to approve NERC's modification to the currently-effective definition of BES and changes to the Rules of Procedure to add the exception process. The NOPR also requested comment on the appropriate role for NERC and the Commission in the identification of BES facilities and elements. NERC submitted comments on September 4, 2012, and reply comments on September 19, 2012.¹²

The Commission issued Order No. 773 on December 20, 2012. Highlights of Order No. 773 include, the acceptance of NERC's revisions to its Rules of Procedure and establishment of a process pursuant to which an entity can seek a determination by the Commission whether facilities are "used in local distribution" as set forth in the FPA. Order No. 773 directs NERC:

¹¹ *Revisions to Electric Reliability Organization Definition of Bulk Electric System and Rules of Procedure*, 139 FERC ¶ 61,247 (June 22, 2012) ("NOPR").

¹² NERC's initial comments are available here: http://www.nerc.com/files/FINAL_Comments_BES_NOPR_complete.pdf and NERC's reply comments are available here: http://www.nerc.com/files/FINAL_BES_NOPR_Reply%20comments_clean.pdf.

(1) “to implement the exclusions for radial systems and local networks so that they do not apply to tie-lines for bulk electric system generators;” and (2) “to modify the local network exclusion to remove the 100 kV minimum operating voltage...”¹³

III. REQUEST FOR CLARIFICATION

A. The Commission Should Clarify its Directive to Remove the 100 kV Minimum Operating Threshold Language From Exclusion E3.

NERC requests the Commission clarify the directive in Order No. 773 to remove the 100 kV minimum operating threshold language from Exclusion E3 and the manner in which this directive should be implemented.¹⁴

The core BES Definition includes “all Transmission Elements operated at 100 kV or higher and Real Power and Reactive Power resources connected at 100 kV or higher” and the “100 kV minimum operating voltage” language in Exclusion E1 simply mirrors this threshold determination and ensures that the BES Definition identifies the vast majority of BES Elements in a consistent manner that can be applied on a continent-wide basis.

Order No. 773 directs NERC to remove specific language in Exclusion E3 of the BES Definition. The Commission “direct[s] NERC to modify exclusion E3 to *remove the 100 kV minimum operating voltage* in the local network definition.”¹⁵

Exclusion E3 states:

E3 - Local networks (LN): A group of contiguous transmission Elements operated at or above 100 kV but 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 customer Load

¹³ Order No. 773 at P 4.

¹⁴ Order No. 773 at P 155 (“we direct NERC to modify exclusion E3 to remove the 100 kV minimum operating voltage in the local network definition.”).

¹⁵ Order No. 773 at P 155 (emphasis added).

and not to accommodate bulk power transfer across the interconnected system. The LN is characterized by all of the following:

NERC interprets the directive to be effectuated in the following manner:

E3 - Local networks (LN): A group of contiguous transmission Elements operated at ~~or above 100 kV but~~ 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 customer Load and not to accommodate bulk power transfer across the interconnected system. The LN is characterized by all of the following:

NERC requests clarification as to whether this is a correct interpretation of the Commission's directive. While the outcome of the application of either Exclusion E1 or Exclusion E3 to Figures 3 and 5 is the same;¹⁶ (*i.e.*, all elements other than Lines 1 and 2 are excluded from the BES Definition), NERC notes that the Commission's approach will entail the evaluation of significantly more facilities in applying Exclusion E3 and is administratively burdensome. NERC respectfully requests that the Commission clarify the basis and intent of this directive to allow NERC to implement this directive appropriately.

B. The Commission Should Clarify its Directives on Implementation of Exclusion E1 and Exclusion E3.

NERC requests the Commission clarify the directives in Order No. 773 in Paragraphs 164 and 214 to (i) "implement exclusion E1 so that the exclusions for radial systems do not apply to tie-lines for bulk electric system generators identified in inclusion I2" (P 164) and (ii) "implement exclusion E3 so that the exclusion for local networks does not apply to bulk electric system generator tie-lines operated at or above 100 kV" (P 214). The Commission does not state whether "implementation" applies to Phase 1 or Phase 2 of the BES Definition or *how*

¹⁶ Assuming that the relevant Exclusion criteria are met.

implementation would be effectuated without a change to the BES Definition. Specifically, NERC requests that the Commission clarify how these directives should be reconciled with the plain language of the Exclusions.

As a preliminary matter, NERC notes that the Commission's use of the term "tie-line" in the general sense is potentially confusing for stakeholders as "Tie Line" is a defined term in the NERC Glossary of Terms Used in Reliability Standards that refers to a "circuit connecting two Balancing Authority Areas."¹⁷ This could create additional complications with the implementation of the Commission's directive unless the Commission clarifies its use of this term.

Exclusion E1 applies to a group of contiguous transmission Elements that emanates from a single point of connection of 100 kV or higher" that meet certain criteria. The Commission (at P 167) "directs NERC to implement exclusion E1 so that the exclusion for radial systems does not apply to tie-lines for bulk electric system generators identified in inclusion I2." Similarly, the Commission (at P 214) "directs NERC to implement exclusion E3 so that the exclusion for local networks does not apply to bulk electric system generator tie-lines operated at or above 100 kV".

NERC respectfully requests that the Commission reconcile these directives with the express language of the BES Definition. The concept of "tie-lines," as that term is being used by the Commission, appears nowhere in the express language of Exclusion E1 or Exclusion E3. The Commission acknowledges in Order No. 773 that "exclusion E1 *as written* does not prevent the radial tie-line operating at or above 100 kV from the high side of the step-up transformer to

¹⁷ See Glossary of Terms Used in NERC Reliability Standards, available here: http://www.nerc.com/files/Glossary_of_Terms.pdf.

the bulk electric system from being excluded...”¹⁸ NERC requests clarification in order to implement these directives appropriately.

IV. CONCLUSION

For the reasons set forth herein, NERC requests that the Commission clarify its directives with respect to Exclusion E3 and the implementation of Exclusion E1 and Exclusion E3.

Respectfully submitted,

/s/ Stacey Tyrewala

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Dated: January 22, 2013

¹⁸ Order No. 773 at P 167 (emphasis added).

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 22nd day of January, 2013.

/s/ Stacey Tyrewala
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