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Exhibit A VAR-002-WECC-2 — Automatic Voltage Regulators
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Exhibit B Implementation Plan

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Exhibit D Complete Development Record of Proposed VAR-002-WECC-2 and VAR-501-
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Exhibit E Standard Drafting Team Roster

As required by Section 39.5(a)⁶ of the Commission’s regulations, this petition presents the technical basis and purpose of the proposed Reliability Standards, a summary of the development proceedings conducted by NERC and WECC for proposed VAR-002-WECC-2 and VAR-501-WECC-2 (Exhibit D), and a demonstration that the proposed regional Reliability Standards meet the criteria identified by the Commission in Order No. 672⁷ (Exhibit C).

I. Executive Summary

Consistent with the Commission’s order⁸ approving NERC’s Compliance Enforcement Initiative (“CEI”), including the Find, Fix, Track and Report (“FFT”) program, NERC is requesting retirement of two requirements within two regional Reliability Standards, VAR-002-WECC-1 Requirement R2 and VAR-501-WECC-1 Requirement R2, that are unnecessary, and where violation of the requirements pose a lesser risk to the reliability of the Bulk-Power System.

The proposed regional Reliability Standards continue to achieve the same reliability purpose of the prior versions. The purpose of proposed VAR-002-WECC-2 is to ensure that automatic voltage regulators on synchronous generators and condensers are kept in service and controlling voltage. The purpose of proposed VAR-501-WECC-2 is to ensure that power system stabilizers on synchronous generators are kept in service.

II. Notices and Communications

⁶ 18 C.F.R. § 39.5(a) (2012).

⁷ The Commission specified in Order No. 672 certain general factors it would consider when assessing whether a particular Reliability Standard is just and reasonable. *See Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards*, Order No. 672, FERC Stats. & Regs. ¶ 31,204, at P 262, 321-37, *order on reh’g*, Order No. 672-A, FERC Stats. & Regs. ¶ 31,212 (2006).

⁸ *North American Electric Reliability Corporation*, 138 FERC ¶ 61,193 at P 81 (2012) (“FFT Order”).

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III. Background

A. Regulatory Framework

By enacting the Energy Policy Act of 2005, which amended the Federal Power Act (“FPA”),¹⁰ 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 ERO that would be charged with developing and enforcing mandatory Reliability Standards, subject to Commission approval. Section 215(b)(1)¹¹ of the FPA states that all users, owners, and operators of the Bulk-Power System in the United States will be subject to Commission-

⁹ 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.

¹⁰ 16 U.S.C. § 824o (2012).

¹¹ *Id.* § 824(b)(1).

approved Reliability Standards. Section 215(d)(5)¹² of the FPA authorizes the Commission to order the ERO to submit a new or modified Reliability Standard. Section 39.5(a)¹³ of the Commission's regulations requires the ERO to file with the Commission for its approval each Reliability Standard that the ERO proposes should become mandatory and enforceable in the United States, and each modification to a Reliability Standard that the ERO proposes should be made effective.

The Commission has the regulatory responsibility to approve standards that protect the reliability of the Bulk-Power System and to ensure that such standards are just, reasonable, not unduly discriminatory or preferential, and in the public interest. A Reliability Standard proposed by a Regional Entity must meet the same standard that NERC's Reliability Standards must meet, *i.e.*, the regional Reliability Standard must be shown to be just, reasonable, not unduly discriminatory or preferential, and in the public interest.¹⁴ If the regional Reliability Standard is proposed by a Regional Entity organized on an Interconnection-wide basis, to be applicable on an Interconnection-wide basis, then NERC must rebuttably presume that the standard is just, reasonable, not unduly discriminatory or preferential, and in the public interest.¹⁵

Pursuant to Section 215(d)(2) of the FPA¹⁶ and Section 39.5(c)(1)-(2)¹⁷ 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 and to the technical expertise of a Regional Entity organized on an Interconnection-wide basis with respect to a Reliability

¹² *Id.* § 824o(d)(5).

¹³ 18 C.F.R. § 39.5(a) (2014).

¹⁴ 16 U.S.C. § 824o(d)(2); 18 C.F.R. §39.5(a).

¹⁵ 16 U.S.C. § 824o(d)(3); 18 C.F.R. §39.5(b).

¹⁶ 16 U.S.C. § 824o(d)(2).

¹⁷ 18 C.F.R. § 39.5(c)(1)(2).

Standard to be applicable within that Interconnection. In Order No. 672, the Commission noted that:

As a general matter, we will accept the following two types of regional differences, provided they are otherwise just, reasonable, not unduly discriminatory or preferential and in the public interest, as required under the statute: (1) a regional difference that is more stringent than the continent-wide Reliability Standard, including a regional difference that addresses matters that the continent-wide Reliability Standard does not; and (2) a regional Reliability Standard that is necessitated by a physical difference in the Bulk-Power System.¹⁸

A regional difference generally takes one of two forms: (1) a regional variance may be included in a continent-wide Reliability Standard, which achieves the reliability objective of the continent-wide standard's requirement(s) in an alternate way than specified in a given Requirement in the continent-wide standard or (2) a separate regional Reliability Standard may be developed, which adds one or more Requirements without altering any continent-wide Requirements that are applicable to entities in the region.¹⁹ As discussed in the *Western Electricity Coordinating Council Reliability Standards Development Procedures*, the regional Reliability Standards for WECC are developed in a transparent, inclusive, open, and balanced process with reasonable notice and opportunity for public comment.²⁰

¹⁸ Order No. 672 at P 291.

¹⁹ See NERC, *Whitepaper to Provide Guidance on Regional Standards and Variances*, May 17, 2012, available at <http://www.nerc.com/docs/sac/rsg/Whitepaper%20on%20Regional%20Standards%20and%20Variances%20final.pdf>.

²⁰ The *Western Electricity Coordinating Council Reliability Standards Development Procedures* are available at https://www.wecc.biz/_layouts/15/WopiFrame.aspx?sourcedoc=/Reliability/WECC%20Reliability%20Standards%20Development%20Procedures.pdf&action=default&DefaultItemOpen=1

B. History of VAR-002-WECC-2 and VAR-501-WECC-2

On March 16, 2007, the Commission issued Order No. 693, approving Reliability Standard VAR-002-1.²¹ Reliability Standard VAR-002-1 requires Generator Operators to operate in automatic voltage control mode, to maintain generator voltage or reactive power output as directed by the Transmission Operator, and to notify the Transmission Operator of a change in status or capability of any generator reactive power resource.

On June 8, 2007, the Commission approved eight WECC regional Reliability Standards that apply in the Western Interconnection, including WECC-VAR-STD-002a-1 (Automatic Voltage Regulators) and WECC-VAR-STD-002b-1 (Power System Stabilizer).²² The Commission subsequently approved revisions to both WECC-VAR-STD-002a-1 and WECC-VAR-STD-002b-1, which were re-designated VAR-002-WECC-1 and VAR-501-WECC-1 respectively, in Order No. 751.²³

C. Project 2013-02 Paragraph 81

On March 15, 2012, the Commission issued an order²⁴ approving NERC's CEI, including the FFT program. Paragraph 81 ("P 81") of the FFT Order reads:

The Commission notes that NERC's FFT initiative is predicated on the view that many violations of requirements currently included in Reliability Standards pose lesser risk to the Bulk-Power System. If so, some current requirements likely provide little protection for Bulk-Power System reliability or may be redundant. The Commission is interested in obtaining views on whether such requirements could be removed from the Reliability Standards with little effect on reliability and an increase in efficiency of the ERO compliance program. *If NERC believes that specific Reliability Standards or specific requirements within certain Standards should be revised or removed, we invite NERC to make specific proposals*

²¹ *Id.* P 1884.

²² *N. Am. Elec. Reliability Corp.*, 119 FERC ¶ 61,260 (2007).

²³ *Version One Regional Reliability Standards for Facilities Design, Connections, and Maintenance; Protection and Control; and Voltage and Reactive*, 135 FERC ¶ 61,061 (2011).

²⁴ FFT Order at P 81 (emphasis added).

to the Commission identifying the Standards or requirements and setting forth in detail the technical basis for its belief. In addition, or in the alternative, we invite NERC, the Regional Entities and other interested entities to propose appropriate mechanisms to *identify and remove from the Commission approved Reliability Standards unnecessary or redundant requirements.* We will not impose a deadline on when these comments should be submitted, but ask that to the extent such comments are submitted NERC, the Regional Entities, and interested entities coordinate to submit their respective comments concurrently.

In response, NERC initiated a review, referred to as the “P 81 project,” to identify requirements that could be removed from Reliability Standards without impacting the reliability of the Bulk-Power System. This project identified Requirement R2 in both regional Reliability Standards VAR-002-WECC-1 and VAR-005-WECC-1 as candidates for retirement. However, because these Reliability Standards are maintained by WECC, the retirements were deferred in that project for later consideration by WECC through its standard development process.²⁵

IV. Justification for Approval

This section explains the proposed Requirement R2 retirement in each proposed regional Reliability Standard and how each continues to meet its respective reliability purpose. NERC and WECC request Commission approval of proposed regional Reliability Standards VAR-002-WECC-2 and VAR-501-WECC-2 (Exhibit A) and the Implementation Plan (Exhibit B). As discussed in Exhibit C, proposed regional Reliability Standards VAR-002-WECC-2 and VAR-501-WCC-2 satisfy the Commission’s criteria in Order No. 672 and are just, reasonable, not unduly discriminatory or preferential, and in the public interest. The complete development record for the proposed Regional Reliability Standard is provided in Exhibit D.

²⁵ See “Complete Set of Standards with Proposed Retirements for Phase 1” available on the P 81 project page at http://www.nerc.com/pa/Stand/Pages/Project2013-02_Paragraph_81.aspx.

A. Basis and Purpose of Proposed VAR-002-WECC-2 and VAR-501-WECC-2

Proposed VAR-002-WECC-2 and proposed VAR-501-WECC-2 revise currently-effective version 1 standards to remove an administrative Requirement R2 in each, which require documentation of R1. The documentation language has been added to the Measure in Requirement R1 in each. VAR-002-WECC-1, Requirement R2 states:

R2. Generator Operators and Transmission Operators shall have documentation identifying the number of hours excluded for each requirement in R1.1 through R1.10. *[Violation Risk Factor: Low]*
[Time Horizon: Operations Assessment]

VAR-501-WECC-2, Requirement R2 states:

R2. Generator Operators shall have documentation identifying the number of hours excluded for each requirement in R1.1 through R1.12. *[Violation Risk Factor: Low]* *[Time Horizon: Operations Assessment]*

The proposed modifications in both VAR-002-WECC-1 and VAR-501-WECC-2 include:

- deletion of Requirement R2, which requires documentation of Requirement R1;
- the addition of Measure M1.4.3 requiring the date of the outage be provided with the currently required quarterly reports; and
- non-substantive formatting changes have been made throughout the document to conform to NERC drafting conventions.

The substantive Requirements in both regional Reliability Standards have not changed and remain more stringent than the continent-wide Reliability Standard VAR-002-1. Proposed VAR-002-WECC-2 continues to set only very limited circumstances for when a generator's automatic voltage regulator should be operated in a mode other than voltage control mode and continues to further limit the cumulative timeframe for doing so. Proposed VAR-501-WECC-2 continues to require that Generator Operators have a power system stabilizer in service.

B. Enforceability of Proposed VAR-002-WECC-2 and VAR-501-WECC-2

Proposed VAR-002-WECC-2 and VAR-501-WECC-2 contain Measures that support each Requirement by clearly identifying what is required and how the Requirement will be enforced. The Measures have not substantively changed from the prior Commission approved versions of the Standards except for the addition of reporting the date of an outage related to an exclusion for each Standard. The Measures continue to provide clarity regarding how the Requirements will be enforced, and ensure that the Requirements will be enforced in a clear, consistent, and non-preferential manner and without prejudice to any party.²⁶ The proposed regional Reliability Standards continue to contain both a VRF and VSL for the remaining Requirement R1.

V. CONCLUSION

For the reasons stated above, NERC and WECC respectfully request that the Commission approve the proposed VAR-002-WECC-2 and VAR-501-WECC-2 regional Reliability Standards and the Implementation Plan.

Respectfully submitted,

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²⁶ Order No. 672 at P 327 (“There should be a clear criterion or measure of whether an entity is in compliance with a proposed Reliability Standard. It should contain or be accompanied by an objective measure of compliance so that it can be enforced and so that enforcement can be applied in a consistent and non-preferential manner.”).

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