UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Mandatory Reliability Standards for the	)	Docket Nos. RM08-19-000
Calculation of Available Transfer Capability,	)	RM08-19-001
Capacity Benefit Margins, Transmission Reliability	)	RM09-5-000
Margins, Total Transfer Capability, and Existing	)	RM06-16-005
Transmission Commitments and Mandatory	)	
Reliability Standards for the Bulk-Power System	)	

COMMENTS OF THE ISO/RTO COUNCIL

I. INTRODUCTION

The ISO/RTO Council ("IRC")[1] respectfully submits these joint comments in response to the Federal Energy Regulatory Commission's ("FERC" or the "Commission") Notice of Proposed Rulemaking ("NOPR") issued on March 19, 2009, in the above-referenced proceedings. Through this NOPR, the Commission proposes to approve six Modeling, Data, and Analysis ("MOD") Reliability Standards submitted for approval by the North American Electric Reliability Corporation ("NERC"). The proposed Reliability Standards require certain users, owners, and operators of the Bulk-Power System ("BPS") to develop consistent methodologies for the calculation of Available Transfer Capability ("ATC") or available flowgate capability.

[1] The IRC is comprised of the Independent System Operators operating as the Alberta Electric System Operator ("AESO"), the California Independent System Operator ("CAISO"), Electric Reliability Council of Texas ("ERCOT"), the Independent Electricity System Operator of Ontario, Inc., ("IESO"), ISO New England, Inc. ("ISONE"), Midwest Independent Transmission System Operator, Inc., ("MISO"), New York Independent System Operator, Inc. ("NYISO"), PJM Interconnection, L.L.C. ("PJM"), Southwest Power Pool, Inc. ("SPP"), and New Brunswick System Operator ("NBSO"). The IESO, AESO and NBSO are not subject to the Commission's jurisdiction and these comments do not constitute agreement or acknowledgement that either can be subject to the Commission's jurisdiction. Also, neither ERCOT, AESO nor NBSO are parties to this filing. The IRC's mission is to work collaboratively to develop effective processes, tools and standard methods for improving the competitive electricity markets across North America. In fulfilling this mission, it is the IRC's goal to provide a perspective that balances reliability standards with market practices so that each complements the other, thereby resulting in efficient, robust markets that provide competitive and reliable service to customers.

While the IRC supports the FERC approving the MOD Standards under Section 215 of the Federal Power Act, the FERC should eliminate from its Final Rule some of its proposed directives to NERC. In short, certain of FERC's proposed directives are outside the scope of Section 215 of the Federal Power Act, and in any event, NERC is not the proper entity to carry out such directives.

II. BACKGROUND

On February 16, 2007, the Commission issued Order No. 890[2] in which it concluded that the lack of industry-wide standards for the consistent calculation of ATC poses a threat to the reliable operation of the BPS. As such, the Commission directed the industry to develop Reliability Standards that provide for consistency and transparency in the methodologies used by transmission owners to calculate ATC.

Thereafter, on March 16, 2007, the Commission issued Order No. 693,[3] approving 83 of the 107 Reliability Standards filed by NERC in April 2006. In that Order, the Commission directed NERC to modify the proposed MOD Reliability Standards to be consistent with the direction contained in Order 890. In response, on August 29, 2008, NERC submitted for Commission approval five amended MOD Reliability Standards: MOD-001-1 – Available Transmission System Capability, MOD-008-1 – Transmission Reliability Margin ("TRM") Calculation Methodology, MOD-028-1 – Area Interchange Methodology, MOD-029-1 – Rated System Path Methodology, and MOD-030-1-Flowgate Methodology. Additionally, on November 21, 2008, NERC submitted for Commission approval a sixth MOD Reliability Standard: MOD-004-1 – Capacity Benefit Margin ("CBM") Methodology. Later, on March 6, 2009, NERC submitted MOD-030-2

[2] *Preventing Undue Discrimination and Preference in Transmission Service*, 118 FERC ¶61,119 (Feburary 16, 2007) ("Order No. 890").

[3] *Mandatory Reliability Standards for the Bulk Power System*, 118 FERC ¶61,218 (March 16, 2007)("Order No. 693").

for Commission approval and withdrew its approval request for the corresponding version 1 standard.

In its March 19, 2009 NOPR, the Commission proposes to approve the proposed MOD Reliability Standards as just, reasonable, not unduly discriminatory or preferential, and in the public interest. The Commission further notes that the proposed MOD Reliability Standards will enhance transparency in the calculation of ATC, requiring transmission operators and transmission service providers to calculate ATC using a specific methodology that is both explicitly documented and available to reliability entities who request it.

III. COMMENTS

The IRC agrees with the Commission that the proposed MOD Reliability Standards should be approved as submitted by NERC. In addition, the IRC agrees with FERC's characterization that the MOD Standards represent a step forward in eliminating the broad discretion previously afforded to transmission service providers in the calculation of ATC. It is the IRC's opinion that the methodology and documentation requirements in the proposed standards will ensure transparency and consistency in the calculation of ATC.

Nonetheless, the NOPR contains a number of assertions and proposed directions that, if left uncorrected, will result in misallocation of resources by NERC and the industry, will not result in reliability benefits, and are likely not supported by FERC or NERC's authority under Section 215 of the Federal Power Act. Certain aspects of the Commission's various proposals and directives are not necessary to ensuring, or *improving*, reliability on the BPS.

A. The NOPR Overstates Reliability Concerns Associated with the Standards and Lacks Justification for Additional Directives

The NOPR reiterates NERC's comment that overestimation and hence overselling of ATC can result in potential or actual system operating limits ("SOL") and interconnection reliability operating limits ("IROL") being exceeded.[4] The IRC would like to point out that there has not been a single incident in which an SOL or IROL has been violated due to the overselling of ATC.

Further, a transmission service reservation does not necessarily mean that power will flow on the BPS. Rather, it is the implementation of interchange schedules which utilize the reserved services that result in flows on the system. It follows that overselling of ATC does not equate to actual SOL or IROL being exceeded. If at the request for implementing Arranged Transactions stage it is identified that there is a potential for the interchange schedule to result in a reliability problem, the Transmission Operator ("TOP") and/or Reliability Coordinator ("RC") would hold or curtail the schedule, or utilize other reliability tools (*i.e.* redispatch, reconfiguration, curtailment of interchange transactions, etc.) to prevent the reliability problem.

B. The Commission's Proposal to Audit Implementation Documents Misallocates Limited Resources and is not Related to Enforcing Reliability

In this NOPR, the Commission proposes to direct the Electric Reliability Organization ("ERO") to conduct an audit of the various implementation documents developed by Transmission Service Providers to confirm that the complete ATC methodologies are reflected therein, and to determine whether each ATC implementation document developed under the Reliability Standards contains the level of specificity

[4] NOPR at PP 19.

sufficient to allow the Commission and others to replicate and verify calculations of ATC and AFC, CBM, and TRM.[5] The IRC, however, believes that the Commission's proposal to direct the ERO to conduct such audits should not be adopted because the subject matter of the audits is not related to compliance with NERC Reliability Standards or reliability in any way. The stated purpose of these audits is to review parameters and assumptions to determine if they are detailed enough to enable replication and verification by the Commission and others and to address lack of transparency. Such audits are not in themselves Reliability Standards compliance audits which are appropriately conducted by the ERO and its Reliability Entities. Rather the proposed audits are designed to allow the Commission and others to replicate and verify calculations.

The NOPR therefore appears to confuse ensuring reliability functions are met with functions related to open access, competition and markets. Section 215 recognizes this distinction, and while the IRC understands that consistent treatment of transmission customers is an important part of the Commission's open access policies, that matter is not within NERC's mandate to address as the ERO. Section 215 provides that "[t]he ERO shall have authority to develop and enforce compliance with [R]eliability [S]tandards for only the [BPS]."[6]

In short, the IRC believes that these audits are beyond the scope of the ERO which is only responsible for the reliability of the BPS and as such the ERO is not the appropriate entity to perform the proposed audits. The IRC also believes that the audits as proposed by the Commission would end up being duplicative of NERC's existing auditing procedures for Reliability Standards. NERC's compliance monitoring and

[5] NOPR at PP 77, 83, 84, 87, 94, 95, 97, 98, and 101.
[6] Section 215 (i)(1) of the FPA, to be codified at 16 U.S.C. § 824o(d)(2) (2000).

enforcement program ("CMEP") for the subject standards would ensure the Commission required consistency and transparency of the various implementation documents being developed by the Transmission Service Providers. For the reasons stated above, the IRC believes that the required consistency and transparency is assured under existing rules and the direction proposed in the NOPR falls outside of the NERC's CMEP. However, if the Commission wishes to add to the current processes, the IRC respectfully requests that the Commission should do so through other forums – through, for example, development of additional North American Energy Standards Board ("NAESB") Business Practices because it is a business practice at issue. Further, the Commission itself may exercise its authority to audit jurisdictional Transmission Service Providers for specificity sufficient to allow the Commission and others to replicate and verify calculations of ATC and AFC, CBM, and TRM.

C. Other Commission Directives Are Similarly Based on Concerns About Transparency, and Not Reliability

The Commission also notes its concerns that the proposed Reliability Standards do not preclude a Transmission Service Provider from using data and assumptions in a way that double counts their impact on ATC thereby skewing the amount of capacity made available to others. On this issue, the Commission is proposing to direct the ERO to revise the Reliability Standards to ensure that they preclude a Transmission Service Provider from using data and assumptions in a way that double counts their impact on ATC and thereby skews the amount of capacity made available to others.[7] The Commission is also proposing to direct the ERO to develop modifications to the Reliability Standards to comply with the following issues: the availability of each

[7] NOPR at PP 107.

Transmission Service Provider's implementation documents, the consistent treatment of assumptions in the calculations of ATC, the calculation, allocation and use of CBM, the calculation of TTC under the Rated System methodology, and the treatment of network resource designations in the calculation of ATC.[8]

While the IRC agrees that these are valid points for policymakers to consider, these are not critical to reliability of the BPS, have no measurable impact on the reliability of the BPS, and hence are outside the mandate of the ERO as provided to it under Section 215 of the Federal Power Act. The IRC is concerned that the Commission is issuing such directives on issues which could have a commercial impact or a business standard but have no impact on the reliability of the BPS. Put differently, ensuring increased transparency of the Implementation Documents is not critical to reliability or within NERC's area of responsibility as the ERO. As an example, the Commission notes that it wants the standard to restrict reservations coming out of a generation source to be restricted to the generation nameplate capacity.[9] While the IRC understands the commercial motivations, there clearly can be no reliability impacts because the generator can not generate above its capability. NAESB would be the appropriate organization to address the maximum reservation level. NERC and NAESB have established joint coordination procedures to address mutually impactive reliability and commercial standards. The IRC is also concerned that the Commission's directives undermine these rigorous coordination efforts.

D. In Its Final Rule, the Commission Should Direct NERC to Consider Making Targeted Modifications to the MOD Standards

[8] NOPR at PP. 102 through 105.
[9] NOPR at PP 92.

Additionally, the IRC would like to raise the following concerns with the Commission:

- The AFC update frequency specified in requirement R10 in MOD-030-02[10] is redundant with the ATC update frequency specified in requirements R2 and R8 in MOD-001-1. These duplicate timing requirements should be codified in MOD-001-1[11] instead.
- There is an inconsistency between MOD-028-1, MOD-029-1, and MOD-030-2 in the external modeling requirement. The modeling requirements R2 in MOD-028-1[12] and R1in MOD-029-1[13] are consistent. The modeling requirement R3 in MOD-030-2[14] imposes additional burden. The modeling requirement in MOD-030-02 should be modified to align with those contained in MOD-028-1 and MOD-029-1.
- There is an inconsistency between MOD-028-1, MOD-029-1, and MOD-030-2 in the requirements for calculating the Existing Transmission Commitments. Requirements R8 and R9 in MOD-028-1[15]and requirements R5 and R6 in MOD-029-1[16] are consistent. Requirements R6 and R7 in MOD-030-2[17] are not parallel with MOD-028-1, MOD-029-1 and impose additional burden. Requirements R6 and R7 contained in MOD-030-2 should be modified to better align with the parallel requirements contained in MOD-028-1 and MOD-029-1.

[10] NOPR at PP 71.
[11] NOPR at PP 23.
[12] NOPR at PP 56.
[13] NOPR at PP 63.
[14] NOPR at PP 69.
[15] NOPR at PP 60.
[16] NOPR at PP 64.
[17] NOPR at PP 70.

- NERC has already developed a set of Violation Risk Factors and Violation Severity Levels through its Commission approved Reliability Standards Development Procedure (RSDP). NERC has previously requested and been granted approval by the Commission to utilize the RSDP to develop compliance elements for the standards as long as they produce timely results. Clearly, the RSDP has produced timely results for Violation Risk Factors and Violation Severity Levels. Thus, the IRC requests that the Commission direct NERC to file the Violation Risk Factors and Violation Severity Levels developed through the RSDP within 30 days of this final order for Commission review.[18]

IV. RESPONSE TO COMMISSION QUESTIONS

1. **Whether additional requirements should be directed in this proceeding to ensure that the discretion provided under the ATC implementation documents cannot be used to unduly discriminate in the provision of transmission service.**

The IRC believes that the proposed MOD standards offer the appropriate level of discretion in the calculation of the various parameters, including the ATC, and is of the opinion that the discretion afforded cannot be used to unduly discriminate the provisions of the transmission service. Accordingly, the IRC believes that no additional requirements should be directed in this proceeding. As has been observed by the Commission in this proceeding:

> "The Reliability Standards need not be specific that they address every unique system difference or differences in risk assumptions when modeling expected flows. Each transmission service provider should retain some discretion to reflect unique system conditions or modeling assumptions in its available transmission capability methodology."[19]

[18] *See* Order on Rehearing and Clarification and Accepting Compliance Filing in Dockets RR08-4-001,RR08-4-002, 125 FERC ¶ 61,212 (November 20, 2008).
[19] NOPR at P 82.

It is not possible to identify and state all assumptions in the requirements for the given set of Reliability standards. Assumptions vary by region and system conditions, and it is impossible to incorporate these within a static set of requirements. However, the IRC does believe that it is important that all assumptions be made on the basis of sound reasoning, professional judgement and experience. The audits of the implementation Documents as directed by the Commission will only ensure that entities adhere to the requirements and the Commission's intent. Hence, the IRC believes that no additional requirements be directed in this proceeding.

2. Any improvements that may be necessary to improve access by transmission customers to the implementation documents.

The ERO's role is strictly reliability related. Posting requirements and availability of documents are outside the scope of the ERO's role. Achieving transparency by making these documents available to the public has nothing to do with reliability. This is a business practice issue which should be dealt with in NAESB standards.

3. Removal of R2.7 of MOD-029-1 as an unsupported requirement.

Regarding R2.7 of MOD-029-1, the IRC agrees with the Commission that requiring pre-1994 total transfer capability ("TTC") values to remain in place without adequate explanation essentially exempts certain paths from the TTC requirements in the Rated System Path Methodology and may result in TTC values that are incorrectly based on stale assumptions and criteria. In addition, in order to avoid continuance of or reversion to the pre-1994 TTC value for a path

under R2.7, each affected RTO and ISO would be required to conduct comprehensive and time consuming studies of the paths they operate within a one-year period. It would be unreasonable to require that this level of effort be undertaken in the absence of any explanation by NERC why such studies are necessary or what benefit it believes will result. The IRC requests that the Commission should direct NERC to remove this unsupported requirement.

V. CONCLUSION

The IRC generally supports the Commission's NOPR regarding the proposed approval of the submitted MOD Reliability Standards but requests that the Commission consider the expressed comments before issuing the final order in this proceeding.

Respectfully submitted,

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