

# Memorandum

**To:** ISO Board of Governors  
**From:** Eric Schmitt, Vice President, Operations  
**Date:** October 25, 2012  
**Re:** **Decision on Blackstart Needs and System Restoration Plan**

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*This memorandum requires Board action.*

## EXECUTIVE SUMMARY

Blackstart is a procedure by which a generating unit self-starts without an external source of electricity. The output from the generating unit can then serve to restore power to the ISO balancing authority area following a system or local area outage. Management proposes to align its determination of blackstart needs with a revised emergency and preparedness operations reliability standard, scheduled to take effect on July 1, 2013.

Earlier this year, the ISO initiated a stakeholder process to address policy changes involving the administration of blackstart services consistent with NERC Reliability Standard EOP-005-2. This reliability standard revises the obligations, requirements and testing responsibility for each blackstart resource and transmission operator. Transmission operators must now have a system restoration plan approved by their reliability coordinator. The ISO proposes to modify its tariff to provide that the ISO will base its determination of blackstart needs on a system restoration plan that meets the requirements of this reliability standard.

Management recommends that the Board approve the following motion:

***Moved, that the ISO Board of Governors approves the proposed tariff change regarding determining blackstart needs, as described in the memorandum dated October 25, 2012; and***

***Moved, that the ISO Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the proposed tariff change.***

## **DISCUSSION AND ANALYSIS**

Since its inception, the ISO has obtained blackstart services from generating units under interim blackstart agreements or reliability must run agreements. In 2011, FERC approved NERC reliability standard EOP-005-2, which will be effective July 1, 2013. EOP-005-2 replaces EOP-005-1. This reliability standard requires, among other things, that transmission operators have a system restoration plan approved by their reliability coordinator. In the case of the ISO, we will need to obtain approval of our system restoration plan from the Western Electricity Coordinating Council. The standard also requires transmission operators to implement testing requirements to verify that each blackstart resource is capable of meeting the requirements of their restoration plans. The ISO is proposing to make conforming changes to its tariff to specify that the ISO will determine its blackstart needs pursuant to a system restoration plan that meets the requirements of this standard. The ISO also will need to modify existing agreements to ensure they incorporate applicable testing requirements. In anticipation of FERC's approval of this standard, the ISO has worked with participating transmission owners to develop a system restoration plan that will comply with the new standard. The ISO intends to submit this system restoration plan to WECC for its approval in the first quarter of 2013.

Beyond compliance with EOP-005-02, the ISO also has commenced a stakeholder process to examine blackstart and system restoration more generally. The ISO separated this initiative into two phases based on stakeholder feedback. The first phase clarifies that the ISO will determine blackstart capability needs through a system restoration plan that complies with NERC standard EOP-005-002. The second phase will address the process by which the ISO will procure blackstart capability, including how the ISO will compensate resources for this service, and how the ISO will allocate those costs to the market. This effort will require a more comprehensive stakeholder process, which the ISO intends to initiate in the first quarter of 2013.

## **POSITIONS OF THE PARTIES**

Stakeholders are generally supportive of the proposed phased approach to addressing procurement of blackstart capacity. Stakeholders have expressed strong interest in participating in the ISO's policy development for phase 2 of the initiative, which will address potential changes to how the ISO procures blackstart services, the compensation the ISO will pay for those services and the allocation of those procurement costs.

## **CONCLUSION**

Management respectfully requests Board approval of the proposal described in this memorandum. The ISO's proposed change to determine blackstart needs pursuant to a WECC-approved system restoration plan will align the ISO's tariff with applicable reliability standards.