

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Reliability Standards Development and
NERC and Regional Entity
Enforcement

Docket No. AD10-14-000

**COMMENTS ON TECHNICAL CONFERENCE OF
TRANSMISSION ACCESS POLICY STUDY GROUP**

Pursuant to the Commission’s July 7, 2010 Notice Soliciting Comments in the above-captioned docket, the Transmission Access Policy Study Group (“TAPS”) submits its comments in response to the July 6, 2010 Technical Conference on Reliability Standards Development and NERC and Regional Entity Enforcement. TAPS appreciates the opportunity to provide comments on the July 6, 2010 technical conference. TAPS will address: the “leadership forum” that was proposed at the technical conference; the apparent uncertainty as to what constitutes a cascading outage; and Commissioner Moeller’s question regarding where we want to be in ten years.

I. INTERESTS OF TAPS

TAPS is an informal association of transmission-dependent utilities in more than 30 states, promoting open and non-discriminatory transmission access.¹ As entities entirely or predominantly dependent on transmission facilities owned and controlled by others, TAPS members recognize the importance of a reliable grid. TAPS actively

¹ TAPS is chaired by Roy Thilly, CEO of WPPI Energy (“WPPI”). Current members of the TAPS Executive Committee include, in addition to WPPI, representatives of: American Municipal Power, Inc.; Blue Ridge Power Agency; Clarksdale Public Utilities; Connecticut Municipal Electric Energy Cooperative; Electricities of North Carolina, Inc.; Florida Municipal Power Agency; Illinois Municipal Electric Agency; Indiana Municipal Power Agency; Madison Gas & Electric; Missouri Public Utility Alliance; Missouri River Energy Services; NMPP Energy; Northern California Power Agency; Oklahoma Municipal Power Authority; and Southern Minnesota Municipal Power Agency.

participated in the development of the NERC consensus reliability legislation in 1998 and as it was modified over time, and TAPS members are now active participants in NERC governance and the standards development process.

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II. COMMENTS

A. *Proposed “Leadership Forum”*

Several panelists and Commissioners expressed interest in the possibility of a high-level policy group or “leadership forum.” The details of such a group—such as who would be on it and what role it would play—are obviously vital and were not solidified at the technical conference.

TAPS supports the goal of improving communication about high-level policy issues and urges that the goal be achieved in a manner that does not duplicate or undermine existing processes. Thus, TAPS supports the idea of periodic open meetings among Commissioners, Canadian regulators, NERC leadership, and stakeholders. The July 6 technical conference itself provided a forum for a constructive discussion. An annual technical conference along similar lines could improve communication among the parties involved on such high level policy issues, including with respect to standards

setting and enforcement priorities.² Such meetings, with participation by the Commissioners and Canadian counterparts as well as NERC leadership and industry representatives, would likely serve, in a more efficient way, the purpose for which the “leadership forum” was proposed without the need for forming a new formal group, with responsibilities and purposes overlapping with existing groups, and that will impose new issues of how to achieve balance, as well as burden regulators and stakeholders with participating in and monitoring yet another committee.

TAPS opposes the creation of a new executive forum that will duplicate, in part, the role of the NERC Member Representatives Committee (“MRC”). The TDU representatives on the MRC are CEOs, as are a number of the other representatives. If the concern is that the MRC has evolved to the point that it is no longer populated by CEOs in all segments, then we need to strengthen the MRC and encourage CEOs to fill more of the seats, not develop a “work around” additional structure that will serve similar purposes.

If, over TAPS objections, a new higher level forum is created, it must include the same balanced stakeholder representation as now exists on the MRC. Because TAPS’ members are transmission-dependent utilities, TAPS is particularly concerned that any new forum maintain separate TDU representation. TDUs, although relatively small in size, represent a sizeable proportion of the number of registered entities. TDUs have distinct interests because they generally do not own or operate transmission plant but may own or operate interconnection facilities that are considered part of the bulk power

² This is the third option mentioned by NERC in its discussion of the proposed forum in its comments filed today in this docket.

system. Large cooperative or public power entities do not necessarily share the same perspective on reliability issues, and are no substitute for separate TDU representation, as is currently provided for on the MRC.

Further, any such forum should meet relatively infrequently (*e.g.*, no more than twice a year), and serve as a forum for communication on high level policy issues, rather than take on any decision-making role. Nor should it function as an additional advisor to the NERC Board, supplanting the role of the MRC.

B. Cascading

There was a great deal of discussion at the technical conference about what a “cascading” outage is. Section 215(a) of the Federal Power Act defines the Bulk Power System as including “facilities and control systems *necessary* for operating an interconnected electric energy transmission network (or any portion thereof)” and “electric energy from generation facilities *needed* to maintain transmission system reliability,” and expressly excludes facilities used in local distribution of electric energy. 16 U.S.C. § 824o(a)(1) (emphasis added). Because it focuses on the facilities “necessary” or “needed” for operational transmission system reliability, the BPS definition must be interpreted in the context of the related statutory definitions of “reliability standard” and “reliable operation[s].”³ These definitions, FPA Sections 215(a)(3) and (4), make clear that the focus of reliability standards is achieving reliable

³ This same focus on the facilities necessary or essential to reliable operations is reflected in FPA Section 215(a)(5)’s definitions of “Interconnection” (area where “failure of one or more of such components may adversely affect the ability of the operators of other components within the system to maintain reliable operation of the facilities within their control”), and FPA Section 215(a)(8)’s definition of “cybersecurity incident” (including disruption of “hardware, software and data that are essential to the reliable operation of the bulk power system”).

operations – avoiding instability, uncontrolled separation, and cascading failures as a result of a sudden disturbance:

(3) The term “reliability standard” means a requirement, approved by the Commission under this section, to provide for reliable operation of the bulk-power system. The term includes requirements for the operation of existing bulk-power system facilities, including cybersecurity protection, and the design of planned additions or modifications to such facilities to the extent necessary to provide for reliable operation of the bulk-power system, but the term does not include any requirement to enlarge such facilities or to construct new transmission capacity or generation capacity.

(4) The term “reliable operation” means operating the elements of the bulk-power system within equipment and electric system thermal, voltage, and stability limits so that instability, uncontrolled separation, or cascading failures of such system will not occur as a result of a sudden disturbance, including a cybersecurity incident, or unanticipated failure of system elements.

16 U.S.C. § 824o(a).

Thus, defining the term “cascading” is relevant to the scope of the Commission’s reliability jurisdiction, and NERC’s delegated authority in the United States. While “cascading” may not be an easy term to define in layman’s terms, it is definable. The NERC Glossary definition of cascading, approved by the Commission in Order 693,⁴ is: “The uncontrolled successive loss of system elements triggered by an incident at any location. Cascading results in widespread electric service interruption that cannot be restrained from sequentially spreading beyond an area predetermined by studies.” NERC’s definition was approved by the NERC Board of Trustees on February 8, 2005, and thus represents the consensus of the electric industry at the time that EAct 2005 was

⁴ Mandatory Reliability Standards for the Bulk-Power System, Order No. 693, 72 Fed. Reg. 16,416, 16,592 (Apr. 4, 2007), FERC Stats. & Regs. ¶ 31,242, P 1894 (2007), *effective date stayed*, 72 Fed. Reg. 31,452 (June 7, 2007), *aff’d*, Order No. 693-A, 72 Fed. Reg. 40,717 (July 25, 2007), 120 FERC ¶ 61,053 (2007).

passed. The April 2004 Blackout Report,⁵ which the Commission has stated “helped foster enactment of EPAct 2005 and new section 215 of the FPA,”⁶ contains a nearly identical definition: “The uncontrolled successive loss of system elements triggered by an incident. Cascading results in widespread service interruption, which cannot be restrained from sequentially spreading beyond an area predetermined by appropriate studies.” Blackout Report, Appendix F, Electricity Glossary, at 213.

The Blackout Report provides further insight into the commonly understood meaning of “cascading.” Chapter 5 describes the pre-cascading, beginning stage of the August 14, 2003 blackout, while Chapter 6 describes the cascade stage of the blackout. Events in the pre-cascade stage included lines going out of service because earlier line outages caused loadings on remaining lines to increase, causing the remaining lines to sag into trees or to trip and lock. *See, e.g.*, Blackout Report at 68-69. As the Blackout Report’s description of the pre-cascading period shows, an event can thus trigger another event on another facility without being classified as “cascading.”

The Blackout Report’s chapter on the cascade stage of the blackout, discussing why some blackouts cascade, explains that “[a] cascade is a dynamic phenomenon that cannot be stopped by human intervention once started. It occurs when there is a sequential tripping of numerous transmission lines and generators in a widening geographic area.” Blackout Report at 73.

⁵ U.S.-Canada Power System Outage Task Force, Final Report on the August 14, 2003 Blackout in the United States and Canada: Causes and Recommendations (April 2004), *available at* <https://reports.energy.gov/> (“Blackout Report”).

⁶ Order 693, P 22.

At the technical conference, Joe McClelland, Director of the Commission's Office of Electric Reliability, asked whether a "cascading outage" is "pursuant ... to PRC-004," suggesting that "anything that cascaded outside the primary zone of protection was ... a cascading outage." Tr. 188:22, 188:25-189:2. In brief, a cascading outage cannot be "pursuant to" PRC-004. The immediate subject of Reliability Standard PRC-004 is "Misoperation," which according to the NERC Glossary, approved by the Commission in Order 693, is:

Any failure of a Protection System element to operate within the specified time when a fault or abnormal condition occurs within a zone of protection.

Any operation for a fault not within a zone of protection (other than operation as backup protection for a fault in an adjacent zone that is not cleared within a specified time for the protection for that zone).

Any unintentional Protection System operation when no fault or other abnormal condition has occurred unrelated to on-site maintenance and testing activity.

A misoperation is not itself a cascading outage, even if it involves a relay operating for a fault in a different zone of protection. For example, Table I of Reliability Standards TPL-001 to TPL-004 states that cascading outages are not an acceptable impact of contingencies; the list of contingencies expressly includes misoperations. If a misoperation were itself a cascading outage, Table I would contain an internal contradiction because it would be definitionally impossible to have a misoperation without a cascading outage.

The NERC Glossary and Blackout Report definitions of "cascading" are correct and clear. The definitions appropriately refer to "widespread... interruption" or a "widening ... area." As further explained by panelists including Gerry Cauley of NERC

and Billy Ball of Southern Company at the technical conference, Tr. 183:16-184:11, 185:5-12, “cascading” is generally understood to refer to losing control of one’s own system so that the effects spread to neighboring systems, not simply any impact that extends beyond the primary zone of protection.

C. Ten-Year Vision

Commissioner Moeller asked that commenters address the question “where do we want to be as an industry, [or] as a nation in ten years on reliability.” Tr. 73:3-4. The overarching goal for the future is of course a measurable improvement in reliability; everything else is a means to that end. And the goal of improved reliability should be achieved cost-effectively. TAPS supports the vision that Gerry Cauley set out when he became CEO of NERC in January 2010.

Improved reliability does not mean gold-plating the bulk power system, nor does it mean that load will never be lost (“100 percent reliability,” in the shorthand used at the technical conference). As many panelists pointed out, 100 percent reliability is not possible at any price; the risk of an outage is never zero. Furthermore, most customers would not be willing to pay the very high price for the last increments of reliability to approach 100 percent. It may be, as some panelists speculated, that in the future consumers will want and be willing to pay for a higher level of reliability. The Commission should not, however, impose on consumers now the costs of hardening the system beyond what those customers want and need. *See* comments of John A. Anderson of the Electricity Consumers Resource Council, Tr. 65:15-25. And finally, local load loss is a quality of service issue within the jurisdiction of state regulators, not a reliability issue under the Commission’s and NERC’s Section 215 authority. FPA § 215(i)(3), 16

U.S.C. § 824o(i)(3); *see also* TAPS comments on the Policy Statement on Penalty Guidelines, filed June 14, 2010 in Docket No. PL10-4-000, at 13-18, especially at 15.

1. Streamlined standards development process

Revisions to the standards development process to allow standards to be developed more quickly, in terms of both person-hours and actual elapsed time, could improve reliability by improving the quality of reliability standards while producing them more promptly and cost-effectively. This is the intent of the Standard Processes Manual filed by NERC on June 10, 2010 in Docket No. RR10-12-000, which is proposed to replace the existing Reliability Standards Development Procedure.

2. Improved reliability standards

Consistent with the vision that Gerry Cauley set out when he became CEO of NERC in January 2010, reliability standards should be clear and risk-focused. That is, registered entities should know what they must do to comply, and compliance should cost-effectively reduce the reliability risk being addressed in the standard. In ten years, we expect that the full set of reliability standards will have been revised to achieve this goal. Requests for formal interpretations should therefore be relatively rare, because standards will no longer be ambiguous. Risk-oriented standards will contribute directly to the overarching goal of improving reliability by requiring actions that reduce the risk of instability, uncontrolled separation, or cascading failures,⁷ while eliminating requirements that impose burdens not needed to achieve that goal.

⁷ As NERC points out in its comments filed today in this docket, risk-based or results-based requirements are not the same as what are sometimes called “performance-based” requirements. “Performance-based” or “outcome-based” can refer to requirements that are only violated if a specific result in fact occurs. Risk-based or results-based standards, in contrast, impose requirements that reduce the risk that an event will occur; if those requirements are not met, there would be a violation whether or not the result occurred.

a) Streamlined process for clarifying ambiguous standards

Because it is not possible to eliminate ambiguity from reliability standards overnight, clarification of existing standards will still be needed in the short term. It is widely recognized that the formal interpretation process is slow and cumbersome. TAPS supports the effort that is underway at NERC to provide information to registered entities about what is necessary to comply with standards without going through the full interpretation process.

b) Reduction in paperwork

The clearest (but by no means the only) example of the need for risk-oriented reliability standards is the current paperwork burden imposed on registered entities. Compliance must be documented because without proof of compliance or non-compliance, enforcement is impossible. But the goal is reliability, not the documentation of reliability. Overly burdensome paperwork requirements should be revised so that the requirements are reasonable and focused on efficiently demonstrating compliance with substantive requirements. For example, Requirement 4 of IRO-004-1 (Reliability Coordination – Operations Planning) requires that

Each Transmission Operator, Balancing Authority, Transmission Owner, Generator Owner, Generator Operator, and Load-Serving Entity in the Reliability Coordinator Area shall provide information required for system studies, such as critical facility status, Load, generation, operating reserve projections, and known Interchange Transactions. This information shall be available by 1200 Central Standard Time for the Eastern Interconnection and 1200 Pacific Standard Time for the Western Interconnection.

In the Midwest ISO (“MISO”), load forecasts are submitted electronically each day via the MISO portal. However, because the forecasts are overwritten by the actual meter

data once such data becomes available, it is necessary for each entity in MISO subject to the requirement to print out and retain a copy of each daily forecast after it is submitted to verify timely submission for the purposes of reliability audits. For audits conducted every 6 years, this amounts to almost 2200 pages (either paper or electronic) of material that must be retained to establish compliance with one out of five sub-requirements of one requirement of one standard. Just one missing printout would result in a violation of this standard. This paperwork burden imposes significant costs on registered entities and on auditors, but it is likely that the same reliability goal could be reached much more efficiently through less burdensome means.

3. Risk-based approach to enforcement

Enforcement of reliability standards, like the standards themselves, should be risk-based. This approach will provide the consuming public with the most reliability benefit for its enforcement cost.

a) Streamlined process for minor violations

A streamlined enforcement process for minor violations should be put in place well before ten years from now. As it currently stands, while the ultimate penalties are significantly different, the process that is used for a lower violation risk factor, lower violation severity level violation is the same as the process for a high VRF/severe VSL violation. The enforcement process is very time- and resource-intensive for the registered entity as well as for NERC and its Regional Entities. Minor violations are still violations and should be treated appropriately, but both registered entities and enforcement authorities should target their efforts on those violations that pose a real risk to the bulk-power system.

We appreciate the Commission's consideration of TAPS' comments.

Respectfully submitted,

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