

131 FERC ¶ 61,136
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
and John R. Norris.

Mandatory Reliability Standards for the Bulk Power
System

Docket No. RM06-16-011

ORDER GRANTING REHEARING FOR FURTHER CONSIDERATION AND
SCHEDULING TECHNICAL CONFERENCE

(Issued May 13, 2010)

1. In a March 18, 2010 order,¹ the Commission established a six month compliance deadline for the North American Electric Reliability Corporation (NERC), the Commission-certified electric reliability organization (ERO), to submit modifications to Reliability Standard BAL-003-0 that are responsive to the Commission's directive in Order No. 693.² NERC and other entities submitted requests for rehearing and clarification. With regard to the compliance deadline, NERC and other entities contend that the development of a frequency response requirement is a technically complex matter and that the Commission directive cannot reasonably be met in the allotted six months. Duke Energy Carolinas, LLC (Duke Carolinas), in its pleading, recommends that the Commission convene a technical conference to develop a greater understanding of frequency response issues and to promote a more collaborative approach among the Commission, NERC and industry.

2. In this order, we do not substantively address the requests for rehearing and clarification. Rather, we grant rehearing for the limited purpose of further consideration, and timely-filed requests for rehearing will not be deemed denied by operation of law. In addition, we direct Commission staff to convene a technical conference to provide an

¹ *North American Electric Reliability Corp.*, 130 FERC ¶ 61,218 (2010) (March 18 Order).

² *Mandatory Reliability Standards for the Bulk-Power System*, Order No. 693, FERC Stats. & Regs. ¶ 31,242, *order on reh'g*, Order No. 693-A, 120 FERC ¶ 61,053 (2007).

opportunity for a public discussion regarding technical issues pertaining to the development of a frequency response requirement. In its request for rehearing, NERC proposed a “task list” with a timeline for work on a frequency response requirement, but the proposal contained no deadline for the final, and most important, task of filing a proposed Reliability Standard for Commission review. Thus, we direct that NERC submit, within 30 days after the technical conference, a proposed schedule that includes firm deadlines for completing studies, analyses needed to develop a frequency response requirement, and for submission of a modified Reliability Standard that is responsive to the Commission directives in Order No. 693 pertaining to Reliability Standard BAL-003-0. The Commission will provide notice and opportunity to comment on the proposed schedule, as well as other matters discussed at the technical conference. In the meantime, we will defer the six month compliance deadline set forth in the March 18 Order pending further order by the Commission.

I. Background

3. In Order No. 693, the Commission, *inter alia*, approved NERC’s Resource and Demand Balancing (BAL) Reliability Standards, including BAL-003-0, which addresses frequency response and bias.³ The Commission concluded that “the minimum frequency response needed for Reliable Operation should be defined and methods of obtaining the frequency response identified.”⁴ Accordingly, in Order No. 693 the Commission approved Reliability Standard BAL-003-0 as mandatory and enforceable and directed the ERO to develop a modification to BAL-003-0 through the Reliability Standards development process that: “... defines the necessary amount of Frequency Response needed for Reliable Operation for each balancing authority with methods of obtaining and measuring that the frequency response is achieved.”⁵ The Commission also directed NERC to determine an appropriate periodicity of frequency response surveys necessary to ensure that the requirements of BAL-003-0 are being met.

4. In the March 18 Order, the Commission noted that NERC has established a project (Project No. 2007-12) to develop the modifications to BAL-003-0 directed by the Commission in Order No. 693. The Commission observed that, while NERC initiated a Standard Authorization Request (SAR) to obtain information regarding Frequency Response, almost three years had passed since the Commission’s issuance of Order

³ The terms Frequency Response and Frequency Bias are defined in the NERC Glossary of Terms Used in Reliability Standards:
http://www.nerc.com/docs/standards/rs/Glossary_2009April20.pdf.

⁴ Order No. 693, FERC Stats. & Regs. ¶ 31,242 at P 372.

⁵ *Id.* P 375.

No. 693, and the NERC standards drafting team had not proposed modifications to Reliability Standard BAL-003-0 in response to the Commission's directive.⁶ Accordingly, the Commission set a compliance deadline of six months for the development of modifications to Reliability Standard BAL-003-0 that comply with the Commission's Order No. 693 directives.

II. Rehearing Requests and Clarification

5. Requests for rehearing and/or clarification of the Commission's March 18 Order were filed by NERC, American Public Power Association (APPA), Georgia Transmission Corporation and Georgia System Operations Corporation (Georgia Transmission), Midwest Independent Transmission System Operator, Inc. (Midwest ISO), Edison Electric Institute (EEI), Duke Carolinas, and PJM Interconnection, L.L.C (PJM).⁷

NERC Request

6. NERC submits that the Commission's directive to develop a Frequency Response Reliability Standard in six months is unreasonable given the complexity of the Frequency Response issue. Additionally, NERC contends that the Commission incorrectly concluded that the BAL-003-0 Reliability Standard sets a Frequency Response of one percent or greater for all Balancing Authorities.

7. NERC recognizes that "immediate actions aimed to arrest the decline in frequency response in the Eastern Interconnection are necessary."⁸ According to NERC, frequency performance expectation must be studied on an Interconnection-wide basis before an individual Balancing Authority frequency response can be established. Thus, according to NERC, it will not be able to comply with all of the Commission's directives set forth in Order No. 693 pertaining to BAL-003-0 within the six month compliance deadline with the sufficiently rigorous engineering analysis necessary to determine the frequency response requirement needed for each Interconnection.

⁶ March 18 Order, 130 FERC ¶ 61,218 at P 2, 17.

⁷ Tampa Electric Company filed a motion to intervene and comments in support of the NERC request for rehearing and clarification. Similarly, the eight Regional Entities (ReliabilityFirst Corporation, Midwest Reliability Organization, Florida Reliability Coordinating Council, Texas Regional Entity, Northeast Power Coordinating Council, Inc., Western Electricity Coordinating Council, SERC Reliability Corporation, and Southwest Power Pool Regional Entity) jointly filed a motion to intervene and comments in support of the NERC pleading. Wisconsin Electric filed comments in support of the NERC and EEI pleadings.

⁸ NERC Request for Rehearing at 3.

8. In addition, NERC reviews the action it has taken to date to study and analyze frequency response. NERC identifies several issues that require deliberation in developing a frequency response requirement, including: (1) need for a minimum response for each event (rate, amount and duration); (2) the measurement selected must be accurate and easy to implement; (3) a method of allocation must be developed; and (4) the standard should not preclude, and should encourage, market solutions.⁹ NERC also supports coordinated action by the Commission and NERC to the extent that market solutions are adopted to deal with frequency response as an ancillary service. According to NERC, resolving these and other issues within the six-month deadline is unreasonable.

9. Rather, NERC proposes an alternative schedule that identifies “near term” tasks to be completed within six months and “long term” tasks to be completed within a year.¹⁰ NERC also proposes submitting a compliance filing in six months to describe the status of NERC’s Frequency Response initiatives, and a second compliance filing within one year to describe the analyses performed by NERC as a result of the responses to the Frequency Response survey and any next steps that will be necessary. The NERC schedule set forth in Attachment B of the NERC pleading does not provide a time frame for submitting a responsive Reliability Standard establishing a frequency response requirement. NERC, in its pleading, provides that “NERC targets completion of a revised BAL-003 Reliability Standard within 18 months of the date of this filing.”¹¹

Other Requests for Rehearing and Clarification

10. Other entities, such as EEI, Duke Carolinas, Georgia Transmission, PJM, and Midwest ISO also seek rehearing, arguing that the six month compliance deadline is unreasonable because it does not provide adequate time for NERC to perform the technical analysis necessary to determine an appropriate frequency response requirement. Midwest ISO contends that the March 18 Order overlooks the substantial effort by NERC to comply with the Order No. 693 directives and misapprehends the nature and complexity of Reliability Standard BAL-003-0. Midwest ISO, as well as PJM, identify and discuss technical complexities that they believe must be addressed when developing a frequency response requirement.

11. Similarly, Duke Carolinas claims that highly complex and iterative processes must occur to develop a meaningful frequency response performance standard. First,

⁹ *Id.* at 10, and Attachment A, Testimony of Howard F. Illian at 14-18.

¹⁰ *See* NERC Request for Rehearing, Attachment B, NERC Frequency Response Initiative Objectives and Tasks (Near-Term and Long-Term).

¹¹ *Id.* at 16.

according to Duke Carolinas, the ERO must conduct an analysis to determine the appropriate amount of frequency response for each interconnection. Second, frequency response must be equitably allocated among balancing authorities. Third, there must be coordination between balancing authorities, generator owners and load-serving entities. Duke Carolinas contends that each process could result in changes to the way generators are operated, and new ancillary costs to be recovered. Thus, Duke Carolinas argues that a six month deadline is not realistic and advocates that the Commission not establish any deadline for NERC to develop revisions to BAL-003-0. Duke Carolinas also recommends that the Commission convene a technical conference to encourage greater understanding of frequency response issues and to promote a more collaborative approach among the Commission, NERC and industry.

12. EEI and others also contend that, due to the complexities in developing a frequency response requirement, the Commission's six month compliance deadline effectively denies the ERO the opportunity to use its technical expertise in developing the modifications, and circumvents the ERO's stakeholder process. Further, EEI argues, similar to NERC, that the Commission erred in concluding that BAL-003-0 sets a frequency response of one percent or greater for all balancing authorities.

III. Commission Discussion

13. On rehearing, parties raise both technical and procedural concerns. In order to afford additional time for consideration of the matters raised or to be raised, rehearing of the Commission's order is hereby granted for the limited purpose of further consideration, and timely-filed rehearing requests will not be deemed denied by operation of law.¹² Accordingly, the Commission will not rule at this time on NERC's proposed alternative schedule, or the other requests suggesting that the six-month compliance deadline is unreasonable.

14. As described above, NERC and other entities seeking rehearing discuss the technical complexities associated with establishing an adequate frequency response requirement. Based on this information, it appears that a conference to discuss these issues would be helpful in developing a greater understanding of frequency response issues. Therefore, we direct Commission staff to convene a technical conference to

¹² In the absence of Commission action within 30 days from the date the rehearing request was filed, the request for rehearing (and any timely requests for rehearing filed subsequently) would be deemed denied. 18 C.F.R. § 385.713 (2009). See *San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Services Into Markets Operated by the California Independent System Operator and the California Power Exchange*, 95 FERC ¶ 61,173 (2001) (clarifying that a single tolling order applies to all rehearing requests that were timely filed).

provide an opportunity for a public discussion regarding technical issues pertaining to the development of a frequency response requirement. In scheduling a technical conference, we do not decide the merits of issues raised in the rehearing requests.

15. Further, we direct that the ERO submit, within 30 days after the technical conference, a proposed schedule that includes interim targets for completing studies and analyses needed to develop a frequency response requirement, and a firm compliance deadline for submission of a modified Reliability Standard that is responsive to the Commission directives in Order No. 693 pertaining to Reliability Standard BAL-003-0. The Commission will provide notice and opportunity to comment on the ERO's proposed schedule, as well as other matters discussed at the technical conference. In the meantime, we will defer the six month compliance deadline set forth in the March 18 Order pending further order by the Commission.

The Commission orders:

(A) In order to afford additional time for consideration of the matters raised or to be raised, rehearing of the Commission's order is hereby granted for the limited purpose of further consideration, and timely-filed rehearing requests will not be deemed denied by operation of law.

(B) Commission staff is hereby directed to convene a technical conference to further explore technical issues regarding the development of a frequency response performance requirement, as discussed in the body of this order.

(C) NERC is hereby directed to submit, within 30 days after the technical conference, a proposed schedule for developing a frequency response requirement, as discussed in the body of this order.

(D) The six month compliance deadline set forth in the March 18 Order is hereby deferred pending further order by the Commission.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.