

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

18 CFR Part 40

(Docket No. RM06-16-000; Order No. 693)

Mandatory Reliability Standards for the Bulk-Power System

(Issued March 16, 2007)

AGENCY: Federal Energy Regulatory Commission, DOE.

ACTION: Final Rule.

SUMMARY: Pursuant to section 215 of the Federal Power Act (FPA), the Commission approves 83 of 107 proposed Reliability Standards, six of the eight proposed regional differences, and the Glossary of Terms Used in Reliability Standards developed by the North American Electric Reliability Corporation (NERC), which the Commission has certified as the Electric Reliability Organization (ERO) responsible for developing and enforcing mandatory Reliability Standards. Those Reliability Standards meet the requirements of section 215 of the FPA and Part 39 of the Commission's regulations. However, although we believe it is in the public interest to make these Reliability Standards mandatory and enforceable, we also find that much work remains to be done. Specifically, we believe that many of these Reliability Standards require significant improvement to address, among other things, the recommendations of the Blackout Report. Therefore, pursuant to section 215(d)(5), we require the ERO to submit significant improvements to 56 of the 83 Reliability Standards that are being approved as mandatory and enforceable. The remaining 24 Reliability Standards will remain pending at the Commission until further information is provided.

The Final Rule adds a new part to the Commission's regulations, which states that this part applies to all users, owners and operators of the Bulk-Power System within the United States (other than Alaska or Hawaii) and requires that each Reliability Standard identify the subset of users, owners and operators to which that particular Reliability Standard applies. The new regulations also require that each Reliability Standard that is approved by the Commission will be maintained on the ERO's Internet website for public inspection.

**EFFECTIVE DATE:** This rule will become effective **[insert date 60 days from the date the rule is published in the Federal Register]**

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**SUPPLEMENTARY INFORMATION:**

preferential and in the public interest; and proposed to approve it as mandatory and enforceable.

**i. Comments**

1882. APPA and SDG&E agree that VAR-002-1 is sufficient for approval as a mandatory and enforceable Reliability Standard.

1883. Dynegy believes that VAR-002-1 should be modified to require more detailed and definitive requirements when defining the time frame associated with an “incident” of non compliance (*i.e.*, each 4-second scan, 10-minute integrated value, hourly integrated value). Dynegy states that, as written, this Reliability Standard does not define the time frame associated with an “incident” of non-compliance, but apparently leaves this decision to the transmission operator. Dynegy believes that either more detail should be added to the Reliability Standard to cure this omission, or the Reliability Standard should require the transmission operator to have a technical basis for setting the time frame that takes into account system needs and any limitations of the generator. Dynegy believes that this approach will eliminate the potential for undue discrimination and the imposition of overly conservative or excessively wide time frame requirements, both of which could be detrimental to grid reliability.

**ii. Commission Determination**

1884. In the NOPR, the Commission commended NERC and industry for its efforts in expanding on the Requirements of VAR-002-1 from the predecessor standard, and noted that the submitted Reliability Standard includes Measures and Levels of Non-Compliance to ensure appropriate generation operation to maintain network voltage schedules. Accordingly, the Commission approves Reliability Standard VAR-002-1 as mandatory and enforceable.

1885. Dynegy has suggested an improvement to Reliability Standard VAR-002-1, and NERC should consider this in its Reliability Standards development process.

**14. Glossary of Terms Used in Reliability Standards**

1886. NERC’s glossary is updated whenever a new or revised Reliability Standard is approved that includes a new defined term. The glossary may also be approved by a separate action using NERC’s Reliability Standards development process. NERC updated the glossary in its August 28, 2006 Supplemental Filing.

1887. In the NOPR, the Commission proposed to approve the glossary. In addition, the Commission proposed to direct NERC to submit a modification to the glossary that: (1) includes the statutory definitions of Bulk-Power System, Reliable Operation, and

Reliability Standard, as set forth in section 215(a) of the FPA; (2) modifies the definitions of “transmission operator” and “generator operator” to include aspects unique to ISOs, RTOs and pooled resource organizations; (3) modifies the definition of “bulk electric system” consistent with discussion in the NOPR Common Issues section<sup>477</sup> and (4) modifies the definition of terms concerning reserves (such as operating reserves) to include DSM, including controllable load.

**a. Comments**

1888. NERC supports the Commission’s proposal to approve the glossary. APPA supports the Commission’s proposal to have NERC incorporate the statutory definitions of the terms Bulk-Power System, Reliable Operation and Reliability Standard into the NERC glossary, as an aide to the development of future NERC Reliability Standards.

1889. APPA suggests that the Commission permit NERC and industry to consider whether any modifications to the terms “transmission operator” and “generation operator” are needed, rather than directing NERC to modify these terms. APPA’s initial reaction is that the existing terms are adequate and accommodate most elements of ISO, RTO and pooled resource organization operations. APPA believes that a broader and continuing inquiry is required to address such situations. APPA anticipates that many such concerns will arise as NERC and the Regional Entities implement the initial compliance program in June 2007, and states that any additional changes to the glossary should be driven by that experience.

1890. APPA’s concerns regarding the Commission proposal to modify the definition of terms concerning reserves to include DSM (including controllable load) are discussed above in reference to the BAL Reliability Standards.

1891. NERC supports the Commission’s proposal to direct NERC to complete the necessary improvements to the proposed Reliability Standards through the established NERC Reliability Standards development process.

1892. Santa Clara submits that, to eliminate any ambiguity about when these definitions of these commonly-used terms apply, a footnote should be added to the glossary that states that the definitions contained in the glossary are not intended to supersede any definitions in a tariff or contract approved or accepted by the Commission.

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<sup>477</sup> NOPR at P 42-43.

**b. Commission Conclusion**

1893. The Commission approves the glossary. The terms defined in the glossary have an important role in establishing consistent understanding of the Reliability Standards Requirements and implementation. The approval of the glossary will provide continuity in application of the glossary definitions industry-wide, and will eliminate multiple interpretations of the same term or function, which may otherwise create miscommunication and jeopardize Bulk-Power System reliability. The glossary should be updated through the Reliability Standards development process whenever a new or revised Reliability Standard that includes a new defined term is approved, or as needed to clarify compliance activities. For example, the ERO will need to update the glossary to reflect modifications required by the Commission in this Final Rule.<sup>478</sup>

1894. The Commission directs the ERO to modify the glossary through the Reliability Standards development process to include the statutory definitions of the terms Bulk-Power System, Reliable Operation and Reliability Standard. However, this determination does not negate our discussion in the Applicability section of the Final Rule. While the glossary should be revised to include the statutory definition of Bulk-Power System, the Reliability Standards refer to the bulk electric system, which is also defined in the glossary.

1895. The Commission directs the ERO to submit a modification to the glossary that enhances the definitions of “transmission operator” and “generator operator” to reflect concerns of the commenters and the direction provided by the Commission in other sections of this Final Rule. The Commission is concerned that there not be any gaps or unnecessary overlaps of responsibilities concerning any of the Requirements in the Reliability Standards that are applicable to transmission operators and generator operators.

1896. Further, we adopt the NOPR proposal to require the ERO to submit a modification to the glossary that updates the definition of “operating reserves,” as required in our discussion of BAL-002-0 and BAL-005-0.

1897. Regarding Santa Clara’s concern about terms in the glossary differing from definitions in tariffs, we clarify that the glossary governs Reliability Standards, while tariff definitions govern tariff issues. We recognize that many items have different tariff definitions from those in the NERC glossary. However, we expect most of these terms to be consistent. If the glossary definition creates a conflict between the Reliability

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<sup>478</sup> See, e.g., MOD-001-0, TOP-002-1 and the INT Reliability Standards.

Standards and a Transmission Organization's function, rule, order, tariff, rate schedule, or agreement accepted, approved, or ordered by the Commission, then the Transmission Organization shall expeditiously notify the Commission, the Electric Reliability Organization and the relevant Regional Entity of the possible conflict pursuant to § 39.6 of the Commission's regulations.<sup>479</sup>

1898. In conclusion, the Commission approves the glossary. Further, pursuant to section 215(d)(5) of the FPA and § 39.5(f) of our regulations, the Commission directs ERO to modify the glossary through the Reliability Standards development process to: (1) include the statutory definitions of the terms Bulk-Power System, Reliable Operation and Reliability Standard; (2) modify the definition of "transmission operator" and "generator operator" to include aspects unique to ISO, RTO and pooled resource organizations and (3) modify the definition of "operating reserves" as discussed in BAL-002-0 and BAL-005-0.

### **III. Information Collection Statement**

1899. The Office of Management and Budget (OMB) regulations require that OMB approve certain reporting and recordkeeping (collections of information) imposed by an agency.<sup>480</sup> The information collection requirements in this Final Rule are identified under the Commission data collection, FERC-725A "Bulk Power System Mandatory Reliability Standards." Under section 3507(d) of the Paperwork Reduction Act of 1995,<sup>481</sup> the proposed reporting requirements in the subject rulemaking will be submitted to OMB for review. Interested persons may obtain information on the reporting requirements by contacting the Federal Energy Regulatory Commission, 888 First Street, NE, Washington, D.C. 20426 (Attention: Michael Miller, Office of the Executive Director, 202-502-8415) or from the Office of Management and Budget (Attention: Desk Officer for the Federal Energy Regulatory Commission, fax: 202-395-7285, e-mail: [oir\\_submission@omb.eop.gov](mailto:oir_submission@omb.eop.gov)).

1900. The "public protection" provisions of the Paperwork Reduction Act of 1995 requires each agency to display a currently valid control number and inform respondents that a response is not required unless the information collection displays a valid OMB control number on each information collection or provides a justification as to why the

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<sup>479</sup> 18 CFR 39.6 (2006).

<sup>480</sup> 5 CFR 1320.11.

<sup>481</sup> 44 U.S.C. 3507(d) (2000).