



## Implementation of the new Bulk Electric System Definition Delayed for One Year

On June 13, 2013 FERC approved NERC's request for a one-year delay of the implementation of the new Bulk Electric System. FERC granted the approval to avoid potential confusion when NERC responds to the two outstanding directives from Order 773 issued last December.

## July Update

Greetings readers! It has been quite a month for developments along the reliability compliance front. FERC extended the implementation of the Bulk Electric System definition for another year allowing NERC time to address FERC's directives from the December approval order, new reliability standards were approved, other requirements will be retired, and WECC held one of their three Compliance User Group and CIP User Group meetings for 2013. Unfortunately, we can expect another action packed month as FERC prepares for its annual August break from holding its monthly open meeting. These and other developments from the past month are sure to impact your organization. Read on to see what is coming your way and how that will impact your organization.

## FERC Update

### **Bulk Electric System Definition Implementation Delayed for 1 year Until July 1, 2014**

As we discussed in last month's Reliability Wire, NERC submitted a Motion for an Extension of Time and Request for Shortened Comment Period and Expedited Action on May 23rd. On June 13th FERC issued an [Order Granting an Extension of Time](#).

NERC's petition reflected the fact that FERC introduced directives that will affect the implementation of Exclusions E1

(radial) and E3 (local network) from the BES definition. As these directives have not yet been addressed by NERC, moving forward with the implementation of the revised Bulk Electric System (BES) definition before the directives are met could have created regulatory uncertainty and inconsistent guidance regarding what should be included or excluded as part of the BES.

FERC agreed and granted the extension and noted that the extension of time also applies to implementation of the exception process and local distribution determinations. The Commission found that more time is necessary so that registered entities, NERC, and Regional Entities do not have to determine whether an element is eligible for inclusion or exclusion while NERC responds to the Commission's Order Nos. 773 and 773-A directives with the outstanding possibility that everyone would have to do it all over again after NERC revises the definition in response to the directives. NERC must submit its proposed responses to the directives on or before the end of the year.

NERC is also working on "Phase 2" of the BES definition which is not required to be submitted along with its response to the outstanding FERC directives. Phase 2 of the project was initiated to develop appropriate technical justification to support refinements to the definition that were suggested by stakeholders

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## Impact Summary

### Delay Implementing Bulk Electric System Definition

— this will allow registered entities seeking an exclusion or inclusion an extra year to prepare filing such a request. Further, the current definition will remain in effect until July 1, 2014 preserving the status quo.

### Proposed Retirement of 34 Requirements

— Once approved, this will reduce registered entities' compliance risk and will reduce paperwork and administrative and resource needs.

### EOP-004-2 Approval

— For entities already subject to EOP-004-1 and CIP-001-2a this should reduce resource and administrative needs and reduce compliance risk. For TOs and GOs it will have the opposite effect.

### VAR-001-3 Approval

— FERC approved a regional variance that will add requirements for WECC-registered TOPs and GOPs that have direct contact with a TOP.

during Phase I, and to refine the definition as technically justified.

**Impact:** *The new BES definition may significantly impact the scope of activity for registered entities. While NERC and FERC have both repeatedly stated that the definition will not impact the registration criteria, the definition will impact which facilities will be included under the Reliability Standards for the registered entities. If approved, the delay will buy time for the registered entities to prepare petitions for inclusion/exclusion under the process detailed in Appendix 5C to the NERC Rules of Procedure.*

### FERC Proposes to Approve NERC's Request to Retire 34 Requirements on 19 Reliability Standards

Compliance may be getting just a bit easier as FERC is proposing to approve the retirement of 34 requirements within 19 Reliability Standards. According to both FERC and NERC the requirements poised for retirement "either: (1) provide little protection for Bulk-Power System reliability or (2) are redundant with other aspects of the Reliability Standards." FERC also proposed to withdraw 41 outstanding directives to NERC requiring modification to the Reliability Standards. According to FERC, this proposal is part of the Commission's "ongoing effort to review its requirements and reduce unnecessary burdens by eliminating requirements ... not necessary to the performance of [FERC]'s regulatory responsibilities."

This Notice of Proposed Rulemaking (NOPR) issued by FERC stems from FERC's March 2012 order approving NERC's Find, Fix, and Track initiative (more on this in the following article) in which FERC asked NERC to propose for revision or retirement requirements or standards that "provide little protection for [system] reliability or may be redundant." In response NERC submitted a petition to this effect on February 28, 2013 which NERC believes "will allow

industry ... to focus their resources appropriately on reliability risks."

FREC is seeking comments on whether these retirements will affect reliability or the efficiency of the Electric Reliability Organization (NERC and the Regions). Comments are due 60 days after publication in the Federal Register.

The 34 requirements proposed for retirement include:

BAL-005-0.2b R2;  
CIP-003-3 R1.2, 3, 3.1, 3.2, 3.3, 4.2;  
CIP-005-3a R2.6;  
CIP-007-3 R7.3;  
EOP-005-2 R3.1,  
FAC-002-1 R2,  
FAC-008-3 R4, 5;  
FAC-010-2.1 R5;  
FAC-011-2.1 R5;  
FAC-013-2 R3;  
INT-007-1 R1.2;  
IRO-016-1 R2;  
NUC-001-2 R9.1, 9.1.1, 9.1.2, 9.1.3, 9.1.4  
PRC-010-0 R2  
PRC-022-1 R2  
VAR-001-2 R5

The above requirements will be retired immediately upon FERC's final approval.

The NOPR can be found [here](#).

**Impact:** Assuming that all of the retirements are approved this should save registered entities considerable time and effort.

### FERC Issues Order on NERC Find, Fix, Track, and Report Compliance Filing

On March 15, 2012 FERC approved NERC's Find, Fix, Track, and Report (FFT) program to more quickly and efficiently process possible violations of the Reliability Standards that are of "lesser-risk" and have been remediated. This process was instituted to avoid the lengthy traditional settlement process that stems from most other possible violations.

## Tip of the Month

Make sure that regular compliance tasks stay on track throughout the summer vacation times. Just because Independence Day is here and the kids are out of school does not mean that your responsibilities take a break too. Keep track of when your managers and implementers plan to be out of the office and plan ahead. Do not let compliance tasks fall by the wayside because your coworkers and maybe even your boss will understand but your regulator will not be so forgiving.

On March 15, 2013 NERC submitted its compliance filing in response to FERC's order and proposed five changes to the program. NERC proposed to: (1) increase the acceptable risk to include a "limited pool" of moderate risk violations; (2) no longer requiring senior officers to certify completion of remediation; (3) affording FFT treatment to possible violations not yet mitigated; (4) limiting NERC's review to only sampling a subset of FFT violations; and (5) replacing monthly informational filings to FERC with monthly postings to NERC or Regional Entity websites.

FERC approved all of the NERC's proposed refinements except number (2). FERC still wants a registered entity's senior officer to certify the possible violations have been fully mitigated. Proposal (3) was approved under the condition that any unmitigated possible violation must be mitigated within 90 days from the date the FFT is filed or posted and that FFTs allowed under this change will not be considered closed until the mitigation is complete. With regard to proposal (5) FERC will allow the Regional Entities to publicly post all FFTs on a common website at the end of each month.

Both FERC and NERC seem pleased with the development and success of the program thus far, but both see room for improvement. One area that needs more consistency is the risk assessments which determine whether or not a possible violation is eligible for FFT treatment but efforts are being led by NERC to reduce these inconsistencies. FERC also directed NERC to make a compliance filing in one year on FFT performance.

The order can be read [here](#).

**Impact:** This has the potential to reduce penalties as well as the drain in time and resources formerly required to reach a settlement regarding possible violations. Obviously, you still want to always avoid violations but this will lessen the pain if the violation is of a minor or perhaps moderate risk (as determined by the Regional Entity). The FFT process is one of the benefits of having and imple-

menting a strong Internal Compliance Program as a strong ICP reduces the likelihood of a violation, is more likely to find and self-report a possible violation, and will receive mitigating credit for the ICP.

### FERC Approves EOP-004-2 Reliability Standard

At their monthly meeting on June 20th, FERC issued an [Order Approving Reliability Standard for EOP-004-2 — Event Reporting](#). EOP-004-2 identifies types of reportable events and thresholds for reporting applicable events to NERC and other entities, including law enforcement. This standard also requires reporting of threshold events within 24 hours. EOP-004-2 replaces both EOP-004-1 — Disturbance Reporting and CIP-001-2a — Sabotage Reporting.

EOP-004-2 requires that responsible entities must (1) have an operating plan for reporting applicable events to NERC and others including procedures for reporting events at thresholds identified in Attachment 1 to the standard; (2) report events within 24 hours of recognition of meeting an event threshold for reporting; and (3) validate contract information contained in the operating plan on an annual basis. This new standard will become effective on January 1, 2014.

**Impact:** This standard will have the largest impacts on Generator Owners and Transmission Owners as neither of those functions were covered by either EOP-004-1 or CIP-001-2a. For those entities covered by the previous version, after an initial period of additional work to update policies and procedures, this new standard should reduce paper work and the need to comply with two duplicative standards while simultaneously relieving the confusion that arose due to the previous two standards.

### FERC Allows WECC to Continue to Operate the Reliability Coordination Centers through Federal Power Act Sec. 215 Funding

On June 20th, FERC issued an Order on Petition for Declaratory Order in response to the Western Electricity Coordinating Council's (WECC) March 12, 2013 Petition for a Declaratory Order. WECC is currently in the process of bifurcating its Reliability Coordinator (RC) and Interchange Authority functions from its Regional Entity and other associated functions (more on this in the WECC section of this month's Reliability Wire).

FERC, somewhat surprisingly, held that the new Reliability Coordination Company (RCCo) could continue to fund the RCCo after the RCCo becomes independent from the WECC Regional Entity using Section 215 funding. Section 215 of the Federal Power Act funding refers to the assessments collected from end users on a pro rata basis to fund the Electric Reliability Organization (ERO) which includes NERC and the Regional Entities. Essentially, FERC said that the RCCo could continue to access the ERO budget pool through a sub-delegation agreement with WECC. It is worth noting that none of this is provided for in the Energy Policy Act of 2005 (which became Section 215) or the implementing regulations.

Further, FERC ruled that once WECC has been split into the Regional Entity and the RCCo that WECC could resume enforcement activities involving the RCCo registered Reliability Coordinator function. Under WECC's current arrangement, WECC was required to have a third party be responsible for enforcement for the RC's non-compliance with the standards.

Most commenters regarding this proposal were against this formulation of funding and enforcement. With the notable exceptions of the Western Interconnection Regional Advisory Body (WIRAB) and the Bonneville Power Administration.

The commenters against the proposal were led by the Edison Electric Institute and CAISO and included a host of western utilities and municipalities. These

commenters generally felt that there was no provision in 215 for allowing a sub-delegation, the RCCo is ineligible to receive such funding, and that the arrangement represented a conflict of interest for WECC and the new RCCo. Additionally, these commenters believed that such a finding was premature because the new RCCo Bylaws have not yet been written and that an independent funding mechanism would be more appropriate.

FERC's order seems to give much more weight to the advice of WIRAB than the established law and will most likely invite a motion for rehearing or reconsideration.

**Impact:** Assuming this ruling stands, it is likely that 215 end user assessments will go up. The WECC RC centers have already incurred one significant compliance penalty and are likely to receive another shortly that will dwarf the first one—stemming from the September 8, 2011 Southwest blackout. If the RCCo is involved in any future compliance violations, that money would ultimately come from the 215 assessments as that will be the RCCo's only source of funding (besides some minor training activities).

This ruling also cements the RCCo's place as the only RC for the Western Interconnection. While it is not known whether anyone or any company was looking to fund an alternative RC, that possibility looks much less likely as most utilities will not want to fund another RC when they are paying for the RCCo to exist.

### **FERC's Next Open Meeting Will Be July 18, 2013**

Click [here](#) for more information.

### **FERC Approves VAR-001-3 — Voltage and Reactive Control (WECC Regional Variance)**

On June 20th, FERC approved VAR-001-3 by letter order. This standard is simply a regional variance for the WECC region of VAR-001-2. This regional variance will become effective on January 1, 2014

and will bring new requirements for Generator Operators (GOPs). And Transmission Operators (TOPs).

FERC approved the regional variance because they believed it to be more stringent than the continent-wide standard that “provides an alternative approach to meeting the same reliability objective based on physical differences in the Western Interconnection.”

Specifically, the variance Requirement R3 will be removed for WECC registered entities and R4 will be replaced with six new requirements three each for GOPs and TOPs which require the sharing of voltage schedules, set point conversion methodologies, operational and equipment data, and control loop specifications to “ensure that voltage levels are within limits to protect equipment during system disturbances” and enhance voltage control.

**Impact:** GOPs and TOPs in the West will have increased compliance risk beginning January 1. Be sure that you have the policies and procedures in place before the new standard goes into effect. Further, GOPs should make sure that they are in contact with your TOP - for those in CFR agreements please check with your coordinated entity to determine the responsible party for the new requirements.

#### **FERC Approves Interpretation to TPL-003-0a and TPL-004-0**

In a [letter order](#) on June 20th, FERC approved NERC Interpretation to the TPL-003-0a and TPL-004-0 Reliability Standards (thereby becoming [TPL-003-0b](#) and [TPL-004-0a](#)).

The interpretation sought to address two questions which FERC had raised in [Order 754](#), specifically, whether (1) a Transmission Planner (TPL) “has the option of evaluating the effects of either a stuck breaker or protection system failure as presented in the Table 1 of TPL-003-0a and TPL-004-0, or must evaluate that

contingency that produces the most severe system results or impacts.” And (2) “to what extent does Table 1, footnote (e) of TPL-003-0a and TPL-004-0 require an entity to model a single point of failure of a protection system, including other protection systems impacted by that failed component on the as-built design of that protection system.”

In response to the first question the Interpretation states, “a planner must evaluate the situation that produces the more severe system results or impacts due to a delayed clearing condition regardless of whether the condition resulted from either a stuck breaker or protection system failure.” Similarly, in response to the second question, the Interpretation Drafting Team responded that “a planner is permitted to use engineering judgment to select the protection system component failures for evaluation that would produce the more severe system results or impact, and the evaluation would address all protection systems affected by the selected component. The interpretation response further states that a protection system component failure that impacts one or more protection systems and increases the total fault clearing time requires a planner to simulate the full impact (clearing time and facilities removed) on the Bulk Electric System performance.

## NERC News

### Reliability Standards Posted for Comment

- [Project 2007-06: System Protection Coordination \(PRC-027-1\)](#) – Open June 4-July 3, 2013 ([Comment Form](#))
- [Project 2007-11: Disturbance Monitoring \(PRC-002-1 and PRC-018-1\)](#) – Open June 5-July 5, 2013 ([Informal Request for Information for Transmission Owners and Generator Owners Only](#))
- [Project 2010-17: Definition of Bulk Electric System \(Phase 2\)](#) – Open May 29-July 12, 2013 ([Comment](#))

- Form)
- Project 2007-02: Operating Personnel Communications Protocols (COM-003-1) – Open June 20-July 19, 2013 (Comment Form)
  - Project 2010-13.2: Phase 2 of Relay Loadability: Generation (PRC-025-1) – Open June 20-July 19, 2013 (Comment Form)
  - Project 2010-13.2: Phase 2 of Relay Loadability: Generation (PRC-023-3) – Open June 20-August 5, 2013 (Comment Form)

#### Open Ballot Pools

- Project 2010-17: Definition of Bulk Electric System (Phase 2) – Open May 29-June 27, 2013 (Join Ballot Pool)
- Project 2010-13.2: Phase 2 of Relay Loadability: Generation (PRC-023-3) – Open June 20-July 19, 2013 (Join Ballot Pool)

#### Upcoming Ballots

- Project 2010-17: Definition of Bulk Electric System (Phase 2) – Open July 3-12, 2013 (Initial Ballot)
- Project 2007-06: System Protection Coordination (PRC-027-1) – Open June 24-July 3, 2013 (Successive Ballot and Non-Binding Poll)
- Project 2007-02: Operating Personnel Communications Protocols (COM-003-1) – Open July 10-19, 2013 (Successive Ballot and Non-Binding Poll)
- Project 2010-13.2: Phase 2 of Relay Loadability: Generation (PRC-025-1) – Open July 10-19, 2013 (Successive Ballot and Non-Binding Poll)
- Project 2010-13.2: Phase 2 of Relay Loadability: Generation (PRC-023-3) – Open July 26-August 5, 2013 (Initial Ballot)

For more information on any of these projects please contact GridSME.

#### Upcoming NERC Events

- ◆ Conference: MOD B Informal Devel-

opment Project (MOD-010 through MOD-015) – 9 a.m.-4:30 p.m. Eastern, June 25, 2013, Linthicum, MD (Register – in person) (Register – webinar) (Meeting Details)

- ◆ Webinar: Project 2010-07: Definition of Bulk Electric System – 1-3 p.m. Eastern, June 26, 2013 (Register)
- ◆ Save the Date: Third Annual State of Standards Webinar – 1-5 p.m. Eastern, July 16, 2013 (Register)
- ◆ Technical Conference: Project 2007-11: Disturbance Monitoring – July 30-31, 2013, Tempe, AZ (Register) (Meeting Details)
- ◆ Technical Conference: Project 2007-11: Disturbance Monitoring – August 6-7, 2013, Atlanta, GA (Register) (Meeting Details)

## WECC News

### WECC Compliance User Group and CIP User Group Meetings Held in Portland, OR June 4-6

WECC held their most recent Compliance User Group (CUG) and CIP User Group (CIPUG) meetings at the start of June in Portland, OR. At the meeting, WECC made presentations addressing the following issues:

#### CUG

- New Audit Preparation Processes & Documents
- Planning Model Data & Standards
- BES Definition Processes
- Operations and Planning Standards Update
- WECC Program Administration Update
- WECC RC Update on
  - ⇒ Interconnection Reliability Operating Limits (IROLs) and System Operating Limits (SOLs)
  - ⇒ Data Requests
- Compliance Violation Trend Analysis

#### CIPUG

- CIP Version 5
- CIP Version 3 →>5 Transition

- CIP-006 R1.1 Interpretation Remand
- Most Frequently Violated CIP Standards
- Information Protection
- CIP Violation Trend Analysis

The entire presentations can be accessed [here](#). Also included in the meeting materials is a good [example of a narrative](#) for a Reliability Standard Audit Worksheet (RSAW). If you have any questions regarding the material presented in the package please contact GridSME.

WECC's next CUG/CIPUG Meetings will be held October 22-24 in Anaheim, CA. We strongly advise our clients to attend these helpful and informative meetings.

#### **WECC Monthly Compliance Outreach Webinar**

The next meeting will be July 18, 2013 at 2 pm MDT. More information can be found [here](#).