COMMITTEE REPORT ON SYSTEM RELIABILITY, PLANNING, AND SECURITY

This report provides a summary of the most significant decisions, orders, and rules issued by the Federal Energy Regulatory Commission (FERC) and the North American Electric Reliability Corporation (NERC) regarding electric reliability section 215 of the Federal Power Act (FPA) and transmission planning from July 1, 2014, through June 30, 2015. The Committee’s previous report provided a summary of significant FERC and NERC decisions, orders, and rules from July 1, 2013, through June 30, 2014. *

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II. RELIABILITY GOVERNANCE, STRUCTURE, AND RULES OF PROCEDURE (ROP)

On July 21, 2014, NERC submitted the Five Year Electric Reliability Organization Performance Assessment Report (Performance Assessment) in accordance with 18 C.F.R § 39.3(c), which requires the Electric Reliability
Organization (ERO) to submit a performance assessment every five years.\textsuperscript{1} The FERC accepted NERC’s Performance Assessment in a November 20, 2014 order.\textsuperscript{2}

The FERC accepted NERC’s June 2014 Find, Fix, Track, and Report (FFT) enforcement program in an Order on Compliance Filing issued September 18, 2014.\textsuperscript{3} NERC submitted an Informational Filing on November 3, 2014, regarding the implementation of the Reliability Assurance Initiative (RAI).\textsuperscript{4} NERC submitted a request for approval of proposed revisions to its Rules of Procedure to implement the Risk-Based Registration Initiative on December 11, 2014.\textsuperscript{5} In response to comments and a protest filed by two respondents to NERC’s December 11 filing, NERC submitted a Motion to File Limited Answer on January 26, 2015.\textsuperscript{6} The FERC approved NERC’s implementation of the RAI in a February 19, 2015 order (hereinafter, RAI Order).\textsuperscript{7} The FERC also approved, in part, NERC’s Risk-Based Registration Initiative on March 19, 2015.\textsuperscript{8} NERC submitted a compliance filing on May 20, 2015, as directed by the FERC in the RAI Order.\textsuperscript{9} Lastly, NERC requested approval of the revisions made to the Compliance and Certification Committee Charter on June 2, 2015.\textsuperscript{10}

II. NERC BUSINESS PLAN AND BUDGET

A. 2013 Business Plan and Budget

The FERC approved NERC’s report of 2013 budget true-ups for NERC and the eight NERC Regional Entities in a letter order dated July 29, 2014.\textsuperscript{11}

B. NERC Performance Audit Settlement Agreement Compliance Filings

On August 14, 2014, NERC submitted a compliance filing in response to the FERC’s January 16, 2013 order on NERC’s settlement agreement which requires NERC to submit unaudited reports of NERC’s budget-to-actual spending variances for each preceding quarter following a 2012 performance audit that the

\begin{enumerate}
\item See generally id.
\item Informational Filing of the NERC Regarding Implementation of the Reliability Assurance Initiative, FERC Docket No. RR15-2-000 (Nov. 3, 2014).
\item Petition of NERC for Approval of Risk-Based Registration Initiative Rules of Procedure Revisions, FERC Docket No. RR15-4-000 (Dec. 11, 2014).
\item Motion to File Limited Answer of the NERC to Comments of the PSEG Companies and the Motion to Intervene and Protest of the Cogeneration Association of California and the Energy Producers and Users Coalition, FERC Docket No. RR15-4-000 (Jan. 26, 2015).
\item Compliance Filing of the NERC, FERC Docket No. RR15-2-000 (May 20, 2015).
\item NERC Request for Approval of Amended Compliance and Certification Committee Charter, FERC Docket No. RR15-11-000 (Jun. 2, 2015).
\item Letter Order, Report of Comparisons of Budgeted to Actual Costs For 2013, FERC Docket No. RR14-4-000 (Jul. 29, 2014).
\end{enumerate}
FERC conducted against NERC. NERC filed additional quarterly compliance filings on November 14, 2014, covering the third quarter of 2014; February 14, 2015, covering the fourth quarter of 2014; and May 15, 2015, covering the first quarter of 2015.

C. 2014 Business Plan and Budget


D. 2015 Business Plan and Budget

NERC submitted a request to approve the Business Plan and Budgets for NERC and the Regional Entities on August 22, 2014. NERC submitted an update to the 2015 Business Plans and Budget for Peak Reliability, Inc. on October 14, 2014, to reflect additional revenues from British Columbia Hydro and Power Authority. The FERC approved the 2015 Business Plans and Budgets for NERC, the Regional Entities, the Western Interconnection Regional Advisory Board (WIRAB), and Peak Reliability, Inc. in an October 16, 2014 order. The FERC also accepted NERC’s updated 2015 Business Plan and Budget of Peak Reliability in a letter order on October 28, 2014.

E. Budget Policy and Procedure

NERC submitted a request on February 18, 2015, to revise certain “Metrics’ Filing Components” for NERC’s annual Business Plan and Budget filings and

17. NERC Request for Acceptance of 2015 Business Plans and Budgets of NERC and Regional Entities and for Approval of Proposed Assessments to Fund Budgets, FERC Docket No. RR14-6-000 (Aug. 22, 2014).
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annual actual cost-to-budget true-up filings. Specifically, NERC sought to omit or revise the requirement that it include in the filings the following components:

1) the status of progress in processing alleged violations and reducing backlog processing alleged violations of the Reliability Standards;
2) status reports on the achievement of NERC’s current year goals;
3) metrics comparing Regional Entity operations with the proposed budget for the following year; and
4) Metrics on NERC and Regional Entity indirect costs

in the annual Business Plan and Budget filing. NERC also requested revisions to its working capital and operating reserve policy on March 6, 2015. Both of NERC’s requests were accepted by the FERC. The metric changes were approved in a letter order on June 15, 2015, and an order conditionally approving the changes to working capital policy was issued June 18, 2015.

III. RELIABILITY STANDARDS

A. NERC Reliability Standards Development Plan 2015-2017

On December 31, 2014, NERC submitted its 2015-2017 Reliability Standards Development Plan (2015 Development Plan) in accordance with section 310 of the NERC Rules of Procedure. The 2015 Development Plan serves as a management tool to guide, communicate, and coordinate the development of Reliability Standards and provide benchmarks for assessing progress in executing the plan. The 2015 Development Plan accounts for the majority of the work NERC believes is necessary to bring the NERC Reliability Standards to a “steady state,” which NERC defines as “a stable set of clear, concise, high quality, and technically sound Reliability Standards that are results-based . . .” The 2015 Development Plan reflects planned development work to address outstanding FERC order directives, adjustments resulting from application of Paragraph 81 criteria, and recommendations for retirement by the Independent Experts Review Panel (IERP). The 2015 Development Plan also

21. NERC Request to Revise Certain “Metrics” Filing Components for NERC’s Annual Business Plan and Budget Filings and Annual Actual Cost-to-Budget True-up Filings, FERC Docket No. RR15-6-000 (Feb. 18, 2015).
22. Id. at 1-2.
23. NERC Request for Approval of Revisions to NERC’s Working Capital and Operating Reserve Policy, FERC Docket No. RR15-8-000 (Mar. 6, 2015).
provides an overview of each Reliability Standard family with respect to progress toward “steady-state” status. Progress on executing the 2015 Development Plan can be tracked using the Project Tracking Spreadsheet on NERC’s “Standards” webpage.  

B. Standards Groups

1. Resource and Demand Balancing (BAL) Standards

On July 31, 2014, NERC submitted an informational filing providing a preliminary field report evaluating the effects of revisions to proposed Reliability Standard BAL-001-2 (Real Power Balancing Control Performance) and, in particular, its new Balancing Authority (BA) Area Control Error (ACE) Limit requirement. On November 20, 2014, the FERC issued a Notice of Proposed Rulemaking (NOPR) proposing to approve Reliability Standard BAL-001-2 and proposing to direct NERC to submit an informational filing addressing the reliability impacts from inadvertent interchange and unscheduled power flows. On January 26, 2015, NERC submitted comments in response to the NOPR.


2. Communications (COM) Standards

On September 18, 2014, the FERC issued a NOPR proposing to approve NERC’s COM-001-2 (Communications) and COM-002-4 (Operating Personnel Communications Protocols) Reliability Standards. On December 1, 2014, NERC retained a group of industry experts, referred to as the IERP, to independently review NERC Reliability Standards and produce a report, setting a foundation for a plan that will result in a set of clear, concise, and sustainable body of Reliability Standards (IERP Report). In this report, the IERP provides various recommendations, including suggestions for retirement of certain requirements in various Reliability Standards.  


NERC filed comments in response to the NOPR. NERC submitted supplemental comments to the NOPR on March 6, 2015.

On April 16, 2015, the FERC issued Order No. 808, approving COM-001-2 and COM-002-4. Reliability Standard “COM-001-2 establishes . . . requirements for the communications capabilities that [applicable] functional entities must” have in place and maintain. “Reliability Standard COM-002-4 requires applicable entities to develop communication protocols with certain minimum requirements, including use of three-part communication when issuing Operating Instructions.” In Order No. 808, the Commission also directed NERC to address a perceived reliability gap in COM-001-2 regarding coverage “of internal telecommunications (or other internal communication systems) that may have an adverse effect on reliability, even within a single functional entity, including: (1) communications between geographically separate control centers within the same functional entity; and (2) communications between a control center and field personnel.” NERC initiated Project 2015-07—Internal Communications Capabilities (COM-001) to address the Commission’s directive.

3. Emergency Preparedness and Operations (EOP) Standards

On October 16, 2014, the FERC denied the Foundation for Resilient Societies’ request for rehearing and remand of Order No. 797, a final rule approving Reliability Standard EOP-010-1 (Geomagnetic Disturbance Operations).

On December 29, 2014, NERC filed a petition with the FERC requesting approval of proposed Reliability Standard EOP-011-1 (Emergency Operations), which proposes to consolidate existing Reliability Standards EOP-001-2.1b, EOP-003.1, and EOP-003-2 and to implement a revised definition of “Energy Emergency.”

4. Facilities Design, Connections, and Maintenance (FAC) Standards

On July 31, 2014, NERC submitted an informational filing to provide an interim status update on NERC’s testing to develop empirical data regarding the flashover between conductors and vegetation in compliance with Order No. 777,
the FERC’s final rule approving Reliability Standard FAC-003-2 (Transmission Vegetation Management).\textsuperscript{42}

On August 22, 2014, NERC filed a petition with the FERC requesting approval of proposed Reliability Standards FAC-001-2 (Facility Interconnection Requirements) and FAC-002-2 (Facility Interconnection Studies), which are designed to ensure that there is appropriate coordination and communication between Transmission Owners and applicable Generator Owners regarding the interconnection of facilities.\textsuperscript{43} The FERC approved the two FAC Reliability Standards on November 6, 2014.\textsuperscript{44}

5. Modeling, Data, and Analysis (MOD) Standards


On September 18, 2014, the FERC issued an NOPR proposing to approve Reliability Standard MOD-031-1 (Data and Energy Data), which would approve applicable entities’ authority to collect demand, energy, and related data to support reliability studies and assessments.\textsuperscript{46} On December 1, 2014, NERC submitted comments in support of the FERC’s MOD-031-1 NOPR.\textsuperscript{47}

6. NUC Standards

On September 15, 2014, NERC submitted a petition for approval of proposed Reliability Standard NUC-001-3 (Nuclear Plant Interface Coordination).\textsuperscript{48} NERC initiated revisions to the NUC-001 standard as part of a five-year review of the standard. NUC-001-3 requires coordination between Nuclear Plant Generator Operators and Transmission Entities, as defined in the standard, for the purpose of ensuring safe operation and shutdown of nuclear power plants. The revised standard contains several revisions that seek to provide clarity in the structure and language in the requirements and completed removal of requirements that were administrative in nature. On November 4, 2014, the FERC issued a letter order approving NUC-001-3.\textsuperscript{49}


\textsuperscript{43} Petition of the NERC for Approval of Proposed Reliability Standards for Facility Connection Requirements FAC-001-2 and FAC-002-2, FERC Docket No. RD14-12-000 (Aug. 22, 2014).

\textsuperscript{44} Letter Order, N. Am. Elec. Reliability Corp., FERC Docket No. RD14-12-000 (Nov. 6, 2014).

\textsuperscript{45} Comments of the NERC in Response to Notice of Proposed Rulemaking, FERC Docket No. RM14-7-000 (Aug. 25, 2014).

\textsuperscript{46} Notice of Proposed Rulemaking, Demand and Energy Data Reliability Standard, 148 F.E.R.C. ¶ 61,192 at P 1 (2014).

\textsuperscript{47} Comments of the NERC in Response to Notice of Proposed Rulemaking, FERC Docket No. RM14-12-000 (Dec. 1, 2014).


7. PRC Standards

a. PRC-025-1 and PRC-023-3

On July 17, 2014, the FERC issued Order No. 799 approving PRC-025-1 (Generator Relay Loadability) and PRC-023-3 (Transmission Relay Loadability). According to the FERC, the new standard on Generator Relay Loadability, Reliability Standard PRC-025-1, “will enhance reliability by imposing mandatory requirements governing generator relay loadability, thereby reducing the likelihood of premature or unnecessary tripping of generators during system disturbances” while PRC-023 “clarifies the applicability of the two standards governing relay loadability (PRC-025-1 and PRC-023-3), and prevent[s] potential compliance overlap by eliminating potential inconsistencies.”

b. PRC-002

On December 15, 2014, NERC filed a petition for approval of proposed Reliability Standard PRC-002-2 (Disturbance Monitoring and Reporting Requirements). Proposed PRC-002-2 is intended to facilitate the analysis of Disturbances on the Bulk-Power System. The proposed Reliability Standard defines what and how the sequence of events of recording, fault recording, and dynamic disturbance recording data should be reported. On April 16, 2015, the FERC issued a Notice of Proposed Rulemaking (NOPR) proposing to approve PRC-002-2. NERC submitted comments and reply comments on the NOPR on June 22, 2015, and July 13, 2015, respectively.

c. PRC-005

On July 17, 2014, the FERC issued an NOPR proposing to approve PRC-005-3 (Protection System and Automatic Reclosing Maintenance). The proposed Reliability Standard requires applicable entities to test and maintain certain autoreclosing relays as part of a Protection System Maintenance Program. On September 29, 2014, NERC submitted comments in response to the FERC’s NOPR proposing to approve Reliability Standard PRC-005-3 that

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51. Id. at P 2.
53. Id. at 2.
55. Comments of the NERC in Response to Notice of Proposed Rulemaking, FERC Docket No. RM15-4-000 (Jun. 22, 2015); Reply Comments of the NERC, FERC Docket No. RM15-4-000 (July 13, 2015).
57. Id. at P 1.
supported the inclusion of certain supervisory relays associated with the autoreclosing.  


On December 18, 2014, NERC submitted a petition seeking commission approval of proposed Reliability Standard PRC-005-4, Protection System, Automatic Reclosing, and Sudden Pressure Relaying Maintenance. The proposed standard adds sudden pressure relaying to the scope of equipment that applicable entities are required to test and maintain as part of a Protection System Maintenance Program.  

On December 19, 2014, NERC submitted an informational filing to the FERC to provide the Commission with an accounting of NERC’s activities since the issuance of Order No. 793 regarding commission testing of protection systems during the past year.  

On January 22, 2015, the Commission issued Order No. 803 approving PRC-005-3. The FERC also directed NERC to develop a modification to the Reliability Standard to include maintenance and testing of supervisory relays associated with autoreclosing. The Commission expressed that this addition is necessary to “ensure that proper maintenance and testing is done for all parts of a reclosing relay scheme that can affect the reliable operation of the Bulk-Power System . . .”.  

On April 16, 2015, the Commission issued an NOPR proposing to approve PRC-005-4 (Protection System, Automatic Reclosing, and Sudden Pressure Relaying Maintenance). The FERC also expressed continued concern that the misoperation of other types of non-electrical sensing relays or devices could affect the reliable operation of the Bulk-Power System and should be further explored.  

On June 19, 2015, NERC submitted limited comments in response to the NOPR. NERC supported the position in the NOPR for NERC to “continue to work with [the] FERC to explore misoperations of particular types of non-

58. Comments of NERC in Response to Notice of Proposed Rulemaking, FERC Docket No. RM14-8-000 (Sept. 29, 2014).  
61. Id. at 3.  
64. Id. at P 1.  
65. Id.  
67. Id. at P 17.
electrical sensing relays or devices, including devices noted by the Commission in paragraph 17 of the NOPR, to assess the impact of this equipment on the reliable operation of the Bulk-Power System.”

d. PRC-006


e. PRC-004-3

On September 15, 2014, NERC filed a petition with the FERC seeking approval of PRC-004-3 (Protection System Misoperation Identification and Correction). PRC-004-3 requires Transmission Owners, Generator Owners, and Distribution Providers to identify and correct causes of misoperations of certain protection systems. On May 13, 2015, the Commission issued an order approving Reliability Standard PRC-004-3.

f. PRC-026-1

On December 31, 2014, NERC petitioned the FERC for approval of PRC-026-1 (Relay Performance During Stable Power Swings). The proposed Reliability Standard aims to improve reliability by ensuring that relays are not set to trip in response to a stable power swing during non-fault conditions in the future. “The proposed Reliability Standard requires at-risk elements to be identified by the Planning Coordinator and the respective Generator Owners and Transmission Owners to be notified of the elements. Generator Owners and Transmission Owners that apply load responsive protective relays must determine whether their relays meet certain criteria.” If the relay does not meet the criteria, “the applicable Generator Owner and Transmission Owner must develop and implement a Corrective Action Plan to modify the protection system so that the relays meet the criteria.”

68. Comments of the NERC in Response to Notice of Proposed Rulemaking, FERC Docket No. RM15-9-000 (June 19, 2015).
74. Id. at 5.
75. Id.
g. PRC-010-1

On February 6, 2015, NERC submitted a petition to the FERC seeking approval of proposed PRC-010-1 (Undervoltage Load Shedding) and approval of a revised definition of Undervoltage Load Shedding Program for inclusion in the NERC Glossary of Terms. PRC-010-1 proposes to “establish an integrated and coordinated approach to the design, evaluation, and reliable operation of Undervoltage Load Shedding Programs.”\(^76\)

8. TPL Standards

On January 21, 2015, NERC submitted a proposal seeking the approval of TPL-007-1 Transmission System Planned Performance for Geomagnetic Disturbance Events that NERC developed in response to the FERC’s directive in Order No. 779.\(^77\) TPL-007-1 intends to establish requirements for transmission system planned performance during geomagnetic disturbance (GMD) events. The FERC issued an NOPR to approve TPL-007-1 on May 14, 2015.\(^78\)

9. VAR Standards

The FERC issued a letter order approving the VAR-001-4—Voltage and Reactive Control and VAR-002-3—Generator Operation for Maintaining Network Voltage Schedules on August 1, 2014.\(^79\) VAR-001-4 seeks to ensure that voltage levels, reactive flows, and reactive resources are monitored, controlled, and maintained within limits in real-time to protect equipment and the reliable operation of the interconnection. VAR-002-3 sought to ensure generators provide reactive support and voltage control, within generating Facility capabilities, in order to protect equipment and maintain reliable operation of the Interconnection.

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\(^76\) Petition of the NERC for Approval of Proposed Reliability Standard PRC-010-1 (Undervoltage Load Shedding) at 3, FERC Docket No. RM15-12-000 (Feb. 6, 2015); This standard was proposed for approval in an NOPR issued on June 18, 2015. Notice of Proposed Rulemaking, Revisions to Undervoltage Load Shedding Reliability Standards, 151 F.E.R.C. ¶ 61,230 (2015).


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C. Multiple Reliability Standards

1. Violation Risk Factors and Violation Severity Levels

NERC submitted revisions to the violation risk factors (VRFs) and violation severity levels (VSLs) to certain Reliability Standards on August 29, 2014.80 These revisions were approved in a letter issued November 26, 2014.81

2. IRO and TOP Standards

On December 20, 2013, NERC requested that the FERC defer action until January 31, 2015, to allow NERC to address concerns raised by the Commission in a November 21, 2013 NOPR on the revisions to certain Transmission Operations (TOP), Interconnection Reliability Operations and Coordination (IRO) Reliability Standards and committed to submitting quarterly reports on the progress of the standards drafting project. Consequently, NERC filed these compliance reports on July 1, 2014, October 1, 2014, and January 2, 2015.82 NERC submitted a petition for approval of nine revised TOP/IRO Reliability Standards and withdrew the previously submitted TOP/IRO standards on March 18, 2015.83 NERC then filed supplemental to the March 18, 2015 petition on May 12, 2015.84 The FERC proposed to approve the nine revised TOP/IRO Reliability Standards in a NOPR on June 18, 2015.85

3. Multiple PRC Standards

a. Applicability Changes for Dispersed Generating Resources

On, February 6, 2015, NERC filed a petition for the approval of five proposed Reliability Standards, PRC-004-2.1(i)a, PRC-004-4, PRC-005-2(i), PRC-005-3(i), and VAR-002-4, which were modified to adjust the scope of each standard’s applicability to dispersed generation resources.86 On March 13, 2015, NERC submitted a supplemental petition for approval of three additional proposed

86. Petition of the NERC for Approval of Proposed Reliability Standards PRC-004-2.1(i)a, PRC-004-4, PRC-005-2(i), PRC-005-3(i), and VAR-002-4, FERC Docket No. RD15-3-000 (Feb. 6, 2015).
Reliability Standards, PRC-001-1.1(ii), PRC-019-2, and PRC-024-2. NERC proposed changes to the applicability criteria to remove certain dispersed generating resources from scope in order to ensure that the standards are applied in a cost-effective manner and that the applicability of Reliability Standards is focused on entities with a material impact on reliability of the Bulk-Power System.

On May 8, 2015, NERC submitted errata changes to the February 6, 2015, petition modifying the implementation plans for PRC-005-2(i) and PRC-005-3(i) to properly sequence the version numbering and effective dates for PRC-005-2(i) and PRC-005-3(i) to ensure that the implementation of these Reliability Standards carries forth the intention of the standard drafting team responsible for development. On May 29, 2015, the FERC issued an order approving the proposed Reliability Standards.

b. PRC-004-5 and PRC-010-2

On June 8, 2015, NERC submitted a petition to the FERC for approval of proposed Reliability Standards PRC-004-5 (Protection System Misoperation Identification and Correction) and PRC-010-2 (Undervoltage Load Shedding). The proposed Reliability Standards address the perceived reliability gap in coverage of misoperations of UVLS noted in the FERC’s NOPR proposing to approve PRC-010-1.

4. EOP-011-1 and PRC-010-1

The FERC issued an NOPR on June 18, 2015, proposing to approve EOP-011-1 (Emergency Operations) and PRC-010-1 (Undervoltage Load Shedding). According to NERC these standards “consolidate, streamline and clarify the existing requirements of certain currently-effective Emergency Preparedness and Operations (EOP) and Protection and Control (PRC) standards.” The Commission also proposed to approve NERC’s revised definition of the term “Remedial Action Scheme” but raised concerns regarding the retirement of PRC-022-1 “before an acceptable replacement [standard] is in place . . . ” because there is not comparable coverage of Misoperations in proposed PRC-010-1 as there is in PRC-022-1 Requirement R1.5.

88. Id. at 4.
89. Errata to Petition of the NERC for Approval of Proposed Reliability Standards PRC-004-2.1(i)a, PRC-004-4, PRC-005-2(i), PRC-005-3(i), and VAR-002-4, FERC Docket No. RD15-3-000 (May 8, 2015).
91. Petition of the NERC for Approval of Proposed Reliability Standards PRC-004-5 and PRC-010-2, FERC Docket No. RD15-5-000 (June 8, 2015).
92. Id. at 3.
94. Id. at P 1.
95. Id. at P 25.
D. Glossary of Terms

On February 3, 2015, NERC filed a petition for approval of revisions to the definition of “Remedial Action Scheme” in the NERC Glossary of Terms and to incorporate the proposed definition and eliminate use of the term “Special Protection System” in twenty Reliability Standards. At the time the petition was filed, the two terms were used interchangeably throughout the NERC regions and in various Reliability Standards. The proposed changes consolidate the existing terms and create a core definition with objectives and specific exclusions, and seek to ensure the granularity needed for consistent classification and proper identification of these systems. On June 18, 2015, the Commission issued an NOPR proposing to approve the newly revised definition of Remedial Action Scheme and associated proposed Reliability Standards.

E. Annual Directives Report

NERC submitted its annual “Standards Report, Status and Timetable for Addressing Regulatory Directives, and Periodic Review of Reliability Standards,” in an informational filing to the FERC on March 31, 2015, in accordance with section 321.6 of NERC’s Rules of Procedure. Rule 321.6 requires NERC, on or before March 31 of each year, to file a report with applicable governmental authorities on the status and timetable for addressing each outstanding regulatory directive.

IV. CRITICAL INFRASTRUCTURE PROTECTION RELIABILITY STANDARDS

A. Physical Security

On July 17, 2014, the FERC issued a NOPR proposing to approve Reliability Standard CIP-014-1 (Physical Security). NERC submitted the proposed Reliability Standard to the FERC for approval in response to an order by the FERC directing NERC to develop reliability standards requiring owners and operators of the Bulk-Power System to address risks due to physical security threats and vulnerabilities in order to enhance the resilience of the transmission grid. In its NOPR, the FERC explained that the purpose of CIP-014-1 was “to enhance physical security measures for the most critical Bulk-Power System facilities and thereby lessen the overall vulnerability of the Bulk-Power System
against physical attacks.” 102 The FERC proposed to subtract facilities from an applicable entity’s list of critical facilities, and (2) “to remove the term ‘widespread’ as it appears in the proposed Reliability Standard in the phrase ‘widespread instability.’” 103 The FERC also proposed to direct NERC to make two informational filings. The first would be submitted “within six months of the effective date of a final rule in this proceeding” and would indicate whether Reliability Standards addressing “physical security for all ‘High Impact’ control centers, as that term is defined in Reliability Standard CIP-002-5.1,” were also necessary. 104 The second would be submitted within one year of the final rule and would “address[] the resiliency of the Bulk-Power System when confronted with the loss of critical facilities.” 105 In addition, the FERC sought comment on a number of issues, including both proposed directives; the proposal to require that NERC submit an informational filing; whether the Applicability section of the proposed Reliability Standard should be revised to include Generator Owners and Operators; and the third-party verification and review method proposed by NERC in Requirements R2 and R6. 106

On September 8, 2014, NERC submitted comments in response to the FERC CIP-014-1 NOPR. 107 In its comments, NERC supported the FERC’s proposal to approve the proposed Reliability Standard. 108 However, NERC requested that the FERC not issue the proposed directive requiring that NERC modify the proposed Reliability Standard to include a procedure that would allow applicable governmental authorities to add or subtract facilities from an applicable entity’s list of critical facilities. 109 NERC explained that such a procedure would be unnecessary and duplicative of existing FERC authority. 110 Additionally, NERC requested that, if the FERC “continue[d] to assert that it is necessary to include a procedure in the proposed Reliability Standard for [governmental authorities] to modify an applicable entity’s critical facility list,” the FERC provide justification for such a modification and clarify the limitations of its directive. 111 NERC also addressed the FERC’s request for comments, stating that: (1) it would address the removal of the term “widespread”; (2) it was willing to make an informational filing concerning the protection of “High Impact” control centers within twelve rather than six-months of the final rule; (3) the proposed Reliability Standard should not be applicable to Generator Owners and Operators; (4) it agreed with the proposal to approve the third party verification and review in Requirements

103. Id. at PP 22, 23, 27, 29.
104. Id. at PP 35, 39.
105. Id. at P 57.
106. Id. at PP 24, 29, 40, 45, 50, 51.
108. Id. at 1.
109. Id. at 4.
110. Id. at 4-10.
111. Id. at 11-17.
R2 and R6; and (5) an informational filing concerning the resiliency of the Bulk-Power System was premature at this time.\footnote{112}

On November 20, 2014, the FERC issued a final rule conditionally approving NERC’s CIP-014-1.\footnote{113} In the final rule, the FERC directed NERC to clarify the ambiguity in the term “widespread instability” and directed NERC to submit an informational filing within two years to address whether the standard should encompass all “[h]igh [i]mpact’ control centers” as defined by CIP-002-5.1 (Cyber Security—BES Cyber System Categorization).\footnote{114} The FERC did not adopt, in the final rule, the other proposals or directives from the proposed rule.\footnote{115}

On April 23, 2015, the FERC issued an order denying a request for rehearing filed by the Foundation for Resilient Societies regarding the adequacy of physical security reliability standard CIP-014-1.\footnote{116} In its request for rehearing, the Foundation for Resilient Societies contended that the FERC erred: (1) “in not ‘requir[ing] modeled contingency planning for scenarios of physical attack’”; (2) “in approving the exclusion of generator operators and reliability coordinators from the scope of Reliability Standard CIP-014-1”; (3) “by ‘arbitrarily exempt[ing] NERC from standard-setting for high impact control centers for a period of two years while NERC prepares an “informational filing’””; (4) “in approving Reliability Standard CIP-014-1 because the Reliability Standard does not contain ‘specific requirements or even suggested guidelines for physical security measures’”; and (5) “by not considering the ‘cost and benefits of protective measures, including adverse impact on human populations were an attack to occur.’”\footnote{117}

On May 15, 2015, NERC submitted a petition seeking Commission approval of Proposed Reliability Standard CIP-014-2 (Physical Security).\footnote{118} The proposed standard modifies existing Reliability Standard CIP-014-1 by removing the term “widespread” from the term “widespread instability” in the prior version of Requirement R1, pursuant to the Commission’s order conditionally approving CIP-014-1.\footnote{119}

B. BES Cyber Asset Definition Under Version 5 of the CIP Standards

On February 3, 2015, in compliance with Order No. 791, NERC submitted the results of a survey regarding the scope of assets covered by the term “BES Cyber Asset” in the CIP Version 5 Standards.\footnote{120} Although the FERC approved

\begin{footnotes}
\item[112] Id. at 19-24, 26-30.
\item[114] Id. at PP 31, 35, 57, 59.
\item[115] Id. at P 70.
\item[117] Id. at PP 11, 16, 22, 30, 33.
\item[118] Petition of the NERC for Approval of Proposed Reliability Standard CIP-014-2, Docket No. RD15-4-000 (May 15, 2015).
\item[119] Id. at 1.
\end{footnotes}
the definition of “BES Cyber Asset” in Order No. 791, it directed NERC to conduct a survey of Cyber Assets that are included or excluded under the definition. The FERC directed NERC to use the results of that survey to explain:

(1) specific ways in which entities determine which Cyber Assets meet the 15-minute parameter; (2) types or functions of Cyber Assets that do not fall within the BES Cyber Asset definition and the rationale for such determinations; (3) common problem areas with entities improperly designating BES Cyber Assets; and (4) feedback from Regional Entities on lessons learned with the application of the BES Cyber Asset definition.

According to NERC’s informational filing, “the results of the survey show that a determination of whether a particular Cyber Asset is a BES Cyber Asset is necessarily dependent on facts and circumstances, namely, the function performed by the Cyber Asset and whether that function is integral to real-time operations.” NERC noted that despite this, “there was significant commonality in the types and functions of Cyber Assets that the Implementation Study participants designated as BES Cyber Assets and the rationale for excluding particular Cyber Assets.” NERC concluded “that the discrepancies and challenges were not necessarily the result of a flaw in the BES Cyber Asset definition but in the practical application of the definition” and could be addressed “through various mechanisms, including guidance documents, training workshops, and other targeted outreach efforts.”

C. CIP V5 Revisions

On February 13, 2015, in compliance with Order No. 791, NERC submitted a petition seeking FERC approval of the following CIP Version 5 Reliability Standards: CIP-003-6 (Cyber Security—Security Management Controls); CIP-004-6 (Cyber Security—Personnel and Training); CIP-006-6, (Cyber Security—Physical Security of BES Cyber Systems); CIP-007-6 (Cyber Security—Systems Security Management); CIP-009-6 (Cyber Security—Recovery Plans for BES Cyber Systems); CIP-010-2 (Cyber Security—Configuration Change Management and Vulnerability Assessments); and CIP-011-2 (Cyber Security—Information Protection). NERC also submitted a proposed implementation plan, associated violation risk factor and violation severity level assignments, proposed new or revised definitions, and the retirement of Reliability Standards CIP-003-5, CIP-004-5.1, CIP-006-5, CIP-007-5, CIP-009-5, CIP-010-1, and CIP-011-1. To address the FERC directives and concerns in Order No. 791, NERC proposed to (1) remove the “identify, assess, and correct” language from the

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121. 145 F.E.R.C. ¶ 61,160 at P 124.
122. Informational Filing of the NERC Regarding the BES Cyber Asset Survey at 2, FERC Docket No. RM13-5-000 (Feb. 23, 2015).
123. Id. at 3.
124. Id. at 3-4.
125. Id. at 4.
126. Petition of the NERC for Approval of Proposed Critical Infrastructure Protection Reliability Standards CIP-003-6, CIP-004-6, CIP-006-6, CIP-007-6, CIP-009-6, CIP-010-2, and CIP-011-2, FERC Docket No. RM15-14-000 (Feb. 13, 2015).
127. Id. at 2.
seventeen requirements in the CIP Version 5 Standards that included such language; (2) “require responsible entities to implement cybersecurity” plans (including cybersecurity awareness, physical security and electronic access controls and incident response plans) for assets containing low impact BES Cyber Systems; (3) require the implementation of protections for “transient” assets; and (4) require the implementation of “security controls for nonprogrammable components of communication networks at Control Centers with high or medium impact BES Cyber Systems.”

V. REGIONAL ENTITIES AND REGIONAL STANDARDS DEVELOPMENT

A. FRCC

NERC filed a petition on November 19, 2014, seeking the approval of amendments to the Florida Reliability Coordinating Council, Inc. (FRCC).

The amendments proposed, inter alia, “to formally recognize two new FRCC committees, reorganize FRCC’s Standing Committee structure to improve efficiency, revise the current FRCC Board voting scheme, and add a confidentiality provision to the FRCC Bylaws to recognize the importance of discretion and confidentiality of information received through FRCC.” The FERC accepted the FRCC Bylaws amendments in a letter order on January 13, 2015.

B. NPCC


The FERC accepted NERC’s petition and approved the changes to NPCC’s RSPM in a letter order on December 23, 2014.

C. SERC

The FERC issued a letter order accepting amendments to the SERC Reliability Corporation Bylaws on July 29, 2014.

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128. Id. at 4, 17, 48.
129. Petition of the NERC for Approval of Amendments to the Bylaws of the Florida Reliability Coordinating Council, Inc., FERC Docket No. RR15-3-000 (Nov. 19, 2014).
130. Id. at 1.
134. Letter Order, Amendments to Delegation Agreement, FERC Docket No. RR14-3-000 (July 29, 2014).
D. SPP

On January 23, 2015, NERC submitted a petition to the FERC seeking approval of several amendments to the Southwest Power Pool, Inc. (SPP) bylaws.135 According to NERC:

[A]mendments to the Delegation Agreement make corrections and update procedures in various articles in the Bylaws. Specifically, the amendments to the SPP Bylaws: (1) clarify certain obligations of an SPP member that withdraws from SPP; (2) facilitate the decision of the Western Area Power Administration—Upper Great Plains Region (Western-UGP), a federal power marketing agency (PMA), Basin Electric Power Cooperative (Basin Electric) and Heartland Consumers Power District (Heartland) (collectively, the IS Parties) to join SPP as Transmission Owning Members, to place their respective transmission facilities under the functional control of SPP, and begin taking transmission service under the Tariff; and (3) make ministerial corrections.

The FERC approved the SPP bylaw amendments in a letter order issued March 31, 2015.137

E. TRE

NERC petitioned the FERC for approval of several amendments to the Texas Reliability Entity, Inc. (Texas RE) bylaws on February 27, 2015.138 The FERC issued a letter order approving the Texas RE bylaw amendments on May 5, 2015.139

On June 24, 2015, NERC filed an Information Filing regarding regional Reliability Standard BAL-001-TRE-1 to update the FERC regarding a change to Texas Reliability Entity, Inc.’s (Texas RE) Primary Frequency Response Reference Document, which is included as Attachment 2 to regional Reliability Standard BAL-001-TRE-001.140 “Requirement R2 of BAL-001-TRE-1 requires the Balancing Authority to calculate the Primary Frequency Response of each applicable generating unit or facility in accordance with Texas RE’s Primary Frequency Response Reference Document.”141

136. Id. at 2.
138. Petition of the NERC for Approval of Amendments to the Bylaws of the Texas Reliability Entity, Inc., FERC Docket No. RR15-7-000 (Feb. 27, 2015).
140. NERC Informational Filing Regarding Regional Reliability Standard BAL-001-TRE-1, FERC Docket No. RD13-12-000 (June 24, 2015).
141. Id. at 1.
F. WECC

On October 23, 2014, NERC submitted a petition to the FERC seeking approval of the Western Electricity Coordinating Council (WECC) data request process in accordance with the NERC Rules of Procedure Section 1604.2. The FERC accepted NERC’s petition to approve WECC’s data request process in a letter order on December 2, 2014.

NERC petitioned the FERC for approval of WECC’s bylaws and Reliability Standards Development Procedures (RSDP) on September 15, 2014. According to NERC, “the principal purpose of the amendments to the WECC RSDP is to revise the process to gain efficiencies based on WECC’s experience to date” and “to align the WECC Bylaws with the NERC Rules of Procedure.” The revisions consist of formatting, timeline, and procedural changes as well as revising and expanding upon WECC’s definitions. The FERC accepted WECC’s bylaw and RSDP revisions in a letter order issued December 23, 2014.

On December 15, 2014, NERC submitted a joint petition for approval with Western Electric Coordinating Council (WECC) of proposed Regional Reliability Standards VAR-002-WECC-2 (Automatic Voltage Regulators) and VAR-501-WECC-2 (Power System Stabilizer). The proposed standards, developed by WECC, proposed to remove requirements from the existing standards that were deemed no longer necessary. The content of the deleted requirements were consolidated into the measure of another requirement in each standard. On February 26, 2015, NERC submitted an answer to the protest of Dominion Resources Services, Inc. (Dominion). NERC’s answer responded to Dominion’s objection to perceived conflicts between the regional and corresponding national standards and requested the Commission to approve the standards as filed. On June 24, 2015, the FERC issued an order approving the proposed regional Reliability Standards.

VI. REGISTRATION AND CERTIFICATION

On September 19, 2014, the Michigan Public Service Commission (MPSC) filed a formal complaint against NERC and Wisconsin Electric Power Company (WEPCo) pursuant to sections 206, 306, and 309 of the FPA requesting Commission reversal of NERC’s approval of WEPCo’s request to split its current

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144. Petition of the NERC for Approval of the Bylaws and Reliability Standards Development Procedures of the Western Electricity Coordinating Council, FERC Docket No. RR14-8-000 (Sept. 15, 2014).
145. Id. 1-2.
146. Letter Order, Revisions to Delegation Agreement with Western Electricity Coordinating Council, FERC Docket No. RR14-8-000 (Dec. 23, 2014).
single Balancing Authority (BA) into two new BAs, in Docket No. EL14-10.¹⁵⁰ The complaint alleged that NERC’s process for approving the new BA was defective and that the alteration in the boundaries of an existing BA could cause “dramatic and unreasonable” shifts in the allocation of System Support Resources (SSR) costs without providing any opportunity for affected parties to be heard. On the same day, Tilden Mining Company L.C. and Empire Iron Mining Partnership filed a similar complaint against Midcontinent Independent System Operator, Inc. (MISO) and WEPCo contesting the same split in Docket No. EL14-103.¹⁵¹ Tilden and Empire also argued that the bifurcation of the original BA into two new BAs would unfairly cause a significant shift of SSR costs to ratepayers in a defined region.

On October 9, 2014, NERC filed an answer to the MPSC complaint in Docket No. EL14-104, stating that the allocation of SSR costs is outside of NERC’s jurisdiction and that the process used to certify the BA was not procedurally defective and complied with FERC approved rules.¹⁵² On the same day, NERC filed an intervention and comments to clarify the record regarding statements made about NERC’s certification process in the complaint of Tilden Mining Company and Empire Iron Mining Partnership against MISO and WEPCo in Docket No. EL14-103.¹⁵³

On February 19, 2015, the Commission dismissed as moot both complaints objecting to the formation of the new local balancing authority and the corresponding cost allocation implications for the three System Support Resource (SSR) units in the ATC zone.¹⁵⁴ The Commission found that NERC complied with the Commission-approved NERC Rules of Procedure in certifying the new BA and that the formation of this new BA would not affect the allocation of SSR costs within that geographic region.

VII. RELIABILITY COMPLIANCE, ENFORCEMENT, AND NOTICES OF PENALTY

A. 2011 Southwest Outage Penalties

“On the afternoon of September 8, 2011, an 11-minute system disturbance occurred in the Pacific Southwest, leading to cascading outages and leaving approximately 2.7 million customers without power” in parts of Arizona, Southern California, and Baja California, Mexico (2011 Southwest Outage).¹⁵⁵ “On September 9, 2011, the Commission and NERC announced a joint inquiry to determine how the blackout occurred and to make recommendations to avoid

¹⁵⁰ Complaint of the Michigan Public Service Commission Against NERC and WEPCo, FERC Docket No. EL14-104-000 (Sept. 19, 2014).
¹⁵¹ Complaint of Tilden Mining Company L.C. and Empire Iron Mining Partnership Against MISO and WEPCo, FERC Docket No. EL14-103-000 (Sept. 19, 2014).
¹⁵² NERC Answer to the Michigan Public Service Commission’s Complaint, FERC Docket No. EL14-103-000 (Oct. 9, 2014).
¹⁵³ Motion to Intervene and Comment of the NERC, FERC Docket No. EL14-103-000 (Oct. 9, 2014).
similar situations in the future."\(^{156}\) The inquiry determined that entities responsible for planning and operating the Bulk-Power System were not prepared to ensure reliable operation or to prevent cascading outages in the event of a single contingency."\(^{157}\) During the 2011 Southwest Outage, San Diego Gas and Electric (SDG&E) "lost 4,293 Megawatts (MW) of firm load, affecting approximately 1.4 million customers."\(^{158}\) The Comisión Federal de Electricidad "lost 2,150 MW of net firm load, affecting approximately 1.1 million customers."\(^{159}\) Imperial Irrigation District (IID) "lost 929 MW of firm load, affecting approximately 146,000 customers."\(^{160}\) Arizona Public Service (APS) "lost 389 MW of firm load, affecting approximately 70,000 customers."\(^{161}\) Finally, the Western Area Power Administration-Lower Colorado (WALC) "lost 74 MW of firm load, 64 MW of which affected APS’s customers. The remaining 10 MW affected 5 WALC customers."\(^{162}\) Following the event, the Commission “initiated non-public investigations of several entities . . . under Part 1b of the Commission’s regulations.”\(^{163}\)

On August 7, 2014, the FERC approved a stipulation and consent agreement between the FERC Office of Enforcement (FERC Enforcement), NERC, and IID that included a civil penalty of $12 million, of which $3 million was to be divided in equal amount, and was to be paid to the United States Treasury and NERC, and $9 million was to be invested in reliability enhancement measures above and beyond the requirements of the Reliability Standards for violations of the TOP and TPL groups of Reliability Standards.\(^{164}\)

On October 21, 2014, the FERC approved a stipulation and consent agreement between FERC Enforcement and NERC, and Southern California Edison Company that included a $650,000 civil penalty of which $250,000 will be paid to the United States Treasury and NERC, and $400,000 will be invested in addition reliability enhancement measures for violations of the PRC Reliability Standards.\(^{165}\)

The FERC approved a stipulation and consent agreement between FERC Enforcement, NERC, and Western Area Power Administration—Desert Southwest Region (Western-DSW) on November 24, 2014.\(^{166}\) In the agreement, Western-DSW agreed to certain mitigation and compliance measures necessary to
mitigate the violations described in the agreement. Further, in the agreement, Western-DSW agreed to make semi-annual compliance reports to FERC Enforcement and NERC for at least one year for violations of the TOP and VAR groups of Reliability Standards.  

On November 28, 2014, the FERC approved a stipulation and consent agreement between FERC Enforcement and NERC, and the California Independent System Operator Corporation (CAISO) that included a civil penalty of $6 million, of which $2 million will be paid to the United States Treasury and NERC, and $4 million will be invested in reliability enhancement measures that go above and beyond mitigation of the violations for violations of the TOP and FAC standards.  

The FERC approved a stipulation and consent agreement on May 26, 2015, between FERC Enforcement and NERC, and WECC and Peak Reliability, Inc. (Peak). The parties agreed to a civil penalty of $16 million, of which $3 million will be paid to the United States Treasury and NERC and $13 million will be invested in reliability enhancement measures for violations of the FAC and IRO Reliability Standards. As noted in the agreement, “Peak did not exist as a separate entity at the time of the [2011 Southwest Outage], but is [the successor] . . . to WECC as the [Reliability Coordinator (RC)] for the Western Interconnection.”

B. Annual Report on Wide-Area Analysis of Technical Feasibility Exceptions

On September 30, 2014, NERC submitted an Annual Report on Wide-Area Analysis of Technical Feasibility Exceptions (TFEs) in compliance with Paragraphs 220 and 221 of the FERC’s Order No. 706. In Order No. 706 FERC approved eight Critical Infrastructure Protection (CIP) Reliability Standards and, among other things, directed NERC to develop a set of conditions or criteria that a Responsible Entity must follow to obtain a TFE from specific requirements in the CIP Reliability Standards. NERC reports that during the 2014 reporting period (July 1, 2013 through June 30, 2014) there were 692 new TFE requests submitted, of which 611 were approved. NERC also reports that, as of the date of the report, 959 TFEs remained in effect. The report also includes categorization of TFEs by the applicable CIP Requirement and type of covered asset. The report further describes the types of compensating measures and mitigating measures implemented and maintained by Responsible Entities

167. Id. at P 1.
170. Id.
173. TFE Annual Report, supra note 171, at 5.
174. Id. at 10.
175. Id. at 12.
pursuant to approved TFEs. Finally, the report provides that there have been no negative wide-area impacts on the reliability of the Bulk Electric System as a result of any TFE.

C. FERC Affirms Penalty Against NextEra Resources

The FERC issued an Order on Review of Notice of Penalty issued to NextEra Energy Resources, LLC (hereinafter NextEra) on March 19, 2015. In NextEra, the FERC reviewed a $52,000 penalty assessment against NextEra Energy Resources, LLC for violations of two Reliability Standards, IRO-001-1 Requirement R8 and TOP-001-1 Requirement R3. The Texas RE Board of Directors found, following a hearing before the Public Utility Commission of Texas, that NextEra violated the two Reliability Standards for failing to timely respond to an out-of-merit energy instruction issued by the Electric Reliability Council of Texas (ERCOT). The NERC Board of Trustees Compliance Committee affirmed the findings of the Texas RE Board regarding the two violations. In its application for review, NextEra asked the FERC to dismiss the penalty on the grounds that the ERCOT out-of-merit energy instruction did not constitute a directive or reliability directive pursuant to Reliability Standards IRO-001-1 Requirement R8 or TOP-001-1 Requirement R3. NextEra also asserted several procedural errors during the proceedings leading to the Notice of Penalty. In its order, the FERC declined to dismiss the penalty, finding that ERCOT issued a directive when it issued the out-of-merit energy instruction to NextEra. The FERC also denied NextEra’s request regarding the various procedural due process issues raised in NextEra’s application for review.

VIII. RELIABILITY ANALYSIS

On October 1, 2014, NERC submitted an informational filing to the FERC responding to Commissioner Moeller’s inquiry into the trading of natural gas, and the proposal to establish an electronic information and trading platform. This “Polar Vortex Review” addressed the impacts of natural gas and electric power operations in the Midwest, South Central, Southeast, Mid-Atlantic, and

176. Id. at 13.
177. Id. at 15-16.
179. Id. at P 1.
182. Id.
184. Id. at PP 62-64 (regarding standard of review), P 70 (regarding parol evidence), and P 74 (regarding consistency across the regions).
Northeastern parts of the U.S. due to the extreme cold experienced in January 2014 brought on by polar vortex.  

IX. COORDINATED, OPEN, AND TRANSPARENT REGIONAL TRANSMISSION PLANNING

A. Order No. 1000 Compliance Filing

1. Eastern Interconnection

The FERC issued an order on Order 1000 compliance filings addressing entities in the PJM and MISO interregional planning on December 18, 2014, for the Southeastern Regional Transmission Planning (SERTP) on January 23, 2015, for the SPP and MISO interregional planning on February 19, 2015, the upper SPP regional planning effort on March 19, 2015, and the Northeastern Protocol parties (PJM, NYISO, NE ISO) on May 14, 2015.

2. Western Interconnection

The FERC issued an order of the Order 1000 compliance filing for the entirety of the Western Interconnection on December 18, 2014.

X. MISCELLANEOUS ISSUES

A. Gas-Electric Coordination

1. Coordination of the Gas-Electric Scheduling Processes

On April 16, 2015, the FERC issued Order No. 809 to address reliability concerns and resource inefficiencies caused by lack of coordination between natural gas and electric scheduling practices and exacerbated by the increased dependency of electric generators on natural gas. By adopting several Commission proposals from the March 20, 2014, NOPR through the incorporation of Business Practice Standards developed by the North American Energy Standards Board (NAESB), Order No. 809 revised the Commission’s regulations relating to scheduling practices used by interstate pipelines to support electricity market schedules and to improve efficiency and coordination between those industries.

Order No. 809 modified the timely nomination cycle for day-ahead scheduling of transportation service on interstate pipelines from 11:30 a.m. central


188. Order No. 809, Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities, 151 F.E.R.C. ¶ 61,049 (Apr. 16, 2015) [hereinafter Order No. 809].

clock time (CCT) to 1:00 p.m. CCT. The Commission suggested that this change provided electric utilities with additional time to consider their commitments in the day-ahead electric market before arranging for natural gas supply and pipeline transportation. Order No. 809 also increased the frequency of intraday scheduling nominations on the day of gas flow to allow for three intraday nomination cycles instead of two to promote increased scheduling flexibility to adjust to system conditions and changes to load during the Gas Day. The Commission also revised regulations to provide additional contracting flexibility to firm natural gas transportation customers by allowing them to enter into multi-party transportation contracts. After considering comments and concerns from industry participants, the Commission explicitly rejected its proposal to change the start of the Gas Day, stating that it did not find a sufficient record to revise the nationwide Gas Day start time from 9:00 a.m. to 4:00 a.m. CCT.

2. Gas-Electric Coordination Quarterly Reports

In response to the Commission’s directive in its November 15, 2012 Order requiring its staff to provide quarterly updates on national and regional natural gas and electric coordination activities, Commission staff filed quarterly updates on September 18, 2014, and December 18, 2014. These updates highlight significant new national and regional developments related to the coordination of gas and electricity transmission and availability.

a. September 18, 2014 Quarterly Update

NAESB submitted a report to the FERC regarding NAESB Board actions and remaining steps for approval regarding the development of standards based on the GEH Forum to reform the scheduling processes of gas pipelines. The Desert Southwest Pipeline Stakeholders (DSPS) submitted an alternate proposal for inclusion on the NAESB record, proposing two standards which would apply on a national basis and one which would apply on a regional basis to accommodate the special circumstances of the Desert Southwest.

ISOs and states continue to perform interregional studies to assess resource planning to harmonize electric and gas infrastructure. Numerous additional natural gas and electric filings, and filings made by the electric industry addressing

190. Order No. 809, supra note 188, at PP 87, 155.
191. Id. at P 87.
192. Id. at P 104.
193. Id. at P 142.
194. Id. at PP 62-63.
195. Order Directing Further Conferences and Reports, Coordination Between Natural Gas and Electricity Markets, 141 F.E.R.C. ¶ 61,125 (2012); GAS-ELECTRIC COORDINATION QUARTERLY REPORT TO THE COMMISSION, FERC Docket No. AD12-12-000 (Sept. 18, 2014); GAS-ELECTRIC COORDINATION QUARTERLY REPORT TO THE COMMISSION, FERC Docket No. AD12-12-000 (Dec. 18, 2014).
196. GAS-ELECTRIC COORDINATION QUARTERLY REPORT TO THE COMMISSION 2-3, FERC Docket No. AD12-12-000 (Sept. 18, 2014).
197. Id. at 3.
198. Id. at 5-14.
this subject matter were submitted during the quarter addressed in the September 18 Quarterly Update.199

b. December 18, 2014 Quarterly Update

NERC published its 2014-2015 Winter Reliability Assessment in November 2014, which indicated adequate resources under normal winter peak demand while noting specific areas of concern.200 Additionally, NAESB filed a report related to the FERC’s rulemaking on natural gas and electric scheduling practices regarding changes to standards submitted in its original report in that docket.201 Finally, regional planning efforts and many filings continued to address gas-electric coordination issues.202

199. Id. at 15-19.
200. GAS-ELECTRIC COORDINATION QUARTERLY REPORT TO THE COMMISSION 2, FERC Docket No. AD12-12-000 (Dec. 18, 2014).
201. Id. at 2-3.
202. Id. at 15-21.
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