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Kimberly D. Bose,

Secretary.

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DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

[Docket No. RR07–11–000]

North American Electric Reliability Corporation; Order Approving Regional Reliability Standards for the Western Interconnection and Directing Modifications

Issued June 8, 2007.

Before Commissioners: Joseph T. Kelliher, Chairman; Suedeen G. Kelly, Marc Spitzer, Philip D. Moeller, and Jon Wellinghoff.

1. On March 26, 2007, the North American Electric Reliability Corporation (NERC) submitted for approval eight proposed regional Reliability Standards for the Western Electricity Coordinating Council (WECC). The proposed regional Reliability Standards would apply in the Western Interconnection in addition to the 83 mandatory Reliability Standards developed by NERC that will take effect on a nationwide basis beginning in June 2007.[1] The proposed regional Reliability Standards would allow the continuation of certain reliability practices that are currently in effect in the Western Interconnection. As discussed below, pursuant to section 215(d)(2) of the Federal Power Act (FPA), the Commission approves the proposed regional Reliability Standards. As a separate action, pursuant to section 215(d)(5) of the FPA, the Commission directs WECC to develop several specific modifications to the regional Reliability Standards when WECC develops, through its Reliability Standards development process, permanent, replacement Reliability Standards.

I. Background

A. EPAct 2005 and Mandatory Reliability Standards

2. In August 2005, the Electricity Modernization Act of 2005, which is Title XII, Subtitle A, of the Energy Policy Act of 2005 (EPAct 2005), was enacted into law.[2] EPAct 2005 adds a new section 215 to the FPA, which requires a Commission-certified Electric Reliability Organization (ERO) to develop mandatory and enforceable Reliability Standards.[3] Before a Reliability Standard may take effect, the ERO must submit the standard to the Commission and obtain the Commission's approval.[4] Once approved, the Reliability Standard can be enforced by the ERO subject to Commission oversight, or the Commission can independently enforce the Reliability Standard.[5]

3. On February 3, 2006, the Commission issued Order No. 672, implementing section 215 of the FPA.[6] Pursuant to Order No. 672, the Commission certified one organization, NERC, as the ERO.[7] Reliability Standards that the ERO proposes to the Commission may include Reliability Standards that are proposed to the ERO by a Regional Entity.[8] A Regional Entity is an entity that has been approved by the Commission to enforce Reliability Standards under delegated authority from the ERO.[9] When the ERO reviews a regional Reliability Standard that would be applicable on an Interconnnection-wide basis and that has been proposed by a Regional Entity organized on an Interconnection-wide basis, the ERO must rebuttably presume that the regional Reliability Standard is just, reasonable, not unduly discriminatory or preferential, and in the public interest.[10]

4. When the ERO submits a proposed Reliability Standard to the Commission, the ERO must: (1) Describe the basis and purpose of the Reliability Standard; (2) summarize the development and review proceedings that led to the Reliability Standard; and (3) demonstrate that the Reliability Standard is just, reasonable, not unduly discriminatory or preferential, and in the public interest.[11]

5. In reviewing the ERO's submission, the Commission will give due weight to the ERO's technical expertise, except concerning the effect of a proposed Reliability Standard on competition.[12] The Commission will also give due weight to the technical expertise of a Regional Entity organized on an Interconnection-wide basis with respect to a proposed Reliability Standard to be applicable within that Interconnection.[13] Moreover, the Commission may give ''due deference'' to the advice of a Regional Advisory Body that is organized on an Interconnection-wide basis.[14]

6. The Commission may approve a proposed Reliability Standard if the Commission finds it is just, reasonable, not unduly discriminatory or preferential, and in the public interest.[15] In addition, the Commission explained in Order No. 672 that ''uniformity of Reliability Standards should be the goal and the practice, the rule rather than the exception.'' [16] Yet, the Commission recognized that ''the goal of greater uniformity does not, however, mean that regional differences cannot exist.[17] The Commission then provided the following guidance:

> As a general matter, we will accept the following two types of regional differences, provided they are otherwise just, reasonable, not unduly discriminatory or preferential, and in the public interest, as required by the statute: (1) A regional difference that is more stringent than the continent-wide Reliability Standard, including a regional difference that addresses matters that the continent-wide Reliability Standard does not; and (2) a

[1] *See Mandatory Reliability Standards for the Bulk-Power System*, Order No. 693, 118 FERC ¶ 61,218 (March 16, 2007), 72 FR 16,416 (April 4, 2007), *reh'g pending.*

[2] Energy Policy Act of 2005, Pub. L. No. 109–58, Title XII, Subtitle A, 119 Stat. 594, 941 (2005), *to be codified* at 16 U.S.C. 824o.

[3] 16 U.S.C. 824o(c)–(e).

[4] 16 U.S.C. 824o(d).

[5] 16 U.S.C. 824o(e)(3).

[6] *Rules Concerning Certification of the Electric Reliability Organization; Procedures for the Establishment, Approval and Enforcement of Electric Reliability Standards*, Order No. 672, FERC Stats. & Regs. ¶ 31,204 (2006), *order on reh'g*, Order No. 672–A, FERC Stats. & Regs. ¶ 31,212 (2006).

[7] *See North American Electric Reliability Corp.*, 116 FERC ¶ 61,062 (*ERO Certification Order*), *order on reh'g and compliance*, 117 FERC ¶ 61,126 (2006).

[8] 16 U.S.C. 824o(e)(4).

[9] 16 U.S.C. 824o(a)(7) and (e)(4).

[10] 16 U.S.C. 824o(d)(3); 18 CFR 39.5(b).

[11] 18 CFR 39.5(a).

[12] 16 U.S.C. 824o(d)(2).

[13] *Id.*

[14] 16 U.S.C. 824o(j). A Regional Advisory Body is an entity established upon petition to the Commission that is organized to advise the ERO, a Regional Entity or the Commission regarding certain matters including whether a Reliability Standard proposed to apply within the region is just, reasonable, not unduly discriminatory or preferential, and in the public interest. 18 CFR 39.13(c) (2006).

[15] 16 U.S.C. 824o(d)(2).

[16] Order No. 672 at P 290.

[17] *Id.* at 291.

regional Reliability Standard that is necessitated by a physical difference in the Bulk-Power System.[18]

B. WECC

7. WECC is responsible for overseeing transmission system reliability in the Western Interconnection since 2002, when WECC was formed from predecessor reliability organizations. The WECC region encompasses nearly 1.8 million square miles, including 14 western U.S. states, the Canadian provinces of Alberta and British Columbia, and the northern portion of Baja California in Mexico. WECC developed a Reliability Management System (RMS) pursuant to which transmission operators in the Western Interconnection agreed by contract to be bound by the WECC reliability criteria and sanctions for non-compliance. According to WECC, the criteria are recognized by all WECC members but are contractually binding only on members that signed an RMS Agreement.[19]

8. In an April 19, 2007 order, the Commission accepted delegation agreements between NERC and each of eight Regional Entities.[20] In the April 19 Order, the Commission accepted WECC as a Regional Entity organized on an Interconnection-wide basis. In addition, the Commission accepted WECC's Standards Development Manual which sets forth WECC's Reliability Standards development process.[21] The Commission also directed WECC to make certain clarifications to its Standards Development Manual in a filing to be submitted within 180 days of the order.

C. The Eight Proposed Regional Reliability Standards

9. NERC has submitted for the Commission's approval the following eight regional Reliability Standards that were proposed to NERC by WECC to apply in the Western Interconnection:

WECC–BAL–STD–002–0 (Operating Reserves)
WECC–IRO–STD–006–0 (Qualified Path Unscheduled Flow Relief)
WECC–PRC–STD–001–1 (Certification of Protective Relay Applications and Settings)
WECC–PRC–STD–003–1 (Protective Relay and Remedial Action Scheme Misoperation)
WECC–PRC–STD–005–1 (Transmission Maintenance)
WECC–TOP–STD–007–0 (Operating Transfer Capability)
WECC–VAR–STD–002a–1 (Automatic Voltage Regulators)
WECC–VAR–STD–002b–1 (Power System Stabilizers)

10. In its March 26, 2007 filing (NERC Filing), NERC states that the proposed regional Reliability Standards are translations of existing reliability criteria under WECC's RMS program. According to NERC, WECC developed most of the criteria in the late 1990s in response to a series of black-outs in the Western Interconnection.[22] The proposed regional Reliability Standards would make eight of those RMS criteria binding on the applicable subset of users, owners and operators of the Bulk-Power System in the United States portion of the Western Interconnection, as identified in each proposed standard. The regional Reliability Standards would supplement rather than replace the Commission-approved Reliability Standards developed by the ERO that will take effect in June 2007.

11. In translating WECC's existing practices to proposed regional Reliability Standards, WECC proceeded as follows.[23] In 2006, a WECC task force identified criteria in the RMS Agreement that, in the task force's view, should be binding on all users, owners and operators of the regional Bulk-Power System. The task force chose eight of the identified criteria that have the highest priority and that can be implemented in the near term. WECC then used expedited procedures to develop the eight regional Reliability Standards. WECC's rules provide that, when WECC develops a Reliability Standard under expedited procedures, WECC must later develop a permanent, replacement standard using more extensive procedures.

12. On October 5, 2006, using its expedited procedures, WECC solicited comment on whether the eight regional Reliability Standards accurately reflect practices under the RMS Agreement. Commenters raised concerns that sanctions under the eight regional Reliability Standards are inconsistent with NERC Reliability Standards, do not provide clear guidance for measuring compliance, and might be applied in an anti-competitive manner.[24] The task force responded that the regional Reliability Standards would remain in effect for at most one year and that WECC would consider the commenters' concerns when developing permanent, replacement standards.[25] WECC's Board of Directors approved the eight regional Reliability Standards on January 5, 2007.

13. On December 22, 2006, in anticipation of approval by its board, WECC submitted the proposed regional Reliability Standards to NERC. On January 9, 2007, NERC responded with detailed comments. According to NERC, its primary concern was that the sanctions in the proposed regional Reliability Standards were inconsistent with NERC Sanction Guidelines.[26] NERC's January 9 report also identified NERC's preferred nomenclature for Reliability Standards, identified NERC's preferred format for submission, and identified language in the proposed regional Reliability Standards that NERC found ambiguous or incorrect.[27] By letter dated February 28, 2007, WECC responded by committing to address the shortcomings that NERC had identified when WECC develops permanent, replacement standards.[28]

14. Also in response to WECC's submission, NERC initiated a 45-day comment period. NERC received six sets of comments. NERC found that WECC had addressed the commenters' concerns by committing to correct shortcomings in the proposed regional Reliability Standards within one year of Commission approval. NERC generally applied a rebuttable presumption that the proposed regional Reliability Standards meet applicable requirements. However, because each of the proposed regional Reliability Standards contains a sanction table that is inconsistent with the NERC Sanction Guidelines, the NERC board concluded that the rebuttable presumption was overcome with respect to this one component of the proposed standards.[29] Finally, NERC found that the proposed one-year term was inconsistent with the Commission's prior invalidation of automatic expiration dates for Reliability Standards.[30]

15. On February 8, 2007, the Western Interconnection Regional Advisory Body (WIRAB) advised NERC that it should approve the proposed regional Reliability Standards as necessary for Reliable Operation of the Western Interconnection and as meeting the legal

[18] *Id.*

[19] *See* WECC April 17, 2007 Comments at 16.

[20] *North American Electric Reliability Corp.*, 119 FERC ¶ 61,060 at P 432 (2007) (*April 19 Order*).

[21] *Id.* at PP 469–470.

[22] NERC Filing at 5–6.

[23] *See id.*, Ex. C (Record of Development, Comments and Correspondence).

[24] *Id.*, Ex. C, Attachment 1.

[25] *Id.*, Ex. A at 1 and Ex. C, Attachment 2 at 8.

[26] *Id.* at 3–4. *See also ERO Certification Order* at P 299.

[27] *Id.*, Ex. C, Attachment 3.

[28] *Id.*, Ex. C, Attachment 4.

[29] NERC Filing at 9.

[30] *Id.* at 2–4, 8–9 (*citing North American Electric Reliability Corp.*, 118 FERC 61,030 at P 30 (2007)).

standard for approval set forth in section 215 of the FPA.[31]

16. On March 2007, NERC approved the proposed regional Reliability Standards on the conditions that WECC: (1) Remove the one-year term limitation; (2) address the shortcomings [32] in the standards within one year of approval by the Commission, including removing the sanctions table that conflicts with the NERC Sanction Guidelines; (3) until the WECC sanction table is removed, follow the NERC Sanction Guidelines to the maximum extent possible within the limits of the WECC sanction table; and (4) monitor and enforce the standards under a delegation agreement between NERC and WECC, once that agreement is approved.[33]

17. NERC submitted its present request for the Commission's approval on March 26, 2007. In April 2007, the Commission approved 83 ERO Reliability Standards that apply nationwide, except for Alaska and Hawaii. NERC and WECC request that the proposed regional Reliability Standards take effect as soon as practical and, if possible, on the same day as the nationwide Reliability Standards.

D. Notice of Filing and Responsive Pleadings

18. Notice of the NERC Filing was published in the **Federal Register**, 72 Fed. Reg. 17,544 (April 9, 2007), with interventions, comments and protests due on or before April 17, 2007. Motions to intervene were filed by Modesto Irrigation District, New York Transmission Owners, Southern California Edison Company, and Transmission Agency of Northern California. Motions to intervene and comment or protest were filed by PacifiCorp, WECC, Xcel Energy Services, Inc. (Xcel), PPL EnergyPlus, LLC and PPL Montana, LLC (PPL), and Cogeneration Association of California and Energy Producers and Users Coalition (California Cogeneration). WIRAB submitted timely advice to the Commission regarding the NERC Filing. An untimely motion to intervene was filed by Pacific Gas and Electric Company (PG&E).

1. Comments in Support

19. WECC states that the proposed regional Reliability Standards, which are exact translations of existing regional criteria, either address matters not addressed in the Commission-approved ERO Reliability Standards or contain more stringent requirements than the ERO standards.[34] WECC states that, with the exception of WECC–IRO–STD–006–0, the WECC regional Reliability Standard that implements the West's unique approach to mitigation of unscheduled flow, which the Commission approved as superior to the ERO Reliability Standard,[35] none of the regional Reliability Standards in any way displace the ERO requirements approved by the Commission. Rather, users, owners and operators in the Western Interconnection will still be required to comply with all of the requirements of the approved ERO Reliability Standards.

20. WECC contends that the eight regional Reliability Standards satisfy the relevant statutory and regulatory criteria for approval. It states that only a few commenters raised substantive concerns in the WECC standard development process regarding several potentially ambiguous terms such as ''load responsibility,'' ''firm transactions,'' and ''Receiver;'' and that WECC has committed to address these issues in developing permanent regional Reliability Standards.

21. WECC acknowledges that the sanctions tables in the proposed regional Reliability Standards differ from the NERC Sanction Guidelines. WECC states that it plans to propose replacement standards that incorporate the NERC Sanction Guidelines and address other concerns of NERC and stakeholders. WECC also explains that the regional sanctions would apply only when an offense was not covered by a sanction under the ERO Reliability Standards and that the regional Reliability Standards preclude the possibility of being sanctioned under both the WECC and ERO Reliability Standards for the same non-compliance occurrence.

22. WIRAB advises that the proposed regional Reliability Standards are necessary for the Reliable Operation of the Western Interconnection and should take effect on the effective date of the 83 ERO Reliability Standards. WIRAB also advises reinstatement of the one-year term limitation, noting that WECC approved the regional Reliability Standards only as interim standards. WIRAB suggests that it is unclear that NERC has authority to eliminate the one-year term limitation. Finally, WIRAB expresses concern that NERC effectively disregarded the statutory rebuttable presumption without sufficient legal analysis.[36]

23. PacifiCorp states that, given the unique nature of the Western transmission system, it supports the eight regional Reliability Standards as necessary for addressing reliability concerns of the Western Interconnection.

2. Protests

24. Xcel, PPL and California Cogeneration filed protests or comments in opposition to one or more of the proposed regional Reliability Standards. California Cogeneration objects to proposed regional Reliability Standard WECC–BAL–STD–002–0 (Operating Reserves), which, in relevant part, requires balancing authorities to maintain operating reserves equal to a stated percentage of ''load responsibility.'' According to California Cogeneration, ''load responsibility'' should not include behind-the-meter load that a cogenerator serves at its industrial or commercial host. It asserts that a balancing authority is not obligated to serve that load in the case of an outage on the Bulk-Power System and therefore should not be required to maintain associated reserves.[37]

25. PPL, which owns and operates electrical facilities and markets electricity in the Western Interconnection, objects to WECC–IRO–STD–006–0, addressing the mitigation of unscheduled flows. According to PPL, WECC has not justified the need for this regional Reliability Standard, which imposes requirements on ''receivers'' that are not identified as an applicable entity, and improperly imposes mitigation obligations on load-serving entities (LSEs) and marketers that lack authority or ability to comply with those obligations.

26. Xcel, which owns generation and transmission facilities and serves electricity customers in the Western Interconnection, argues that the Commission lacks authority to review the proposed regional Reliability Standards because WECC was not a Regional Entity at the time it submitted the proposed regional Reliability

[31] *Id.* at 8–9. *In Governors of Arizona, California, Colorado, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming*, 116 FERC ¶ 61,061 at P 27 (2006), the Commission established WIRAB as a Regional Reliability body pursuant to section 215(j) of the FPA.

[32] The shortcomings in the regional Reliability Standards were identified by NERC in a January 9, 2007 letter to WECC. *See* NERC Filing, Ex. C at 128–139.

[33] *Id.* at 8–9.

[34] Our discussion below of each regional Reliability Standard includes WECC's explanation of how it is more stringent than the relevant ERO Reliability Standard.

[35] WECC Comments at 14 (*citing* Order No. 693 at P 964).

[36] WIRAB at 8–9 (*citing* NERC Request, Appendix B at 4–5).

[37] California Cogeneration Comments at 6 (*citing California Independent System Operator Corp.*, 96 FERC ¶ 63,015 (2001)).

Standards to NERC. Xcel asserts that the WECC Reliability Standards development process used to develop these eight regional Reliability Standards would be invalid to the extent that the Commission directs changes to that process. Xcel contends that NERC, in eliminating the one-year interim status of the regional Reliability Standards, has effectively approved the regional Reliability Standards on a permanent instead of interim basis. Further, Xcel raises substantive objections that are discussed below in the context of the relevant regional Reliability Standard.

II. Discussion

A. Procedural Matters

27. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 CFR 385.214 (2006), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. We will grant PG&E's late motion to intervene, given the early stage of this proceeding and the absence of undue delay, prejudice or burden to the parties.

B. General and Procedural Objections to the Regional Reliability Standards

1. WECC Reliability Standards Development Process

28. As discussed above, Xcel argues that the Commission only has the authority to consider Reliability Standards proposed by the ERO or a Regional Entity. On April 19, 2007, subsequent to Xcel's protest, the Commission accepted the proposed Regional Delegation Agreements, and accepted WECC as a Regional Entity organized on an Interconnection-wide basis.[38] Thus, we consider this objection by Xcel to be moot.

29. Xcel also contends that ''to the extent the Commission directs changes to WECC's standards development process that differ from the process used to develop these WECC Standards, those standards will have been developed pursuant to processes that were inconsistent with WECC's own rules.'' [39] The Commission, in the *April 19 Order,* accepted WECC's Standards Development Manual,[40] and WECC's eight proposed regional Reliability Standards were developed using the process set forth in this manual. The Commission also directed WECC to develop several changes to the manual.[41] However, the record of WECC's development of the proposed regional Reliability Standards indicates that Xcel had full opportunity to participate and raise its concerns in the (what is now a Commission-approved) stakeholders process, as well in the NERC posting of the WECC regional Reliability Standards for comment.[42] Accordingly, we deny Xcel's protest on this issue.

2. Term Limitation

30. As discussed above, WECC had proposed that the regional Reliability Standards would be interim standards that would remain in effect for a maximum of one year after Commission approval. Specifically, each regional Reliability Standard includes a statement that it will remain in effect ''for one year from the date of Commission approval or until a North American Standard or a revised [WECC] Regional Reliability Standard goes into place, whichever occurs first.'' During the interim, WECC would develop permanent standards that, upon Commission approval, would replace the interim standards.

31. NERC, however, accepted the regional Reliability Standards on the condition that ''the standards shall remain mandatory and enforceable until they are revised, replaced or withdrawn in a subsequent standards action, including approval of the revision, replacement, or withdrawal by the Commission.'' [43] NERC explained that it imposed this condition to be consistent with a Commission order which provided that, with regard to a similar provision in NERC's standards development procedure, once a Reliability Standard is made effective under section 215 of the FPA, it can only be revised, replaced or withdrawn by a further action that requires Commission approval.

32. WECC, WIRAB and Xcel object to NERC's elimination of the one-year expiration date. WECC and WIRAB state that the entities that voted in favor of the regional Reliability Standards did so with the understanding that they were voting for temporary standards, not standards that would continue indefinitely until replaced.[44] WIRAB states that, while it agrees with the policy that urgent action standards should not have sunset dates, it is concerned that imposing the rule with respect to the eight WECC regional Reliability Standards will abridge the due process of WECC members that approved them. Likewise, Xcel remarks that WECC postponed substantive responses to stakeholders' comments based on the rationale that it was proposing the standards on an interim basis.

33. We affirm NERC's decision to eliminate the one-year term limitation. NERC's decision is consistent with our precedent. In the *ERO Certification Order*, the Commission directed NERC to establish a process for adopting an interim Reliability Standard on an expedited basis, where the standard might be adopted later on a permanent basis, without any possibility that the interim standard would expire in the interim.[45] NERC subsequently revised its ''urgent action'' procedures to remove the automatic one year expiration provision. In accepting this revision, the Commission explained that ''It is sufficient * * * to allow the interim Reliability Standard to remain in effect until it is made permanent or replaced by a permanent Reliability Standard, or possibly even its withdrawal as a Reliability Standard so long as it is understood that these actions are all subject to Commission approval.'' [46] WECC developed the eight regional Reliability Standards pursuant to its Expedited Process for Urgent Action Interim Standards (Expedited Process).[47] Thus, our concerns regarding NERC's urgent action procedures apply equally to WECC's Expedited Process.

34. The commenters, however, are mistaken that the elimination of the one-year expiration date necessarily converts these from interim to permanent regional Reliability Standards. WECC is still committed pursuant to its Expedited Process to completing the development of permanent replacement standards.[48] Moreover, as another condition of approval, NERC required WECC to ''meet its commitment to address the shortcomings identified in the standards * * * over the course of the next year.'' [49] Thus, we disagree with the commenters that NERC, in eliminating the one-year expiration date, has made the regional Reliability Standards permanent or thwarted due process. NERC's decision will assure that, if WECC is unable to develop permanent, replacement regional Reliability

[38] *April 19 Order* at P 432.

[39] Xcel Comments at 8.

[40] *April 19 Order* at P 469.

[41] *Id.* at P 470.

[42] *See, e.g.*, Ex. C at Attachment 2 at 5, Attachment 4 at 23–27.

[43] NERC Filing at 10–11. *See also id.* at Ex. B at 6–7 (March 12, 2007, NERC Board of Trustees Decision on WECC Reliability Standards).

[44] *See* WECC Comments at 7.

[45] *ERO Certification Order*, 116 FERC ¶ 61,062 at P 253.

[46] *North American Electric Reliability Corp.*, 118 FERC ¶ 61,030 at P 30 (2007).

[47] WECC Comments at 5.

[48] *Id.* WECC represents that it expects to complete permanent, replacement standards within one year for most of the interim standards. *See id.* at 7.

[49] NERC Filing, Ex. B at 7.

Standards within one year, the interim standards that WECC represents are crucial for reliability within the Western Interconnection will not automatically expire.

3. NERC's Application of the Rebuttable Presumption

35. Section 215(d)(3) of the FPA provides that, when a Reliability Standard is submitted to the ERO by an Interconnection-wide Regional Entity, the ERO must rebuttably presume that the standard meets statutory criteria for approval.[50] In Order No. 672, the Commission explained that the rebuttable presumption refers to the burden of proof before the ERO.[51] Thus, a party that objects to a proposed Reliability Standard before the ERO must demonstrate that it does not meet criteria for approval. If the ERO finds that the presumption is not adequately rebutted, it must accept the proposed Reliability Standard from a Regional Entity organized on an Interconnection-wide basis.[52]

36. Here, NERC correctly applied the rebuttable presumption to WECC as a Regional Entity organized on an Interconnection-wide basis. However, the NERC Board found that ''[b]ecause each of the proposed standards contains a sanctions table that is inconsistent with the NERC Sanctions Guidelines, the proposed standards have lost the rebuttable presumption that such standards would otherwise have.'' [53] NERC then approved the proposed regional Reliability Standards with the condition that WECC conform the sanctions table to NERC's Sanction Guidelines and that, in the interim, WECC follow the NERC guidelines to the maximum extent possible.

37. WIRAB disagrees with the manner in which NERC dismissed the statutory presumption. It asserts that NERC failed to provide an adequate analysis regarding the reasonableness, potential discriminatory impacts, or the broader public interest at stake to support a finding that rebuts the presumption.

38. In the first instance, WIRAB's concern is only hypothetical since NERC, after determining that the rebuttable presumption should not apply, determined that the regional Reliability Standards met the statutory criteria for approval. Moreover, it appears that WIRAB interprets NERC as having completely disregarded the rebuttable presumption. The Commission believes that the better understanding, supported by NERC's filing, is that NERC determined that the rebuttable presumption was overcome ''with respect to this component of the proposed standards,'' *i.e.*, the sanctions table.[54] NERC supported this determination by explaining that NERC staff and industry stakeholders identified a number of shortcomings, the most significant of which is the sanction table that is inconsistent with the NERC Sanction Guidelines.[55] Although NERC's explanation is succinct, the Commission concludes that NERC has articulated a sufficient rationale for finding that the rebuttable presumption with regard to this one component was overcome. In general, however, NERC should provide a robust discussion of its reasoning for finding that the rebuttable presumption has been overcome.

4. Potential for Dual Penalties

39. Xcel protests that the proposed WECC regional Reliability Standards impose an unfair burden because, according to Xcel, the proposed standards are duplicative of Commission-approved NERC Reliability Standards. Thus, Xcel contends that the regional Reliability Standards present the risk of dual penalties for the same offense.

40. We reject Xcel's protest on this issue. Each of the proposed regional Reliability Standards provides that ''[a]t no time shall this regional Standard be enforced in addition to a similar North American Standard.'' [56] WECC, in its comments, makes clear that the intent of this language is to ensure that there would not be dual sanctions for the same offense.[57] Thus, we conclude that the regional Reliability Standards will not result in duplicative penalties resulting from the same non-compliance event.

5. Need for the Proposed Standards

41. In reviewing a proposed Reliability Standard, we consider, in relevant part, whether it would address a reliability goal.[58] Here, WECC, WIRAB and NERC each represent that the proposed regional Reliability Standards would enhance regional reliability by making binding, throughout the United States portion of the Western Interconnection, reliability practices that are currently implemented in the Western Interconnection on a voluntary basis. As noted above, those practices are currently legally binding only on signatories to the RMS Agreement. WECC and NERC explain that Commission approval would extend the compliance obligations of the regional Reliability Standards beyond the RMS signatories to all applicable users, owners and operators in the Western Interconnection. According to NERC, having the regional Reliability Standards approved as mandatory under section 215 of the FPA provides significant additional authority for compliance and enforcement.

42. Xcel, on the other hand, asserts that the proposed standards are unnecessary, reasoning that the RMS Agreement will remain in effect and is sufficient to protect reliability.

43. We agree with WECC, WIRAB and NERC that approval of the proposed regional Reliability Standards under section 215 would enhance reliability in the Western Interconnection by making WECC's current practices binding on all relevant entities in the region and by strengthening WECC's compliance and enforcement authority. WECC's current practices were developed in response to concrete and significant reliability problems in the Western Interconnection in the mid-1990s. According to WECC, reliability in the region has improved since the practices have been in effect. When we first approved the practices in 1999, we lacked full jurisdiction over reliability and therefore could not impose the practices on a mandatory basis. While we laud WECC members for their voluntary compliance by contract, we believe that statutorily-based and mandatory Reliability Standards will better ensure the reliability of the Bulk-Power System.

C. Discussion of WECC's Regional Reliability Standards

1. WECC–BAL–STD–002–0 (Operating Reserves)

44. Regional Reliability Standard WECC–BAL–STD–002–0 requires that adequate generating capacity be available at all times to maintain scheduled frequency and avoid loss of firm load following transmission or generation contingencies. The regional Reliability Standard applies to balancing authorities and reserve sharing groups (RSGs) with provision for agents to provide administrative duties. A balancing authority or reserve sharing group must maintain minimum operating reserves, defined as the sum of: (1) Regulating reserves; (2) contingency reserves; (3) additional reserve for interruptible imports; and (4) additional reserve for on-demand

[50] 16 U.S.C. 842o(d)(3); 18 CFR 39.5(b).

[51] Order No. 672 at P 301.

[52] *Id.*

[53] NERC Filing, Ex. B at 4–5.

[54] *Id.* at 9.

[55] *Id.* at 10.

[56] *See, e.g.*, WECC–BAL–STD–002–0 § A5.

[57] *See* WECC Comments at 2, n.1.

[58] Order No. 672 at P 324.

obligations. WECC requires balancing authorities to maintain an amount of contingency reserves:

> Sufficient to meet the NERC Disturbance Control Standard BAL–002–0, equal to the greater of: (a) The loss of generating capacity due to forced outages of generation or transmission equipment that would result from the most severe single contingency; or (b) The sum of five percent of the load responsibility served by hydro generation and seven percent of the load responsibility served by thermal generation.

Further, the contingency reserve must be composed of at least 50 percent spinning reserves, which must be capable of ramping and being fully deployed within ten minutes.

45. WECC's regional Reliability Standard corresponds to NERC's Reliability Standard BAL–002–0 (Disturbance Control Performance), which requires a balancing authority (either directly or by participating in a reserve sharing group) to use its contingency reserves to balance resources and demand and return Interconnection frequency to within defined limits following a reportable disturbance. Requirement 3 of NERC's BAL–002–0 requires each balancing authority or reserve sharing group to ''carry at least enough Contingency Reserve to cover the most severe contingency.''

46. As with all eight regional Reliability Standards, NERC approved WECC–BAL–STD–002–0 with the condition that WECC meet its commitment to address the shortcomings identified by NERC in a January 9, 2007 letter to WECC.[59] With regard to WECC–BAL–STD–002–0, NERC identified various formatting concerns including the need to specify individual Requirements and corresponding Measures, consistent with the format of the NERC Reliability Standards. NERC also stated that WECC's regional Reliability Standard defines the terms ''automatic generation control,'' ''disturbance,'' ''frequency bias,'' and ''non-spinning reserve'' differently from NERC's Glossary of Terms Used in Reliability Standards (NERC glossary).[60] NERC also identifies a number of shortcomings that apply generally to all of the WECC regional Reliability Standards including the sanction tables that conflict with the NERC Sanction Guidelines, failure to include Violation Severity Levels (levels of non-compliance) and Violation Risk Factors, an ''excuse of performance'' provision[61] that is not included in NERC's Reliability Standards template, and additional substantive and formatting concerns.

Comments

47. WECC explains that NERC Reliability Standard BAL–002–0 requires an applicable entity to have the ability to supply reserves equal to the most severe single contingency. According to WECC, while applicable users, owners and operators in the Western Interconnection must comply with BAL–002–0, the corresponding regional Reliability Standard goes further and requires each balancing authority in the West to provide a minimum reserve of five percent of the loads served by hydro generation and seven percent of the loads served by thermal generation. WECC states that this regional minimum reserve requirement was developed to assure that there would be sufficient generation to sustain acceptable power system performance for various contingencies. Further, WECC explains that WECC–BAL–STD–002–0 is more stringent because NERC's BAL–002–0 requires contingency reserves to be restored within 90 minutes following a disturbance while WECC requires restoration within 60 minutes.

48. As noted above, WECC requires balancing authorities to maintain contingency reserves equal to the greater of the loss of generating capacity resulting from the most severe single contingency or the sum of five percent of load responsibility served by hydro generation and seven percent of the load responsibility served by thermal generation. Both Xcel and California Cogeneration protest that the term ''load responsibility'' as used by the WECC is ambiguous and could lead to inconsistent interpretations of the regional Reliability Standard. California Cogeneration states that Commission Opinion No. 464 determined that a qualifying facility's (QF) net load is the only relevant load for the purposes of calculating the operating reserve responsibility of the QF.[62] It expresses concern that the term load responsibility could be interpreted to include gross load in conflict with Opinion No. 464 and, thus, asks the Commission to remand the regional Reliability Standard so that it can be modified to include a definition of load responsibility consistent with Opinion No. 464.

49. Xcel also argues that the term load responsibility is overly vague. It quotes a WECC document that defines load responsibility as ''[a] control area's firm load demand plus those firm sales minus those firm purchases for which reserve capacity is provided by the supplier.''[63] According to Xcel, WECC has not adequately defined the term ''firm'' embedded in its definition of load responsibility and, likewise, has not adequately defined the related term ''interruptible.''

50. Xcel notes that WECC–BAL–STD–002–0 requires the purchaser of interruptible power to carry additional reserves to replace interruptible imports. Xcel posits that, while the definition of ''interruptible'' is unclear, application of a narrow interpretation of the term could have adverse impacts on competition and reliability. Specifically, it claims that to avoid application of the ''adder'' some entities avoid purchasing ''economy power,'' or interruptible power, thereby impeding competition. Xcel also claims that this practice may result in entities utilizing local units that are subject to failure or curtailment, resulting in less reliable operations. Xcel further argues that certain entities may try to claim that most ''firm'' transactions, as interpreted by the Commission in Order No. 890, are potentially curtailable and thus ''interruptible'' under a ''very narrow interpretation.'' Xcel adds that there is no evidence to show that ''economy transactions'' are less reliable thus warranting the need for extra reserves.

51. Xcel also opposes the 60-minute restoration period that would be required under BAL–STD–002–0. Xcel asserts that BAL–STD–002–0 would require restoration of contingency reserves within 60 minutes rather than the 90 minutes permissible under the corresponding NERC standard. According to Xcel, in adopting 60 minutes of restoration time, WECC and NERC disregarded Requirement R6.2 of BAL–002–0 that established a default contingency reserve restoration period of 90 minutes and allows adjustment of

[59] *See* NERC Filing, Ex. C, Attachment 3 at 5–7.

[60] In Order No. 693 at P 1893–98, the Commission approved NERC's glossary and directed certain modifications.

[61] Each proposed regional Reliability Standard includes an ''excuse of performance'' provision stating that ''non-compliance with any of the reliability criteria contained in this Standard shall be excused and no sanction applied if such non-compliance results directly from one or more of the [specified] actions or events,'' including governmental order, order of reliability coordinator, protection of facilities and extraordinary contingency (such as act of war, insurrection, flood or earthquake).

[62] *Citing California Independent System Operator Corp.,* Opinion No. 464, 104 FERC ¶ 61,196 at P 40 (2003).

[63] Xcel Comments at 12, *citing* NERC/WECC Planning Standards and Minimum Operating Reliability Criteria, Definitions, Revised August 9, 2002. The California Independent System Operator Corporation tariff also uses this definition of load responsibility. *See* Opinion No. 464, 96 FERC ¶ 63,015 at 13.

this period ''to better suit the reliability targets of the Interconnection based on analysis approved by the NERC Operating Committee.'' Xcel contends that WECC failed to obtain approval of the NERC Operating Committee. Xcel also claims that WECC's proposed 60-minute restoration period will have a dampening effect on competition because the shortened restoration period will provide little time for market participants to procure alternative resources outside of the host balancing authority.

52. Further, Xcel argues that WECC has not justified the requirements of the regional Reliability Standard and thus the technical expertise of WECC should not be given any weight in the Commission's evaluation of the regional Reliability Standard.

Commission Determination

53. The Commission approves regional Reliability Standard WECC–BAL–STD–002–0 as mandatory and enforceable in the Western Interconnection. The Commission finds that the proposed regional Reliability Standard is more stringent than the corresponding NERC Reliability Standard, BAL–002–0, because WECC requires a more stringent minimum reserve requirement than the nation-wide requirement.[64] Further, WECC's requirement to restore contingency reserves within 60 minutes is more stringent than the 90 minute restoration period set forth in NERC's BAL–002–0. While we agree with Xcel that NERC's filing did not adequately explain the need for WECC–BAL–STD–002–0 or why it was more stringent than the corresponding NERC Reliability Standards, WECC provides an adequate explanation in its comments for the Commission to make a reasoned determination.[65]

54. The Commission agrees with the shortcomings identified by NERC regarding WECC–BAL–STD–002–0 and expects WECC in developing a permanent, replacement standard to address these shortcomings as it has committed to do. For example, for each of the proposed regional Reliability Standards, (1) Regional definitions should conform to the definitions set forth in the NERC glossary, unless a specific deviation has been justified; and (2) documents that are referenced in the Reliability Standard should be attached to the Reliability Standard. Likewise, with respect to this and each of the proposed regional Reliability Standards, we agree with NERC that WECC must remove the sanctions table that is inconsistent with NERC's Sanction Guidelines and develop Violation Risk Factors (levels of non-compliance) and Violation Severity Levels that conform to corresponding NERC standards. In approving NERC's Sanction Guidelines, the Commission emphasized the need to achieve consistency in the assessment of penalties across the regions. Elimination of the WECC sanctions table will further this goal.[66]

55. Further, it is important that regional Reliability Standards and NERC Reliability Standards achieve a reasonable level of consistency in the structure of a Reliability Standard so that there is a common understanding of the elements. In particular, we agree with NERC that WECC should eliminate the ''excuse of performance'' provision of the regional Reliability Standards, which is inconsistent with NERC's format. While the factors identified in the excuse of performance provision may be legitimate mitigating factors for WECC to consider when assessing a penalty on a case-by-case basis, the Commission disagrees that a Reliability Standard should contain a blanket waiver or excuse for non-compliance.[67] We expect WECC, in developing a permanent, replacement standard, to address these concerns of both NERC and the Commission. In general, with respect to both the eight proposed Reliability Standards as well as other standards that are being developed by WECC, it is essential that WECC employ a higher level of precision and consistency.

56. In Order No. 672, the Commission, in discussing the factors it would consider in determining whether a proposed Reliability Standard met the statutory standard for approval, explained that a proposed Reliability Standard should be clear and unambiguous regarding what is required and who is required to comply.[68] Xcel and California Cogeneration contend that the Commission should remand WECC–BAL–STD–002–0 because of ambiguities in the terms ''load responsibility'' and ''firm transaction.'' As discussed above, the Commission believes that the regional Reliability Standard is sound, as it provides greater stringency than NERC's reserve requirements and meets a need of the Western Interconnection. While commenters identify potential ambiguities, we do not believe that these potential uncertainties demonstrate a degree of ambiguity within the regional Reliability Standard that requires us to remand it.[69] Rather, as WECC indicated in its response to stakeholders in the regional Reliability Standards development process, WECC will provide an opportunity to address these concerns when developing a permanent, replacement standard. The Commission agrees that this is a reasonable approach and will expect WECC's submission of a replacement standard to adequately address these stakeholder concerns.

57. California Cogeneration raised concerns that the term load responsibility must be defined consistent with the Commission's Opinion No. 464, which issued in a proceeding under section 205 of the FPA that addressed treatment of QFs under the CAISO open access transmission tariff. The Commission agrees that a QF's load responsibility should be interpreted consistent with Opinion No. 464, which provided in relevant part that:

> We affirm the judge's finding that the long-standing practice in the CAISO control area of scheduling, metering and procuring reserves on a net load basis should be permitted to continue, so long as a QF has contracted for standby service with a UDC [Utility Distribution Company], *i.e.*, a contract that provides for the immediate replacement of energy in case of the QF's forced outage. The record indicates * * * that by contract with a QF, a UDC will provide standby service and operating reserves if there is a forced QF outage.[70]

58. Thus, from an economic perspective under section 205, the UDC must pay for the reserves associated with the backup power provided by the UDC by contract. While operating reserves may be required for behind the

[64] While approving the WECC regional Reliability Standard, the Commission reiterates its directive in Order No. 693 that the ERO develop a continent-wide reserve policy that is ''based on the reliability risk of not meeting load associated with a particular balancing authority's generation mix and topology.'' See Order No. 693 at P 340. Our approval of WECC–BAL–STD–002–0 does not affect this directive to the ERO.

[65] Section 39.5(a) of the Commission's regulations, 18 CFR 39.5(a) (2006), provides that the ERO's submission of a new or modified Reliability Standard must include (1) A concise statement of the basis and purpose of the proposed Reliability Standard, (2) a summary of the Reliability Standard development proceedings, and (3) a demonstration that the proposal is just, reasonable, not unduly discriminatory or preferential, and in the public interest. Future Reliability Standard filings may be subject to a deficiency letter if they fail to satisfy the filing requirements set forth in our regulations.

[66] *ERO Certification Order* at P 254, 350.

[67] *April 19 Order* at P 133.

[68] Order No. 672 at P 325.

[69] The Commission notes that WECC has defined the term load responsibility, although not in its regional Reliability Standard. The definition can be found at WECC's Web site at: *http://wecc.biz/documents/library/procedures/WECC_Reliability_Criteria_definitions_8-02.pdf.*

[70] Opinion No. 464, 104 FERC ¶ 61,196 at P 40.

meter load in a Regional Reliability Standard for reliability reasons, a QF is not required to buy operating reserve for the load that has standby service. It remains the responsibility of the host utility that provides the QF's normal stand-by or back-up power to supply those reserves. We believe this explanation addresses California Cogeneration's concern.

59. In regard to Xcel's concern about the definition of interruptible imports, while it is possible that the term may require refinement by WECC to address specific contexts, the meaning of the term ''interruptible'' is generally well understood in the industry, *i.e.*, transmission or generation subject to interruption at the provider's discretion. Xcel's claims that the provision, under a narrow interpretation, could have adverse impacts on competition and reliability are highly speculative.

60. The Commission rejects Xcel's protest regarding the 60-minute contingency reserve restoration period. This is useful stringency that benefits reliability in the Western Interconnection by shortening the time after a disturbance that the balancing authority might not have sufficient reserves to meet its reliable obligations in the Interconnection. Xcel's concern that this provision harms competition is speculative. Moreover, the Commission notes that NERC Reliability Standard EOP–001, Requirement R1 requires entities to have pre-existing arrangements. Balancing authorities should not use the reserve restoration period to shop for better prices but to be concerned about restoring the reserves so the Bulk-Power System remains reliable.

61. Finally, while Xcel may be technically correct that the current NERC BAL–002–2 requires approval of the NERC Operating Committee to change the restoration period, we do not believe this is a sufficient reason to remand WECC's proposal. First, in Order No. 693, the Commission directed NERC to modify this Requirement to replace ''NERC Operating Committee'' with ''ERO.''[71] NERC board approval of WECC–BAL–STD–002–0 suffices. Second, WECC did not increase but, rather, decreased the restoration period, making the WECC standard include a more stringent requirement than NERC's comparable requirement.

2. WECC–IRO–STD–006–0 (Qualified Path Unscheduled Flow Relief)

62. Regional Reliability Standard WECC–IRO–STD–006–0 applies to transmission operators, balancing authorities, and load serving entities within the Western Interconnection. Under WECC's plan for congestion management, responsible entities must comply with requests from operators of qualified transmission paths to reduce unscheduled flow on the path. The regional Reliability Standard identifies when an operator shall request curtailments, states that responsible entities shall comply in a timely manner with a request for curtailments, and establishes procedures for reducing flows. In particular, it requires that:

> Upon receipt of a curtailment request, Contributing Schedules which are subject to curtailments will be reduced (or equivalent alternative schedule adjustments will be effected) in accordance with the following procedures:
>
> (i) Receivers of Contributing Schedules will initiate the requested schedule reductions * * *.[72]

63. NERC's Reliability Standard IRO–006–3 (Transmission Loading Relief), which the Commission approved in Order No. 693 subject to certain modifications,[73] requires a reliability coordinator experiencing potential or actual System Operating Limit (SOL) or Interconnection Reliability Operating Limit (IROL) violations to take appropriate actions pursuant to established procedures to relieve transmission loading. For the Eastern Interconnection, balancing authorities must follow the established transmission loading relief (TLR) procedures to take appropriate actions pursuant to established procedures to relieve transmission loading. Requirement R2.2 of IRO–006–3 identifies ''the equivalent Interconnection-wide transmission loading relief procedure for use in the Western Interconnection is the 'WSCC Unscheduled Flow Mitigation Plan.' ''

64. NERC approved WECC–IRO–STD–006–0 on the condition that WECC meet its commitment to address specified shortcomings concerning formatting, use of standard terms, and the need for greater specificity in the actions that a responsible entity must take. In addition, NERC noted that the requirements should be part of the regional Reliability Standard rather than being embedded in a filing.

Comments

65. According to WECC, WECC-IRO-STD–006–0 is essential because it is the only source of a mandatory process for mitigating overloads due to unscheduled line flows in the Western Interconnection. WECC notes that, in developing the regional Reliability Standard, stakeholders commented that the term ''receiver'' as defined in the standard should more closely match the NERC Functional Model and should not include market entities. WECC states that it intends to address these issues in developing a permanent, replacement standard.[74]

66. PPL protests the applicability of WECC–IRO–STD–006–0, noting that NERC Reliability Standard IRO–006–3 applies to reliability coordinators, transmission operators and balancing authorities. PPL contends that WECC has, without explanation, significantly broadened the scope of the regional Reliability Standard by requiring compliance by LSEs. According to PPL, market entities such as LSEs may be unable to meet the requirements of WECC–IRO–STD–006–0. Second, PPL protests that certain requirements apply to ''receivers,'' which are not identified in the applicability section of the regional Reliability Standard. PPL contends that receivers (1) May lack the authority or ability to comply with a directive to reduce flows and (2) may include functional entities beyond LSEs such as ''purchasing selling entities'' that are not identified in the applicability section of the regional Reliability Standard.

67. PPL recommends that the Commission limit applicability to those entities identified in NERC Reliability Standard IRO–006–3 and clarify that the assessment of penalties is limited to the entities to which the regional Reliability Standard is applicable. PPL asks that, if the Commission decides that it is appropriate to include load-serving entities, the applicability should be limited to LSEs as defined by NERC[75] and to LSEs that meet NERC's compliance registry criteria.

68. Xcel protests that no justification has been provided for the WECC regional Reliability Standard. Xcel recognizes that one benefit of the WECC unscheduled flow mitigation procedures is the coordinated use of phase shifters to provide some relief on an overburdened transmission path without the economic impact of schedule curtailments. Xcel suggests that, as an alternative, the WECC procedures could be modeled after the

[71] Order No. 693 at P 356.

[72] WECC–IRO–STD–006–0, Requirement WR1, Plan Attachment 1, Section 9.h.

[73] Order No. 693 at P 960–64.

[74] *See* WECC Comments at 10.

[75] PPL at 10. *See* August 2, 2006, NERC Glossary of Terms Used in Reliability Standards at 10, which defines load-serving entity as an entity that ''secures energy and transmission service (and related Interconnected Operations Services) to serve the electric demand and energy requirements of its end-use customers.''

TLR procedures, while retaining this initial step.

Commission Determination

69. We approve WECC–IRO–STD–006–0 as mandatory and enforceable for the Western Interconnection. The regional Reliability Standard provides that practices under WECC's Unscheduled Flow Mitigation Plan—including directions thereunder to reduce flows—are enforceable against all Transmission Operators, Balancing Authorities and Load-Serving Entities in the Western Interconnection. In Order No. 693, we found that the WECC's Unscheduled Flow Mitigation Plan (which relies on phase angle regulators, series capacitors and back-to-back DC lines to mitigate contingencies without curtailing transactions) is superior to the national Reliability Standard.[76] Accordingly, the Commission finds that WECC–IRO–STD–006–0 is adequately justified. In developing a permanent, replacement regional Reliability Standard, WECC may consider Xcel's suggestion to model the WECC procedures after the TLR procedures, however, we will not mandate such an approach.

70. The Commission shares PPL's concern that, while the applicability of the regional Reliability Standard identifies LSEs, the requirements refer to receivers. As indicated by PPL, the term ''receiver'' may refer to LSEs as well as other market participants. While WECC states that WECC–IRO–STD–006 is an exact translation of existing WECC RMS criteria, an entity cannot be subject to a compliance action if it has not been clearly identified in the applicability section of the Reliability Standard.[77] Thus, in approving the regional Reliability Standard, we expect a continuation of the existing practices for transmission line relief in the Western Interconnection. However, an entity that is not clearly identified in the applicability provision of a regional Reliability Standard may not be subject to penalties for non-compliance. Moreover, pursuant to section 215(d)(5) of the FPA and section 39.5(f) of the Commission's regulations,[78] we direct that WECC in developing a permanent, replacement Reliability Standard, clarify the term ''receiver'' and the applicability of the standard.

71. We also share PPL's concerns regarding the identification of LSEs as applicable entities. While the expansion of the WECC regional Reliability Standard beyond the applicability of the corresponding NERC Reliability Standard is not in itself problematic, we are concerned regarding PPL's contention that LSEs may not be able to meet the Requirements of the regional Reliability Standard. While we are approving WECC–IRO–STD–006 as mandatory and enforceable, we direct WECC to address PPL's concerns in developing a permanent, replacement regional Reliability Standard.

72. We also expect that WECC, in developing a permanent, replacement regional Reliability Standard, will address the shortcomings identified by NERC.

3. WECC–PRC–STD–001–1 (Certification of Protective Relay Applications and Settings)

73. Regional Reliability Standard WECC–PRC–STD–001–1 applies to transmission operators or transmission owners of 40 specified transmission paths.[79] The regional Reliability Standard requires these entities to certify to WECC that all (1) Protective relay applications and (2) protective relay settings and logic are appropriate for the specified transmission paths. It also requires these entities to certify that ''relay operations since the last certification or during the last three-year period have been analyzed for correctness and appropriate corrective action taken. * * *''

74. NERC Reliability Standard PRC–001–1 (System Protection Coordination), which addresses protection systems, requires transmission operators and generator operators to notify appropriate entities of relay or equipment failures and to coordinate when installing new or modified protection systems.[80]

75. NERC approved WECC–PRC–STD–001–1 with the condition that WECC meet its commitment to address the shortcomings identified by NERC in a January 9, 2007 letter to WECC, including several formatting concerns.

Comments

76. WECC states that applicable users, owners and operators in the Western Interconnection must comply with the Requirements of the corresponding NERC Reliability Standard. The WECC regional Reliability Standard requires, in addition, that transmission owners and transmission operators analyze and certify *all* relay settings and operations on specified paths to determine whether operations were correct, and that current information on relays is provided to the transmission operators. WECC explains that these requirements were developed to address root causes of a July 1996 system disturbance in which undesirable relay operations due to incorrect settings and undetected relay problems resulted in cascading outages in the Western Interconnection.

77. Xcel argues that no justification for WECC's certification requirement has been provided. According to Xcel, regional differences are intended to provide reliability protection in situations where physical differences in the Bulk-Power System justify additional stringency. It claims that WECC–PRC–STD–001–1 appears to be driven by a desire for an attestation, not an actual physical difference in the Western Interconnection and that, to the extent the attestation is needed, it is appropriate for the NERC Reliability Standards rather than a regional difference. Xcel further argues that the proposed regional Reliability Standard does not create any additional reliability benefit but, rather, needlessly compounds the requirements of the NERC Reliability Standards.

Commission Determination

78. The Commission approves WECC–PRC–STD–001–1 as mandatory and enforceable in the Western Interconnection. The Commission expects WECC, in developing replacement standards, to address the shortcomings identified by NERC.

79. The Commission disagrees with Xcel's contentions that the need for the regional Reliability Standard has not been justified and that it does not create any additional reliability benefits. While the NERC filing did not elaborate on the reliability benefit of WECC–PRC–STD–001–1, WECC explains that it goes beyond the related NERC Reliability Standard by requiring certification that all relay settings and operations on specified transmission paths are appropriate for the Bulk-Power System. The certification requirement provides an additional level of assurance that protection systems will operate as they should to provide for Bulk-Power System reliability. It is appropriate to give due weight to WECC's technical expertise in its representation that the requirements of this regional Reliability Standard will address the problems identified as a root cause of prior

[76] *See* Order No. 693 at P 964.

[77] *See* Order No. 693 at P 39 (each Reliability Standard must clearly identify the subset of users, owners and operators of the Bulk-Power System to which the Reliability Standard applies).

[78] 18 CFR 39.5(f) (2006).

[79] Some of the specified transmission paths are located completely or partially outside the United States. The Commission addresses the regional Reliability Standard only as it applies to those paths or portions of paths that are within the United States.

[80] In Order No. 693, at P 1433–49, the Commission approved NERC Reliability Standard PRC–001–1 and, as a separate action, directed NERC to develop certain modifications to the standard.

cascading outages in the Western Interconnection.[81]

80. Further, Xcel incorrectly characterizes the Commission's previous statements regarding when a regional difference may be justified. The Commission has identified two types of regional differences that it will accept, provided they otherwise satisfy the statutory requirements for approval: (1) A regional difference that is more stringent than the continent-wide Reliability Standard, including a regional difference that addresses matters that the continent-wide Reliability Standard does not; and (2) a regional Reliability Standard that is necessitated by a physical difference in the Bulk-Power System.[82] Xcel incorrectly combines the two appropriate types of regional differences as a single standard category where a regional difference sets forth a stringency needed to address a physical difference in the Bulk-Power System. Thus, we reject Xcel's argument that WECC–PRC–STD–001–1 should not be approved because it is not based on an actual physical difference in the Western Interconnection.

4. WECC–PRC–STD–003–1 (Protective Relay and Remedial Action Scheme Misoperation)

81. Regional Reliability Standard WECC–PRC–STD–003–1 has the purpose of ensuring that protection system misoperations are analyzed and mitigated.[83] This regional Reliability Standard applies to the owners and operators of 40 specific transmission paths that are identified in Attachment A of the standard. The regional Reliability Standard requires the removal and repair of protection systems after a misoperation within specified time frames.

82. The WECC regional Reliability Standard corresponds to NERC's Reliability Standard PRC–003–1, which also relates to protective system misoperations.[84] Requirement 1 of NERC's PRC–003–1 provides that each regional reliability organization, *i.e.*, Regional Entity, must establish procedures for review, analysis, reporting and mitigation of protection system misoperations. WECC–PRC–STD–003–1 states that it meets Requirement 1 of NERC Reliability Standard PRC–003–1.

83. As with all eight regional Reliability Standards, NERC approved WECC–PRC–STD–003–1 with the condition that WECC meet its commitment to address the shortcomings identified by NERC in a January 9, 2007 letter to WECC. With regard to WECC–PRC–STD–003–1, NERC noted, *inter alia,* that the WECC definition of ''disturbance'' is not identical to the NERC glossary definition. It also identified a WECC Measure that refers to the filing of a form for reporting misoperations, without a corresponding requirement.

Comments

84. In its comments, WECC explains that the corresponding NERC Reliability Standard PRC–003–1 requires the analysis of misoperations within 90 days and the submission of corrective action plans. WECC states that the applicable users, owners and operators of the Bulk–Power System in the West must comply with the requirement of NERC's PRC–003–1. In addition, the WECC regional Reliability Standard goes further and requires the applicable entities in the West: (1) To remove equipment that has misoperated within 22 hours; and (2) to repair or replace equipment that has misoperated within 20 business days for the specific transmission paths identified in the WECC regional Reliability Standard. WECC explains that these requirements were developed as a result of a 345 kV line relay misoperation in July 1996 when virtually the same outage occurred the next day because the faulty equipment had not been isolated.

85. Xcel points out that, in Order No. 693, the Commission stated that it would neither approve nor remand NERC Reliability Standard PRC–003–1 until NERC submits additional information regarding regional procedures on misoperations.[85] The Commission also directed NERC to consider whether greater consistency can be achieved as NERC modifies PRC–003–1 to provide the missing information. Xcel asserts that Commission approval of WECC–PRC–STD–003–1 would allow WECC to side-step the process directed by the Commission to achieve greater uniformity with regard to NERC's PRC–003–1.[86] Xcel also contends that WECC has not explained the physical differences in the Western Interconnection necessitating the regional difference and, thus, WECC's technical expertise should be given no weight in evaluating the WECC regional Reliability Standard.

Commission Determination

86. The Commission approves WECC–PRC–STD–003–1 as mandatory and enforceable in the Western Interconnection. The Commission agrees with WECC that the proposed regional Reliability Standard goes beyond the corresponding NERC standards because no current NERC Reliability Standard includes the equipment removal and repair requirements set forth in this regional Reliability Standard. Moreover, while we agree with Xcel that NERC's filing did not adequately explain the need for WECC–PRC–STD–003–1 or why it is more stringent than the corresponding NERC Reliability Standards, WECC has provided an adequate explanation in its comments, as discussed above.

87. We note that upon failure of protective relays, NERC Reliability Standard PRC–001–1 requires transmission operators and generator operators to take corrective actions as soon as possible (within thirty minutes as directed by Order No. 693).[87] Order No. 693 clarifies that ''corrective actions'' do not refer to the repair of protective relays, but instead to actions that ensure the reliability of the system, such as lowering IROLs and SOLs. The proposed regional Reliability Standard does not relieve compliance with this requirement but, rather, adds more stringency by defining a maximum timeframe for removal and repair of protective equipment.

88. The Commission disagrees with Xcel's assertion that approval of WECC–PRC–STD–003–1 would sidestep the Commission's directive that NERC consider whether greater consistency can be achieved as NERC modifies PRC–003–1. Approval of the WECC regional Reliability Standard does not preclude the development of an appropriate level of uniformity on a nationwide basis. The Commission expects that all of the regions, including WECC, will work together to develop greater uniformity with regard to reporting procedures for misoperation of relays and remedial action schemes.

89. The Commission agrees with the shortcomings identified by NERC regarding WECC–PRC–STD–003–1 and

[81] 18 CFR 39.5(c)(2).

[82] Order No. 672 at P 291. *See also ERO Certification Order,* 116 FERC ¶ 61,062 at P 274.

[83] Protection systems are designed to detect and isolate faulty elements on a system, thereby limiting the severity and spread of system disturbances, and preventing possible damage to protected elements. *See* Order No. 693 at P 1418. Protection systems include protective relays, remedial action schemes (RAS), and special protection schemes.

[84] In Order No. 693 at P 1460, the Commission explained that, because NERC's PRC–003–1 requires the regions to establish procedures regarding misoperations, and those regional procedures had not been submitted, the Commission neither approved nor remanded the Reliability Standard.

[85] *Id.* at P 1460–61.

[86] *Id.*

[87] *See* Order No. 693 at P 1443–49.

expects WECC in developing a permanent, replacement standard to address these shortcomings as it has committed to do. In particular, we believe that regional definitions should conform to the definitions set forth in the NERC glossary unless a specific deviation has been justified. Likewise, each Requirement should have a corresponding Measure and, in this case, *vice versa*.

5. WECC–PRC–STD–005–1 (Transmission Maintenance)

90. Regional Reliability Standard WECC–PRC–STD–005–1 requires each transmission owner and transmission operator of specified transmission paths to perform maintenance and inspection on those paths as described by its Transmission Maintenance and Inspection Plan (TMIP). The regional Reliability Standard identifies specific contents that each applicable transmission owner and transmission operator must include in its TMIP. For example, a TMIP must include the scheduled interval for time-based maintenance, describe maintenance and inspection methods, provide relevant checklists or forms and provide criteria for assessing the condition of a facility. Each applicable entity must retain all pertinent maintenance and inspection records for at least five years. Further, each applicable entity must annually certify to WECC staff that it has developed, documented and implemented a TMIP.

91. WECC's regional Reliability Standard corresponds to NERC Reliability Standard PRC–005–1 (Transmission and Generation Protection System Maintenance and Testing), which requires transmission owners, generator owners and distribution providers that own transmission protection systems to have a protection system maintenance and testing program for protection systems that affect the reliability of the bulk electric system.

92. NERC approved WECC–PRC–STD–005–1 with the condition that WECC meet its commitment to address identified shortcomings. With regard to WECC–PRC–STD–005–1, NERC identified various formatting concerns including the need to specify individual requirements instead of one formal requirement with multiple subparts (including statements and comments that do not read as requirements).

Comments

93. WECC states that the corresponding NERC Reliability Standard, PRC–005–1, requires a maintenance and inspection plan limited to relays, monitoring equipment, and special protection systems. WECC explains that relevant users, owners and operators must comply with the requirements of the NERC Reliability Standard. According to WECC, the proposed regional Reliability Standard goes further by requiring, for specified transmission paths, a highly detailed TMIP for all transmission and substation equipment components, including circuit breakers, relays, transformers, reactive devices, and transmission lines. It also requires applicable entities to maintain five years of maintenance records to verify compliance.

94. Xcel argues that WECC has failed to justify the need for this regional Reliability Standard based on physical differences in the bulk power system.

Commission Determination

95. The Commission approves regional Reliability Standard WECC–PRC–STD–005–1 as mandatory and enforceable in the Western Interconnection. As explained by WECC, the applicable users, owner and operators in the Western Interconnection must comply with NERC's PRC–003–1 and, in addition, the regional Reliability Standard. Accordingly, the Commission finds that the regional Reliability Standard satisfies the statutory standard for approval because it is more stringent than the corresponding NERC Reliability Standard by requiring, for specified transmission paths, a highly detailed maintenance and inspection plan for *all* transmission and substation equipment components. WECC–PRC–STD–005–1 imposes requirements well beyond the NERC Reliability Standards and improves reliability because disciplined maintenance on equipment such as transmission lines, circuit breakers, power transformers and regulators will help prevent failures during operation.

96. Moreover, WECC in its comments provided a persuasive need for the regional Reliability Standard as well as a demonstration that the regional Reliability Standard is more stringent than the corresponding NERC standard. Thus, we reject Xcel's protest on this issue.

97. Requirement WR1.b(i)(a)(2) of the regional Reliability Standard requires the TMIP to describe the maintenance practices for station equipment including remedial action scheme (RAS) systems, which are also referred to as ''special protection systems.'' [88] This regional Requirement corresponds more closely to NERC Reliability Standard PRC–017–0 (Special Protection System Maintenance and Testing). It appears that the NERC Reliability Standard includes slightly more specificity in that it requires a special protection system maintenance program to include, among other things, batteries and instrument transformers, which are not specified in WECC–PRC–STD–005–1. Because WECC's regional Reliability Standards are *in addition* to the NERC Reliability Standards, we would expect the maintenance plans of applicable entities in the West to include these details identified in NERC Reliability Standard PRC–017–0.

98. The Commission agrees with NERC's concerns regarding the format and content of WECC–PRC–STD–005–1 and expects WECC, in developing a permanent, replacement standard, to address these concerns, including but not limited to inclusion of all relevant documents.

6. WECC–TOP–STD–007–0 (Operating Transfer Capability)

99. Regional Reliability Standard WECC–TOP–STD–007–0 applies to transmission operators of 40 specified transmission paths. The goal of this regional Reliability Standard is to ensure that the operating transfer capability limits requirements of the Western Interconnection are not exceeded.[89] It includes a Measure that provides ''actual power flow on all transmission paths shall at no time exceed the [operating transfer capability] for more than 20 minutes for paths that are stability limited, or for more than 30 minutes for paths that are thermally limited.''

100. The corresponding NERC Reliability Standard, TOP–007–0, requires that violations of SOL and IROL be promptly reported to the reliability coordinator so that it can direct corrective action and inform other affected systems. It also requires a transmission operator to mitigate an IROL violation as soon as possible but no longer than 30 minutes. In Order No. 693, the Commission approved TOP–007–0 as mandatory and enforceable.[90]

101. NERC approved WECC–TOP–STD–007–0 with the condition that

[88] *See* NERC glossary at 16 (defining both terms as ''an automatic protection system to detect abnormal or predetermined system conditions, and take corrective actions * * *'').

[89] Requirement WR1 of WECC–TOP–STD–007–0 defines ''capability limits requirements'' as the maximum amount of actual power that can be transferred over direct or parallel transmission elements comprising: An interconnection from one transmission operator area to another, or a transmission path within a transmission operator area.

[90] Order No. 693 at P 1674.

WECC meet its commitment to address identified shortcomings, including formatting concerns and inconsistency between the NERC and WECC definition of the term ''disturbance.''

Comments

102. WECC comments that NERC Reliability Standard TOP–007–0 requires transmission operators to return the system to within IROL limits for each incident in which an IROL is exceeded. While transmission operators in the Western Interconnection must comply with the NERC requirement, WECC–TOP–STD–007–0 ''goes further in limiting the time period of an Operational Transfer Capability (which is more conservative than an IROL) exceedance to no more than 20 minutes when the limit is based on potential voltage or transient stability.'' [91] WECC explains that the 20-minute limit was developed after two major disturbances in 1996 that caused the system to break up rapidly. WECC also states that the regional Reliability Standard applies to 40 clearly defined transmission paths, many of which would not be defined by NERC as having IROL requirements.

103. Xcel protests that no technical justification has been provided for WECC–TOP–STD–007–0.

Commission Determination

104. The Commission approves WECC–TOP–STD–007–0 as mandatory and enforceable in the Western Interconnection. WECC has provided an adequate explanation of the need for this regional Reliability Standard and also adequately explained how the Requirements are more stringent than the Requirements of the corresponding NERC Reliability Standard. In particular, the imposition of a 20-minute limit is more restrictive than NERC's TOP–007–0 and is a prudent means of limiting the risk of blackouts, consistent with sound engineering principles. Thus, we disagree with Xcel that WECC–TOP–STD–007–0 has not been adequately justified.

105. The Commission is concerned regarding a possible inconsistency within WECC–TOP–STD–007–0. As background, NERC Reliability Standard IRO–005–1 (Reliability Coordination—Current Day Operations) provides, *inter alia,* that ''if a potential or actual IROL violation cannot be avoided through proactive intervention, the Reliability Coordinator shall initiate control actions or emergency procedures to relieve the violation without delay, and no longer than 30 minutes.'' In Order No. 693, the Commission expressed concern that IRO–005–1 could be interpreted as allowing a system operator to respect IROLs in one of two ways: (1) Allowing IROL to be exceeded during normal operations, *i.e.*, prior to a contingency, provided that corrective actions are taken within 30 minutes; or (2) allowing IROL to be exceeded only after a contingency and subsequently returning the system to a secure condition as soon as possible, but no longer than 30 minutes.[92] The Commission explained that the system could be one contingency away from potential cascading failure if operated under the first interpretation and two contingencies away from cascading failure under the second interpretation. The Commission directed NERC to conduct a survey on IROL practices and actual operating experiences of managing within IROL. The survey results will provide guidance on the frequency, duration and magnitude of IROL violations and whether these IROL violations occur during normal or contingency conditions.

106. With regard to WECC–TOP–STD–007–0, Requirement WR1.b. provides that ''[t]he interconnected power system shall remain stable upon loss of any one single element without system cascading that could result in the successive loss of additional elements.'' This Requirement suggests that WECC expects that IROLs will be addressed in such a manner that the system is two contingencies away from a cascading failure, which is consistent with the more conservative interpretation of the NERC Reliability Standard IRO–005–1.[93]

107. However, Measure WM1 of WECC–TOP–STD–007–0 may not be consistent with Requirement WR1.b since it states ''[a]ctual power flow on all transmission paths shall at no time exceed the OTC for more than 20 minutes for paths that are stability limited, or more than 30 minutes for paths that are thermally limited.'' This Measure is more consistent with the first interpretation of NERC Reliability Standard IRO–005–1. Simply put, it could be interpreted that WECC Requirement WR1.b results in the power system being operated two contingencies away from a cascading outage while WECC Measure WM1 results in the power system being operated one contingency away from a cascading outage.

108. Thus, it is possible to understand the WECC Measure as less stringent than NERC's IRO–005–1, if the latter is interpreted conservatively. While the Commission has stated that a Requirement of a Reliability Standard sets forth the obligations of the applicable users, owners and operators,[94] the Commission is concerned regarding the circumstances under which WECC–TOP–STD–007–0 would be implemented and the amount of time an entity is allowed to be in violation of an IROL without the possibility of being found in non-compliance. Accordingly, the Commission directs NERC to submit a filing within 30 days of the date of this order explaining whether Requirement WR1.b is consistent with the second interpretation of IRO–005–1 (two contingencies away from cascading failure).[95]

109. Moreover, Measure WM1 of WECC–TOP–STD–007–0, which sets forth the 20 and 30 minutes time limits for exceeding operating transfer capability, states responsibilities of applicable entities and, thus, is more appropriately a requirement than a Measure. Accordingly, pursuant to section 215(d)(5) of the FPA and section 39.5(f) of the Commission's regulations, we direct that WECC in developing a permanent, replacement regional Reliability Standard: (1) Clarify any inconsistency between the Requirement WR1.b and corresponding Measure WM1; and (2) ensure that the requirements currently set forth in Measures WM1 are set forth in the Requirements and that corresponding Measures simply quantify the frequency, duration and magnitude of the violations as determined by the Requirements.

110. In addition, we expect that WECC will address the shortcomings identified by NERC in developing a permanent, replacement regional Reliability Standard.

7. *WECC–VAR–STD–002a–1 (Automatic Voltage Regulators)*

111. Regional Reliability Standard WECC-VAR-STD–002a–1 applies to generator operators of synchronous generating units equipped with Automatic Voltage Regulators in the

[91] WECC Comments at 12.

[92] *See* Order No. 693 at P 945–51 and n.303.

[93] In addition to requiring the system to be operated to withstand the loss of a single element, WECC–TOP–STD–007–0 requires operators to take into consideration single events that might cause the loss of multiple elements. *See* NERC Filing, WECC–TOP–STD–007–0 § B(b). In Order No. 693, we addressed element- versus event-based contingencies. *See* Order No. 693 at P 1604, 1715–1719.

[94] *Id.* at P 1929.

[95] If WECC construes Requirement WR1.b as consistent with the first interpretation of IRO–005–1, we will consider whether modifications are necessary to protect the reliability of the Bulk Power System upon consideration of the survey results noted above.

Western Interconnection.[96] The stated purpose of the regional Reliability Standard is to ensure that automatic voltage control equipment on synchronous generators shall be kept in service at all times, except in specified circumstances, and that outages of such equipment must be coordinated. It requires that generator operators must normally operate automatic voltage control equipment in voltage control mode and set to respond effectively to voltage deviations.

112. Related NERC Reliability Standard VAR–002–1 (Generator Operation for Maintaining Network Voltage Schedules) requires generator operators to operate each generator connected to the interconnected transmission grid in the automatic voltage control mode unless the generator operator has notified the transmission operator.[97] Unless exempted by the transmission operator, the generator operator must maintain voltage or reactive power output as directed by the transmission operator.

113. NERC approved WECC–VAR–STD–002a–1 with the condition that WECC meet its commitment to address identified format-related shortcomings.

Comments

114. WECC comments that, in addition to compliance with the related NERC Reliability Standard, the WECC regional Reliability Standard requires automatic voltage regulators to be in service and in voltage control mode with very limited exceptions. WECC explains that it instituted this requirement after a 1996 disturbance, which was caused by insufficient supply of reactive power from generators, including automatic voltage regulators that were not operating in voltage control mode. As a result of this experience, WECC determined that there should be only very limited circumstances where a generator should remove its unit from AVR operation.

115. Xcel asserts that WECC has not provided any technical justification for the regional Reliability Standard.

Commission Determination

116. The Commission approves Reliability Standard WECC–VAR–STD–002a–1 as mandatory and enforceable in the Western Interconnection. The Commission agrees with WECC that this regional Reliability Standard is more stringent than the related NERC Reliability Standard. WECC–VAR–STD–002a–1 requires all synchronous generators to have their voltage regulator in service at all times with only exceptions for specified circumstances. The related NERC Reliability Standard, VAR–002–1, permits a generator to remove its automatic voltage regulator from service for additional reasons. The regional standard is appropriate to avoid the root causes of prior disturbances in the Western Interconnection. We reject Xcel's protest as WECC has adequately justified the need for this regional Reliability Standard.

117. As with the other regional Reliability Standards, we expect that WECC, in developing a permanent, replacement standard, will address the shortcomings identified by NERC regarding WECC–VAR–STD–002a–1.

8. *WECC–VAR–STD–002b–1 (Power System Stabilizers)*

118. Regional Reliability Standard WECC–VAR–STD–002b–1 applies to generator operators with generators equipped with power system stabilizers. A power system stabilizer is part of the excitation control system of a generator used to increase power transfer levels by improving power system dynamic performance. It requires that power system stabilizers on generators must be kept in service at all times, except in specified circumstances, and that the power system stabilizers must be ''properly tuned'' in accordance with WECC requirements. This standard does not have a corresponding NERC Reliability Standard.

119. NERC approved WECC–VAR–STD–002b–1 and identified several format-related shortcomings for WECC to address.

Comments

120. WECC states that WECC–VAR–STD–002b-1 requires generator operators to always have power system stabilizers in service with very limited exceptions. It explains that this requirement was developed after the August 1996 disturbance in the Western Interconnection in which oscillations that could possibly have been attenuated by power system stabilizers were a factor.

121. Xcel states the proposed standard is deficient because it does not define ''power system stabilizers'' and because WECC has not provided a technical justification for the standard.

Commission Determination

122. The Commission approves WECC–VAR–STD–002b–1 as mandatory and enforceable in the Western Interconnection. The regional Reliability Standard is justified as it addresses matters that are not addressed by a NERC Reliability Standard. Moreover, WECC explains that the regional Reliability Standard is justified as a means to avoid oscillations that contributed to previous disturbances in the Western Interconnection.

123. We reject Xcel's protest since the term ''power system stabilizer'' is generally understood as described above, and Xcel has not provided any explanation why the regional Reliability Standard is deficient without a formal definition. Finally, as with the other regional standards, we expect WECC to address the shortcomings identified by NERC when developing a permanent, replacement standard.

D. Effective Date

124. As requested by NERC and WECC, the proposed regional Reliability Standards shall take effect on June 18, 2007 to coincide with the effective date of the Reliability Standards that were approved in Order No. 693.

E. Information Collection Statement

125. The Office of Management and Budget (OMB) regulations require approval of certain information collection requirements imposed by agency rules.[98] Upon approval of a collection(s) of information, OMB will assign an OMB control number and an expiration date. Respondents subject to the filing requirements of an agency rule will not be penalized for failing to respond to these collections of information unless the collections of information display a valid OMB control number. The Paperwork Reduction Act (PRA)[99] requires each federal agency to seek and obtain OMB approval before undertaking a collection of information directed to ten or more persons, or continuing a collection for which OMB approval and validity of the control number are about to expire.[100]

126. This order approves eight regional Reliability Standards that were submitted by NERC as the ERO. Section 215 of the FPA authorizes the ERO to submit Reliability Standards to provide for the Reliable Operation of the Bulk-Power System. Pursuant to the statute, the ERO must submit each Reliability Standard that it proposes to be made

[96] An ''automatic voltage regulator'' is a device that continuously monitors the generator terminal voltage and changes the reactive power output as required to maintain (or regulate) the voltage within a pre-determined voltage range. For example, if a load increase causes a decline in system voltages and thereby the terminal voltage of a generator, the automatic voltage regulator will increase the generator's reactive output to raise the terminal voltage.

[97] In Order No. 693 at P 1884, the Commission approved VAR–002–1.

[98] 5 CFR 1320.8 (2005).

[99] 44 U.S.C. 3501–3520.

[100] 44 U.S.C. 3502(3)(A)(i), 44 U.S.C. 3507(a)(3).

effective to the Commission for approval.[101]

127. The eight proposed Reliability Standards do not require responsible entities to file information with the Commission. However, the standards do require responsible entities to file periodic reports with WECC and to develop and maintain certain information for a specified period of time, subject to inspection by WECC. WECC–BAL–STD–002–0 requires balancing authorities and reserve sharing groups to submit to WECC quarterly reports on operating reserves as well as reports after any instance of non-compliance. WECC–IRO–STD–006–0 requires transmission operators, balancing authorities and load-serving entities to document and report to WECC actions taken in response to direction to mitigate unscheduled flow. The standard also requires transmission operators to document required actions that are and are not taken by responsible entities. WECC–PRC–STD–001 requires certain transmission operators to submit to WECC annual certifications of protective equipment. WECC–PRC–STD–003–1 requires certain transmission operators to report to WECC any misoperation of relays and remedial action schemes. WECC–PRC–STD–005–1 requires certain transmission operators to maintain, in stated form, maintenance and inspection records pertaining to their transmission facilities. The standard also requires operators to certify to WECC that the operator is maintaining the required records. WECC–TOP–STD–007–0 requires certain transmission operators to submit to WECC quarterly reports on transfer capability data and compliance as well as reports after an instance of non-compliance. WECC–VAR–STD–002a–1 and WECC–VAR–STD–002b–1 require certain generators to submit quarterly reports to WECC on automatic voltage control and power system stabilizers. All of the foregoing regional Reliability Standards require the reporting entity to retain relevant data in electronic form for one year or for a longer period if the data is relevant to a dispute or potential penalty, except that WECC–PRC–STD–005–1 requires retention of maintenance and inspection records for five years and retention of other data for four years.

128. We do not believe our approval of the WECC Regional Reliability Standards will result in a significant increase in reporting burdens as compared to current practices in WECC. As NERC and WECC explain, the eight Regional Reliability Standards are translations of existing WECC criteria pursuant to its RMS program. The eight proposed standards: (1) Reflect practices that are currently in place on a contractual or voluntary basis; (2) represent discrete differences from nation-wide, mandatory Reliability Standards that will take effect on June 18, 2007; and (3) will be replaced by permanent standards developed by WECC. Moreover, with only limited exceptions, the reporting requirements in the regional Reliability Standards apply to large entities that have been complying with those standards for several years. The only possible exception is WECC–IRO–STD–006–0, which requires applicable entities to comply with transmission operators' directions to reduce unscheduled flows. Our approval of this regional Reliability Standard might result in reporting requirements for load-serving entities that did not previously comply with WECC practices in this regard. We do not believe that the associated reporting requirement is significant. Under WECC–IRO–STD–006–0, applicable entities must document and report to WECC actions that those entities take in response to direction to reduce unscheduled flow. We do not expect that the number of occurrences or nature of the documentation will result in significant reporting burdens.

129. The Commission is submitting these reporting requirements to OMB for its review and approval under section 3507(d) of the Paperwork Reduction Act. Comments are solicited on the Commission's need for this information, whether the information will have practical utility, the accuracy of provided burden estimates, ways to enhance the quality, utility, and clarity of the information to be collected, and any suggested methods for minimizing the respondent's burden, including the use of automated information techniques.

130. Our Estimates below are based on the total reporting burdens that arise under the approved standards, including reporting burdens that were already in place under WECC practices. Thus, the Estimates exceed the incremental burdens that result from our approval of the standards. The Estimates are based on the NERC compliance registry as of April 2007. For the Western Interconnection that is overseen by WECC, NERC and WECC have identified approximately 30 balancing authorities, 146 generator operators, 104 load-serving entities, 41 transmission operators, and 66 transmission owners * * * While NERC has registered 104 load-serving entities in the U.S. portion of WECC, we believe that only 50 load-serving entities will be affected by the reporting requirements that apply to load-serving entities (under WECC–IRO–STD–006–0) because those requirements apply only in relation to ''qualified transfer paths'' and because the number of such paths are limited. Similarly, although NERC has registered 41 transmission operators and 66 transmission owners in the U.S. portion of WECC, we believe only the 14 transmission operators and owners that operate 40 designated paths will be affected by reporting requirements under this order. We note that some transmission operators operate up to seven paths. This has been taken into account in our estimate in the line ''Transmission Operators/Owners'' in the table below.

131. NERC's compliance registry indicates that there is a significant amount of overlap among the entities that perform these functions. In some instances, a single entity may be registered under all four of these functions. Thus, the Commission estimates that the total number of entities required to comply with the information ''reporting'' or development requirements of the proposed Reliability Standards is approximately 180–200 entities.

Burden Estimate: The Public Reporting burden for the requirements in the present order is as follows:

Data collection	Number of respondents	Number of responses	Hours per response	Total annual hours
FERC–XXX:				
Balancing Authorities	30	1	20	600
Generator Operators	146	1	10	1460
Load-Serving Entities	50	1	10	500
Transmission Operators/Owners	14	1–7 each (total of 40)	40	1600

[101] *See* 16 U.S.C. 824(d).

Data collection	Number of respondents	Number of responses	Hours per response	Total annual hours
Recordkeeping:				
Balancing Authorities			60	60
Generator Operators			146	146
Load-Serving Entities			50	50
Transmission Operators/Owners			160	160
Totals				416

(FTE = Full Time Equivalent or 2,080 hours)

Total Annual Hours for Collection: 4,160 reporting + 416 recordkeeping = *4,576* hours.

Information Collection Costs: The Commission seeks comments on the costs to comply with these requirements. It has projected the average annualized cost to be $515,840 as shown below:

Reporting = 4,160 hours @ $120/hour = $499,200.

Recordkeeping = 416 hours @ $40/hour = $16,640.

Total Costs = Reporting ($499,200) + Recordkeeping ($16,640) = $515,840.

Title: FERC–725E Regional Reliability Standards (WECC).

Action: Proposed Collection of Information.

OMB Control No.: To be determined.

Respondents: Business or other for profit, and/or not for profit institutions.

Frequency of Responses: Periodic and intermittent.

Necessity of the Information: The eight Reliability Standards would implement the Congressional mandate of the Energy Policy Act of 2005 to develop mandatory and enforceable Reliability Standards to better ensure the reliability of the nation's Bulk-Power System.

Internal Review: The Commission has reviewed the requirements pertaining to mandatory Reliability Standards for the Bulk-Power System and determined the proposed requirements are necessary to meet the statutory provisions of the Energy Policy Act of 2005. These requirements conform to the Commission's plan for efficient information collection, communication and management within the energy industry. The Commission has assured itself, by means of internal review, that there is specific, objective support for the burden estimates associated with the information requirements.

132. Interested persons may obtain information on the reporting requirements by contacting: Federal Energy Regulatory Commission, 888 First Street, NE., Washington, DC 20426 [Attention: Michael Miller, Office of the Executive Director, Phone: (202) 502–8415, fax: (202) 273–0873, e-mail: *michael.miller@ferc.gov]*. Comments on the requirements of this order may also be sent to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503 [Attention: Desk Officer for the Federal Energy Regulatory Commission], e-mail: *oira_submission@omb.eop.gov*.

F. Regulatory Flexibility Act Certification

133. The Regulatory Flexibility Act of 1980 (RFA)[102] generally requires a description and analysis of rules that will have significant economic impact on a substantial number of small entities. As indicated above, based on available information regarding NERC's compliance registry, approximately 180–200 entities will be responsible for compliance with the eight regional Reliability Standards. Most of those entities, *i.e.*, balancing authorities, generator operators, transmission owners and operators, do not fall within the definition of small entities.[103] About one-fifth of the approximately 50 load-serving entities that are subject to the approved standards might qualify as small entities.

134. Based on this understanding, the Commission certifies that the approved standards will not have a significant economic impact on a substantial number of small entities. Accordingly, no regulatory flexibility analysis is required.

The Commission orders:

(A) The proposed regional Reliability Standards are hereby approved, as discussed in the body of this order.

(B) NERC is directed to submit a compliance filing within 30 days of this order, as discussed in the body of this order.

(C) WECC is directed to develop, for each of its regional Reliability Standards, sanctions that follow NERC guidelines as discussed in the body of this order.

(D) WECC is directed to develop modifications to regional Reliability Standards WECC–IRO–STD–006–0 and WECC–TOP–STD–007–0 through its Reliability Standards development process when developing permanent, replacement standards.

By the Commission.

Kimberly D. Bose,

Secretary.

[FR Doc. E7–11685 Filed 6–15–07; 8:45 am]

BILLING CODE 6717–01–P

[102] 5 U.S.C. 601–612.

[103] The RFA definition of ''small entity'' refers to the definition provided in the Small Business Act, which defines a ''small business concern'' as a business that is independently owned and operated and that is not dominant in its field of operation. *See* 15 U.S.C. 632 (2000). According to the SBA, a small electric utility is defined as one that has a total electric output of less than four million MWh in the preceding year.

DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

[Docket No. CP06–89–002]

Northern Natural Gas Company; Notice of Compliance Filing

June 11, 2007.

Take notice that on June 1, 2007, Northern Natural Gas Company (Northern) tendered for filing in its FERC Gas Tariff, Fifth Revised Volume No. 1, the following tariff sheets, to be effective August 1, 2007:

Tenth Revised Sheet No. 1
13 Revised Sheet No. 2 75
Revised Sheet No. 53
Original Sheet No. 165
Original Sheet No. 166
Original Sheet No. 167
Sheet No. 168
First Revised Fifth Revised Sheet No. 403
First Revised Fifth Revised Sheet No. 403A
Second Revised Sheet No. 461
First Revised Sheet No. 462

Northern states that the above sheets are being filed to comply with Commission requirements issued in its April 10, 2007 order in Docket Nos. CP06–89 et al. related to the abandonment by sale of the West Hugoton facilities.

Any person desiring to protest this filing must file in accordance with Rule 211 of the Commission's Rules of Practice and Procedure (18 CFR