The Proposal

The FAA is proposing an amendment to Title 14 Code of Federal Regulations (14 CFR) part 71 by establishing Class E en route domestic airspace extending upward from 1,200 feet above the surface at the Salmon VOR/DME navigation aid, Salmon, ID. This action would permit flight in IFR conditions under control of Salt Lake City and Seattle ARTCCs by vectoring aircraft from en route airspace to terminal areas.

Class E airspace designations are published in paragraph 6006, of FAA Order 7400.9W, dated August 8, 2012, and effective September 15, 2012, which is incorporated by reference in 14 CFR 71.1. The Class E airspace designation listed in this document will be published subsequently in this Order.

The FAA has determined this proposed regulation only involves an established body of technical regulations for which frequent and routine amendments are necessary to keep them operationally current. Therefore, this proposed regulation: (1) Is not a “significant regulatory action” under Executive Order 12866; (2) is not a “significant rule” under DOT Regulatory Policies and Procedures (44 FR 11034; February 26, 1979); and (3) does not warrant preparation of a regulatory evaluation as the anticipated impact is so minimal.

Since this is a routine matter that will only affect air traffic procedures and air navigation, it is certified this proposed rule, when promulgated, would not have a significant economic impact on a substantial number of small entities under the criteria of the Regulatory Flexibility Act.

The FAA’s authority to issue rules regarding aviation safety is found in Title 49 of the U.S. Code, Subtitle I, Section 106, describes the authority for the FAA Administrator. Subtitle VII, Aviation Programs, describes in more detail the scope of the agency’s authority. This rulemaking is promulgated under the authority described in Subtitle VII, Part A, Subpart I, Section 40103. Under that section, the FAA is charged with prescribing regulations to assign the use of the airspace necessary to ensure the safety of aircraft and the efficient use of airspace. This proposed regulation is within the scope of that authority as it would establish controlled airspace at the Salmon VOR/DME, Salmon, ID.

This proposal will be subject to an environmental analysis in accordance with FAA Order 1050.1E, “Environmental Impacts: Policies and Procedures” prior to any FAA final regulatory action.

List of Subjects in 14 CFR Part 71

Airspace, Incorporation by reference, Navigation (air).

The Proposed Amendment

Accordingly, pursuant to the authority delegated to me, the Federal Aviation Administration proposes to amend 14 CFR part 71 as follows:

PART 71—DESIGNATION OF CLASS A, B, C, D AND E AIRSPACE AREAS; AIR TRAFFIC SERVICE ROUTES; AND REPORTING POINTS

1. The authority citation for 14 CFR part 71 continues to read as follows:


§ 71.1 [Amended]

2. The incorporation by reference in 14 CFR 71.1 of the Federal Aviation Administration Order 7400.9W, Airspace Designations and Reporting Points, dated August 8, 2012, and effective September 15, 2012 is amended as follows:

Paragraph 6006 En route domestic airspace areas.

ANM ID E6 Salmon, ID [New]

Salmon VOR/DME, ID

(Lat. 45°01′17″ N., long. 114°05′03″ W.)

That airspace extending upward from 1,200 feet above the surface within an area bounded by lat. 45°00′06″ N., long. 117°05′33″ W.; to lat. 45°50′00″ N., long. 115°45′00″ W.; to lat. 46°40′00″ N., long. 115°45′00″ W.; to lat. 46°40′00″ N., long. 115°00′00″ W.; to lat. 46°02′00″ N., long. 113°00′00″ W.; to lat. 46°02′00″ N., long. 113°20′00″ W.; to lat. 45°51′00″ N., long. 113°07′00″ W.; to lat. 45°35′00″ N., long. 113°25′00″ W.; to lat. 45°01′02″ N., long. 113°30′00″ W.; to lat. 44°43′30″ N., long. 113°13′20″ W.; to lat. 44°38′18″ N., long. 112°58′48″ W.; to lat. 44°34′31″ N., long. 112°25′54″ W.; to lat. 44°41′00″ N., long. 111°59′20″ W.; to lat. 44°39′25″ N., long. 111°52′32″ W.; to lat. 44°19′00″ N., long. 112°04′36″ W.; to lat. 43°34′55″ N., long. 112°29′22″ W.; to lat. 42°57′33″ N., long. 113°32′27″ W.; to lat. 43°00′00″ N., long. 113°52′20″ W.; to lat. 43°57′38″ N., long. 113°56′09″ W.; to lat. 43°57′33″ N., long. 114°51′05″ W.; to lat. 43°05′36″ N., long. 114°51′26″ W.; to lat. 43°03′38″ N., long. 115°19′32″ W.; to lat. 43°17′24″ N., long. 115°41′05″ W.; to lat. 43°30′14″ N., long. 115°36′38″ W.; to lat. 43°47′52″ N., long. 115°41′21″ W.; to lat. 43°58′04″ N., long. 115°51′09″ W.; to lat. 44°03′41″ N., long. 116°12′15″ W.; to lat. 44°15′42″ N., long. 116°19′34″ W.; to lat. 45°07′42″ N., long. 116°18′03″ W.; to lat. 45°13′00″ N., long. 117°05′42″ W., thence to the point of beginning.


Christopher Ramirez,
Acting Manager, Operations Support Group, Western Service Center.

[FR Doc. 2013–18147 Filed 7–26–13; 8:45 am]

BILLING CODE 4910–13–P

DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

18 CFR Part 40

[Docket No. RM13–11–000]

Frequency Response and Frequency Bias Setting Reliability Standard

AGENCY: Federal Energy Regulatory Commission, DOE.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Commission proposes to approve Reliability Standard BAL–003–1 (Frequency Response and Frequency Bias Setting), submitted by the North American Electric Reliability Corporation, the Commission-certified Electric Reliability Organization. The proposed Reliability Standard defines the necessary amount of frequency response needed for reliable operations for each Balancing Authority within an Interconnection.

DATES: Comments are due September 27, 2013.

ADDRESSES: Comments, identified by docket number, may be filed in the following ways:

Electronic Filing through http://www.ferc.gov. Documents created electronically using word processing software should be filed in native applications or print-to-PDF format and not in a scanned format.

Mail/Hand Delivery: Those unable to file electronically may mail or hand-deliver comments to: Federal Energy Regulatory Commission, Secretary of the
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144 FERC ¶ 61.057

1. Pursuant to section 215(d) of the Federal Power Act (FPA), \(^1\) the Commission proposes to approve Reliability Standard BAL–003–1 (Frequency Response and Frequency Bias Setting), submitted by the North American Electric Reliability Corporation (NERC), the Commission-certified Electric Reliability Organization (ERO). The proposed Reliability Standard includes requirements pertaining to the measurement and provision of frequency response. \(^2\) NERC’s proposal addresses a gap in reliability as well as directives on the matter from Order No. 693. \(^3\) While the Commission proposes to approve proposed Reliability Standard BAL–003–1, the Commission also has concerns about certain provisions of the proposed Reliability Standard and, therefore, proposes that NERC submit a report and develop modifications to address the identified concerns. The Commission also proposes to approve four proposed new or revised definitions to the NERC Glossary, NERC’s implementation plan, most proposed violation risk factors and violation severity levels, and NERC’s proposed retirement of currently effective Reliability Standard BAL–003–1. \(^4\)

2. Frequency response is a measure of an Interconnection’s ability to stabilize frequency immediately following the sudden loss of generation or load, and is a critical component of the reliable operation of the Bulk-Power System, particularly during disturbances and recoveries. Frequency response is predominately provided by the automatic and autonomous actions of turbine-governors with some response being provided by changes in demand due to changes in frequency. Failure to maintain frequency can disrupt the operation of equipment and initiate disconnection of power plant equipment to prevent it from being damaged, which could lead to widespread blackouts.

3. The proposed Reliability Standard establishes a minimum Frequency Response Obligation \(^5\) for each Balancing Authority, provides a uniform calculation of frequency response, establishes Frequency Bias Settings that establish values closer to actual Balancing Authority frequency response, and encourages coordinated automatic generation control (AGC) operation. \(^6\) These matters are not addressed in any currently-effective Reliability Standard. Because the proposed Reliability Standard addresses a gap in reliability, as well as certain directives from Order No. 693, we

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\(^2\) NERC defines “frequency response” in the NERC Glossary of Terms Used in Reliability Standards (Glossary) as follows: Equipment: The ability of a system or elements of the system to react or respond to a change in system frequency. System: The sum of the change in demand, plus the change in generation, divided by the change in frequency, expressed in megawatts per 0.1 Hertz (MW/0.1 Hz).

\(^3\) See Mandatory Reliability Standards for the Bulk-Power System, Order No. 693, FERC Stats. & Regs. § 31.242, at P 375, order on rehe’g, Order No. 693–A, 120 FERC ¶ 61,053 (2007).

\(^4\) The Commission proposes to approve BAL–003–1 as it applies to the ERCOT Interconnection and the United States portions of the Eastern and Western Interconnections. The Commission proposes to take no action as BAL–003–1 applies to the Quebec Interconnection.

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\(^5\) NERC proposes to define Frequency Response Obligation as “[t]he Balancing Authority’s share of the required Frequency Response needed for the reliable operation of an Interconnection. This will be calculated as MW/0.1Hz.”

\(^6\) NERC proposes to revise the definition of Frequency Bias Setting as “[a] number, either fixed or variable, usually expressed in MW/0.1 Hz, included in a Balancing Authority’s Area Control Error equation to account for the Balancing Authority’s inverse Frequency Response contribution to the Interconnection, and discourage response withdrawal through secondary control systems.”
propose to approve the proposed Reliability Standard BAL–003–1.  
4. While we propose to approve BAL–003–1, we also have concerns regarding certain provisions of the proposed standard, some of which NERC itself identifies in the reports included in its petition. We discuss below our specific concerns regarding: (1) Requirement R1, the calculation of Frequency Response Measure by using the median statistical method, i.e., selecting the middle value in a set of data that is arranged in an ascending or descending order; (2) the potential for early withdrawal of primary frequency response before secondary frequency response, i.e., automatic generation control, is activated; (3) the need to study frequency response during low-load conditions; (4) appropriate identification of resource contingency criteria in the Western Interconnection; and (5) the need to adequately ensure that each Balancing Authority has available the resources it needs to meet its frequency response obligation. With regard to these concerns, the Commission seeks comments, and in some cases proposes that NERC develop modifications, conduct additional studies and/or submit a report to the Commission, as discussed below. 
5. Frequency response, while a highly technical matter, is one fundamental measure of the reliability and robustness of the Bulk-Power System. It is incumbent on the Commission, the ERO, Balancing Authorities and, ultimately frequency response resources, to ensure that frequency response is timely and adequately provided, as well as accurately measured. Thus, we propose to approve proposed Reliability Standard BAL–003–1, but also propose to direct future development to address certain provisions that will better enable accurate measurement of delivered frequency response and ensure availability of adequate frequency response on the Bulk-Power System.

I. Background

A. Section 215 of the FPA

6. Section 215 of the FPA requires the Commission-certified ERO to develop mandatory and enforceable Reliability Standards, subject to Commission review and approval. Once approved, the Reliability Standards may be enforced by the ERO subject to the Commission’s oversight, or by the Commission independently.8 Pursuant to the requirements of FPA section 215, the Commission established a process to select and certify an ERO,9 and subsequently certified NERC as the ERO.10

B. Procedural History

7. On March 16, 2007, in Order No. 693, the Commission approved 83 of 107 proposed Reliability Standards pursuant to FPA section 215(d),11 including currently-effective BAL–003–0. In addition, pursuant to section 215(d) of the FPA, the Commission directed NERC, among other things, to develop modifications to BAL–003–0 to address certain issues identified by the Commission. Specifically, the Commission directed NERC to:

- Develop a modification to BAL–003–0 through the Reliability Standards development process that: (1) Includes Levels of Non-Compliance; (2) determines the appropriate periodicity of frequency response surveys necessary to ensure that Requirement R2 and other requirements of the Reliability Standard are being met, and to modify Measure M1 based on that determination; and (3) defines the necessary amount of Frequency Response needed for Reliable Operation for each balancing authority with methods of obtaining and measuring that the frequency response is achieved.12

8. On March 18, 2010, the Commission established a six month compliance deadline for NERC to submit modifications to Reliability Standard BAL–003–0 responsive to the Commission’s directives in Order No. 693.13 NERC requested rehearing and clarification. On rehearing for further consideration, the Commission directed Commission staff to convene a technical conference to provide an opportunity for a public discussion regarding technical issues pertaining to the development of a frequency response requirement.14 The Commission also directed NERC to submit a proposed schedule that includes firm deadlines for completing studies and analyses needed to develop a frequency response requirement, and for submission of a modified BAL–003–0 Reliability Standard responsive to the Commission directives in Order No. 693.

9. On October 25, 2010, NERC submitted an action plan and estimated timelines for completing studies and analyses needed to develop a frequency response requirement. NERC indicated that it would complete the revised Reliability Standard by May 2012.15 On March 30, 2012, NERC submitted a motion for an extension of time to submit modifications, and on May 4, 2012, the Commission granted the request through May 2013.16 NERC submitted its petition requesting approval of proposed Reliability Standard BAL–003–1 on March 29, 2013.

C. Frequency Response and Frequency Bias Setting

10. As mentioned above, frequency response is a measure of an Interconnection’s ability to stabilize frequency immediately following the sudden loss of generation or load. NERC explains that “[s]ystem frequency reflects the instantaneous balance between generation and load. Reliable operation of a power system depends on maintaining frequency within predetermined boundaries above and below a scheduled value, which is 60 Hertz (Hz) in North America.”17 As discussed in this Notice of Proposed Rulemaking (NOPR), frequency response is provided in two stages, referred to as primary frequency response and secondary frequency response.

11. Primary frequency control involves the autonomous, automatic, and rapid action of a generator, or other resource, to change its output (within seconds) to rapidly dampen large changes in frequency. The ability of a power system to withstand a sudden loss of generation or load depends on the presence and adequacy of resources capable of providing rapid incremental power changes to counterbalance the disturbance and arrest a frequency deviation.18

12. Secondary frequency response, also known as automatic generation control (AGC), is produced from either

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8 See 16 U.S.C. 824e(c)(3).
10 North American Electric Reliability Corp., 116 FERC ¶ 61,062, order on reh’g and compliance, 117 FERC ¶ 61,126 (2006) (certifying NERC as the ERO responsible for the development and enforcement of mandatory Reliability Standards), aff’d sub nom. Alcoa Inc. v. FERC, 564 F.3d 1342 (D.C. Cir. 2009).
11 Order No. 693, FERC Stats. & Regs. ¶ 31.242 at P 375.
15 NERC Petition at 3.
16 Conventional turbine-generators, as well as other resources, are capable of providing primary frequency response. See NERC Petition, Exh. D at 3.
manual or automated dispatch from a centralized control system. It is intended to balance generation, interchange and demand by managing the response of available resources within minutes as opposed to primary frequency response, which manages response within seconds. Frequency bias is an input used in the calculation of a Balancing Authority’s area control error (ACE) to account for the power changes associated with primary frequency response. However, frequency bias is not the same as frequency response. Frequency Bias Setting is a secondary control setting of the AGC system, not a primary control parameter, and changes in the Frequency Bias Setting of a Balancing Authority do not change the primary frequency response. The Frequency Bias Setting is used in AGC to prevent withdrawal of generator primary control action following a disturbance as long as frequency is off its nominal value.

II. NERC Petition

13. NERC submitted its petition on March 29, 2013, seeking approval of Reliability Standard BAL–003–1, four new or modified definitions for inclusion in the NERC Glossary, violation risk factors and violation severity levels, an implementation plan for the proposed standard, and retirement of currently-effective BAL–003–0.1b. NERC explains that, beginning in 2010, NERC conducted a frequency response initiative to perform an in-depth analysis of Interconnection-wide frequency response “to achieve a better understanding of the factors influencing frequency response across North America.” According to NERC, one of the basic objectives of the frequency response initiative included increasing coordinated communication and outreach on the issue, including webinars, and NERC alerts.

14. NERC developed several reports that provide the conclusions and recommendations resulting from the frequency response initiative, which NERC includes as exhibits to its petition. Further, NERC states that a detailed explanation of the development, testing, and implementation of proposed BAL–003–1 is provided in the Frequency Response Standard Background Document, included as Exhibit D to the petition.

A. Proposed Reliability Standard BAL–003–1

15. NERC states that the purpose of the proposed Reliability Standard is to ensure that “a Balancing Authority’s Frequency Bias Setting is accurately calculated to match its actual Frequency Response” and also “to provide consistent methods for measuring Frequency Response and determining the Frequency Bias Setting.” The proposed Reliability Standard consists of four requirements, and is applicable to Balancing Authorities and Frequency Response Sharing Groups.

16. Requirement R1 requires that each Balancing Authority or Frequency Response Sharing Group must achieve an annual Frequency Response Measure that is “equal to or more negative than its Frequency Response Obligation” needed to ensure sufficient Frequency Response. Specifically, Requirement R1 provides:

- Each Frequency Response Sharing Group (FRSG) or Balancing Authority that is a member of a FRSG shall achieve an annual Frequency Response Measure (FRM) as calculated and reported in accordance with Attachment A that is equal to or more negative than its Frequency Response Obligation (FRO) to ensure that sufficient Frequency Response is provided by each FRSG or BA that is not a member of a FRSG to maintain Interconnection Frequency Response equal to or more negative than the Interconnection Frequency Response Obligation.

NEC explains the Requirement R1 has the primary objective of “determin[ing] whether a Balancing Authority has sufficient Frequency Response for reliable operations.” According to NERC, Requirement R1 achieves this objective “via FRS Form 1 and the process in Attachment A that provides the method for determining the Interconnections’ necessary amount of Frequency Response and allocating it to the Balancing Authorities.” According to NERC, another main objective of Requirement R1 is to provide the information needed to calculate Control Performance Standard limits and Frequency Bias Settings. NERC asserts that Requirement R1 and Attachment A satisfy the Commission’s directive in Order No. 693 to “determine the appropriate periodicity of frequency response surveys necessary to ensure that Requirement R2 and other requirements of the Reliability Standard are met . . .”

17. Requirement R2 requires that:

Each Balancing Authority that is a member of a multiple Balancing Authority Interconnection and is not receiving Overlap Regulation Service and uses a fixed Frequency Bias Setting shall implement the Frequency Bias Setting determined in accordance with Attachment A, validated by the ERO, into its Area Control Error (ACE) calculation during the implementation period specified by the ERO and shall use this Frequency Bias Setting until directed to change by the ERO.

NEC explains that setting the frequency bias to better approximate the Balancing Authority natural response characteristic will improve the quality of ACE control and general AGC system control response. NERC states that the ERO, in coordination with the regions of each Interconnection, will annually review Frequency Bias Setting data submitted by the Balancing Authorities.

18. Requirement R3 provides that:

Each Balancing Authority that is a member of a multiple Balancing Authority Interconnection and is not receiving Overlap Regulation Service and is utilizing a variable Frequency Bias Setting shall maintain a Frequency Bias Setting that is: (1.1) Less than zero at all times, and (1.2) Equal to or more negative than its Frequency Response Obligation when Frequency varies from 60 [Hertz] Hz by more than +/-0.036 Hz.
NERC explains that, in an Interconnection with multiple Balancing Authorities, the Frequency Bias Setting should be coordinated among all Balancing Authorities in the Interconnection. According to NERC, when there is a minimum Frequency Bias Setting requirement, it should apply for all Balancing Authorities. However, Balancing Authorities using a variable Frequency Bias Setting may have non-linearity in their actual response for a number of reasons including the deadband settings of their generator governors. The measurement to ensure that these Balancing Authorities are conforming to the Interconnection minimum is adjusted to remove the deadband range from the calculated average Frequency Bias Setting actually used.

19. Requirement R4 requires that:

Each Balancing Authority that is performing Overlap Regulation Service shall modify its Frequency Bias Setting in its ACE calculation, in order to represent the Frequency Bias Setting for the combined Balancing Authority Area, to be equivalent to either:

- The sum of the Frequency Bias Settings as shown on FRS Form 1 and FRS Form 2 for the participating Balancing Authorities as validated by the ERO, or
- the Frequency Bias Setting shown on FRS Form 1 and FRS Form 2 for the entirety of the participating Balancing Authorities’ Areas.

NERC states that proposed Requirement R4 is similar to Requirement R6 in the currently-effective BAL–003–0.1b. NERC explains that overlap regulation service is a method of providing regulation service in which a Balancing Authority incorporates another Balancing Authority’s actual interconnection frequency response, and schedule into the providing Balancing Authority’s AGC/ACE equation.

B. Implementation Plan

20. NERC requests approval of an implementation plan for proposed BAL–003–1, pursuant to which (1) Requirement R2, Requirement R3 and Requirement R4 would become effective the first day of the first calendar quarter that is twelve months following the effective date of a Final Rule in this docket, and (2) Requirement R1 would become effective the first day of the first calendar quarter that is twenty-four months following the effective date of a Final Rule in this docket. NERC proposes retirement of the existing Reliability Standard BAL–003–0.1b at midnight of the day immediately prior to the effective date of Requirements R2, Requirement R3 and Requirement R4 of the proposed Reliability Standard.

21. NERC requests approval of three new definitions and the revised definition of Frequency Bias Setting effective the first day of the first calendar quarter that is twelve months following the effective date of a Final Rule in this docket.

III. Discussion

22. Pursuant to section 215(d) of the FPA, we propose to approve the proposed Reliability Standard BAL–003–1 as just, reasonable, not unduly discriminatory or preferential, and in the public interest. The proposed Reliability Standard establishes a minimum Frequency Response Obligation for each Balancing Authority, provides a utilization of frequency response, establishes Frequency Bias Settings that are closer to actual Balancing Authority frequency response, and encourages coordinated automatic generation control operation. The proposed Reliability Standard addresses a gap in reliability as these matters are either not—or not adequately-addressed in any currently-effective Reliability Standard. Further, proposed BAL–003–1 addresses certain directives from Order No. 693. We also propose to approve the proposed new and modified definitions, most violation severity levels and violation risk factors, and retirement of the currently-effective standard and NERC’s implementation plan.

23. While we propose to approve BAL–003–1, we have concerns regarding certain provisions of the proposed standard, some of which NERC itself identifies in the reports included in its petition. Specifically, below, we discuss the following issues: (A) The use of median in determining the Frequency Response Measure; (B) determination of Interconnection Frequency Response Obligation; (C) methods of obtaining frequency response; (D) withdrawal of primary frequency response before secondary frequency response is activated; and (E) light-load case study.

1. NERC proposes to incorporate the proposed revised definition for Frequency Bias Setting in Reliability Standards (1) BAL–001–0.1a Real Power Balancing Control Performance, (2) BAL–004–0 Time Error Correction, (3) BAL–004–1 Time Error Correction, and (5) BAL–005–0.1b Automatic Generation Control, NERC also proposes retirement of the existing definition of Frequency Bias Setting at midnight of the day immediately prior to the effective date of Requirement R2. Requirement R3, and Requirement R4 of the proposed Reliability Standard.

2. NERC proposes to incorporate the proposed definition of Frequency Bias Setting in Reliability Standards.

3. NERC proposes to retire the existing definition of Frequency Bias Setting.

4. NERC proposes to retire the existing definition of Frequency Bias Setting.

5. NERC proposes to retire the existing definition of Frequency Bias Setting.

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34. NERC proposes to retire the existing definition of Frequency Bias Setting.

35. NERC proposes to retire the existing definition of Frequency Bias Setting.
Explaining why the drafting team chose to use the median, NERC states:

In general, statisticians use the median as the best measure of a central tendency when a population has outliers. Based on the analyses performed thus far, the standard drafting team believes that the median’s superior resiliency to this type of data quality problem makes it the best aggregation technique at the time. However, the standard drafting team sees merit and promise in future research with sample filtering combined with a technique such as linear regression. When compared with the mean, linear regression shows superior performance with respect to the elimination of noise because the measured data is weighted by the size of the frequency changes associated with the event. The standard drafting team acknowledges that linear regression should be re-evaluated once more experience is gained with data collected.40

However, the Frequency Response Initiative Report compared the median, mean, and linear regression methods for measuring the frequency response, and found that the linear regression method is preferred. The Frequency Response Initiative Report recommended using a linear regression method for calculating the Balancing Authority Frequency Response Measure for compliance with the proposed standard.37 This recommendation was not incorporated into the draft standard.38

26. NERC has provided adequate rationale for using the median to determine the required Frequency Response Measure. NERC explains that application of the median is supported by the analyses performed to date. The Commission proposes to approve BAL–003–1 on that basis.

27. However, as NERC acknowledges in both its petition and Frequency Response Initiative Report, the use of linear regression is a superior method to determine the required Frequency Response Measure. According to NERC, the standard drafting team recognizes that the use of linear regression should be re-evaluated once more experience is gained with data collected.40 We are also concerned whether use of the median adequately represents actual data that could, on occasions, be significantly higher or lower than the median. Thus, the Commission proposes to direct that NERC develop a modification to apply a more appropriate methodology for determining the required Frequency Response Measure. For example, based on the record in this docket, it appears that the linear regression method is superior to the median when determining the Frequency Response Measure. We seek comment on whether a more appropriate methodology should be used in the determination of the Frequency Response Measure.

B. Determination of Interconnection Frequency Response Obligation

28. Proposed BAL–003–1 establishes a target contingency protection criterion for each Interconnection, known as the Interconnection Frequency Response Obligation. The proposed methodology for determining each Interconnection’s obligation for obtaining the necessary amount of frequency response is set forth in Attachment A of the proposed Reliability Standard. The Interconnection Frequency Response Obligation is based on the “resource contingency criteria,” which is the largest “Category C” event for the Interconnection,41 except for the Eastern Interconnection, which uses the largest event in the last ten years.42 The Interconnection Frequency Response Obligation for each Interconnection is a function of the resource contingency criteria and the maximum change in frequency. The maximum change in frequency is calculated by adjusting the starting frequency for each Interconnection by the “prevailing UFLS first step,” i.e., under-frequency load shedding for the Interconnection as operation in FRCC for an external resource loss than for an internal FRCC event.43

29. For the Eastern Interconnection, Attachment A identifies 59.5 Hz as the “first step” of under-frequency load shedding in the calculation of the default Interconnection Frequency Response Obligation. Attachment A notes that this set point is “a compromise value set midway between the stable frequency minimum established in PRC–006–1 (59.3 Hz) and the local protection under frequency load shedding setting of 59.7 Hz used in Florida and Manitoba.”44 The Frequency Response Initiative Report notes that the Florida Reliability Coordinating Council (FRCC) concluded that the Interconnection Frequency Response Obligation starting frequency of the prevalent 59.5 Hz for the Eastern Interconnection is acceptable in that it imposes no greater risk of under frequency load shedding operation in FRCC for an external resource loss than for an internal FRCC event.45

30. NERC does not provide support for the statement that the first-step value of 59.5 Hz in the calculation of the Interconnection Frequency Response Obligation imposes no greater risk of under frequency load shedding operation in FRCC for an external resource loss than for an internal FRCC event. Noting that the actual first-step of under-frequency load shedding for the Eastern Interconnection is 59.7 Hz, we seek comment from NERC and others on the technical source or support for this statement. That is, we seek clarification and support if the intent of the proposal is that FRCC will start shedding load automatically before an event meets the value of 59.5 Hz used in the proposed Reliability Standard to determine the Interconnection Frequency Response Obligation.

2. Western Interconnection—Largest N–2 Event

31. As previously noted, the Interconnection Frequency Response Obligation is based on the largest Category C event, or N–2 (loss of two or more BES elements) for the Interconnection. The default

36 Id. at 17–18 (footnote omitted). See also id, Exh. F at 72–78. NERC explains that the “noise” refers to factors that can influence data and produce outliers. Id. at 18, n.34.

37 See NERC Petition, Exh. F at 78.


39 NERC Petition at 17.

40 Id. at 18.
Interconnection. The default Interconnection Frequency Response Obligation for the Western Interconnection uses the loss of two Palo Verde generating station units, which nets 2,400 MW as the resource contingency criteria.\textsuperscript{46} However, NERC indicates that the default Interconnection Frequency Response Obligation calculation scenarios and the calculation of the Frequency Response Measure for the Western Interconnection do not take into account the intentional tripping of generation that will occur during the operation of remedial action schemes. For example, the Frequency Response Initiative Report indicates that operation of the Pacific Northwest Remedial Action Scheme trips up to 3,200 MW of generation in the Pacific Northwest on loss of the Pacific DC Intertie.\textsuperscript{47} The Frequency Response Initiative Report recommends that NERC and the Western Interconnection analyze the implications of operation of the Pacific Northwest Remedial Action Scheme.\textsuperscript{48}

32. We are concerned whether the N–2 contingency identified as an input to the Attachment A methodology for calculating the Interconnection Frequency Response Obligation identifies the largest N–2 event in the Western Interconnection. NERC’s study suggests that, for example, the Pacific Northwest Remedial Action Scheme could result in a larger contingency that, if included as an input to the Attachment A calculation, would produce more accurate results. Accordingly, we propose to direct that NERC submit a compliance filing that analyzes, with supporting documentation, the implications of the Pacific Northwest Remedial Action Scheme or any other Remedial Action Scheme which involves intentional tripping of greater than 2,400 MW of generation, and whether such a contingency would provide a more accurate basis for the determination of the Western Interconnection default Interconnection Frequency Response Obligation.

C. Methods for Obtaining Frequency Response

33. In Order No. 693, the Commission directed NERC to develop a modification to BAL–003–0 that includes methods for “obtaining” frequency response.\textsuperscript{49} While the proposed Reliability Standard establishes an Interconnection Frequency Response Obligation and allocates this obligation to the Balancing Authorities within the Interconnection, the proposed Reliability Standard imposes no obligation on resources that are capable of providing frequency response. NERC states that “the creation of Frequency Response Sharing Groups is one of the ways the standard drafting team addressed the Commission’s directive to provide methods for obtaining Frequency Response.”\textsuperscript{50} In addition, NERC states that there are various methods of obtaining frequency response, including regulation services, contractual services, tariff provisions, generator interconnection agreements, and contracts with an internal resource or loads.\textsuperscript{51}

34. The proposed Reliability Standard imposes an obligation on each Balancing Authority to obtain frequency response, and a Balancing Authority not meeting its obligation would be in noncompliance of proposed BAL–003–1. We recognize that the Balancing Authorities must, in turn, obtain frequency response from available resources, and the proposed Reliability Standard imposes no obligation on those resources to provide frequency response.\textsuperscript{52} The Commission proposes to direct NERC to submit a report 15 months after implementation of BAL–003–1 that provides an analysis of the availability of resources for each Balancing Authority to meet its Frequency Response Obligation during the first year of implementation. The report should also provide data indicating whether actual Frequency Response was sufficient to meet each Balancing Authority’s Frequency Response Obligation. Further, upon completion of this analysis, should the findings indicate that the Frequency Response Obligation was not met, NERC should provide appropriate recommendations to ensure that frequency response can be maintained at all times within each Balancing Authority’s footprint.

D. Premature Withdrawal of Primary Frequency Response

35. As explained above, following the sudden loss of generation, the automatic and immediate increase in power output by resources providing primary frequency control seeks to quickly arrest and stabilize the frequency of the interconnection, usually within 30 seconds or less. After this rapid primary frequency response, AGC provides secondary frequency response to return frequency to the scheduled value in time frames of several minutes after the loss of generation. If a significant amount of primary frequency response is withdrawn before the secondary frequency response is activated, a further drop in frequency response will occur. This drop in frequency is illustrated by the following diagram:\textsuperscript{53}

\textsuperscript{46} See Id., Exh. F at 53.
\textsuperscript{47} The Pacific Northwest Remedial Action Scheme, among other things, blocks frequency response from a number of generators and Balancing Authorities to avoid overloading the Pacific AC ties. See NERC Petition, Exh. F at 62.
\textsuperscript{48} See Id. NERC notes that the maximum value of the Pacific Northwest Remedial Action Scheme has been updated to be 2,850 MW. See NERC Petition, Exh. G (Status of Recommendations of the Frequency Response Initiative Report).
\textsuperscript{49} Order No. 693, FERC Stats. & Regs. ¶ 31,242 at P 375. The Commission directed NERC to develop a modification to BAL–003–0 that “defines the necessary amount of Frequency Response needed for Reliable Operation for each balancing authority with methods of obtaining and measuring that the frequency response is achieved.” Id. (emphasis added).
\textsuperscript{50} NERC Petition at 13, 15–17.
\textsuperscript{51} Id. at 14, n. 30; Exh. D at 37.
\textsuperscript{52} NERC Petition, Exh. F at 35, fig. 21.
36. NERC indicates that, while the standards drafting team addressed the early withdrawal of primary frequency response, there are no requirements that address this issue and it remains a concern. Specifically, during the initial recovery from the loss of a generator, a “gap” can occur if significant amounts of primary frequency responses are withdrawn before the secondary response is fully activated. As previously noted, the Interconnection Frequency Response Obligation for each Interconnection is a function of the resource contingency criteria and the maximum change in frequency. The Frequency Response Initiative Report recommends that an adjustment should be made to the maximum allowable change in frequency to compensate for the predominate withdrawal of primary frequency response exhibited in an Interconnection until such withdrawal is no longer exhibited.

37. NERC’s Frequency Response Initiative Report recognizes that withdrawal of primary frequency response is an undesirable characteristic associated most often with digital turbine-generator control systems using setpoint output targets for generator output. These are typically outer-loop control systems that defeat the primary frequency response of the governors after a short time to return the unit to operating at a requested MW output.

38. We are concerned that proposed Reliability Standard BAL–003–1 does not adequately address the reliability issue associated with the withdrawal of primary frequency response prior to activation of secondary frequency response. The premature withdrawal of primary frequency response absent activation of resources providing secondary frequency response may lead to under-frequency load shed and possible cascading outages. Accordingly, we propose to direct that NERC develop a modification to BAL–003–1 to address the concern of premature withdrawal of frequency response prior to the activation of secondary frequency response.

E. Light-Load Case Study

39. NERC’s Frequency Response Initiative Report recognizes that...
“Sustainability of primary frequency response becomes more important during light-load conditions when there are generally fewer frequency-responsive generators online.”

This is because inertia, i.e., the resistance to a change in the motion of an object, plays a crucial role in how fast frequency declines following the sudden loss of generation. When the inertia on the system is low (i.e., fewer generators on line), the loss of generation creates a steeper frequency excursion and thus the need for faster frequency response.

For the Eastern Interconnection, the proposed Reliability Standard’s resource contingency criterion for calculating the Interconnection Frequency Response Obligation is based on an event that took place during heavy system load conditions. The stability simulation testing for the Eastern Interconnection resource contingency criteria used in the determination of the Interconnection Frequency Response Obligation was limited to analysis using a generic governor stability case, therefore representing conditions far different than light-load conditions when system inertia and load response would be expected to be lower than in the generic case. The Frequency Response Initiative Report recommends the development of a new light-load case study, and that the resource contingency criterion for the Eastern Interconnection Frequency Response Obligation should be re-simulated.

According to NERC, the Eastern Interconnection Reliability Assessment Group has agreed to prepare an updated generic governor 2013 summer light-load case (from the 2012 case series) by August 1, 2013, and evaluate Eastern Interconnection Frequency Response Obligation during the expected light-load conditions.

41. We agree with NERC that the study of light-load scenarios is useful to determining an appropriate Interconnection Frequency Response Obligation, in particular for the Eastern Interconnection. Accordingly, we propose to direct that NERC submit the results of the light-load case, together with NERC’s recommendations on whether further actions are warranted.

F. Assignment of Violation Risk Factors and Violation Severity Levels

42. In its Petition, NERC proposes a “medium” violation risk factor for each requirement of the proposed Reliability Standard. We do not believe that NERC adequately justifies assignment of a medium violation risk factor to Requirement R1, which establishes the Frequency Response Measure a Balancing Authority must achieve to arrest a decline in system frequency. NERC asserts that a violation of this requirement will not cause bulk electric system instability, separation or cascading failures because “a Balancing Authority’s previous year’s Frequency Bias setting is included within its ACE equation and would provide support for the contingency.”

This explanation does not apply to Requirement R1. The ACE equation provides input to secondary frequency control. As identified in NERC’s background document for BAL–003–1, secondary frequency is delivered within minutes while the time needed to arrest a frequency decline is within seconds.

NERC describes frequency response as a critical component to the reliable operation of the Bulk-Power System, indicating that Requirement R1 does not impose merely an administrative burden. The medium violation risk factor that the Commission approved for each BAL–003–0.1b requirement does not apply to Requirement R1 because it has no equivalent in that standard. We propose to direct NERC to assign a high violation risk factor to Requirement R1.

We seek comments on this proposal.

43. We propose several changes to NERC’s proposed violation severity level assignments. For Requirement R1, NERC proposes two violation severity levels depending on whether a frequency response. See http://www.nrel.gov/docs/fy13osti/58077.pdf.

According to NERC, “Modeling of frequency response characteristics has been a known problem since at least 2008, when forensic modeling of the Eastern Interconnection required a ‘de-tuning’ of the existing [Multiregional Modeling Working Group] dynamics governor to 20% of modeled (80% error) to approach the measured frequency response values from the [August 4, 2007] event.” See NERC Petition, Exh. F at 35.

44. NERC assigns these severity levels partly on performance of Requirement R1 by all other responsible entities in the Interconnection in which a violator is located. We do not agree with these assignments. Violation severity levels focus on a violator’s deviation from required performance, not the risk the violation is expected to pose to reliability or performance by other entities.

A Balancing Authority or Frequency Response Sharing Group subject to Requirement R1 does not control compliance with this requirement by any other Balancing Authority or Frequency Response Sharing Group within the Interconnection. It is unfair to base a penalty on a responsible entity in part upon the collective compliance or lack of compliance by independent entities. We propose that NERC modify its severity level assignments for Requirement R1 to remove references to performance by other entities or otherwise to address our concern. We seek comments on this proposal.

G. Supporting/Associated Documents

45. Proposed Reliability Standard BAL–003–1 has several supporting or associated documents. Attachment A is appended to the proposed Reliability Standard, and is explicitly referenced in Requirements R1 and R2. For example, Requirement R1 provides in part that
“[e]ach Frequency Response Sharing Group (FRSG) or Balancing Authority . . . shall achieve an annual Frequency Response Measure (FRM) (as calculated and reported in accordance with Attachment A) that is equal to or more negative than its Frequency Response Obligation . . . .” NERC’s Procedure for ERO Support of Frequency Response and Frequency Bias Setting Standard (Procedure), is included as an “associated document” in the proposed Reliability Standard, and is referenced in Attachment A.73 Likewise, Requirement 4 of proposed BAL–003–1 references FRS Forms 1 and 2, stating that “each Balancing Authority that provides Overlap Regulation Service shall modify its Frequency Bias Setting in its ACE calculation . . . to be equivalent to “the sum of Frequency Bias Settings as shown on FRS Form 1 and Form 2 . . . as validated by the ERO.”72

46. These associated and supporting documents are explicitly referenced in the Requirements of the Reliability Standard. Thus, failure of a Balancing Authority to comply with such associated and supporting documents could result in non-compliance with the underlying Requirement.73

IV. Information Collection Statement

47. This NOPR proposes to approve Reliability Standard BAL–003–1, which establishes an Interconnection Frequency Response Obligation based on the frequency response observations reported annually by Balancing Authorities or Frequency Response Sharing Groups for the frequency events specified by the ERO. The collection of information contained in the proposed Reliability Standard BAL–003–1 is subject to review by the Office of Management and Budget (OMB) under section 3507(d) of the Paperwork Reduction Act of 1995 (PRA).74 OMB’s regulations require that OMB approve certain reporting and recordkeeping requirements (collections of information) imposed by an agency.75

48. Comments are solicited on the Commission’s need for this information, whether the information will have practical utility, the accuracy of the provided burden estimate, 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. Specifically, the Commission asks that any revised burden or cost estimates submitted by commenters be supported by sufficient detail to understand how the estimates are generated.

<table>
<thead>
<tr>
<th>BAL–003–1 (frequency response and frequency bias setting)</th>
<th>Number of Balancing Authority Respondents</th>
<th>Number of Responses per Respondent</th>
<th>Average Burden Hours per Response</th>
<th>Total Annual Burden Hours</th>
<th>Estimated Total Annual Cost ($)</th>
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</thead>
<tbody>
<tr>
<td>Annual Reporting</td>
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<td>28</td>
<td>8</td>
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<tr>
<td>Data Retention</td>
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<td>264</td>
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<td></td>
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<td>29,832</td>
<td>1,789,920</td>
</tr>
</tbody>
</table>

73 The Procedure is provided as Exh. C to the NERC petition. NERC states that it included the Procedure in the petition for informational purposes and NERC does not request Commission approval of the document. NERC Petition at 4.

74 Proposed Reliability Standard BAL–003–1 identifies FRS Form 1 and FRS Form 2 as “associated documents.” Neither form is included in the NERC Petition.

75 Attachment A and the Procedures also require NERC to take certain actions pertaining to the calculation of frequency response measure and allocation among balancing authorities. The ERO is not an applicable entity pursuant to proposed Reliability Standard BAL–003–1. The ERO, however, has an independent obligation to “ensure compliance with a reliability standard or any Commission order affecting the ERO or a regional entity” and the Commission can take “such action as is necessary or appropriate” to ensure that the ERO fulfills this responsibility under Attachment A and the Procedures. See 16 U.S.C. 824o(e)(5).


77 5 CFR 1320.11 (2012).

78 NERC states that it will provide quarterly posting of candidate events to assist the Balancing Authorities with compliance, and lessen the burden of the annual submission of FRS Form 1 data. NERC Petition, Exh. C at 3–4.

79 Id. at 1. The Frequency Response Initiative Report states that between 20 and 25 events are necessary for statistical analysis. Id., Exh. F at 72.

80 The estimated hourly loaded cost (salary plus benefits) for an engineer is assumed to be $60/hour, based on salaries as reported by the Bureau of Labor Statistics (BLS) (http://www.bls.gov/oes/current/ oeac22.htm). Load costs are BLS rates divided by 0.703 and rounded to the nearest dollar. http://www.bls.gov/news.release/eccr.nr0.htm

81 The estimated total annual cost includes an annual data retention burden of $15,840 for all Balancing Authorities.

Action: Proposed Collection of Information.

OMB Control No.: To be determined.

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

Frequency of Responses: Annual.

51. Necessity of the Information: The proposed revision of NERC Reliability Standard BAL–003–1 is part of the implementation of 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. Specifically, the proposed Reliability Standard BAL–003–1 would ensure sufficient Frequency Response from the Balancing Authorities to maintain Interconnection Frequency within predefined bounds.

52. Internal Review: The Commission has reviewed the proposed revision to the current Reliability Standard and made a determination that its action is necessary to implement section 215 of the FPA. The Commission has assured itself, by means of its internal review, that there is specific, objective support for the burden estimate associated with the information requirements.

53. Interested persons may obtain information on the reporting requirements by contacting the following: Federal Energy Regulatory Commission, 888 First Street NE., Washington, DC 20426 [Attention: Ellen Brown, Office of the Executive Director, email: DataClearance@ferc.gov, phone: (202) 502–8663, fax: (202) 273–0873].

54. For submitting comments concerning the collection of information and the associated burden estimate, please send your comments to the Commission and to the Office of Management and Budget, Office of Information and Regulatory Affairs, Washington, DC 20503 [Attention: Desk Officer for the Federal Energy Regulatory Commission, phone: (202) 395–4638, fax: (202) 395–7285]. For security reasons, comments to OMB should be submitted by email to: oira_submission@omb.eop.gov. Comments submitted to OMB should include Docket Number RM13–11–000.

V. Environmental Analysis

55. The Commission is required to prepare an Environmental Assessment or an Environmental Impact Statement for any action that may have a significant adverse effect on the human environment. The Commission has categorically excluded certain actions from this requirement as not having a significant effect on the human environment. The actions proposed here fall within the categorical exclusion in the Commission’s regulations for rules that are clarifying, corrective or procedural, or do not substantially change the effect of the regulations being amended. The actions proposed herein fall within this categorical exclusion in the Commission’s regulations.

VI. Regulatory Flexibility Act

56. The Regulatory Flexibility Act of 1980 (RFA) generally requires a description and analysis of proposed rules that will have significant economic impact on a substantial number of small entities. The NERC registry includes 132 individual Balancing Authorities. Comparison of the NERC Compliance Registry with data submitted to the Energy Information Administration on Form EIA–861 indicates that, of these entities, 15 may qualify as small entities.

57. As noted above, the Commission estimates the annual regulatory burden for compliance with the proposed Reliability Standard to be $13,560 per Balancing Authority. This estimate for all Balancing Authorities was established using 28 events per year, but smaller entities may have fewer events which qualify for analysis, and the costs for these smaller entities may be reduced. Further, while the proposed Reliability Standard establishes a Balancing Authority’s Frequency Response Obligation, because Balancing Authorities are currently providing frequency response, we do not anticipate additional compliance costs. Accordingly, we do not consider the cost of the proposed Reliability Standard to be a significant economic impact for small entities because it should not represent a significant percentage of an affected small entity’s operating budget. Accordingly, no regulatory flexibility analysis is required.

VII. Comment Procedures

58. The Commission invites interested persons to submit comments on the matters and issues proposed in this notice to be adopted, including any related matters or alternative proposals that commenters may wish to discuss. Comments are due September 27, 2013. Comments must refer to Docket No. RM13–11–000, and must include the commenter’s name, the organization they represent, if applicable, and their address in their comments.

59. The Commission encourages comments to be filed electronically via the eFiling link on the Commission’s Web site at http://www.ferc.gov. The Commission accepts most standard word processing formats. Documents created electronically using word processing software should be filed in native applications or print-to-PDF format and not in a scanned format. Commenters filing electronically do not need to make a paper filing.

60. Commenters that are not able to file comments electronically must send an original of their comments to: Federal Energy Regulatory Commission, Secretary of the Commission, 888 First Street NE., Washington, DC 20426.

61. All comments will be placed in the Commission’s public files and may be viewed, printed, or downloaded remotely as described in the Document Availability section below. Commenters on this proposal are not required to serve copies of their comments on other commenters.

VIII. Document Availability

62. In addition to publishing the full text of this document in the Federal Register, the Commission provides all interested persons an opportunity to view and/or print the contents of this document via the Internet through the Commission’s Home Page (http://www.ferc.gov) and in the Commission’s Public Reference Room during normal business hours (8:30 a.m. to 5:00 p.m. Eastern time) at 888 First Street NE., Room 2A, Washington, DC 20426.

63. From the Commission’s Home Page on the Internet, this information is available on eLibrary. The full text of this document is available on eLibrary in PDF and Microsoft Word format for viewing, printing, and/or downloading. To access this document on eLibrary, type the docket number excluding the


86 The RFA definition of “small entity” refers to the definition provided in the Small Business Act (SBA), 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 (2006). According to the Small Business Administration, an electric utility is defined as “small” if, including its affiliates, it is primarily engaged in the generation, transmission, and/or distribution of electric energy for sale and its total electric output for the preceding fiscal year did not exceed 4 million megawatt hours.

87 The Procedures establish a minimum of 20 events for analysis, and a process for identifying when fewer than 20 events are available for analysis.
last three digits of this document in the
docket number field.
64. User assistance is available for
eLibrary and the Commission’s Web site
during normal business hours from the
Commission’s Online Support at (202) 502–6652 (toll free at 1–866–208–3676)
email at ferconlinesupport@ferc.gov,
or the Public Reference Room at (202) 502–8371,TTY (202) 502–8659. Email the
Public Reference Room at
public.referenceroom@ferc.gov.

By direction of the Commission.
Kimberly D. Bose,
Secretary.

[FR Doc. 2013–18000 Filed 7–26–13; 8:45 am]
BILLING CODE 6717–01–P

DEPARTMENT OF STATE
48 CFR Parts 645 and 652
[Public Notice 8395]
RIN 1400–AC33

Department of State Acquisition
Regulation

AGENCY: State Department.

ACTION: Proposed rule.

SUMMARY: This proposed rule will update the Department of State
Acquisition Regulation (DOSAR) to conform to recent Federal Acquisition
Regulation (FAR) changes and adds a
new DOSAR clause and provision regarding reporting certain categories of
Government-furnished and contractor-acquired property.

DATES: The Department will accept
comments from the public up to
September 27, 2013.

ADDRESSES: You may submit comments by any of the following methods:
• Email: RamirezIM2@state.gov. You
must include the RIN in the subject line
of your message.
• Mail (paper, disk, or CD–ROM
submissions): Ella Ramirez, Senior
Procurement Analyst, Policy Division,
Department of State, Office of the
Procurement Executive, 2201 C Street
NW., Suite 900, State Annex Number
27, Washington, DC 20522–0602.
• Fax: 703–875–6155.
• Persons with access to the Internet
may also view this notice and provide
comments by going to the
regulations.gov Web site at http://
www.regulations.gov/index.cfm and

FOR FURTHER INFORMATION CONTACT: Ella
Ramirez, Senior Procurement Analyst,
Policy Division, Department of State,
Office of the Procurement Executive,
2201 C Street NW., Suite 900, State
Annex Number 27, Washington, DC
20522–0602; email address:
RamirezIM2@state.gov.

SUPPLEMENTARY INFORMATION:

Background

This proposed rule provides updates
to the DOSAR Government Property
coverage to correspond with current
FAR requirements and to implement
Department of State policies regarding
Government Property. The proposed
rule would make the following changes:
• Update DOSAR Part 645,
Government Property to conform to the
current version of FAR Part 45. FAR
Part 45 was completely revised and re-
structured in 2007. Part 45 has been
updated since, most recently in April
2012. DOSAR Part 645 was last updated
in 1999, and is therefore out of date.
• Add a new DOSAR provision and
clause regarding management and
reporting of Government-furnished and
contractor-acquired property. The
provision at DOSAR 652.245–70, Status
of Property Management System, was
inadvertently left out of the previously
approved information collection and it
is now being added to update the
DOSAR rule. The provision requests
information from offerors regarding
their property management systems in
order to comply with FAR 45.201(c),
which says that the solicitation shall
require all offerors to submit a
description of the offeror’s property
management system, plan, and any
customary commercial practices,
voluntary consensus standards, or
industry-leading practices and
standards to be used by the offeror in
managing Government property.

Additionally, the Department must be
able to determine if there will be a need
for a review of the prospective
contractor’s property control system.
The new clause at DOSAR 652.245–71,
Accounting for Government Property,
requests quarterly reporting of U.S.
Department of State capitalized property
which consists of the following:
• Highway motor vehicles and
aircraft, regardless of cost, that are
provided by the Government or
acquired by a contractor for the
Government;
• Software exceeding $500,000 in
value, including labor costs to develop,
that is provided by the Government or
acquired by a contractor for the
account of the Government; and
• Personal property greater than
$25,000 (and not included in the above
list) that is provided by the Government
or acquired by the contractor for the
account of the Government. The
personal property must be complete
within itself; must not lose its identity
or become a component part of other
property when put into use; and is of a
durable nature with an estimated useful
life expectancy to exceed two years.

This clause is being added due to the
need to obtain current data to support
the Department of State (DOS) financial
statements. From a financial accounting
perspective, DOS must have a way of
keeping track of its capital assets;
therefore, this clause requires reporting
of all personal property that meets the
criteria for capitalization, as set forth in
the Foreign Affairs Manual (FAM) at 4
FAM 734.2.

Regulatory Findings

Administrative Procedure Act

In accordance with provisions of the
Administrative Procedure Act, the
Department is publishing this proposed
rule and inviting public comment.

Regulatory Flexibility Act

The Department of State, in
accordance with the Regulatory Flexibility Act (5 U.S.C. 605(b)), has
reviewed this regulation and, by
approving it, certifies that this rule will
not have a significant economic impact
on a substantial number of small
entities. This determination was based
on the fact that the reporting
requirements are targeted at a very
narrow segment of government property
and based on a determination that there
are only 14 contractors who are
currently subject to the reporting
requirements of the clause. Only four of
these are small business concerns. Thus,
it was concluded that the rule will not
have a significant economic impact on
a substantial number of small entities.

Unfunded Mandates Act of 1995

This rule will not result in the
expenditure by State, local, and tribal
governments, in the aggregate, or by the
private sector, of $100 million or more
in any year and it will not significantly
or uniquely affect small governments.
Therefore, no actions were deemed
necessary under the provisions of the

Small Business Regulatory
Enforcement Fairness Act of 1996

This rule is not a major rule as
defined by the Small Business
Regulatory Enforcement Act of 1996 (5
U.S.C. 801 et seq.). This rule will not
result in an annual effect on the
economy of $100 million or more; a
major increase in costs or prices; or
significant adverse effects on
competition, employment, investment,
productivity, innovation, or on the
ability of United States-based