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BEFORE THE  
NATIONAL ENERGY BOARD

NORTH AMERICAN ELECTRIC        )  
RELIABILITY CORPORATION        )

NOTICE OF FILING OF VIOLATION SEVERITY LEVELS FOR REGIONAL  
RELIABILITY STANDARD BAL-004-WECC-01, AUTOMATIC TIME ERROR  
CORRECTION REQUIREMENTS R2 THROUGH R4 AND  
VIOLATION SEVERITY LEVEL FOR REQUIREMENT R1

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November 2, 2009

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I. INTRODUCTION

The North American Electric Reliability Corporation (“NERC”) hereby submits proposed Violation Severity Levels (“VSLs”) applicable to the Western Electricity Coordinating Council’s (“WECC”) Regional Reliability Standard BAL-004-WECC-01 Requirements R2 through R4.

NERC has requested that the Federal Energy Regulatory Commission (“FERC”) grant an extension of time, from October 27, 2009 to August 23, 2010, for the filing of the VSL for Requirement R1. This extension is both necessary and appropriate to allow WECC the time required to address modifications directed by FERC in Order No. 723. The modifications, to be completed by June 30, 2010, are expected to affect the compliance obligations embodied in Requirement R1 and are likely to support gradated VSLs in place of the binary VSL proposed alternatively herein. In the event the extension is not granted, NERC has requested that FERC approve the VSL for Requirement R1 as proposed in Exhibit A, without prejudging the outcome of the VSLs to apply to the revised standard.

Exhibit A to this filing shows the proposed VSLs that are being submitted according to the FERC directive in Order No. 723. Exhibit B to this filing contains the VSL analysis for

BAL-004-WECC-01. The proposed VSLs and request for extension of time were approved by the NERC Board of Trustees on October 16, 2009. NERC submitted the instant filing with FERC on October 23, 2009, and is submitting this filing with the other applicable governmental authorities in Canada.

## II. NOTICES AND COMMUNICATIONS

Notices and communications with respect to this filing may be addressed to the following:

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## III. VIOLATION SEVERITY LEVELS FOR REQUIREMENTS R2 THROUGH R4 AND FOR VIOLATION SEVERITY LEVEL REQUIREMENT R1

On March 16, 2007, FERC issued Order No. 693, approving 83 of the 107 Reliability Standards originally proposed by NERC.<sup>1</sup> In addition, pursuant to section 215(d)(5) of the Federal Power Act (“FPA”), FERC directed NERC to develop modifications to 56 of the 83 approved Reliability Standards. In Order No. 693, FERC approved a continent-wide Reliability

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<sup>1</sup> *Mandatory Reliability Standards for the Bulk-Power System*, Order No. 693, FERC Stats. & Regs. ¶ 31,242, *order on reh’g*, Order No. 693-A, 120 FERC ¶ 61,053 (2007).

Standard BAL-004-0 — Time Error Correction, but noted that WECC’s regional approach appeared to serve as a more effective means of accomplishing time error corrections.<sup>2</sup>

On August 4, 2008, NERC submitted Regional Reliability Standard BAL-004-WECC-01, which would apply to Balancing Authorities within the Western Interconnection. The primary purpose of the Regional Reliability Standard is to reduce the number of time error corrections imposed on the Western Interconnection by requiring Balancing Authorities that operate synchronously in the Western Interconnection to automatically correct for their contribution to time error.

On May 21, 2009, in Order No. 723, FERC approved Regional Reliability Standard BAL-004-WECC-01 — Automatic Time Error Correction. As a separate action in that same Order, FERC directed WECC to develop several modifications to the Regional Reliability Standard. This included a filing within 60 days of the effective date of Order No. 723 revising the Violation Risk Factors (“VRFs”) assigned to BAL-004-WECC-01, Requirements R1, R2, R3 and R4 from “Lower” to “Medium.” On August 28, 2009, NERC submitted the modified VRFs to FERC for approval. NERC and WECC were also directed to submit VSLs for each Requirement and sub-Requirement that was assigned a VRF within 120 days of the effective date of the Order No. 723.

NERC staff reviewed the WECC proposed VSLs. NERC staff determined that the modified VSLs for Requirements R1, R2, and R4 did not, in some cases, comport with the FERC Violation Severity guidelines. As a result, NERC staff recommended to WECC changes to these VSLs to conform to those guidelines. WECC accepted, with revisions, the NERC staff changes to the VSLs for Requirements R2 and R4. With respect to Requirement R1, WECC initially

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<sup>2</sup> *Id.* at PP 377 and 382. FERC also directed NERC to develop a modification to BAL-004-0 to include Levels of Non-Compliance and additional Measures for Requirement R3.

proposed gradated VSLs based on the levels submitted with the standard originally filed and approved. However, in conformance with the FERC Violation Severity Level guidelines, NERC proposed a binary VSL for Requirement R1. WECC proposed a further revision to NERC's binary VSL for Requirement R1 to include a 24-hour exemption to Requirement R1, based on the language set forth in Requirement R2. However, because WECC intends to modify the standard in response to the FERC directives in Order No. 723, WECC's preference is that FERC grant an extension of time for the filing of the VSL for Requirement R1. Specifically, WECC expects to clarify the 24-hour per calendar limit and compliance obligations, and these changes are expected to support gradated VSLs.<sup>3</sup> However, based on the existing language of Requirement R1 and FERC Guideline 3, in recognition of the language in Requirement R2, NERC has submitted a binary VSL as set forth in Exhibit A.

Therefore, for the reasons discussed above, the VSLs are being submitted with conditions. NERC recommends that WECC correct the issues with the Requirements as directed in Order No. 723 and reconcile the VSLs with the revised Requirements ensuring that the VSLs comport with the FERC VSL guidelines set forth in FERC's June 19, 2008 Order in Docket No. RR08-4-000. For purposes of the instant filing, NERC submits the proposed VSLs for Requirements R2-R4. In the event that FERC does not grant the extension of time to submit a VSL for Requirement R1, NERC has requested approval of the VSL for Requirement R1 included in Exhibit A of this filing, without prejudging the outcome of the VSLs to apply to the revised standard.

The proposed VSLs are presented in Exhibit A of this filing. The VSL Analysis for BAL-004-WECC-01 is contained in Exhibit B of this filing. The proposed VSLs and request for extension of time were approved by the NERC Board of Trustees on October 16, 2009.

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<sup>3</sup> NERC notes that, when this standard was initially submitted, WECC proposed gradated VSLs.

Respectfully submitted,

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EXHIBIT A

PROPOSED VIOLATION SEVERITY LEVELS FOR RELIABILITY STANDARD  
BAL-004-WECC-01

Modified Violation Severity Levels for BAL-004-WECC-01: Automatic Time Error Correction				
R#	Lower VSL	Moderate VSL	High VSL	Severe VSL
R1 <sup>4</sup>	N/A	N/A	N/A	Each Balancing Authority that operates synchronously to the Western Interconnection does not continuously operate in ATEC mode (Balancing Authority may operate out of ATEC mode for up to 24 hours per calendar quarter as provided in R2).
R2	N/A	N/A	N/A	Each Balancing Authority that is synchronously connected to the Western Interconnection and operates in any AGC operating mode other than ATEC does not notify all other Balancing Authorities of its operating mode through the designated Interconnection communication system.
R3	N/A	N/A	N/A	A Balancing Authority in the Western Interconnection cannot change its AGC operating mode.
R4	A Balancing	A Balancing	A Balancing	A Balancing Authority in the

<sup>4</sup> NERC is requesting an extension of time to submit a VSL for Requirement R1 of BAL-004-WECC-01 – Automatic Time Error Correction; however, in the event the extension is not granted, NERC requests that FERC approve the proposed binary VSL for Requirement R1 as set forth herein.



Modified Violation Severity Levels for BAL-004-WECC-01: Automatic Time Error Correction

R#	Lower VSL	Moderate VSL	High VSL	Severe VSL
	<p>Authority in the Western Interconnection calculates its hourly Primary Inadvertent Interchange when check out is complete, or 50 minutes after the hour if hourly checkout is not complete, but fails to comply with any one of subrequirements R4.1 through R4.4.</p>	<p>Authority in the Western Interconnection calculates its hourly Primary Inadvertent Interchange when check out is complete, or 50 minutes after the hour if hourly checkout is not complete, but fails to comply with any two of subrequirements R4.1 through R4.4.</p>	<p>Authority in the Western Interconnection calculates its hourly Primary Inadvertent Interchange when check out is complete, or 50 minutes after the hour if hourly checkout is not complete, but fails to comply with any three of subrequirements R4.1 through R4.4.</p>	<p>Western Interconnection fails to calculate Primary Inadvertent Interchange Balance when check out is complete, or 50 minutes after the hour if hourly checkout is not complete.</p> <p>OR</p> <p>A Balancing Authority in the Western Interconnection calculates its hourly Primary Inadvertent Interchange when check out is complete, or 50 minutes after the hour if hourly checkout is not complete, but fails to comply with all subrequirements R4.1 through R4.4.</p>

**EXHIBIT B**

**VIOLATION SEVERITY LEVEL ANALYSIS FOR RELIABILITY STANDARD BAL-004-  
WECC-01**

**REVIEW OF REVISED ATEC VSLs FOR CONSISTENCY WITH GUIDELINES**  
**Standard Number BAL-004-WECC-1 — AUTOMATIC TIME ERROR CORRECTION**

					Explanation of Changes	Guideline 1 Violation Severity Level Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance	Guideline 2 Violation Severity Level Assignments Should Ensure Uniformity and Consistency in the Determination of Penalties	Guideline 3 Violation Severity Level Assignment Should Be Consistent with the Corresponding Requirement	Guideline 4 Violation Severity Level Assignment Should Be Based on A Single Violation, Not on A Cumulative Number of Violations
R #	Lower VSL	Moderate VSL	High VSL	Severe VSL			Guideline 2a: The Single Violation Severity Level Assignment Category for "Binary" Requirements Is Not Consistent		
							Guideline 2b: Violation Severity Level Assignments that Contain Ambiguous Language		

R1.	N/A	N/A	N/A	<p>Each Balancing Authority that operates synchronously to the Western Interconnection does not continuously operate in ATEC mode (Balancing Authority may operate out of ATEC mode for up to 24 hours per calendar quarter as provided in R2).</p>	<p><i>Proposed New VSL</i></p>	<p>The VSL does not lower the current level of compliance and does not violate Guideline 1.</p>	<p>The VSL is binary and is consistent with the requirement. It does not violate Guideline 2a. As written, the VSL text is clear, specific and objective and it does not contain general, relative or subjective language, satisfying Guideline 2b. Therefore, the text is not subject to the possibility of multiple interpretations of the VSL(s) and provides the clarity needed to permit the consistent and objective application of the VSL(s) in the determination of penalties by the Compliance Enforcement</p>	<p>The VSL does not redefine Requirement R1 but does not undermine the requirement’s reliability goal given that Requirement R2 allows a 24-hour per calendar quarter exception to Requirement R1. Even though the VSL incorporates the exception embodied in Requirement R2, the requirement the degree of compliance can be determined objectively and with certainty.</p>	<p>The VSL assignment complies with Guideline 4, because the requirement expressly provides that a violation of the requirement is based on a single violation.</p>
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							Authority.		
R2.	N/A	N/A	N/A	Each Balancing Authority that is synchronously connected to the Western Interconnection and operates in any AGC operating mode other than ATEC does not notify all other Balancing Authorities of its operating mode through the designated Interconnection communication system	<i>Proposed New VSL</i>	The VSL does not lower the current level of compliance and does not violate Guideline 1.	The VSL is binary and is consistent with the requirement. It does not violate Guideline 2a.  As written, the VSL text is clear, specific and objective and it does not contain general, relative or subjective language, satisfying Guideline 2b. Therefore, the text is not subject to the possibility of multiple interpretations of the VSL(s) and provides the clarity needed to	The VSL does not redefine or undermine the requirement’s reliability goal. In accordance with Guideline 3, the VSL assignment is consistent with the requirement and the degree of compliance can be determined objectively and with certainty.	The VSL assignment complies with Guideline 4, because the requirement expressly provides that a violation of the requirement is based on a single violation.

							permit the consistent and objective application of the VSL(s) in the determination of penalties by the Compliance Enforcement Authority.		
R3.	N/A	N/A	N/A	A Balancing Authority in the Western Interconnection cannot change its AGC operating mode.	<i>Proposed New VSL</i>	The VSL does not lower the current level of compliance and does not violate Guideline 1.	The VSL is binary and is consistent with the requirement. It does not violate Guideline 2a.  As written, the VSL text is clear, specific and objective and it does not contain general, relative or subjective language, satisfying Guideline 2b. Therefore, the text is not subject to the possibility of multiple interpretations of the VSL(s) and provides	The VSL does not redefine or undermine the requirement’s reliability goal. In accordance with Guideline 3, the VSL assignment is consistent with the requirement and the degree of compliance can be determined objectively and with certainty.	The VSL assignment complies with Guideline 4, because the requirement expressly provides that a violation of the requirement is based on a single violation.

							the clarity needed to permit the consistent and objective application of the VSL(s) in the determination of penalties by the Compliance Enforcement Authority.		
R4.	A Balancing Authority in the Western Interconnection calculates its hourly Primary Inadvertent Interchange when check out is complete, or 50 minutes after the hour if hourly checkout is not complete, but fails to comply with any one of subrequirements R4.1 through R4.4.	A Balancing Authority in the Western Interconnection calculates its hourly Primary Inadvertent Interchange when check out is complete, or 50 minutes after the hour if hourly checkout is not complete, but fails to comply with any two of subrequirements R4.1 through R4.4.	A Balancing Authority in the Western Interconnection calculates its hourly Primary Inadvertent Interchange when check out is complete, or 50 minutes after the hour if hourly checkout is not complete, but fails to comply with any three of subrequirements R4.1 through R4.4.	A Balancing Authority in the Western Interconnection fails to calculate Primary Inadvertent Interchange Balance when check out is complete, or 50 minutes after the hour if hourly checkout is not complete.  OR  A Balancing Authority in the Western Interconnection calculates its hourly Primary Inadvertent Interchange when check out is complete, or 50 minutes after the hour if	<i>Proposed New VSL</i>	The VSL does not lower the current level of compliance and does not violate Guideline 1.	The requirement has graded VSLs; therefore, Guideline 2a is not applicable, and no changes to the VSLs were required for consistency with the guideline.  As written, the VSL text is clear, specific and objective and it does not contain general, relative or subjective language, satisfying	The VSL does not redefine or undermine the requirement’s reliability goal. In accordance with Guideline 3, the VSL assignment is consistent with the requirement and the degree of compliance can be determined objectively and with certainty	The VSL assignments comply with Guideline 4, because the requirement expressly provides that a violation of the requirement is based on a single violation of the requirement and its parts.

				hourly checkout is not complete, but fails to comply with all subrequirements R4.1 through R4.4.			Guideline 2b. Therefore, the text is not subject to the possibility of multiple interpretations of the VSL(s) and provides the clarity needed to permit the consistent and objective application of the VSL(s) in the determination of penalties by the Compliance Enforcement Authority.		
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