



were submitted by NERC and the following entities: Arizona Public Service Company (“APS”); the ISO/RTO Council; Midcontinent Independent System Operator, Inc.; the Electricity Consumers Resource Council; Bonneville Power Administration (“BPA”); and the Edison Electric Institute, American Public Power Association, the National Rural Electric Cooperative Association, and the Electric Power Supply Association.

## II. COMMENTS

### **A. The Proposed BAL-003-1 Reliability Standard is Technically Supported and Just and Reasonable**

Commenters suggested revisions to: (1) the definition of a Balancing Authority’s annual generation, and (2) the Frequency Response Measure.<sup>4</sup> As explained below, no changes to the proposed Reliability Standard are necessary.

#### **1. The Calculation of a Balancing Authority’s Annual Generation is Just and Reasonable**

APS notes that the type of resources a Balancing Authority has in its generation portfolio impacts its ability to comply with the proposed Reliability Standard.<sup>5</sup> APS suggests that “a simple change” in the definition of a Balancing Authority’s annual generation to exclude certain non-responsive generating units should be implemented.<sup>6</sup> APS’ proposed revision is flawed in several respects.

Implementing such a revision would create a perverse incentive for entities to install generating units that are not capable of providing Frequency Response. The proposed Reliability Standard does not require every generator to respond and provide Frequency Response -- it allows for flexibility, because Frequency Response is measured on a Balancing Authority and an

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<sup>4</sup> See Comments of Arizona Public Service Company at 3-4; Comments of Bonneville Power Administration at 5.

<sup>5</sup> Comments of Arizona Public Service Company at 3-4.

<sup>6</sup> Comments of Arizona Public Service Company at 5.

Interconnection-wide basis, and the formation of Frequency Response Sharing Groups is permitted. The proposed Reliability Standard is also technology-neutral and recognizes that Frequency Response can be provided by sources other than generation.

The revisions suggested by APS could initiate cross-subsidization across Balancing Authorities, which could have a significant market impact. Consistent with Order No. 672, the proposed Reliability Standard has no undue effect on competition.<sup>7</sup> Finally, NERC notes that, despite the fact that APS was an active participant in the standard development process, APS did not submit comments on the definition of a Balancing Authority's annual generation and therefore, such comments should be disregarded, consistent with Commission precedent.<sup>8</sup>

## **2. The Frequency Response Measure is Technically Supported and Provides Necessary Flexibility**

BPA states that changes should be implemented to the Frequency Response Measure.<sup>9</sup> Specifically, BPA recommends revising the Resource Contingency Criteria and Credit for Load Response in the Interconnection Frequency Response Obligation for the Western Interconnection.<sup>10</sup> However, BPA fails to recognize that the values in Table 1 of Attachment A are not static. As explained in Attachment A to the proposed Reliability Standard and the *Procedure for ERO Support of Frequency Response and Frequency Bias Setting Standard*, the

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<sup>7</sup> See *Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards*, Order No. 672 at P 332, FERC Stats. & Regs. ¶ 31,204, *order on reh'g*, Order No. 672-A, FERC Stats. & Regs. ¶ 31,212 (2006)

<sup>8</sup> Order No. 672 at P 334 (“we caution that we will not be sympathetic to arguments by interested parties that choose, for whatever reason, not to participate in the ERO’s Reliability Standard development process if it is conducted in good faith in accordance with the procedures approved by the Commission.”).

<sup>9</sup> Comments of Bonneville Power Administration at 5. (“(1) use resource losses of 1,000 MW and greater or events with frequency deviations below 59.9 Hz for calculating frequency response rather than a fixed number of events per year; and (2) modify calculations of frequency response by using the smallest of (a) actual maximum design frequency, and (b) the maximum design delta frequency from NERC Table 1 Interconnection Frequency Response Obligation.”).

<sup>10</sup> Comments of Bonneville Power Administration at 6-7.

values in Table 1 are determined and revised on an annual basis.<sup>11</sup> NERC and the Frequency Working Group have set forth a process for identification of candidate frequency events and an annual review of the calculations. This methodology is based on frequency and not the size of events. Therefore, if any revisions are necessary, as suggested by BPA, they can be implemented via this established review process. The standard drafting team established a rational and objective methodology to selecting events that is flexible and can be changed as needed. For these reasons, changes to the proposed Reliability Standard are not necessary.

### **B. Sufficient Frequency Response Resources are Available**

APS states that Balancing Authorities should not be at risk of penalties when it is unknown whether there are sufficient Frequency Response resources available to meet the proposed requirements.<sup>12</sup> However, APS explicitly acknowledges that NERC's 2013 State of Reliability Report demonstrates that there are sufficient Frequency Response resources available.<sup>13</sup> Furthermore, the standard drafting team determined that there are sufficient Frequency Response resources available to meet the requirements of the proposed Reliability Standard and this finding is supported by ample technical evidence.<sup>14</sup> Therefore, it is not necessary to adjust the implementation plan for the proposed Reliability Standard on the basis of availability.

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<sup>11</sup> The *Procedure for ERO Support of Frequency Response and Frequency Bias Setting Standard* outlines how the ERO will conduct a transparent process to annually identify a list of frequency events to be used by BAs to calculate their Frequency Response to determine whether the BA met its Frequency Response Obligation and an appropriate fixed Frequency Bias Setting.

<sup>12</sup> Comments of Arizona Public Service Company at 6.

<sup>13</sup> Comments of Arizona Public Service Company at 8. ("As NERC reported in its recent State of Reliability 2013 Report, from 2009 to 2012 interconnection frequency response in key interconnections has shown steady frequency response performance, and expected frequency response for these interconnections has been higher than the recommended interconnection frequency response obligation.") *citing* NERC Report: State of Reliability 2013 (May 2013), Key Finding 3, Page 12, *available at*:

[http://www.nerc.com/pa/RAPA/PA/Performance%20Analysis%20DL/2013\\_SOR\\_May%2015.pdf](http://www.nerc.com/pa/RAPA/PA/Performance%20Analysis%20DL/2013_SOR_May%2015.pdf).

<sup>14</sup> See <http://www.nerc.com/pa/RAPA/ri/Pages/InterconnectionFrequencyResponse.aspx>.

### III. CONCLUSION

For the reasons stated above, NERC respectfully requests that the Commission accept these comments for consideration.

Respectfully submitted,

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