August 17, 2017

VIA ELECTRONIC FILING

David Erickson
President and Chief Executive Officer
Alberta Electric System Operator
2500, 330 - 5 Avenue SW
Calgary, Alberta
T2P 0L4

Re: Revisions to the Violation Risk Factors for Reliability Standard BAL-002-2

Dear Mr. Erickson:

In accordance with Order No. 835, issued by the Federal Energy Regulatory Commission ("FERC") on January 19, 2017,[1] and Section 320 of the North American Electric Reliability Corporation ("NERC") Rules of Procedure,[2] NERC submits proposed revisions to the Violation Risk Factors ("VRFs") for Requirements R1 and R2 of Reliability Standard BAL-002-2 (*Disturbance Control Standard—Contingency Reserve for Recovery from a Balancing Contingency Event*) (attached as Exhibit A). On August 10, 2017, the NERC Board of Trustees ("Board") approved submission of the VRFs. These VRF revisions are consistent with FERC's directive in Order No. 835 that NERC "assign a 'high' violation risk factor to Reliability Standard BAL-002-2, Requirements R1 and R2".[3]

I. Background

As initially proposed, Reliability Standard BAL-002-2 reflected "medium" VRF designations for all requirements. Support for these VRF designations was included in Exhibit G of NERC's filing of Reliability Standard BAL-002-2, submitted on February 18, 2016.

In Order No. 835, FERC approved Reliability Standard BAL-002-2, eight new and revised definitions to be included in the *NERC Glossary of Terms*, the implementation plan, and the associated Violation Risk Factors and Violation Severity Levels for the standard.[4] In addition, FERC directed NERC to modify the

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1 *Order No. 835*, *Disturbance Control Standard—Contingency Reserve for Recovery from a Balancing Contingency Event Reliability Standard,* Order No. 835, 158 FERC ¶ 61,030 (2017) ("Order No. 835").
2 NERC, *Rules of Procedure*, Section 320 (effective Oct. 31, 2016), http://www.nerc.com/AboutNERC/Pages/Rules-of-Procedure.aspx.
3 Order No. 835 at P 68.
4 Order No. 835 at P 1.

VRF designations for Requirements R1 and R2 of the standard from "medium" to "high". In directing modification to the VRFs, FERC stated that "violation of Requirement R1 jeopardizes system frequency" and "the fundamental connection between Requirements R1 and R2 creates a significant role in maintaining reliability".[5]

II. Proposed VRF Revisions

Upon issuance of Order No. 835, NERC re-examined the VRF designations for Requirements R1 and R2 of Reliability Standard BAL-002-2, pursuant to Section 320 of the Rules of Procedure. The NERC director of standards recommended that the NERC Board approve the FERC-directed revisions to the VRFs. On August 10, 2017, the NERC Board approved submission of the revised VRFs (as Reliability Standard BAL-002-2(i)), reflected in Exhibit A. Therefore, consistent with FERC's directive in Order No. 835, NERC is proposing to modify the VRFs for Requirements R1 and R2 of Reliability Standard BAL-002-2.

Respectfully submitted,

/s/ Candice Castaneda

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[5] *Id.* at PP 65-68.

Exhibit A

Redline Version of BAL-002-2(i)

Disturbance Control Standard – Contingency Reserve for Recovery from a Balancing Contingency Event

A. Introduction

1. **Title:** Disturbance Control Standard – Contingency Reserve for Recovery from a Balancing Contingency Event

2. **Number:** BAL-002-2(i)

3. **Purpose:** To ensure the Balancing Authority or Reserve Sharing Group balances resources and demand and returns the Balancing Authority's or Reserve Sharing Group's Area Control Error to defined values (subject to applicable limits) following a Reportable Balancing Contingency Event.

4. **Applicability:**

   4.1. Responsible Entity

   4.1.1. Balancing Authority

   4.1.1.1. A Balancing Authority that is a member of a Reserve Sharing Group is the Responsible Entity only in periods during which the Balancing Authority is not in active status under the applicable agreement or governing rules for the Reserve Sharing Group.

   4.1.2. Reserve Sharing Group

5. **Effective Date:** See the Implementation Plan for BAL-002-2.

6. **Background:**

   Reliably balancing an Interconnection requires frequency management and all of its aspects. Inputs to frequency management include Tie-Line Bias Control, Area Control Error (ACE), and the various Requirements in NERC Resource and Demand Balancing Standards, specifically BAL-001-2 Real Power Balancing Control Performance and BAL-003-1 Frequency Response and Frequency Bias Setting.

B. Requirements and Measures

R1. The Responsible Entity experiencing a Reportable Balancing Contingency Event shall: *[Violation Risk Factor: High~~Medium~~] [Time Horizon: Real-time Operations]*

1.1. within the Contingency Event Recovery Period, demonstrate recovery by returning its Reporting ACE to at least the recovery value of:

- zero (if its Pre-Reporting Contingency Event ACE Value was positive or equal to zero); however, any Balancing Contingency Event that occurs during the Contingency Event Recovery Period shall reduce the required recovery: (i) beginning at the time of, and (ii) by the magnitude of, such individual Balancing Contingency Event,

or,

- its Pre-Reporting Contingency Event ACE Value (if its Pre-Reporting Contingency Event ACE Value was negative); however, any Balancing

Contingency Event that occurs during the Contingency Event Recovery Period shall reduce the required recovery: (i) beginning at the time of, and (ii) by the magnitude of, such individual Balancing Contingency Event.

1.2. document all Reportable Balancing Contingency Events using CR Form 1.

1.3. deploy Contingency Reserve, within system constraints, to respond to all Reportable Balancing Contingency Events, however, it is not subject to compliance with Requirement R1 part 1.1 if:

1.3.1 the Responsible Entity:

- is a Balancing Authority experiencing a Reliability Coordinator declared Energy Emergency Alert Level or is a Reserve Sharing Group whose member, or members, are experiencing a Reliability Coordinator declared Energy Emergency Alert level, and
- is utilizing its Contingency Reserve to mitigate an operating emergency in accordance with its emergency Operating Plan, and
- has depleted its Contingency Reserve to a level below its Most Severe Single Contingency

or,

1.3.2 the Responsible Entity experiences:

- multiple Contingencies where the combined MW loss exceeds its Most Severe Single Contingency and that are defined as a single Balancing Contingency Event, or
- multiple Balancing Contingency Events within the sum of the time periods defined by the Contingency Event Recovery Period and Contingency Reserve Restoration Period whose combined magnitude exceeds the Responsible Entity's Most Severe Single Contingency.

M1. Each Responsible Entity shall have, and provide upon request, as evidence, a CR Form 1 with date and time of occurrence to show compliance with Requirement R1. If Requirement R1 part 1.3 applies, then dated documentation that demonstrates compliance with Requirement R1 part 1.3 must also be provided.

R2. Each Responsible Entity shall develop, review and maintain annually, and implement an Operating Process as part of its Operating Plan to determine its Most Severe Single Contingency and make preparations to have Contingency Reserve equal to, or greater than the Responsible Entity's Most Severe Single Contingency available for maintaining system reliability. *[Violation Risk Factor: High~~Medium~~] [Time Horizon: Operations Planning]*

M2. Each Responsible Entity will have the following documentation to show compliance with Requirement R2:

- a dated Operating Process;
- evidence to indicate that the Operating Process has been reviewed and maintained annually; and,
- evidence such as Operating Plans or other operator documentation that demonstrate that the entity determines its Most Severe Single Contingency and that Contingency Reserves equal to or greater than its Most Severe Single Contingency are included in this process.

R3. Each Responsible Entity, following a Reportable Balancing Contingency Event, shall restore its Contingency Reserve to at least its Most Severe Single Contingency, before the end of the Contingency Reserve Restoration Period, but any Balancing Contingency Event that occurs before the end of a Contingency Reserve Restoration Period resets the beginning of the Contingency Event Recovery Period. *[Violation Risk Factor: Medium] [Time Horizon: Real-time Operations]*

M3. Each Responsible Entity will have documentation demonstrating its Contingency Reserve was restored within the Contingency Reserve Restoration Period, such as historical data, computer logs or operator logs.

C. Compliance

1. Compliance Monitoring Process

1.1. Compliance Enforcement Authority

As defined in the NERC Rules of Procedure, "Compliance Enforcement Authority" means NERC or the Regional Entity in their respective roles of monitoring and enforcing compliance with the NERC Reliability Standards.

1.2. Evidence Retention

The following evidence retention period(s) identify the period of time an entity is required to retain specific evidence to demonstrate compliance. For instances where the evidence retention period specified below is shorter than the time since the last audit, the Compliance Enforcement Authority may ask an entity to provide other evidence to show that it was compliant for the full-time period since the last audit.

The Responsible Entity shall retain data or evidence to show compliance for the current year, plus three previous calendar years, unless directed by its Compliance Enforcement Authority to retain specific evidence for a longer period of time as part of an investigation.

If a Responsible Entity is found noncompliant, it shall keep information related to the noncompliance until found compliant, or for the time period specified above, whichever is longer.

The Compliance Enforcement Authority shall keep the last audit records and all subsequent requested and submitted records.

1.3. Compliance Monitoring and Assessment Processes:

As defined in the NERC Rules of Procedure, "Compliance Monitoring and Assessment Processes" refers to the identification of the processes that will be used to evaluate data or information for the purpose of assessing performance or outcomes with the associated Reliability Standard.

1.4. Additional Compliance Information

The Responsible Entity may use Contingency Reserve for any Balancing Contingency Event and as required for any other applicable standards.

Table of Compliance Elements

R #	Time Horizon	VRF	Violation Severity Levels			
			Lower VSL	Moderate VSL	High VSL	Severe VSL
R1.	Real-time Operations	High~~Medium~~	The Responsible Entity achieved less than 100% but at least 90% of required recovery from a Reportable Balancing Contingency Event during the Contingency Event Recovery Period OR The Responsible Entity failed to use CR Form 1 to document a Reportable Balancing Contingency Event.	The Responsible Entity achieved less than 90% but at least 80% of required recovery from a Reportable Balancing Contingency Event during the Contingency Event Recovery Period.	The Responsible Entity achieved less than 80% but at least 70% of required recovery from a Reportable Balancing Contingency Event during the Contingency Event Recovery Period.	The Responsible Entity achieved less than 70% of required recovery from a Reportable Balancing Contingency Event during the Contingency Event Recovery Period.
R2.	Operations Planning	High~~Medium~~	The Responsible Entity developed and implemented an Operating Process to determine its Most Severe Single Contingency and to	N/A	The Responsible Entity developed an Operating Process to determine its Most Severe Single Contingency and to have Contingency	The Responsible Entity failed to develop an Operating Process to determine its Most Severe Single Contingency and to have Contingency

			have Contingency Reserve equal to, or greater than the Responsible Entity's Most Severe Single Contingency but failed to maintain annually the Operating Process.		Reserve equal to, or greater than the Responsible Entity's Most Severe Single Contingency but failed to implement the Operating Process.	Reserve equal to, or greater than the Responsible Entity's Most Severe Single Contingency..
R3	**Real-time Operations**	**Medium**	The Responsible Entity restored less than 100% but at least 90% of required Contingency Reserve following a Reportable Balancing Contingency Event during the Contingency Event Restoration Period.	The Responsible Entity restored less than 90% but at least 80% of required Contingency Reserve following a Reportable Balancing Contingency Event during the Contingency Event Restoration Period.	The Responsible Entity restored less than 80% but at least 70% of required Contingency Reserve following a Reportable Balancing Contingency Event during the Contingency Event Restoration Period.	The Responsible Entity restored less than 70% of required Contingency Reserve following a Reportable Balancing Contingency Event during the Contingency Event Restoration Period.

D. Regional Variances

None.

E. Interpretations

None.

F. Associated Documents

BAL-002-2 Contingency Reserve for Recovery from a Balancing Contingency Event Background Document

CR Form 1

Version History

Version	Date	Action	Change Tracking
0	April 1, 2005	Effective Date	New
0	August 8, 2005	Removed "Proposed" from Effective Date	Errata
0	February 14, 2006	Revised graph on page 3, "10 min." to "Recovery time." Removed fourth bullet.	Errata
1	September 9, 2010	Filed petition for revisions to BAL-002 Version 1 with the Commission	Revision
1	January 10, 2011	FERC letter ordered in Docket No. RD10-15-00 approving BAL-002-1	
1	April 1, 2012	Effective Date of BAL-002-1	
1a	November 7, 2012	Interpretation adopted by the NERC Board of Trustees	
1a	February 12, 2013	Interpretation submitted to FERC	
2	November 5, 2015	Adopted by NERC Board of Trustees	Complete revision
2	January 19, 2017	FERC Order approved BAL-002-2. Docket No. RM16-7-000	
2(i)	August 10, 2017	Adopted by NERC Board of Trustees	Modified Requirements R1 and R2 VRF to "High"

Rationale

During development of this standard, text boxes were embedded within the standard to explain the rationale for various parts of the standard. Upon BOT adoption, the text from the rationale text boxes was moved to this section.

Rationale for Requirement R1:

Requirement R1 reflects the operating principles first established by NERC Policy 1 (Generation Control and Performance). Its objective is to assure the Responsible Entity balances resources and demand and returns its Reporting Area Control Error (ACE) to defined values (subject to applicable limits) following a Reportable Balancing Contingency Event. It requires the Responsible Entity to recover from events that would be less than or equal to the Responsible Entity's MSSC. It establishes the amount of Contingency Reserve and recovery and restoration timeframes the Responsible Entity must demonstrate in a compliance evaluation. It is intended to eliminate the ambiguities and questions associated with the existing standard. In addition, it allows Responsible Entities to have a clear way to demonstrate compliance and support the Interconnection to the full extent of its MSSC.

Requirement R1 does not apply when an entity experiences a Balancing Contingency Event that exceeds its MSSC (which includes multiple Balancing Contingency Events as described in R1 part 1.3.2 below) because a fundamental goal of the SDT is to assure the Responsible Entity has enough flexibility to maintain service to Demand while managing reliability. The SDT's intent is to eliminate any potential overlap or conflict with any other NERC Reliability Standard to eliminate duplicative reporting, and other issues.

Commenters suggested a Quarterly Compliance similar to the current reports sent to NERC. The drafting team attempted to draft measurement language and VSL's for quarterly monitoring of compliance to R1. But the drafting team found that the VSL levels developed were likely to place smaller BA's and RSGs in a severe violation regardless of the size of the failure. Therefore, the drafting team has not adopted a quarterly compliance calculation. Also, the proposed requirement and compliance process meets the directive in Paragraph 354 of Order 693.

Finally, commenters have suggested that the language in R1 part 1.3 be changed to specifically state under which EEA level the exclusion applies. The drafting team disagrees with this proposal. NERC is in the process of changing the EEA levels and what is expected in each level. The current EEA levels suggest that when an entity is experiencing an EEA Level 2 or 3 it is short of Contingency Reserves as normally defined to exclude readiness to curtail a specific amount of Firm Demand. Under the proposed EEA process, this would only be during an EEA Level 3. In order to reduce the need for consequent modifications of the BAL-002 standard, the drafting team has developed the proposed language in Requirement 1 Part 1.3.1 such that it addresses both current and future EEA process. In addition, the drafting team has added some clarifying language to 1.3.1 since comments were presented in previous postings expressing a concern only a Balancing Authority may request declaration of an EEA and a RSG cannot request an EEA. The standard drafting team's intent has always been if a BA is experiencing an EEA event under

which its contingency reserve has been activated, the RSG in which it resides would also be considered to be exempt from R1 compliance.

Rationale for Requirement R2:
R2 establishes the need to actively plan in the near term (e.g., day-ahead) for expected Reportable Balancing Contingency Events. This requirement is similar to the current standard which requires an entity to have available a level of contingency reserves equal to or greater than its Most Severe Single Contingency.

Rationale for Requirement R3:
This requirement is similar to the existing requirement that an entity that has experienced an event shall restore its Contingency Reserves within 105 minutes of the event. Note that if an entity is experiencing an EEA it may need to depend on potential availability (or make ready for potential curtailment) of its firm loads to restore Contingency Reserve. This is the reason for the changes to the definition of Contingency Reserve in the posting.

Exhibit B

Clean Version of BAL-002-2(i)

Disturbance Control Standard – Contingency Reserve for Recovery from a Balancing Contingency Event

A. Introduction

1. **Title:** Disturbance Control Standard – Contingency Reserve for Recovery from a Balancing Contingency Event

2. **Number:** BAL-002-2(i)

3. **Purpose:** To ensure the Balancing Authority or Reserve Sharing Group balances resources and demand and returns the Balancing Authority's or Reserve Sharing Group's Area Control Error to defined values (subject to applicable limits) following a Reportable Balancing Contingency Event.

4. **Applicability:**

   4.1. Responsible Entity

   4.1.1. Balancing Authority

   4.1.1.1. A Balancing Authority that is a member of a Reserve Sharing Group is the Responsible Entity only in periods during which the Balancing Authority is not in active status under the applicable agreement or governing rules for the Reserve Sharing Group.

   4.1.2. Reserve Sharing Group

5. **Effective Date:** See the Implementation Plan for BAL-002-2.

6. **Background:**

   Reliably balancing an Interconnection requires frequency management and all of its aspects. Inputs to frequency management include Tie-Line Bias Control, Area Control Error (ACE), and the various Requirements in NERC Resource and Demand Balancing Standards, specifically BAL-001-2 Real Power Balancing Control Performance and BAL-003-1 Frequency Response and Frequency Bias Setting.

B. Requirements and Measures

R1. The Responsible Entity experiencing a Reportable Balancing Contingency Event shall: *[Violation Risk Factor: High] [Time Horizon: Real-time Operations]*

1.1. within the Contingency Event Recovery Period, demonstrate recovery by returning its Reporting ACE to at least the recovery value of:

- zero (if its Pre-Reporting Contingency Event ACE Value was positive or equal to zero); however, any Balancing Contingency Event that occurs during the Contingency Event Recovery Period shall reduce the required recovery: (i) beginning at the time of, and (ii) by the magnitude of, such individual Balancing Contingency Event,

or,

- its Pre-Reporting Contingency Event ACE Value (if its Pre-Reporting Contingency Event ACE Value was negative); however, any Balancing

Contingency Event that occurs during the Contingency Event Recovery Period shall reduce the required recovery: (i) beginning at the time of, and (ii) by the magnitude of, such individual Balancing Contingency Event.

1.2. document all Reportable Balancing Contingency Events using CR Form 1.

1.3. deploy Contingency Reserve, within system constraints, to respond to all Reportable Balancing Contingency Events, however, it is not subject to compliance with Requirement R1 part 1.1 if:

1.3.1 the Responsible Entity:

- is a Balancing Authority experiencing a Reliability Coordinator declared Energy Emergency Alert Level or is a Reserve Sharing Group whose member, or members, are experiencing a Reliability Coordinator declared Energy Emergency Alert level, and
- is utilizing its Contingency Reserve to mitigate an operating emergency in accordance with its emergency Operating Plan, and
- has depleted its Contingency Reserve to a level below its Most Severe Single Contingency

or,

1.3.2 the Responsible Entity experiences:

- multiple Contingencies where the combined MW loss exceeds its Most Severe Single Contingency and that are defined as a single Balancing Contingency Event, or
- multiple Balancing Contingency Events within the sum of the time periods defined by the Contingency Event Recovery Period and Contingency Reserve Restoration Period whose combined magnitude exceeds the Responsible Entity's Most Severe Single Contingency.

M1. Each Responsible Entity shall have, and provide upon request, as evidence, a CR Form 1 with date and time of occurrence to show compliance with Requirement R1. If Requirement R1 part 1.3 applies, then dated documentation that demonstrates compliance with Requirement R1 part 1.3 must also be provided.

R2. Each Responsible Entity shall develop, review and maintain annually, and implement an Operating Process as part of its Operating Plan to determine its Most Severe Single Contingency and make preparations to have Contingency Reserve equal to, or greater than the Responsible Entity's Most Severe Single Contingency available for maintaining system reliability. *[Violation Risk Factor: High] [Time Horizon: Operations Planning]*

M2. Each Responsible Entity will have the following documentation to show compliance with Requirement R2:

- a dated Operating Process;
- evidence to indicate that the Operating Process has been reviewed and maintained annually; and,
- evidence such as Operating Plans or other operator documentation that demonstrate that the entity determines its Most Severe Single Contingency and that Contingency Reserves equal to or greater than its Most Severe Single Contingency are included in this process.

R3. Each Responsible Entity, following a Reportable Balancing Contingency Event, shall restore its Contingency Reserve to at least its Most Severe Single Contingency, before the end of the Contingency Reserve Restoration Period, but any Balancing Contingency Event that occurs before the end of a Contingency Reserve Restoration Period resets the beginning of the Contingency Event Recovery Period. *[Violation Risk Factor: Medium] [Time Horizon: Real-time Operations]*

M3. Each Responsible Entity will have documentation demonstrating its Contingency Reserve was restored within the Contingency Reserve Restoration Period, such as historical data, computer logs or operator logs.

C. Compliance

1. Compliance Monitoring Process

1.1. Compliance Enforcement Authority

As defined in the NERC Rules of Procedure, "Compliance Enforcement Authority" means NERC or the Regional Entity in their respective roles of monitoring and enforcing compliance with the NERC Reliability Standards.

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Table of Compliance Elements

R #	Time Horizon	VRF	Violation Severity Levels			
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R2.	**Operations Planning**	**High**	The Responsible Entity developed and implemented an Operating Process to determine its Most Severe Single Contingency and to have Contingency Reserve equal to, or	N/A	The Responsible Entity developed an Operating Process to determine its Most Severe Single Contingency and to have Contingency Reserve equal to, or greater than the	The Responsible Entity failed to develop an Operating Process to determine its Most Severe Single Contingency and to have Contingency Reserve equal to, or greater than the

			greater than the Responsible Entity's Most Severe Single Contingency but failed to maintain annually the Operating Process.		Responsible Entity's Most Severe Single Contingency but failed to implement the Operating Process.	Responsible Entity's Most Severe Single Contingency..
R3	**Real-time Operations**	**Medium**	The Responsible Entity restored less than 100% but at least 90% of required Contingency Reserve following a Reportable Balancing Contingency Event during the Contingency Event Restoration Period.	The Responsible Entity restored less than 90% but at least 80% of required Contingency Reserve following a Reportable Balancing Contingency Event during the Contingency Event Restoration Period.	The Responsible Entity restored less than 80% but at least 70% of required Contingency Reserve following a Reportable Balancing Contingency Event during the Contingency Event Restoration Period.	The Responsible Entity restored less than 70% of required Contingency Reserve following a Reportable Balancing Contingency Event during the Contingency Event Restoration Period.

D. Regional Variances

None.

E. Interpretations

None.

F. Associated Documents

BAL-002-2 Contingency Reserve for Recovery from a Balancing Contingency Event Background Document

CR Form 1

Version History

Version	Date	Action	Change Tracking
0	April 1, 2005	Effective Date	New
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Rationale

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Rationale for Requirement R1:

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which its contingency reserve has been activated, the RSG in which it resides would also be considered to be exempt from R1 compliance.

Rationale for Requirement R2:
R2 establishes the need to actively plan in the near term (e.g., day-ahead) for expected Reportable Balancing Contingency Events. This requirement is similar to the current standard which requires an entity to have available a level of contingency reserves equal to or greater than its Most Severe Single Contingency.

Rationale for Requirement R3:
This requirement is similar to the existing requirement that an entity that has experienced an event shall restore its Contingency Reserves within 105 minutes of the event. Note that if an entity is experiencing an EEA it may need to depend on potential availability (or make ready for potential curtailment) of its firm loads to restore Contingency Reserve. This is the reason for the changes to the definition of Contingency Reserve in the posting.