March 3, 2011

VIA ELECTRONIC FILING

Lorraine Légère, Board Secretary
New Brunswick Board of Commissioners of Public Utilities
P.O. Box 5001
15 Market Square, Suite 1400
Saint John, NB
E2L 4Y9

Re: *North American Electric Reliability Corporation*

Dear Ms. Légère:

The North American Electric Reliability Corporation ("NERC") hereby submits this Notice of Filing of the following proposed Facilities Design, Connections, and Maintenance (FAC) Reliability Standard set forth as **Exhibit A** to this notice that was approved by the NERC Board of Trustees on January 24, 2011:

- FAC-013-2 – Assessment of Transfer Capability for the Near-term Transmission Planning Horizon

In addition, NERC provides notice of two terms to be added to the NERC Glossary of Terms Used in Reliability Standards:

- Near-Term Transmission Planning Horizon
- Year One

Additionally, NERC provides notice of the associated implementation plan for FAC-013-2 that calls for the retirement of certain Reliability Standards and a new effective date of FAC-013-2:

- Retirement of Reliability Standards FAC-012-1 — Transfer Capability Methodology and FAC-013-1 — Establish and Communicate Transfer Capabilities.

- An effective date of FAC-013-2 that is the later of either the first day of the first calendar quarter twelve months after approval of FAC-013-2 or the first day of the first calendar quarter six months after the following standards become effective:

    - § MOD-001-1 — Available Transmission System Capability,
    - § MOD-028-1 — Area Interchange Methodology,
    - § MOD-029-1 — Rated System Path Methodology, and
    - § MOD-030-2 — Flowgate Methodology

This filing discusses the proposed FAC-013-2 Reliability Standard and the proposed addition of two terms to the Glossary of Terms Used in Reliability Standards.

This filing consists of the following:

- This transmittal letter;
- A table of contents;
- A narrative description providing justification for the proposed FAC-013-2 Reliability Standard;
- The proposed FAC-013-2 Reliability Standard (**Exhibit A**);
- The associated Implementation Plan for the proposed FAC-013-2 Reliability Standard (**Exhibit B**);
- The Standard Drafting Team Roster for Project 2010-10 FAC Order 729 (**Exhibit C**); and
- The Development Record of the proposed FAC-013-2 Reliability Standard and the associated Implementation Plan (**Exhibit D**).

Please contact me if you have any questions regarding this filing.

Respectfully submitted,

/s/ Holly A. Hawkins
Holly A. Hawkins
Assistant General Counsel for Standards and Critical Infrastructure Protection for North American Electric Reliability Corporation

BEFORE THE
MINISTRY OF ENERGY
OF THE PROVINCE OF NEW BRUNSWICK

NORTH AMERICAN ELECTRIC	**)**
RELIABILITY CORPORATION	**)**

NOTICE OF FILING OF THE NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION OF A FACILITIES DESIGN, CONNECTIONS, AND MAINTENANCE RELIABILITY STANDARD

Gerald W. Cauley
President and Chief Executive Officer
David N. Cook
Senior Vice President and General Counsel
North American Electric Reliability Corporation
116-390 Village Boulevard
Princeton, NJ 08540-5721
(609) 452-8060
(609) 452-9550 – facsimile
david.cook@nerc.net

Holly A. Hawkins
Assistant General Counsel for Standards and Critical Infrastructure Protection
North American Electric Reliability Corporation
1120 G Street, N.W.
Suite 990
Washington, D.C. 20005-3801
(202) 393-3998
(202) 393-3955 – facsimile
holly.hawkins@nerc.net

March 3, 2011

TABLE OF CONTENTS

I. INTRODUCTION

The North American Electric Reliability Corporation ("NERC") provides notice of the following Reliability Standard:

- FAC-013-2 – Assessment of Transfer Capability for the Near-term Transmission Planning Horizon

This filing satisfies certain directives the Federal Energy Regulatory Commission ("FERC") issued in Order No. 729 pertaining to making the requirements of FAC-013 consistent with the MOD Reliability Standards and removing redundant provision for the calculation of transfer capability addressed in the MOD Reliability Standards.

The NERC Board of Trustees approved the proposed Reliability Standard on January 24, 2011, and recommended it be added to the set of approved NERC Reliability Standards. In this filing, NERC provides notice of the proposed Reliability Standard, two additions to the Glossary of Terms Used in Reliability Standards, and the associated implementation plan for the FAC-013-2 Reliability Standard.

The effective date for the proposed FAC-013-2 Reliability Standard will be the later of: (1) the first day of the first calendar quarter twelve months after approval of FAC-013-2; or (2) the first day of the first calendar quarter six months after the following standards become effective:

- MOD-001-1 — Available Transmission System Capability,
- MOD-028-1 — Area Interchange Methodology,
- MOD-029-1 — Rated System Path Methodology, and
- MOD-030-2 — Flowgate Methodology

Exhibit A to this filing sets forth the proposed Reliability Standard and the proposed definitions. Due to the number of differences between the proposed FAC-013-2 and the previously filed FAC-012-1 and previously filed FAC-013-1, development of a redline is impractical. Therefore, the changes reflected in the proposed standard are described in Section IV of this filing. **Exhibit B** contains the Implementation Plan for FAC-013-2 which is submitted herein. **Exhibit C** contains the Standard Drafting Team Roster for Project 2010-10 FAC Order 729 which was responsible for drafting the proposed FAC-013-2 standard and associated Implementation Plan. **Exhibit D** contains the development record for the proposed FAC-013-2 Reliability Standard and the associated Implementation Plan.

NERC is filed the proposed FAC-013-2 Reliability Standard and associated documents with FERC on January 28, 2011, and is filing the Reliability Standard and associated documents 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:

Gerald W. Cauley
President and Chief Executive Officer
David N. Cook
Senior Vice President and General Counsel
North American Electric Reliability Corporation
116-390 Village Boulevard
Princeton, NJ 08540-5721
(609) 452-8060
(609) 452-9550 – facsimile
david.cook@nerc.net

Holly A. Hawkins
Assistant General Counsel for Standards and Critical Infrastructure Protection
North American Electric Reliability Corporation
1120 G Street, N.W.
Suite 990
Washington, D.C. 20005-3801
(202) 393-3998
(202) 393-3955 – facsimile
holly.hawkins@nerc.net

III. BACKGROUND

a. Basis for Proposed Reliability Standard

The principal purpose of the proposed FAC-013-2 Reliability Standard is to ensure that Planning Coordinators have a methodology for, and perform annual assessments of the ability to transfer energy (in the Near-term Transmission Planning Horizon) to identify potential future weaknesses and limiting Facilities that could impact reliability of the Bulk Electric System.

The proposed FAC-013-2 Reliability Standard serves the important reliability goal of establishing the creation of a methodology, an annual assessment, and communication of the Transfer Capability of energy in the Near-Term Transmission Planning Horizon. The proposed FAC-013-2 Reliability Standard improves reliability by:

- requiring common methodologies for Transfer Capability performance analysis;
- requiring an annual assessment to identify potential future Transmission System weaknesses and limiting Facilities that could impact the BES' ability to reliably transfer energy in the Near-Term Transmission Planning Horizon; and
- assigning the responsibility to the Planning Coordinator for the development of the assessment and the communication of the results of the assessment to specific entities.

b. Reliability Standards Development Procedure

NERC develops Reliability Standards in accordance with Section 300 (Reliability Standards Development) of its Rules of Procedure and the NERC *Standards Processes Manual*, which is incorporated into the Rules of Procedure as Appendix 3A.[1] NERC's rules provide for

[1] NERC's *Reliability Standards Development Procedure* is available on NERC's website at http://www.nerc.com/fileUploads/File/Standards/RSDP_V6_1_12Mar07.pdf. Note that FERC approved the new

reasonable notice and opportunity for public comment, due process, openness, and a balance of interests in developing Reliability Standards.

The Development Process is open to any person or entity with a legitimate interest in the reliability of the bulk power system. NERC considers the comments of all stakeholders and a vote of stakeholders and the NERC Board of Trustees is required to approve a Reliability Standard for submission to the applicable governmental authorities.

The work culminating in this filing originated from the directives in FERC Order No. 729.[2] In Order No. 729, FERC denied NERC's request to withdraw FAC-012-1 and retire FAC-013-1, and directed as follows:

> 291. The Commission hereby adopts its NOPR proposal to deny NERC's request to withdraw FAC-012-1 and retire FAC-013-1. Instead, pursuant to section 215(d)(5) of the FPA and section 39.5(f) of our regulations, the Commission directs the ERO to develop modifications to FAC-012-1 and FAC-013-1 to comply with the relevant directives of Order No. 693 and, as otherwise necessary, to make the requirements of those Reliability Standards consistent with those of the MOD Reliability Standards approved herein as well as this Final Rule. These modifications should also remove redundant provisions for the calculation of transfer capability addressed elsewhere in the MOD Reliability Standards. In making these revisions, the ERO should consider the development of a methodology for calculation of inter-regional and intra-regional transfer capabilities. The Commission accepts the ERO's request for additional time to prepare the modifications and so directs the ERO to submit the modifications to FAC-012-1 and FAC-013-1 no later than 60 days before the MOD Reliability Standards become effective.

Reliability *Standards Processes Manual* on September 3, 2010 (FERC Docket No. RR10-12-000), which replaces the *Reliability Standards Development Procedure Version 7* in its entirety. NERC developed this standard in accordance with the *Reliability Standards Development Procedure Version 7* until the *Standards Processes Manual* was approved on September 3, at which time that procedure was used to complete development of the proposed standard.

[2] *Mandatory Reliability Standards for the Calculation of Available Transfer Capability, Capacity Benefit Margins, Transmission Reliability Margins, Total Transfer Capability, and Existing Transmission Commitments and Mandatory Reliability Standards for the Bulk-Power System*, 129 FERC ¶61,155 (November 24, 2009) (Order No. 729); *see also, Mandatory Reliability Standards for the Calculation of Available Transfer Capability, Capacity Benefit Margins, Transmission Reliability Margins, Total Transfer Capability, and Existing Transmission Commitments and Mandatory Reliability Standards for the Bulk-Power System*, 131 FERC ¶61,109 (May 5, 2010) (Order No. 729-A), and *Mandatory Reliability Standards for the Calculation of Available Transfer Capability, Capacity Benefit Margins, Transmission Reliability Margins, Total Transfer Capability, and Existing Transmission Commitments and Mandatory Reliability Standards for the Bulk-Power System*, 132 FERC ¶61,027 (July 15, 2010) (Order No. 729-B).

FERC directed NERC to establish a standard that required the calculation of Transfer Capabilities in the planning horizon and to ensure that the process used to calculate Transfer Capabilities in the planning horizon is the same as the process used in the operating horizon. The proposed FAC-013-2 Reliability Standard addresses FERC's Order No. 729 directives with an equivalent alternative and with adequate support that fully explains how the alternative produces a result that is as effective as or more effective than the Order No. 729 directives.[3]

FERC's directives are addressed by: (1) requiring an Annual assessment of Transfer Capabilities in the planning horizon; and (2) requiring an entity to use certain data inputs and modeling details to identify potential future Transmission System weaknesses and limiting Facilities that could impact the BES' ability to reliably transfer energy in the Near-Term Transmission Planning Horizon.

The proposed Reliability Standard set out in **Exhibit A** has been developed and approved by industry stakeholders using NERC's *Reliability Standards Development Procedure* and its replacement, the NERC *Standards Processes Manual*.[4] A discussion of this process appears in section III.c. of this filing. The proposed FAC-013-2 Reliability Standard was approved by the NERC Board of Trustees on January 24, 2011.

[3] *Mandatory* Reliability *Standards for the Bulk-Power System*, 118 FERC ¶ 61,218, FERC Stats. & Regs. ¶ 31,242 (2007) ("Order No. 693") at P 31, *Order on Reh'g, Mandatory Reliability Standards for the Bulk-Power System*, 120 FERC ¶ 61,053 ("Order No. 693-A") (2007). In Order No. 693, FERC stated that: "We emphasize that we are not, at this time, mandating a particular outcome by way of these directives, but we do expect the ERO to respond with an equivalent alternative and adequate support that fully explains how the alternative produces a result that is as effective as or more effective that the Commission's example or directive."

[4] NERC's *Reliability Standards Development Procedure and its replacement the NERC Standards Process Manual* are available on NERC's website at http://www.nerc.com/fileUploads/File/Standards/RSDP_V6_1_12Mar07.pdf. Note that FERC approved the new Reliability *Standards Processes Manual* on September 3, 2010 (FERC Docket No. RR10-12-000), which replaces the *Reliability Standards Development Procedure Version 7* in its entirety.

IV. JUSTIFICATION FOR PROPOSED MODIFICATIONS TO RELIABILITY STANDARDS

a. Section Overview

This section summarizes the development of the proposed FAC-013-2 Reliability Standard. The discussion in this section is also intended to demonstrate that the proposed modifications to the proposed FAC-013-2 Reliability Standard ensure that they are just, reasonable, not unduly discriminatory or preferential and in the public interest.

The proposed FAC-013-2 Reliability Standard is provided in **Exhibit A**. Due to the number of differences between the proposed FAC-013-2 and the previously filed FAC-012-1 and FAC-013-1, development of a redline is impractical. Therefore, the changes reflected in the proposed standard are described below. The Implementation Plan for FAC-013-2 is provided in **Exhibit B**. The standard drafting team roster for Project 2010-10 FAC Order 729, the drafting team responsible for drafting the proposed Reliability Standard, is provided in **Exhibit C**. The complete development record for the proposed Reliability Standard and the associated Implementation Plan is provided in **Exhibit D**. This extensive development record includes successive drafts of the standard, the ballot pool members, the final ballot results by registered ballot body members, stakeholder comments received during the development of proposed FAC-013-2 Reliability Standard, and a discussion regarding how stakeholder comments were considered in developing the standard.

The proposed FAC-013-2 Reliability Standard requires the creation of a methodology for, and the performance of an annual assessment to identify potential future Transmission System weaknesses and limiting Facilities that could impact the bulk electric system's ability to reliably transfer energy in the Near-Term Planning Horizon. The proposed standard also requires the

communication of the Transfer Capability of energy in the Near-term Planning Horizon to specific entities.

The proposed FAC-013-2 Reliability Standard contains six requirements. Requirement R1 mandates that each Planning Coordinator shall have a documented methodology it uses to perform an annual assessment of Transfer Capability in the Near-Term Transmission Planning Horizon (Transfer Capability methodology). The requirement also requires the Transfer Capability methodology include at least a minimum set of information.

Requirement R2 mandates that each Planning Coordinator shall issue its Transfer Capability methodology, and any revisions to the Transfer Capability methodology, to:

- Each Planning Coordinator adjacent to the Planning Coordinator's Planning Coordinator area or overlapping the Planning Coordinator's area prior to the effectiveness of such revisions.
- Each Transmission Planner within the Planning Coordinator's Planning Coordinator area prior to the effectiveness of such revisions.
- Each functional entity that has a reliability-related need for the Transfer Capability methodology and submits a request for that methodology within 30 calendar days of receiving that written request.

Requirement R3 mandates the Planning Coordinator to provide a documented response to a recipient of the Transfer Capability methodology within 45 calendar days of receipt of comments from a recipient of the Transfer Capability methodology.

Requirement R4 mandates that each Planning Coordinator shall conduct simulations and document an assessment based on those simulations in accordance with its Transfer Capability methodology for at least one year in the Near-Term Transmission Planning Horizon.

Requirement R5 mandates that each Planning Coordinator shall make the documented Transfer Capability assessment results available within 45 calendar days of the completion of the assessment to the recipients of its Transfer Capability methodology. However, if a functional entity that has a reliability related need for the results of the annual assessment of the Transfer Capabilities makes a written request for such an assessment after the completion of the assessment, the Planning Coordinator shall make the documented Transfer Capability assessment results available to that entity within 45 calendar days of receipt of the request.

Requirement R6 mandates that if a recipient of a documented Transfer Capability assessment requests data to support the assessment results, the Planning Coordinator shall provide such data to that entity within 45 calendar days of receipt of the request.

b. Demonstration that the proposed Reliability Standard is just, reasonable, not unduly discriminatory or preferential and in the public interest

1. Proposed Reliability Standard is designed to achieve a specified reliability goal

The proposed FAC-013-2 Reliability Standard is designed to achieve a specified reliability goal by ensuring that Planning Coordinators have a methodology for, and perform an annual assessment to identify potential future Transmission System weaknesses and limiting Facilities that could impact the bulk electric system's ability to reliably transfer energy in the Near-Term Transmission Planning Horizon. The requirements of the standard mandate greater scrutiny by Planning Coordinators for identification of future limiting facilities that could impact bulk power system reliability, while allowing the Planning Coordinator flexibility in how the assessment is performed according to its knowledge of the behavior and needs of its system. Changes in energy transfers can occur for a variety of reasons (*e.g.*, change in resource plans, changes in energy costs, new generation sources) and understanding the potential impact of such

changes on transmission facilities, (and thus reliability), is important to effective transmission planning. The evaluation of the impact of transfers provides the Planning Coordinator with knowledge of facilities to carefully monitor as the facilities approach the limit of their capacity. In addition, there are uncertainties (*e.g.*, load growth and loop flows) associated with the planning process, and the Planning Coordinator's awareness of sensitivity of facilities to changes in transfer can impact the schedule for required system upgrades. Additionally, the requirements of the standard mandate greater scrutiny by Planning Coordinators to identify future limiting facilities that could impact the bulk power system's ability to reliably transfer energy by application of bulk energy transfers to stress the system.

2. Proposed Reliability Standard contains a technically sound method to achieve the goal

The proposed FAC-013-2 Reliability Standard contains a technically sound method to achieve the reliability goal of identifying potential future Transmission System weaknesses and limiting facilities that could impact the bulk electric system's ability to reliably transfer energy in the Near-Term Transmission Planning Horizon. The purpose of the standard is to add to the Planning Coordinator's "portfolio of knowledge" of potential facilities requiring additional focus and analysis, and for planning the future reliable operation of the bulk electric system. The proposed FAC-013-2 Reliability Standard requires the Planning Coordinator to develop its Transfer Capability methodology based on knowledge of its system's sensitivity to transfers and the significance of facilities to reliability, within the framework provided by FAC-013-2.

The framework includes Requirement R1, Part 1.4, which requires a description of several elements that must be included in the Transfer Capability methodology. This information is intended to provide context for the assessment results. By understanding the details of the Transfer Capability Methodologies, those receiving assessment data will better

understand the assessments and their potential impact on bulk power system reliability. Additionally, the proposed standard requires that:

- Generation dispatch should include a discussion of how generation outages are included in the models used for the assessment; whether known long term planned outages are included or other methods (*e.g.*, Monte Carlo) are used to represent outages of generation, and if any generation related operating guides are utilized. It should also identify whether generation retirements are modeled and whether new or proposed generation is included in the models.
- Transmission system topology should include a discussion of how transmission outages are included in the models used for the assessment; whether known long term planned outages are included or other methods are used to represent transmission outages. Additionally, this should include identification of whether transmission facility retirements are modeled and if new/proposed transmission facilities are included in the models.
- System demand should include a description of the models used (*e.g.*, MMWG, regional, other), seasons, load levels and conditions selected calculation.
- Current and projected transmission uses should include a description for how firm and non-firm transmission service is modeled.
- Any parallel path impacts (loop flows) that are added to the base models or affect study results should be explained.
- A description of the contingencies evaluated should be provided to explain the types of contingencies (*e.g.*, N-1, N-1-1) that drive the study results.

- A description of the facilities monitored should be provided to explain the areas monitored and the kV level of the facilities.

Requirement R1, Part R1.3 of the proposed standard, which provides that the Transfer Capability methodology include a statement that the assumptions and criteria used to perform the assessment are consistent with the Planning Coordinator's planning practices, is intended to provide consistency in the performance of the assessment of Transfer Capability and the planning practices used in the evaluation of the reliability of the bulk power system.

Requirements R2 and R3 are intended to facilitate the necessary communication of the Transfer Capability methodology and ensure an understanding of the methodology by those NERC registered functional entities having a reliability related need – primarily the Transmission Planners in the Planning Coordinator's area and neighboring Planning Coordinators.

Requirements R4 through R6 ensure an annual assessment of Transfer Capability is performed and that the data and results are communicated to those same entities that have a reliability related need for those results. Communication and response to comments on the methodology and comments on the annual assessment provide for coordination of planning between the affected entities.

The proposed FAC-013-2 Reliability Standard will also help provide an assessment of the future transmission system and will facilitate communication between adjacent Planning Coordinators. Additionally, the proposed FAC-013-2 standard addresses FERC's concerns regarding Transfer Capability in the planning horizon and provides important information that Planning Coordinators will be able to apply in reliably planning and operating the bulk power system.

The proposed FAC-013-2 Reliability Standard has been developed by a standard drafting team with a broad base of transmission system operations and planning knowledge and experience. The standard drafting team for Project 2010-10 FAC Order 729 adhered to NERC's standards development process allowing for industry comment and ballot of the proposed standard. Extensive industry comments on the standard were received and evaluated through several postings. Many of the comments have been incorporated into the final draft of the standard and have resulted in a refined, high quality standard.

3. Proposed Reliability Standard is applicable to users, owners, and operators of the bulk power system, and not others

The proposed FAC-013-2 Reliability Standard is applicable only to Planning Coordinators. Planning Coordinators are users, owners, or operators of the bulk power system.

4. Proposed Reliability Standard is clear and unambiguous as to what is required and who is required to comply

Each of the requirements in the proposed FAC-013-2 Reliability Standard is clear in identifying the required performance (what) and the responsible entity (who):

> Requirement R1 - Each Planning Coordinator shall have a documented methodology it uses to perform an annual assessment of Transfer Capability in the Near-Term Transmission Planning Horizon (Transfer Capability methodology). The Transfer Capability methodology shall include, at a minimum, the following information:
>
> 1.1. Criteria for the selection of the transfers to be assessed.
>
> 1.2. A statement that the assessment shall respect known System Operating Limits (SOLs).
>
> 1.3. A statement that the assumptions and criteria used to perform the assessments are consistent with the Planning Coordinator's planning practices.

1.4. A description of how each of the following assumptions and criteria used in performing the assessment are addressed:

1.4.1 Generation dispatch, including but not limited to long term planned outages, additions and retirements.

1.4.2 Transmission system topology, including but not limited to long term planned Transmission outages, additions, and retirements.

1.4.3 System demand.

1.4.4 Current approved and projected Transmission uses.

1.4.5 Parallel path (loop flow) adjustments.

1.4.6 Contingencies

1.4.7 Monitored Facilities.

1.5. A description of how simulations of transfers are performed through the adjustment of generation, Load or both.

Requirement R2 - Each Planning Coordinator shall issue its Transfer Capability methodology, and any revisions to the Transfer Capability methodology, to the following entities subject to the following:

2.1. Distribute to the following prior to the effectiveness of such revisions:

2.1.1 Each Planning Coordinator adjacent to the Planning Coordinator's Planning Coordinator area or overlapping the Planning Coordinator's area.

2.1.2 Each Transmission Planner within the Planning Coordinator's Planning Coordinator area.

2.2. Distribute to each functional entity that has a reliability-related need for the Transfer Capability methodology and submits a request for that methodology within 30 calendar days of receiving that written request.

Requirement R3 - If a recipient of the Transfer Capability methodology provides documented concerns with the methodology, the Planning Coordinator shall provide a documented response to that recipient within 45 calendar days of receipt of those comments. The response shall indicate whether a change will be made to the Transfer Capability methodology and, if no change will be made to that Transfer Capability methodology, the reason why.

Requirement R4 - During each calendar year, each Planning Coordinator shall conduct simulations and document an assessment based on those simulations in accordance with its Transfer Capability methodology for at least one year in the Near-Term Transmission Planning Horizon.

Requirement R5 - Each Planning Coordinator shall make the documented Transfer Capability assessment results available within 45 calendar days of the completion of the assessment to the recipients of its Transfer Capability methodology pursuant to Requirement R2, Parts 2.1 and Part 2.2. However, if a functional entity that has a reliability related need for the results of the annual assessment of the Transfer Capabilities makes a written request for such an assessment after the completion of the assessment, the Planning Coordinator shall make the documented Transfer Capability assessment results available to that entity within 45 calendar days of receipt of the request.

Requirement R6 - If a recipient of the documented Transfer Capability assessment requests data to support the assessment results, the Planning Coordinator shall provide such data to that entity within 45 calendar days of receipt of the request. The provision of such data shall be subject to the legal and regulatory obligations of the Planning Coordinator's area regarding the disclosure of confidential and/or sensitive information.

5. Proposed Reliability Standard includes clear and understandable consequences and a range of penalties (monetary and/or non-monetary) for a violation

The proposed standard includes clear and understandable consequences by assigning each primary requirement a violation risk factor ("VRF") and a violation severity level ("VSL"). These elements support the determination of an initial value range for the Base Penalty Amount regarding violations of requirements in Reliability Standards, as defined in the ERO Sanction Guidelines. The table below shows the VRFs and VSLs resulting in the indicated range of penalties for violations.

Requirement R1

VRF	Lower VSL	Moderate VSL	High VSL	Severe VSL
Lower	The Planning Coordinator has a Transfer Capability methodology but failed to address one or two of the items listed in Requirement R1, Part 1.4.	The Planning Coordinator has a Transfer Capability methodology, but failed to incorporate one of the following Parts of Requirement R1 into that methodology: • Part 1.1 • Part 1.2 • Part 1.3 • Part 1.5 OR	The Planning Coordinator has a Transfer Capability methodology, but failed to incorporate one of the following Parts of Requirement R1 into that methodology: • Part 1.1 • Part 1.2 • Part 1.3 • Part 1.5 OR	The Planning Coordinator did not have a Transfer Capability methodology. OR The Planning Coordinator has a Transfer Capability methodology, but failed to incorporate one of the following Parts of Requirement R1 into that methodology:

VRF	Lower VSL	Moderate VSL	High VSL	Severe VSL
		The Planning Coordinator has a Transfer Capability methodology but failed to address three of the items listed in Requirement R1, Part 1.4.	The Planning Coordinator has a Transfer Capability methodology but failed to address four of the items listed in Requirement R1, Part 1.4.	• Part 1.1 • Part 1.2 • Part 1.3 • Part 1.5 OR The Planning Coordinator has a Transfer Capability methodology but failed to address more than four of the items listed in Requirement R1, Part 1.4.

Requirement R2

VRF	Lower VSL	Moderate VSL	High VSL	Severe VSL
Lower	The Planning Coordinator notified one or more of the parties specified in Requirement R2 of a new or revised Transfer Capability methodology after its implementation, but not more than 30 calendar days after its implementation. OR The Planning Coordinator provided the Transfer Capability methodology more than 30 calendar days but not more than 60 calendar days after the receipt of a request.	The Planning Coordinator notified one or more of the parties specified in Requirement R2 of a new or revised Transfer Capability methodology more than 30 calendar days after its implementation, but not more than 60 calendar days after its implementation. OR The Planning Coordinator provided the Transfer Capability methodology more than 60 calendar days but not more than 90 calendar days after receipt of a	The Planning Coordinator notified one or more of the parties specified in Requirement R2 of a new or revised Transfer Capability methodology more than 60 calendar days, but not more than 90 calendar days after its implementation. OR The Planning Coordinator provided the Transfer Capability methodology more than 90 calendar days but not more than 120 calendar days after receipt of a request.	The Planning Coordinator failed to notify one or more of the parties specified in Requirement R2 of a new or revised Transfer Capability methodology more than 90 calendar days after its implementation. OR The Planning Coordinator provided the Transfer Capability methodology more than 120 calendar days after receipt of a request.

VRF	Lower VSL	Moderate VSL	High VSL	Severe VSL
		request		

Requirement R3

VRF	Lower VSL	Moderate VSL	High VSL	Severe VSL
Lower	The Planning Coordinator provided a documented response to a documented concern with its Transfer Capability methodology as required in Requirement R3 more than 45 calendar days, but not more than 60 calendar days after receipt of the concern.	The Planning Coordinator provided a documented response to a documented concern with its Transfer Capability methodology as required in Requirement R3 more than 60 calendar days, but not more than 75 calendar days after receipt of the concern.	The Planning Coordinator provided a documented response to a documented concern with its Transfer Capability methodology as required in Requirement R3 more than 75 calendar days, but not more than 90 calendar days after receipt of the concern.	The Planning Coordinator failed to provide a documented response to a documented concern with its Transfer Capability methodology as required in Requirement R3 by more than 90 calendar days after receipt of the concern. OR The Planning Coordinator failed to respond to a documented concern with its Transfer Capability methodology.

Requirement R4

VRF	Lower VSL	Moderate VSL	High VSL	Severe VSL
Lower	The Planning Coordinator conducted a Transfer Capability assessment outside the calendar year, but not by more than 30 calendar days.	The Planning Coordinator conducted a Transfer Capability assessment outside the calendar year, by more than 30 calendar days, but not by more	The Planning Coordinator conducted a Transfer Capability assessment outside the calendar year, by more than 60 calendar days, but not by more	The Planning Coordinator failed to conduct a Transfer Capability assessment outside the calendar year by more than 90 calendar days.

VRF	Lower VSL	Moderate VSL	High VSL	Severe VSL
		than 60 calendar days.	than 90 calendar days.	OR The Planning Coordinator failed to conduct a Transfer Capability assessment.

Requirement R5

VRF	Lower VSL	Moderate VSL	High VSL	Severe VSL
Lower	The Planning Coordinator made its documented Transfer Capability assessment available to one or more of the recipients of its Transfer Capability methodology more than 45 calendar days after the requirements of R5, but not more than 60 calendar days after completion of the assessment.	The Planning Coordinator made its Transfer Capability assessment available to one or more of the recipients of its Transfer Capability methodology more than 60 calendar days after the requirements of R5, but not more than 75 calendar days after completion of the assessment.	The Planning Coordinator made its Transfer Capability assessment available to one or more of the recipients of its Transfer Capability methodology more than 75 calendar days after the requirements of R5, but not more than 90 days after completion of the assessment.	The Planning Coordinator failed to make its documented Transfer Capability assessment available to one or more of the recipients of its Transfer Capability methodology more than 90 days after the requirements of R5. OR The Planning Coordinator failed to make its documented Transfer Capability assessment available to any of the recipients of its Transfer Capability methodology under the requirements of R5.

Requirement R6

VRF	Lower VSL	Moderate VSL	High VSL	Severe VSL

VRF	Lower VSL	Moderate VSL	High VSL	Severe VSL
Lower	The Planning Coordinator provided the requested data as required in Requirement R6 more than 45 calendar days after receipt of the request for data, but not more than 60 calendar days after the receipt of the request for data.	The Planning Coordinator provided the requested data as required in Requirement R6 more than 60 calendar days after receipt of the request for data, but not more than 75 calendar days after the receipt of the request for data.	The Planning Coordinator provided the requested data as required in Requirement R6 more than 75 calendar days after receipt of the request for data, but not more than 90 calendar days after the receipt of the request for data.	The Planning Coordinator provided the requested data as required in Requirement R6 more than 90 after the receipt of the request for data. OR The Planning Coordinator failed to provide the requested data as required in Requirement R6.

6. Proposed Reliability Standard identifies clear and objective criterion or measure for compliance, so that it can be enforced in a consistent and non-preferential manner

The proposed FAC-013-2 Reliability Standard identifies clear and objective criteria in the language of the requirements so that the standards can be enforced in a consistent and non-preferential manner. The language in the requirements is unambiguous with respect to the applicable entity expectations. Each requirement has a single associated measure.

Measure M1 - Each Planning Coordinator shall have a Transfer Capability methodology that includes the information specified in Requirement R1.

Measure M2 - Each Planning Coordinator shall have evidence such as dated e-mail or dated transmittal letters that it provided the new or revised Transfer Capability methodology in accordance with Requirement R2.

Measure M3 - Each Planning Coordinator shall have evidence, such as dated e-mail or dated transmittal letters, that the Planning Coordinator provided a written response to that commenter in accordance with Requirement R3.

Measure M4 - Each Planning Coordinator shall have evidence such as dated assessment results, that it conducted and documented a Transfer Capability assessment in accordance with Requirement R4.

Measure M5 - Each Planning Coordinator shall have evidence, such as dated copies of e-mails or transmittal letters, that it made its documented Transfer Capability assessment available to the entities in accordance with Requirement R5.

Measure M6 - Each Planning Coordinator shall have evidence, such as dated copies of e-mails or transmittal letters, that it made its documented Transfer Capability assessment data available in accordance with Requirement R6.

7. Proposed Reliability Standard achieves a reliability goal effectively and efficiently, but does not necessarily have to reflect "best practices" without regard to implementation cost

The proposed FAC-013-2 Reliability Standard helps the industry achieve the stated goals effectively and efficiently. The proposed Reliability Standard requires Planning Coordinators to have a documented Transfer Capability methodology and to perform an annual assessment to identify potential future Transmission System weaknesses and limiting Facilities that could impact the reliability of the bulk power system to reliably transfer energy in the Near-Term Transmission Planning Horizon. The proposed standard requires the documented methodology to include, at a minimum, certain specified information and a description of how simulations of transfers are performed through the adjustment of generation, Load or both. Further, each

Planning Coordinator is required to issue its Transfer Capability methodology, and any revisions to the Transfer Capability methodology, to entities with a reliability need for the results of its annual assessment of Transfer Capabilities. The proposed standard provides that recipients of the methodology may raise concerns with a Planning Coordinators methodology and requires the Planning Coordinator to provide a timely response addressing such concerns. It also requires Planning Coordinators to provide data supporting its annual assessment to any recipient of its assessment in a timely manner.

The standard drafting team for NERC Project 2010-10 FAC Order 729 determined that most, if not all, Planning Coordinators currently perform Transfer Capability assessments and have methodologies to perform the assessments, and therefore implementation of the proposed standard should not result in substantial cost increases to Planning Coordinators.

8. Proposed Reliability Standard is not "lowest common denominator," i.e., does not reflect a compromise that does not adequately protect bulk power system reliability

The proposed reliability standard FAC-013-2 does not aim at "lowest common denominator." Rather, the standard adds structure and specificity to the assessment of Transfer Capability. It requires Planning Coordinators to document a methodology, specifying the transfers to be assessed, respecting known System Operating Limits, and using assumptions and criteria consistent with their planning practices. Further, the standard requires that a specific description be provided for assumptions and criteria involving generation dispatch, transmission system topology, system demand, current approved and projected Transmission uses, parallel path (loop flow) adjustments, contingencies, and monitored facilities. This description is intended to provide context for the assessment results. Knowledge of these details of the Transfer Capability methodology will allow those receiving assessment data to better

understand the assessments and their potential impact on bulk power system reliability. The standard also requires that the methodology be shared with adjacent Planning Coordinators, the Transmission Planners within the Planning Coordinator's area and any functional entity with a reliability related need that requests it.

The proposed FAC-013-2 standard also requires Planning Coordinators to respond to comments on their methodologies and share data supporting their assessments with those entities that request it. The sharing of the methodologies, assessment results and supporting data, as well as the interactions required with other reliability-related entities "raises the bar" with respect to the practices and knowledge related to assessing the impact of transfers on transmission system reliability. As a result, these standards are not the "lowest common denominator" to support bulk power system reliability.

9. ***Proposed Reliability Standard considers costs to implement for smaller entities but not at consequence of less than excellence in operating system reliability***

The proposed FAC-013-2 Reliability Standard does not create any differentiation in requirements based on size. All entities, small and large, are expected to comply with this standard in the same manner. The proposed FAC-013-2 Reliability Standard allows an entity to tailor a Transfer Capability methodology that best allows it to identify potential future weaknesses and limiting facilities according to its understanding of the needs of the system.

10. Proposed Reliability Standard is designed to apply throughout North America to the maximum extent achievable with a single Reliability Standard while not favoring one area or approach

The requirements in the proposed FAC-013-2 Reliability Standard apply throughout North America, with no exceptions. The proposed FAC-013-2 Reliability Standard is a single standard that will be universally applicable in the portions of the United States and Canada that recognize NERC as the ERO. The proposed FAC-013-2 Reliability Standard has been written to

provide flexibility to the Planning Coordinator in performing Transfer Capability assessments in the Near-Term Transmission Planning Horizon according to the Planning Coordinator's knowledge of the Planning Coordinator's system.

11. Proposed Reliability Standard causes no undue negative effect on competition or restriction of the grid

The requirements in the proposed FAC-013-2 Reliability Standard should cause no undue negative effect on competition or restriction of the grid because it helps to assure that the system is analyzed and assessed, with a goal of keeping the transmission system available and stable. Additionally, the proposed FAC-013-2 Reliability Standard enhances the operation and reliability of the grid and does not constrain competition or restrict transmission capability. The purpose of the proposed standard is to ensure that Planning Coordinators have a methodology for, and perform an annual assessment to identify potential future Transmission System weaknesses and limiting Facilities that could impact the BES' ability to reliably transfer energy in the Near-Term Transmission Planning Horizon.

12. The implementation time for the proposed Reliability Standards is reasonable

The proposed Implementation Plan is reasonable (see **Exhibit B**). The requirements can be fulfilled using standard power system software applications and, as such, can be implemented without undue burden on the Planning Coordinators. While some Planning Coordinators may need to modify or refine their processes, procedures or documentation, the proposed Implementation Plan allows adequate time for such modifications. Note that the proposed FAC-013-2 Reliability Standard cannot be implemented before the following standards become effective:

- MOD-001-1 — Available Transmission System Capability
- MOD-028-1— Area Interchange Methodology

• MOD-029-1 — Rated System Path Methodology

• MOD-030-2 — Flowgate Methodology

The MOD standards referenced above have been approved for implementation and supersede that portion of FAC-012-1 — Transfer Capability Methodology and FAC-013-1 — Establish and Communicate Transfer Capabilities that apply to the Operating Horizon, and leaves the portion of FAC-012 -1 and FAC-013-1 that applies to the Planning Horizon in effect. Therefore FAC-013-2 cannot be implemented prior to the implementation of the MOD standards referenced above.

13. The Reliability Standard development process was open and fair

NERC develops Reliability Standards in accordance with Section 300 (Reliability Standards Development) of its Rules of Procedure and the NERC *Reliability Standards Development Procedure* and its replacement the NERC *Standards Processes Manual*, which is incorporated into the Rules of Procedure as Appendix 3A. NERC's proposed rules provide for reasonable notice and opportunity for public comment, due process, openness, and a balance of interests in developing Reliability Standards. The development process is open to any person or entity with a legitimate interest in the reliability of the bulk power system. NERC considers the comments of all stakeholders and a vote of stakeholders and the NERC Board of Trustees is required to approve a Reliability Standard for submission to the applicable governmental authorities. The drafting team developed this standard by following NERC's regulatory-approved standards development process described above.

14. Proposed Reliability Standard balances with other vital public interests

The proposed FAC-013-2 Reliability Standard does not conflict with any vital public interests. Compliance with this proposed FAC-013-2 Reliability Standard supports preventing

the instability, uncontrolled separation, or cascading outages that may adversely impact the reliability of the interconnection.

15. Proposed Reliability Standard considers any other relevant factors

No other factors were identified in the development of the proposed FAC-013-2 Reliability Standard.

b. Violation Risk Factor and Violation Severity Level Assignments

The proposed FAC-013-2 Reliability Standard includes VRF and VSL assignments. The ranges of possible penalties for violations are based upon the applicable VRF and VSLs and will be administered based on the Sanctions table and supporting penalty determination process described in the NERC Sanction Guidelines, included as Appendix 4B to the NERC Rules of Procedure. Each primary requirement is assigned a VRF and a VSL. These elements support the determination of an initial value range for the Base Penalty Amount regarding violations of requirements in Reliability Standards, as defined in the ERO Sanction Guidelines.

Assignment of Violation Risk Factors

The standard drafting team applied the following criteria when proposing VRFs for the requirements in the proposed FAC-013-2 Reliability Standard.

> ***High Risk Requirement***
> A requirement that, if violated, could directly cause or contribute to bulk electric system instability, separation, or a cascading sequence of failures, or could place the bulk electric system at an unacceptable risk of instability, separation, or cascading failures; or, a requirement in a planning time frame that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly cause or contribute to bulk electric system instability, separation, or a cascading sequence of failures, or could place the bulk electric system at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to a normal condition.
>
> ***Medium Risk Requirement***

A requirement that, if violated, could directly affect the electrical state or the capability of the bulk electric system, or the ability to effectively monitor and control the bulk electric system. However, violation of a medium risk requirement is unlikely to lead to bulk electric system instability, separation, or cascading failures; or, a requirement in a planning time frame that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly and adversely affect the electrical state or capability of the bulk electric system, or the ability to effectively monitor, control, or restore the bulk electric system. However, violation of a medium risk requirement is unlikely, under emergency, abnormal, or restoration conditions anticipated by the preparations, to lead to bulk electric system instability, separation, or cascading failures, nor to hinder restoration to a normal condition.

Lower Risk Requirement
A requirement that is administrative in nature and a requirement that, if violated, would not be expected to adversely affect the electrical state or capability of the bulk electric system, or the ability to effectively monitor and control the bulk electric system; or, a requirement that is administrative in nature and a requirement in a planning time frame that, if violated, would not, under the emergency, abnormal, or restorative conditions anticipated by the preparations, be expected to adversely affect the electrical state or capability of the bulk electric system, or the ability to effectively monitor, control, or restore the bulk electric system. A planning requirement that is administrative in nature.[5]

The standard drafting team also considered consistency with the FERC Violation Risk Factor Guidelines for setting VRFs:[6]

Guideline (1) — Consistency with the Conclusions of the Final Blackout Report
The Commission seeks to ensure that Violation Risk Factors assigned to Requirements of Reliability Standards in these identified areas appropriately reflect their historical critical impact on the reliability of the Bulk-Power System.

In the VSL Order, FERC listed critical areas (from the Final Blackout Report) where violations could severely affect the reliability of the Bulk-Power System:[7]

- Emergency operations
- Vegetation management
- Operator personnel training
- Protection systems and their coordination
- Operating tools and backup facilities
- Reactive power and voltage control

[5] These three levels of risk are defined by NERC and recognized by FERC in the *Order on Violation Risk* Factors, 119 FERC ¶61,145 at P9 (May 18, 2007) ("VRF Rehearing Order"), and the *Order on Compliance* Filing, 121 FERC ¶61,179 at Appendix A (November 16, 2007).
[6] *See,* VRF Rehearing Order.
[7] *Id.* at n. 15.

- System modeling and data exchange
- Communication protocol and facilities
- Requirements to determine equipment ratings
- Synchronized data recorders
- Clearer criteria for operationally critical facilities
- Appropriate use of transmission loading relief.

Guideline (2) — Consistency within a Reliability Standard
The Commission expects a rational connection between the sub-Requirement Violation Risk Factor assignments and the main Requirement Violation Risk Factor assignment.

Guideline (3) — Consistency among Reliability Standards
The Commission expects the assignment of Violation Risk Factors corresponding to Requirements that address similar reliability goals in different Reliability Standards would be treated comparably.

Guideline (4) — Consistency with NERC's Definition of the Violation Risk Factor Level
Guideline (4) was developed to evaluate whether the assignment of a particular Violation Risk Factor level conforms to NERC's definition of that risk level.

Guideline (5) — Treatment of Requirements that Co-mingle More Than One Obligation
Where a single Requirement co-mingles a higher risk reliability objective and a lesser risk reliability objective, the VRF assignment for such Requirements must not be watered down to reflect the lower risk level associated with the less important objective of the Reliability Standard.

The following discussion addresses how the standard drafting team considered FERC's VSL Guidelines 2 through 5. The team followed Guideline 4 (rather than Guideline 1) in assigning VSLs because Guideline 4 directs assignment of VRFs based on the impact of a specific requirement to the reliability of the system, whereas Guideline 1 identifies a list of topics that encompass nearly all topics within NERC's Reliability Standards and implies that these requirements should be assigned a "High" VRF.

There are six requirements in the proposed FAC-013-2 Reliability Standard:

Requirement R1 - Each Planning Coordinator shall have a documented methodology it uses to perform an annual assessment of Transfer Capability in the Near-Term Transmission Planning Horizon (Transfer Capability methodology). The Transfer Capability methodology shall include, at a minimum, the following information:

1.1. Criteria for the selection of the transfers to be assessed.
1.2. A statement that the assessment shall respect known System Operating Limits (SOLs).
1.3. A statement that the assumptions and criteria used to perform the assessments are consistent with the Planning Coordinator's planning practices.
1.4. A description of how each of the following assumptions and criteria used in performing the assessment are addressed:
    1.4.1 Generation dispatch, including but not limited to long term planned outages, additions and retirements.
    1.4.2 Transmission system topology, including but not limited to long term planned Transmission outages, additions, and retirements.
    1.4.3 System demand.
    1.4.4 Current approved and projected Transmission uses.
    1.4.5 Parallel path (loop flow) adjustments.
    1.4.6 Contingencies
    1.4.7 Monitored Facilities.
1.5. A description of how simulations of transfers are performed through the adjustment of generation, Load or both.

VRF for FAC-013-2, Requirement R1: Lower

- FERC's Guideline 2 — This requirement only utilizes sub-requirements to identify the items to be included within the methodology document. The VRF for this requirement is consistent with others in the standard with regard to relative risk.
- FERC's Guideline 3 — This requirement only addresses the documentation of the methodology used to assess Transfer Capability. It is appropriate that this requirement have a VRF of Lower.
- FERC's Guideline 4 — The requirement is strictly administrative in nature and is in the planning timeframe. If violated, it is not anticipated that under emergency, abnormal or restorative conditions violation of this requirement would affect the electrical state or capability of the BES.
- FERC's Guideline 5 — This requirement does not co-mingle reliability objectives.

Requirement R2 - Each Planning Coordinator shall issue its Transfer Capability methodology, and any revisions to the Transfer Capability methodology, to the following entities subject to the following:

2.1. Distribute to the following prior to the effectiveness of such revisions:
    2.1.1 Each Planning Coordinator adjacent to the Planning Coordinator's Planning Coordinator area or overlapping the Planning Coordinator's area.
    2.1.2 Each Transmission Planner within the Planning Coordinator's Planning Coordinator area.

2.2. Distribute to each functional entity that has a reliability-related need for the Transfer Capability methodology and submits a request for that methodology within 30 calendar days of receiving that written request.

VRF for FAC-013-2, Requirement R2: Lower

- FERC's Guideline 2 — This requirement only utilizes sub-requirements to identify the individuals who should receive the methodology documentation. The VRF for this requirement is consistent with others in the standard with regard to relative risk.
- FERC's Guideline 3 — As this requirement only addresses who should receive the documented methodology used to assess Transfer Capability it is appropriate that this requirement have a VRF of Lower.
- FERC's Guideline 4 — The requirement is strictly administrative in nature and is in the planning timeframe, beyond 13 months. If violated, it is not anticipated that under emergency, abnormal or restorative conditions violation of this requirement would affect the electrical state or capability of the BES.
- FERC's Guideline 5 — This requirement does not co-mingle reliability objectives.

Requirement R3 - If a recipient of the Transfer Capability methodology provides documented concerns with the methodology, the Planning Coordinator shall provide a documented response to that recipient within 45 calendar days of receipt of those comments. The response shall indicate whether a change will be made to the Transfer Capability methodology and, if no change will be made to that Transfer Capability Methodology, the reason why.

VRF for FAC-013-2, Requirement R3: Lower

- FERC's Guideline 2 — This requirement does not utilize sub-requirements. The VRF for this requirement is consistent with others in the standard with regard to relative risk.
- FERC's Guideline 3 — As this requirement only addresses a Planning Coordinator's response to comments received, it is appropriate that this requirement have a VRF of Lower.
- FERC's Guideline 4 — The requirement is strictly administrative in nature and is in the planning timeframe, beyond 13 months. This requirement only addresses responding to comments received on their methodology document. If violated, it is not anticipated that under emergency, abnormal or restorative conditions violation of this requirement would be expected to affect the electrical state or capability of the BES.
- FERC's Guideline 5 — This requirement does not co-mingle reliability objectives.

Requirement R4 - During each calendar year, each Planning Coordinator shall conduct simulations and document an assessment based on those simulations in accordance with its Transfer Capability methodology for at least one year in the Near-Term Transmission Planning Horizon.

VRF for FAC-013-2, Requirement R4: Lower

- FERC's Guideline 2 — This requirement does not utilize sub-requirements. The VRF for this requirement is consistent with others in the standard with regard to relative risk.
- FERC's Guideline 3 — The VRF for this requirement is addressing assessment of Transfer Capability in the planning horizon, beyond 13 months. It is appropriate that this requirement have a VRF of Lower.
- FERC's Guideline 4 — This requirement is strictly administrative in nature and is in the planning timeframe, beyond 13 months. This requirement only addresses assessment of Transfer Capability within the planning horizon and if violated, it is not anticipated that under emergency, abnormal or restorative conditions violation of this requirement would affect the electrical state or capability of the BES.
- FERC's Guideline 5 — This requirement does not co-mingle reliability objectives.

Requirement R5 - Each Planning Coordinator shall make the documented Transfer Capability assessment results available within 45 calendar days of the completion of the assessment to the recipients of its Transfer Capability Methodology pursuant to Requirement R2, Parts 2.1 and Part 2.2. However, if a functional entity that has a reliability related need for the results of the annual assessment of the Transfer Capabilities makes a written request for such an assessment after the completion of the assessment, the Planning Coordinator shall make the documented Transfer Capability assessment results available to that entity within 45 calendar days of receipt of the request.

VRF for FAC-013-2, Requirement R5: Lower

- FERC's Guideline 2 — This requirement does not utilize sub-requirements. The VRF for this requirement is consistent with others in the standard with regard to relative risk.
- FERC's Guideline 3 — The VRF for this requirement only addresses when and who should receive the assessment of Transfer Capability. It is appropriate that this requirement have a VRF of Lower.
- FERC's Guideline 4 — This requirement is strictly administrative in nature and is in the planning timeframe, beyond 13 months. This requirement only addresses when and who should received its assessment of Transfer Capability. If violated, it is not anticipated that under emergency, abnormal or

restorative conditions violation of this requirement would affect the electrical state or capability of the BES.

- § FERC's Guideline 5 — This requirement does not co-mingle reliability objectives.

Requirement R6 - If a recipient of the documented Transfer Capability assessment requests data to support the assessment results, the Planning Coordinator shall provide such data to that entity within 45 calendar days of receipt of the request. The provision of such data shall be subject to the legal and regulatory obligations of the Planning Coordinator's area regarding the disclosure of confidential and/or sensitive information.

VRF for FAC-013-2, Requirement R6: Lower

- § FERC's Guideline 2 — This requirement does not utilize sub-requirements. The VRF for this requirement is consistent with others in the standard with regard to relative risk.
- § FERC's Guideline 3 — The VRF for this requirement only addresses a Planning Coordinator providing data to support its assessment of Transfer Capability. It is appropriate that this requirement have a VRF of Lower.
- § FERC's Guideline 4 — This requirement is strictly administrative in nature and is in the planning timeframe, beyond 13 months. This requirement only addresses a Planning Coordinator providing data to support its assessment of Transfer Capability. If violated, it is not anticipated that under emergency, abnormal or restorative conditions violation of this requirement would affect the electrical state or capability of the BES.
- § FERC's Guideline 5 — This requirement does not co-mingle reliability objectives.

Violation Severity Levels

The VSLs are presented below, followed by an analysis of whether the VSLs meet the

FERC Guidelines for assessing VSLs:

Guideline 1: Violation Severity Level Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance

Compare the VSLs to any prior Levels of Non-compliance and avoid significant changes that may encourage a lower level of compliance than was required when Levels of Non-compliance were used.

Guideline 2: Violation Severity Level Assignments Should Ensure Uniformity and Consistency in the Determination of Penalties

A violation of a "binary" type requirement must be a "Severe" VSL.

Do not use ambiguous terms such as “minor” and “significant” to describe noncompliant performance.

Guideline 3: Violation Severity Level Assignment Should Be Consistent with the Corresponding Requirement

VSLs should not expand on what is required in the requirement.

Guideline 4: Violation Severity Level Assignment Should Be Based on A Single Violation, Not on A Cumulative Number of Violations

. . . unless otherwise stated in the requirement, each instance of non-compliance with a requirement is a separate violation. Section 4 of the Sanction Guidelines states that assessing penalties on a per violation per day basis is the “default” for penalty calculations.

Requirement R1

Proposed Lower VSL	The Planning Coordinator has a Transfer Capability methodology but failed to address one or two of the items listed in Requirement R1, Part 1.4.
Proposed Moderate VSL	The Planning Coordinator has a Transfer Capability methodology, but failed to incorporate one of the following Parts of Requirement R1 into that methodology: • Part 1.1 • Part 1.2 • Part 1.3 • Part 1.5 OR The Planning Coordinator has a Transfer Capability methodology but failed to address three of the items listed in Requirement R1, Part 1.4.
Proposed High VSL	The Planning Coordinator has a Transfer Capability methodology, but failed to incorporate one of the following Parts of Requirement R1 into that methodology: • Part 1.1 • Part 1.2 • Part 1.3 • Part 1.5 OR The Planning Coordinator has a Transfer Capability methodology but failed to address four of the items listed in Requirement R1, Part 1.4.
Proposed Severe VSL	The Planning Coordinator did not have a Transfer Capability methodology. OR The Planning Coordinator has a Transfer Capability methodology, but failed to incorporate one of the following Parts of Requirement R1 into that methodology: • Part 1.1 • Part 1.2 • Part 1.3 • Part 1.5

	OR The Planning Coordinator has a Transfer Capability methodology but failed to address more than four of the items listed in Requirement R1, Part 1.4.
FERC VSL G1 Discussion	No longer applicable given significant changes in standard structure.
FERC VSL G2 Discussion	The VSL is not written as a pass/fail VSL and does not include ambiguous terms.
FERC VSL G3 Discussion	The VSL aligns with the language of the requirement, and does not add to nor take away from it.
FERC VSL G4 Discussion	The VSL is based on a single violation of the requirement.

Requirement R2

Proposed Lower VSL	The Planning Coordinator notified one or more of the parties specified in Requirement R2 of a new or revised Transfer Capability methodology after its implementation, but not more than 30 calendar days after its implementation. OR The Planning Coordinator provided the Transfer Capability methodology more than 30 calendar days but not more than 60 calendar days after the receipt of a request.
Proposed Moderate VSL	The Planning Coordinator notified one or more of the parties specified in Requirement R2 of a new or revised Transfer Capability methodology more than 30 calendar days after its implementation, but not more than 60 calendar days after its implementation. OR The Planning Coordinator provided the Transfer Capability methodology more than 60 calendar days but not more than 90 calendar days after receipt of a request
Proposed High VSL	The Planning Coordinator notified one or more of the parties specified in Requirement R2 of a new or revised Transfer Capability methodology more than 60 calendar days, but not more than 90 calendar days after its implementation. OR The Planning Coordinator provided the Transfer Capability methodology more than 90 calendar days but not more than 120 calendar days after receipt of a request.
Proposed Severe VSL	The Planning Coordinator failed to notify one or more of the parties specified in Requirement R2 of a new or revised Transfer Capability methodology more than 90 calendar days after its implementation. OR The Planning Coordinator provided the Transfer Capability methodology more than 120 calendar days after receipt of a request.

FERC VSL G1 Discussion	No longer applicable given significant changes in standard structure.
FERC VSL G2 Discussion	The VSL is not written as a pass/fail and does not contain any ambiguous terms..
FERC VSL G3 Discussion	The VSL aligns with the language of the requirement, and does not add to nor take away from it.
FERC VSL G4 Discussion	The VSL is based on a single violation of the requirement.

Requirement R3

Proposed Lower VSL	The Planning Coordinator provided a documented response to a documented concern with its Transfer Capability methodology as required in Requirement R3 more than 45 calendar days, but not more than 60 calendar days after receipt of the concern
Proposed Moderate VSL	The Planning Coordinator provided a documented response to a documented concern with its Transfer Capability methodology as required in Requirement R3 more than 60 calendar days, but not more than 75 calendar days after receipt of the concern.
Proposed High VSL	The Planning Coordinator provided a documented response to a documented concern with its Transfer Capability methodology as required in Requirement R3 more than 75 calendar days, but not more than 90 calendar days after receipt of the concern.
Proposed Severe VSL	The Planning Coordinator failed to provide a documented response to a documented concern with its Transfer Capability methodology as required in Requirement R3 by more than 90 calendar days after receipt of the concern. OR The Planning Coordinator failed to respond to a documented concern with its Transfer Capability methodology.
FERC VSL G1 Discussion	No longer applicable given significant changes in standard structure.
FERC VSL G2 Discussion	The VSL is not written as a pass/fail VSL, and it is written in clear and unambiguous language.
FERC VSL G3 Discussion	The VSL aligns with the language of the requirement, and does not add to nor take away from it.
FERC VSL G4 Discussion	The VSL is based on a single violation of the requirement.

Requirement R4

Proposed Lower VSL	The Planning Coordinator conducted a Transfer Capability assessment outside the calendar year, but not by more than 30 calendar days.
Proposed Moderate VSL	The Planning Coordinator conducted a Transfer Capability assessment outside the calendar year, by more than 30 calendar days, but not by more than 60 calendar days.
Proposed High VSL	The Planning Coordinator conducted a Transfer Capability assessment outside the calendar year, by more than 60 calendar days, but not by more

	than 90 calendar days.
Proposed Severe VSL	The Planning Coordinator failed to conduct a Transfer Capability assessment outside the calendar year by more than 90 calendar days. OR The Planning Coordinator failed to conduct a Transfer Capability assessment.
FERC VSL G1 Discussion	No longer applicable given significant changes in standard structure.
FERC VSL G2 Discussion	The VSL is not written as a pass/fail VSL, and it is written in clear and unambiguous language.
FERC VSL G3 Discussion	The VSL aligns with the language of the requirement, and does not add to nor take away from it.
FERC VSL G4 Discussion	The VSL is based on a single violation of the requirement.

Requirement R5

Proposed Lower VSL	The Planning Coordinator made its documented Transfer Capability assessment available to one or more of the recipients of its Transfer Capability methodology more than 45 calendar days after the requirements of R5,, but not more than 60 calendar days after completion of the assessment.
Proposed Moderate VSL	The Planning Coordinator made its Transfer Capability assessment available to one or more of the recipients of its Transfer Capability methodology more than 60 calendar days after the requirements of R5, but not more than 75 calendar days after completion of the assessment.
Proposed High VSL	The Planning Coordinator made its Transfer Capability assessment available to one or more of the recipients of its Transfer Capability methodology more than 75 calendar days after the requirements of R5, but not more than 90 days after completion of the assessment.
Proposed Severe VSL	The Planning Coordinator failed to make its documented Transfer Capability assessment available to one or more of the recipients of its Transfer Capability methodology more than 90 days after the requirements of R5. OR The Planning Coordinator failed to make its documented Transfer Capability assessment available to any of the recipients of its Transfer Capability methodology under the requirements of R5.
FERC VSL G1 Discussion	No longer applicable given significant changes in standard structure.
FERC VSL G2 Discussion	The VSL is not written as a pass/fail and is written in clear and unambiguous language.
FERC VSL G3 Discussion	The VSL aligns with the language of the requirement, and does not add to nor take away from it.
FERC VSL G4 Discussion	The VSL is based on a single violation of the requirement.

Requirement R6

Proposed Lower VSL	The Planning Coordinator provided the requested data as required in Requirement R6 more than 45 calendar days after receipt of the request for data, but not more than 60 calendar days after the receipt of the request for data.
Proposed Moderate VSL	The Planning Coordinator provided the requested data as required in Requirement R6 more than 60 calendar days after receipt of the request for data, but not more than 75 calendar days after the receipt of the request for data
Proposed High VSL	The Planning Coordinator provided the requested data as required in Requirement R6 more than 75 calendar days after receipt of the request for data, but not more than 90 calendar days after the receipt of the request for data.
Proposed Severe VSL	The Planning Coordinator provided the requested data as required in Requirement R6 more than 90 after the receipt of the request for data. OR The Planning Coordinator failed to provide the requested data as required in Requirement R6.
FERC VSL G1 Discussion	No longer applicable given significant changes in standard structure.
FERC VSL G2 Discussion	The VSL is not written as a pass/fail and is written in clear and unambiguous language.
FERC VSL G3 Discussion	The VSL aligns with the language of the requirement, and does not add to nor take away from it.
FERC VSL G4 Discussion	The VSL is based on a single violation of the requirement.

V. SUMMARY OF THE RELIABILITY STANDARD DEVELOPMENT PROCEEDINGS

a. Development History

The Standards Authorization Request (SAR) for proposed Reliability Standard FAC-013-2 was posted for a single 45-day comment period from March 15, 2010 through April 29, 2010. Based on industry stakeholder comments received, no modifications to the SAR were necessary and NERC Project 2010-10 — FAC Order 729 was initiated.

The standard drafting team posted the draft FAC-013-2 Reliability Standard for three public comment periods. The initial draft of the standard was posted for a 45-day comment period from March 15, 2010 through April 29, 2010. There were 15 sets of comments, including

comments from 60 individuals representing 30 different entities from all eight NERC Regions and eight of the ten Industry Segments. The majority of stakeholders had concerns in three areas; 1) the purpose statement was unclear; 2) the effective date did not allow sufficient time to comply; and 3) the standard did not include data and modeling details.

The team responded to the first concern by modifying the Purpose statement to clarify that the requirements aimed at preparation, not real time use of a methodology for calculating Planning Transfer Capabilities. The team also modified the effective date from six months to twelve months to allow Planning Coordinators sufficient time to comply with the standard in response to the second concern (*i.e.*, that the effective date did not allow sufficient time to comply). The team agreed with industry stakeholders regarding the third concern—that the standard did not include data and modeling details–and modified the standard to include data and modeling details.

The second draft of the standard was posted for a 45-day public comment period from September 20, 2010 through November 3, 2010. There were 33 sets of comments received, including comments from more than 98 different individuals from more than 75 companies representing ten of the ten Industry Segments. Based on stakeholder comments, the drafting team removed the two proposed definitions identified in the second posting—"Planning Transfer Capability" and "Planning Transfer Capability Methodology Document." The drafting team further modified the purpose statement to clarify that the that Planning Coordinators need to develop a methodology for, and perform an annual assessment of, Transfer Capabilities in the Near-Term Transmission Planning Horizon that are needed for reliable planning. In addition, the drafting team added a requirement to obligate Planning Coordinators, upon request, to provide data to support the assessment results.

The third draft of the standard was posted for a 30-day public comment period from December 10, 2010 through January 8, 2011. There were 28 sets of comments received, including comments from more than 80 different individuals from approximately 45 companies representing eight of the ten Industry Segments. Based on a significant number of negative ballots and comments requesting greater clarity from stakeholders, the team added the proposed definition of "Year One," which was previously being developed by the standard drafting team for Project 2006-02 – Assess Transmission and Future Needs. The term "Year One" is embedded in the proposed definition of "Near-Term Transmission Planning Horizon." All other modifications to the proposed FAC-013-2 Reliability Standard were made to improve clarity of the standard but did not change the scope, intent, or applicability of any of the requirements.

The team finalized the proposed FAC-013-2 Reliability Standard, and presented the standard for Standards Committee approval for balloting. NERC began an initial ballot of the draft FAC-013-2 Reliability Standard on October 20, 2010. Although the first ballot of the standard did not achieve the requisite two-thirds weighted segment vote needed for approval, the proposed FAC-013-2 standard was modified in response to comments received during the initial ballot and a second initial ballot was initiated on December 30, 2010. The second initial ballot closed on January 8, 2011. In that ballot, the draft standard achieved a quorum of 83.23% and a weighted-segment approval of 58.16%, failing to achieve the requisite two-thirds weighted-segment vote needed for approval. Comments from stakeholders indicated concerns over the need for the standard, citing it was duplicative of other standards. Other comments requested additional clarification regarding the intent of the requirements. Many comments made beneficial recommendations that the drafting team adopted and incorporated into the standard.

Following the successive ballot that ended on January 8, 2011, the drafting team made conforming changes to the draft standard in support of stakeholder comments. The changes clarified the language in the proposed standard, but they did not modify the scope, intent, or applicability of any of the requirements. Therefore the modifications were not considered "significant," and a 10-day re-circulation ballot was initiated on January 14, 2011. On January 23, 2011, the ballot resulted in an affirmative vote, achieving a quorum of 86.65% and a weighted segment approval of 68.98%. On January 24, 2011, the NERC Board of Trustees unanimously approved the proposed FAC-013-02 Reliability Standard.

Respectfully submitted,

Gerald W. Cauley
President and Chief Executive Officer
David N. Cook
Senior Vice President and General Counsel
North American Electric Reliability Corporation
116-390 Village Boulevard
Princeton, NJ 08540-5721
(609) 452-8060
(609) 452-9550 – facsimile
david.cook@nerc.net

/s/ Holly A. Hawkins
Holly A. Hawkins
Assistant General Counsel for Standards and Critical Infrastructure Protection
North American Electric Reliability Corporation
1120 G Street, N.W.
Suite 990
Washington, D.C. 20005-3801
(202) 393-3998
(202) 393-3955 – facsimile
holly.hawkins@nerc.net

EXHIBITS A – D
(Available on the NERC Website at
http://www.nerc.com/fileUploads/File/Filings/Attachments_FAC-013_CompFiling.pdf)