

## Compliance Operations

### Draft Reliability Standard Compliance Guidance for MOD-001-2

October 21, 2013

#### Introduction

The NERC Compliance department (Compliance) worked with the MOD A standard drafting team (SDT) to review the proposed standard MOD-001-2. The purpose of the review was to discuss the requirements of the proposed standard to obtain an understanding of its intended purpose and the evidence necessary to support compliance. The purpose of this document is to address specific questions posed by the MOD A SDT in order to aid in the drafting of the requirements and provide a level of understanding regarding evidentiary support necessary to demonstrate compliance.

While all compliance evaluations require levels of auditor judgment, participating in these reviews allows Compliance to develop training and approaches to support a high level of consistency in audits conducted by the Regional Entities. The following questions and answers are intended to assist the SDT in further refining the standard and to serve as a resource in the development of training for auditors.

#### MOD-001-2 Questions

##### Question 1

In Requirements R1, R2, R3, and R4, what is meant by “current” practices and methodologies in determining various values and what will an auditor need to see to meet the compliance aspects of the requirements?

##### *Compliance Response to Question 1*

With regards to “current” practices, the auditor will focus on the last determined value for each requirement and the method the entity used to determine that value. The auditor may also ask for a forward looking demonstration of the value to determine that the registered entity follows its methodology to determine the given value.

##### Question 2

How will an auditor verify whether a Transmission Operator determines TFC or TTC values (R1) or that a Transmission Service Provider determines AFC or ATC values (R2)?

##### *Compliance Response to Question 2*

Although a registered entity may meet the registration criteria to be registered as a Transmission Operator, there are instances where that Transmission Operator does not determine TFC or TTC values. Similarly, a registered entity may meet the registration criteria to be registered as a Transmission Service Provider, there are instances where that Transmission Service Provider does not determine AFC or ATC. In these instances, as the registered entity does not determine these values, it would therefore not be unable to fulfill the requirements.

An auditor will first come to an understanding of how the entity operates and whether they determine TFC or TTC. In the event that it is clear to the auditor that the entity does not determine TFC or TTC, this will be sufficient evidence for the auditor that the appropriate requirements are not applicable to that entity. In the event that it is less clear, the auditor will look to see whether the entity operates facilities that are used by a Transmission Service

Provider for transmission service or a monitored path or Flowgate elements to establish whether the requirement is applicable. If questions remain after this verification, the auditor could look to neighboring entities for confirmation.

### **Question 3**

Originally, the MOD A ad hoc group included clauses within Requirements R3 and R4 for those registered entities that do not determine CBM or TRM to state that within its CBMID or TRMID. In consideration of comments, the SDT removed that language as it met the Paragraph 81 criteria of an administrative burden. Therefore, how will an auditor verify that those registered entities do not determine CBM or TRM?

### ***Compliance Response to Question 3***

An auditor will be looking for an attestation that the registered entity does not determine CBM (R3) or TRM (R4) and may further look into the registered entity's ATC equations for previous determined values to see that CBM or TRM values are not determined.

This approach to compliance assessment is supported in FERC Order 729 at P 298, FERC stated, "though MOD-004-1 [CBM] is not as explicit with regard to its applicability, we believe that its applicability is implicitly reserved to those entities that maintain capacity benefit margin. Thus, it does not appear that Entergy, or any other entity, would be in violation of MOD-004-1 [CBM] or MOD-008-1 [TRM] if it does not maintain transmission reliability margin or capacity benefit margin."

### **Conclusion**

Following final approval of the Reliability Standard, Compliance will develop the final Reliability Standards Auditor Worksheet (RSAW) and associated training. Attachment A represents the version of the proposed standard requirements referenced in this document.