

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Standards For Business Practices ) Docket No. RM05-5-000  
And Communications Protocols )  
For Public Utilities )**

**COMMENTS OF  
THE ISO/RTO COUNCIL  
IN RESPONSE TO NOTICE OF PROPOSED RULEMAKING**

Pursuant to the Notice of Proposed Rulemaking (“NOPR”) published in the Federal Register on May 17, 2005, the ISO/RTO Council (“IRC”)<sup>1</sup> respectfully submits the following comments regarding the Federal Energy Regulatory Commission’s (“Commission”) proposal to include in its regulations by reference certain Standards for Business Practices and Communication Protocols for Public Utilities. These standards would be those promulgated by the North American Energy Standards Board’s (“NAESB”) Wholesale Electric Quadrant (“WEQ”).

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<sup>1</sup> The nine functioning Independent System Operators (“ISOs”) and Regional Transmission Organization (“RTOs”) in North America formed the IRC in April 2003. The IRC’s mission is to work collaboratively to develop effective processes, tools and standard methods for improving competitive electricity markets across North America. In fulfilling this mission, it is the IRC’s goal to provide a perspective that balances reliability standards with market practices so that each complements the other. The IRC is comprised of the Alberta Electric System Operator (“AESO”), California Independent System Operator Corporation (“CAISO”), the Independent Electricity System Operator of Ontario (“IESO”), ISO New England, Inc. (“ISO-NE”), Midwest Independent Transmission System Operator, Inc. (Midwest ISO), New York Independent System Operator, Inc. (“NYISO”), and PJM Interconnection, LLC (“PJM”), the Electric Reliability Council of Texas (“ERCOT”) and the Southwest Power Pool (“SPP”).

The members of the IRC may submit individual comments as well.

ERCOT has elected not to participate in these comments.

The Alberta AESO and the Ontario IESO are not subject to FERC’s jurisdiction. While the AESO and IESO concur with these Joint Comments of the ISO/RTO Council, this concurrence should not be construed as agreement or acknowledgement that their organizations are subject to this Commission’s jurisdiction.

## I. Summary

IRC members participate fully in the standards setting activities of the North American Electric Reliability Council (“NERC”) and NAESB in accordance with the three-way Memorandum of Understanding (“MOU”) of May 15, 2003,<sup>2</sup> and will continue to support established processes including the Joint Interface Committee (“JIC”) to make the best organizational assignments for requested standards.

The IRC acknowledges and appreciates that NAESB considered and incorporated several comments submitted by IRC members during the standard development process. However, there are several outstanding issues that NAESB did not or could not address, and we note these issues in this filing. We specifically request the Commission to address the IRC’s concerns as follows:

- (1) Existing waivers from pre-existing OASIS Standards should continue to be recognized, and exempted entities should not need to re-apply;
- (2) Entities exempted from certain OASIS requirements should not need to apply for waivers from new proposed changes to those OASIS requirements that are inapplicable to financially-based transmission service;
- (3) Standards that are based on NERC reliability procedures (Version 0) that impact reliable operations should not be adopted at this time and should be transferred from NAESB to NERC; specifically: ACE Control Area Equation Special Cases, Manual Time Error Correction, and Inadvertent Interchange Payback;

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<sup>2</sup> The MOU may be found at [http://www.naesb.org/pdf/mou\\_approved042403.pdf](http://www.naesb.org/pdf/mou_approved042403.pdf).

(4) Standards that are based on NERC reliability procedures (Version 0) should not conflict with existing regional practices and should be corrected prior to adoption by the Commission; specifically this applies to Coordinate Interchange; and

(5) Requiring compliance with Business Practice Standards by Canadian entities, which are non-jurisdictional, through the imposition of reciprocity conditions, is not appropriate. At a minimum the Commission should defer consideration of this condition at this time, pending further review.

Regarding points 1 and 2 above, the IRC respectfully requests that the Commission grant certain relief from the proposed OASIS standards as they may adversely affect ISOs and RTOs that administer tariffs with financially based transmission service. Because the Commission has previously recognized that ISOs/RTOs with financially based transmission service need not retain certain OASIS requirements, and because in some instances, ISOs/RTOs no longer provide transmission service covered by *pro forma* OASIS standards, strict application of the NAESB proposal might confuse and frustrate the administration of transmission service in ISO/RTO regions.

Regarding point 3 above, the IRC respectfully requests that the Commission not adopt certain of the NAESB proposals that implement those standards that originate from NERC Operating Policies, as these proposals fail to implement appropriately the NERC Operating Policies. Moreover, NERC's technical subcommittees have reviewed the proposed standards and have identified 1) the ACE Control Area Equation Special Cases, 2) Manual Time Error

Correction, and 3) Inadvertent Interchange Payback as directly affecting generation balancing and frequency. Therefore the IRC proposes that such proposals are more appropriately adopted only after full consideration through the NERC processes.<sup>3</sup>

## **II. Background**

Through its participation on the JIC as a party to a three-way Memorandum of Understanding signed by leadership of NERC, NAESB, and the IRC, representatives on the JIC in July of 2004 endorsed the initial allocation of standards “separation” of the original NERC Operations Manual and Planning Standards between NERC and NAESB for development as mandatory and enforceable Reliability Standards and Business Standards, respectively. The IRC’s representatives realized at the time that allocation to NAESB of the development of several of the pre-existing NERC requirements into Business Standards were not readily transformable into stand-alone Business Standards due to the inextricable dependencies between reliability needs and business impacts. Nonetheless, in the spirit of promoting mandatory and enforceable standards for the assurance of grid reliability, the IRC representatives on the JIC agreed to that initial allocation to NAESB.

IRC representatives participated in the NAESB Wholesale Electric Quadrant’s Business Practices Subcommittee (BPS) meetings and closely

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<sup>3</sup> The IRC supports the comments submitted by NERC on June 24, 2005 requesting the transfer of these three standards from NAESB to NERC. IRC members are committed to participate in the review and approval of these standards under the NERC procedures. In addition, the IRC requests that the Coordinate Interchange standard should be modified, as noted in the Specific Comments section of this filing, to avoid any conflict with existing regional practices.

monitored and reviewed the proposed NAESB Business Standards for adoption throughout the NAESB standards development process. IRC representatives also participated in NERC meetings and closely monitored and reviewed the NERC “Version 0” Reliability Standards which complement these proposed business standards.

Throughout the three postings for public comments by the BPS, the IRC representatives submitted written comments to point out concerns regarding requirements that were significantly reliability-based as well as concerns regarding standardization of pre-existing NERC requirements – some of which are not applicable on a North American wide basis. In this present filing, the IRC reiterates the concerns previously filed by the IRC’s representatives during the NAESB standards development process that have yet to be satisfactorily addressed. The IRC’s representatives will continue to work with both the NERC and NAESB organizations within the boundaries of the Memorandum of Understanding to ensure that our concerns are more adequately addressed in future standards development actions prior to them being ratified.

### **III. Specific Comments**

#### **A. ISO/RTO Council Concerns on Proposed OASIS Standards**

The IRC asks the Commission for relief on the OASIS Standards requirements for those ISOs and RTOs with FERC exemptions from OASIS requirements. FERC has waived certain OASIS requirements for RTOs and ISOs operating markets that include financially based transmission rights,

because such requirements are not applicable in such markets.<sup>4</sup> Moreover, certain of the proposed NAESB standards, while based on existing business practices, are simply inapplicable in certain regions of the country where physical-based transmission service is no longer offered.

The Commission's NOPR explains that it is proposing to incorporate NAESB's OASIS standards by reference, because it will create:

- (1) a body of business practices standards and communication protocol standards that the industry can use as a foundation for addressing emerging business issues;
- (2) business practices and communication protocols modifying the Commission's standards to accommodate new market operations;
- and (3) business practices standards and communication protocols to assist the wholesale electric industry in complying with the Commission's OASIS posting requirements under Order No. 2003....<sup>5</sup>

While these objectives are laudable, the Commission's pursuit of them should not result in the Commission either: (a) failing to recognize its prior orders granting ISOs/RTOs waivers from certain OASIS standards/business practices that the NAESB proposal simply formalizes or modifies; or (b) failing to recognize that certain of the NAESB proposals are simply inconsistent and not applicable in those regions of the country where ISOs/RTOs administer financially-based transmission service tariffs.

The Commission should recognize its prior decisions with regard to such ISO/RTO regions, and with regard to financially-based transmission service tariffs specifically, and therefore, refrain from applying the full scope of the

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<sup>4</sup> See, for example, New York Independent System Operator, Inc., Order Granting Limited Waiver of Certain OASIS Phase IA Requirements on Interim Basis, EL01-24-000 (Feb. 26, 2001).

<sup>5</sup> NOPR at 20.

NAESB proposal to ISO/RTO regions.<sup>6</sup> If the Commission does not exempt ISO/RTO regions in its issuance of the Final Rule, it should, *at a minimum*, explicitly recognize – as it has done in other rulemakings that have sought to standardize transmissions service practices – that ISOs/RTOs *may seek regional variations from those standard rules*. For example, in Order 2003 (Standardizing Generation Interconnection Agreement and Procedures) and its progeny, the Commission has consistently acknowledged the unique status of ISOs/RTOs, and why that status provides for an opportunity for those regions of the country to deviate from nationwide interconnection standards. While the Commission recognized the value of standard interconnection procedures, the Commission also recognized that “at the time [an RTO/ISO’s] compliance filing is made..., [the Commission] will allow [the RTO/ISO] to seek ‘independent entity variations’ from the Final Rule pricing and non-pricing provisions.”<sup>7</sup> The Commission went on to say,

[t]his is a balanced approach that recognizes that an RTO or ISO has *different operating characteristics depending on its size and location* and is *less likely to act in an unduly discriminatory manner* than a Transmission Provider that is a market participant. The RTO or ISO shall therefore have greater flexibility to customize its interconnection procedures and agreements to fit regional needs.<sup>8</sup>

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<sup>6</sup> For example, were the Commission to depart from its existing policy with regard to waiving OASIS practices in certain ISO/RTO regions and/or apply certain elements of the NAESB proposals to ISO/RTO regions that are otherwise inapplicable due to the nature of financially-based transmission rights in those ISO/RTO regions, the Commission must provide a reasonable analysis for the changes and support those changes with substantial evidence. See, e.g., *Michigan Public Power Agency v. FERC*, 405 F.3d 8, 12 (2005) (quoting *Greater Boston Television Corp. FCC*, 444 F.2d 841, 852 (D.C. Cir. 1970)); see also *Michigan Public Power Agency*, 405 F.3d at 16. To the extent NAESB has not provided this rationale, the Commission must do so.

<sup>7</sup> Order 2003 at 827; see also Order 2006 at 549 (“With respect to an RTO or ISO, at the time its compliance filing is made, as explained in Order No. 2003, the Commission will allow it to seek ‘independent entity variations’ from the Final Rule pricing and non-pricing provisions.”).

<sup>8</sup> Order 2003 at 827.

The IRC respectfully submits that the Commission should strike a similar balance when considering standardizing OASIS requirements. While the Commission has appropriately recognized the value of the NAESB process, the NAESB process cannot duplicate the Commission's expertise in considering the impacts on markets – particularly in those regions of the country where ISOs/RTOs employ financially-based transmission rights. Moreover, the NAESB supporting documents confirm that NAESB explicitly *did not address the issue of applying its standards in those regions of the country with a financially-based system of transmission rights.*

As a result, the IRC asks the Commission to clarify whether ISO/RTOs need to re-apply for previously-granted waivers, and that certain provisions of the NAESB standards will not be required in regions of the country with financially-based transmission service rights. For example, the Transmission Reservation Redirects are simply inapplicable in those systems, generally those of Commission-approved RTO/ISOs, where transmission reservations are not utilized in the normal day to day operations. In this type of system, advanced reservations are not required; hence a redirect of such service does not have any practical value. If the Commission does not continue to recognize the ongoing validity of previously-issued waivers or the manner in which certain of the NAESB proposals are inapplicable in financially-based transmission service rights tariffs, then the IRC respectfully requests that the Commission accept the re-filing of such exemptions under an “independent-entity”-type compliance filing, just as it did in the Order 2003 docket.

### 1. *Other Specific Concerns with NAESB Proposals on OASIS*

Section 4.5 of the OASIS S&CP regarding the INFO.HTM is new and very different than the previous version of the S&CP. It requires that everything that doesn't have a template must be posted under INFO.HTM. Currently the requirements say that certain information has to be posted, but does not require that it be posted in a specific location. Many OASIS sites currently post this information on their main page (and may not even have an INFO.HTM page). The Commission should consider including language that allows for the information defined in Section 4.5 to be posted on either the OASIS Main/Home page (as customers are accustomed with that posting) or INFO.HTM - rather than prescribing they all must be on INFO.HTM.

While it is beneficial to have a uniform practice where all compliance documents will be placed, "INFO.HTM" is not the solution. Upon viewing various OASIS sites, very few are using an INFO.HTM page, so enforcing this requirement will be a completely new practice and actually add confusion rather than simplify the finding of such information. Currently, companies have been meeting compliance by posting important data on the OASIS front page. Forcing the use of INFO.HTM may just create duplicate links to the same information; which would only increase confusion.

### **B. ISO/RTO Concerns on Certain Proposed Reliability Based Standards – “Version 0”**

The IRC continues to have concerns over the adoption of the following proposed standards as mandatory, North American-wide NAESB business

standards. We ask the Commission to ensure comments from the IRC members, and from any other party, have been fully resolved prior to accepting these NAESB Business Standards as proposed. We believe that without full address of the outstanding concerns noted here, electric grid reliability will be compromised and certain of our members will not be able to fully comply with these business standards if adopted. The IRC supports the NERC request to transfer the following standards from NAESB to NERC: (1) ACE Control Area Equation Special Cases; (2) Manual time Error Correction; and (3) Inadvertent Interchange Payback. In addition the IRC offers the following comments:

1. ACE Control Area Equation Special Cases - The subject of generation control, which the NERC ACE expression addresses, is inherently linked to generator response to control signals actual interchange flow, and grid reliability. It is important that all requirements that impact the ACE expression are managed by a single entity, namely the Regional Reliability Council, in order to ensure that 1) ACE is not compromised; 2) all special cases are addressed appropriately with sufficient accommodation for regional differences, and above all, 3) reliability is maintained. Additionally, the way that entities represent these special cases impact other reliability tools (e.g. IDC) that are used by reliability coordinators and transmission operators.
2. Manual Time Error Correction - Time Error correction requires careful application of correction periods and the use of frequency control (offset). Frequency control is a primary reliability responsibility; it is not a business

practice. When an interconnection is performing a correction for fast time, it is operating closer to under-frequency load shedding trip levels. The timing and oversight in performing corrections should remain with NERC, while NAESB could be given the responsibility for determining off-peak days and on/off peak periods. It is of particular concern to the IRC that one Regional Reliability Council, the Western Electricity Coordinating Council's (WECC), employs a variant of a term in the ACE expression, which incorporates automatic time error correction, and that variant is not reflected in the NAESB proposed standard, *even though it is an accepted regional operation practice*. NAESB's proposal does not explain its rejection of an established reliability practice.

3. Coordinate Interchange – Certain requirements in this standard should be corrected, prior to adoption by the Commission, or removed in their entirety. More specifically, the requirements in Appendix A are regional in nature and apply only between transactions across the ERCOT and SPP borders. In addition, the proposed requirements for coordination of ATC across the DC tie between SPP and ERCOT do not reflect the current practices as provided for in filed SPP tariffs and procedures. Although the NAESB BPS was assigned to “translate” any and all existing NERC requirements for Coordinate Interchange business requirements, we believe it is inappropriate for NAESB to include these regional ATC procedures in a North American standard for Coordinate Interchange. Many of the pre-existing NERC requirements from which the Coordinate

Interchange Business Standard originates were written to encompass all facets of coordinate interchange. While these originally may have included descriptions of regional practices such as between SPP and ERCOT, the IRC believes that these requirements are inconsistent with a North American wide standard for Coordinate Interchange.

#### **IV. Additional Considerations for the Commission**

##### **A. Non-FERC Jurisdictional Areas Compliance to Business**

###### **Practice Standards**

The NOPR, at 37, states "[t]his part applies to any public utility that owns, operates, or controls facilities used for the transmission of electric energy in interstate commerce and to any non-public utility that seeks voluntary compliance with jurisdictional transmission tariff reciprocity conditions." Requiring compliance with Business Practice Standards by Canadian entities, which are non-jurisdictional, through the imposition of reciprocity conditions, is not appropriate. The open access considerations underlying Order 888 should not be assumed to apply to the present Business Practice Standards. At a minimum the Commission should defer consideration of this condition at this time, pending further review.

##### **B. NERC Definitions**

NAESB Standards that employ terms that are similar to NERC terms should not duplicate the NERC term; rather, they should incorporate them by reference. It is difficult to track similar terms in two organizations to maintain consistency. Operators should not have to understand two or more terms for the

same item in order to follow standards properly. In general, reliability definitions are initiated and controlled by NERC, and therefore, there could be considerable lag involved in getting those definitions updated in the corresponding NAESB standards. The IRC would recommend that the NAESB standards merely reference the current version of the NERC standards from which the definitions are taken, rather than replicate the definitions in the NAESB standard.

## **V. Conclusion**

In summary, we ask the Commission for the following:

- 1) Existing waivers from pre-existing OASIS Standards should continue to be recognized and exempted entities should not need to re-apply.
- 2) Entities exempted from certain OASIS requirements should not need to apply for waivers from new proposed changes to those OASIS requirements that are inapplicable to markets having financially-based transmission service.
- 3) Standards that are based on NERC reliability procedures (Version 0) that impact reliable operations should not be adopted at this time and should be transferred from NAESB to NERC.
  - a. ACE Control Area Equation Special Cases
  - b. Manual Time Error Correction
  - c. Inadvertent Interchange Payback
- 4) Standards that are based on NERC reliability procedures (Version 0) should not conflict with existing regional practices and should be corrected prior to adoption by the Commission.

a. Coordinate Interchange

- 5) Requiring compliance with Business Practice Standards by Canadian entities, which are non-jurisdictional, through the imposition of reciprocity conditions, is not appropriate. At a minimum the Commission should defer consideration of this condition at this time, pending further review.

The IRC hopes the Commission will consider our concerns and ensure that standards intended to either facilitate markets or ensure reliability are not in conflict when considering their adoption as North American wide standards.

Respectfully submitted,

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