

FERC Approves Six Mandatory Reliability Standards

November 30, 2009

On November 24, the Federal Energy Regulatory Commission (the Commission) issued Order No. 729 approving six Modeling, Data, and Analysis Reliability Standards submitted for approval by the North American Electric Reliability Corporation (NERC). The standards approved by the Commission, MOD-001, MOD-004, MOD-008, MOD-028, MOD-029, and MOD-030, address the calculation of Available Transfer Capability, Capacity Benefit Margins, Transmission Reliability Margins, Total Transfer Capability, and Existing Transmission Commitments. The Commission's approval of the standards concludes a two-year initiative undertaken by NERC in response to the Commission's directives set forth in February 2007, when the Commission issued Order No. 890.

In Order No. 890, the Commission determined that consistent methodologies for the calculation of Available Transfer Capability did not exist, and that the lack of industrywide consistent methodologies posed a reliability risk to the Bulk-Power System. The Commission directed NERC to develop and submit for approval methodologies that would ensure the consistent and transparent calculation of Available Transfer Capability. The Commission explained that any proposed standards should provide a framework for Available Transfer Capability, Total Transfer Capability, and Existing Transmission Commitments calculations.

In August 2008, NERC submitted five proposed reliability standards to the Commission for approval: MOD-001 – Available Transmission System Capability, MOD-008 – TRM Calculation Methodology, MOD-028 – Area Interchange Methodology, MOD-029 – Rated System Path Methodology, and MOD-030 – Flowgate Methodology. In November 2008, NERC submitted a sixth proposed reliability standard to the Commission for approval: MOD-004 – Capacity Benefit Margin. In March 2009, NERC submitted a revised MOD-030 to replace the MOD-030 submitted in August 2008. The Commission issued a Notice of Proposed Rulemaking in March 2009 proposing to approve the six reliability standards submitted by NERC.

Under the reliability standards' paradigm, MOD-001 serves as an "umbrella" Reliability Standard that requires each entity to select and implement one or more of the three Available Transfer Capability methodologies set forth in MOD-028, MOD-029, and MOD-030. Reliability Standards MOD-004 and MOD-008 provide for the calculation of Capacity Benefit Margin and Transmission Reliability Margin, which are inputs into the Available Transfer Capability calculation. Collectively, the six reliability standards approved by the Commission require transmission service providers and transmission operators to prepare and keep current implementation documents that contain certain information specified in the reliability standards. The Available Transfer Capability implementation documents must

describe the Available Transfer Capability methodology in such detail that the results of their calculations can be validated.

Pursuant to Order No. 729, the reliability standards will become effective on the first day of the first quarter occurring 365 days after approval by all applicable regulatory authorities. In this regard, approval by the Commission will be effective 60 days after the date of publication of Order No. 729 in the Federal Register.

If you have any questions or would like more information on any of the issues discussed in this LawFlash, please contact either of the following Morgan Lewis attorneys:

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