

FERC Denies Rehearing But Grants Clarification and Extension of Time on TPL-002-0 Reliability Standard

June 14, 2010

On March 18, 2010, the Federal Energy Regulatory Commission (FERC or the Commission) issued several orders that portend a significant expansion of FERC control over the development and drafting of mandatory Reliability Standards by the North American Electric Reliability Corporation (NERC). On June 11, FERC denied requests for rehearing of one of these orders, which had directed NERC to propose by June 30, 2010, modifications to Reliability Standard TPL-002-0, to prevent transmission planners from planning to permit the loss of nonconsequential load under single contingency conditions. However, FERC granted an extension of time until March 31, 2011 for the requested modification, and clarified that the modification may permit transmission planners to plan for the loss of firm service at the fringes of their system, so long as these exceptions are technically justified and case-specific.

NERC and others had challenged FERC's March 18 order, arguing that it does not allow NERC to develop alternatives, that it threatens to impose costs that far exceed the benefit to bulk electric system reliability, and that it fails to give "due weight" to the technical expertise of NERC as required by the Federal Power Act. The Commission rejected all of these arguments.

Under Reliability Standard TPL-002-0 Table I, single contingency conditions must not result in cascading outages, loss of demand, or the curtailment of firm transfers. However, the Standard does provide that:

Planned or controlled interruption of electric supply to radial customers or some local Network customers, connected to or supplied by the Faulted element or by the affected area, may occur in certain areas without impacting the overall reliability of the interconnected transmission systems.

In March 2007, in its Order No. 693, FERC had directed NERC to modify this provision to eliminate the allowance of the loss of nonconsequential load under single contingency conditions, but NERC has not yet proposed the necessary modification. FERC's March 18 order directed NERC to do so by June 30, 2010. While the Commission acknowledged that NERC has been working to revise the entire TPL family of Reliability Standards, the Commission stated that clarifying the Reliability Standard to address this concern should not be delayed any further.

In addressing the requests for rehearing of the order establishing the June 30, 2010 compliance deadline, the Commission first rejected the contention that the directive to modify TPL-002-0 was too prescriptive, noting that this objection went beyond the scope of the order at issue, which only

established a compliance deadline for the Commission’s prior determination in Order No. 693.

Next, FERC explained that by setting a compliance deadline, it had not denied NERC the opportunity to apply its technical expertise. According to the Commission, NERC has had three years to respond to the directive in Order No. 693, and the essential aspects of the Order No. 693 directive reflected NERC’s technical opinion on these issues. Furthermore, the Commission explained that NERC could consider the concerns raised by stakeholders regarding the loss of firm service “at the fringes of various systems” in developing its response to the directive. In fact, the Commission clarified that a responsive modification to the Reliability Standard could permit a “regional difference, or a case-specific exception process that can be technically justified, to plan for the loss of firm service ‘at the fringes of various systems’.”

Finally, the Commission rejected NERC’s requests for a stay of the order setting the compliance deadline and for a technical conference. However, the Commission did agree to extend the compliance deadline to March 31, 2011.

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