North American Energy Standards Board
1301 Fannin, Suite 2350, Houston, Texas 77002
Phone: (713) 356-0060, Fax: (713) 356-0067, E-mail: naesb@aol.com
Home Page: www.naesb.org

TO: NAESB WEQ Standards Review Subcommittee (SRS) Participants and Interested Parties

FROM: Todd Oncken, Deputy Director

RE: Formation of the Operate Within Limits – Business Practices Task Force

DATE: October 8, 2003

Dear SRS Members and Wholesale Electric Quadrant Members,

The SRS met in Montreal on September 9 and 10 and established the Operate Within Limits Business Practices (OWL-BP) Task Force to address NAESB Standards Request R03017, a companion to NERC's Operate Within Interconnection Reliability Operating Limits (OWL) standard. Mr. Rana volunteered to chair the task force and Mr. Carter and Ms. Rehman volunteered to be core members.

On September 10, the OWL-BP scoping document for Request R03017 was completed and approved for presentation to the WEQ Executive Committee on September 11. Subsequently, Request R03017 was presented to the Joint Interface Subcommittee and assigned to NAESB for further standards development. Request R03017 and the OWL-BP scoping document are attached for your convenience.

If you are interested in participating in the SRS OWL-BP Task Force, please respond to the NAESB Office (naesb2@aol.com) or attend any task force meeting.

We look forward to your participation in the SRS OWL-BP Task Force.

Best Regards,
Todd Oncken

cc: Rae McQuade, Executive Director

R03017

North American Energy Standards Board

Request for Initiation of a NAESB Standard for Business Transactions
or
Enhancement of an Existing NAESB Standard for Business Transactions

Instructions:

1. **Please fill out as much of the requested information as possible. It is mandatory to provide a contact name, phone number and fax number to which questions can be directed. If you have an electronic mailing address, please make that available as well.**

2. **Attach any information you believe is related to the request. The more complete your request is, the less time is required to review it.**

3. **Once completed, send your request to:**

   Rae McQuade
   NAESB, Executive Director
   1301 Fannin, Suite 2350
   Houston, TX 77002

   Phone: 713-356-0060
   Fax: 713-356-0067

   by either mail, fax, or to NAESB's email address, naesb@aol.com.

Once received, the request will be routed to the appropriate subcommittees for review.

R03017

Operate Within Limits Business Standards

North American Energy Standards Board

Request for Initiation of a NAESB Standard for Business Transactions
or
Enhancement of an Existing NAESB Standard for Business Transactions

Date of Request: July 10, 2003

1. Submitting Entity & Address:

Standards Review Subcommittee Members

2. Contact Person, Phone #, Fax #, Electronic Mailing Address:

Charles Yeung	Director, Business Standards, Reliant Energy Services, Inc. NAESB WEQ Executive Committee Member and Co-Chair of the WEQ Standards Review Subcommittee
Work:	713-497-2935
Fax:	713-207-9172
E-Mail:	cyeung@reliant.com
Address:	P.O. Box 286 Houston, TX 77001-0286

3. Description of Proposed Standard or Enhancement:

Provide complementary business practice standards to support the Operate Within Interconnection Reliability Operating Limits standard being developed by the North American Electric Reliability Council. Business practices, particularly practices for transaction curtailments, may be needed to support the reliability standards being developed to prevent instability, uncontrolled separation or cascading outages that adversely impact the reliability of the bulk transmission system.

4. Use of Proposed Standard or Enhancement (include how the standard will be used, documentation on the description of the proposed standard, any existing documentation of the proposed standard, and required communication protocols):

The commercial purpose for the NAESB business standard is to facilitate equitable curtailment and reloading of market transactions and to implement tariff transmission

service priorities when such actions are needed from the marketplace. The commercial standard should accommodate such actions for either commercial or reliability purposes.

5. Description of Any Tangible or Intangible Benefits to the Use of the Proposed Standard or Enhancement:

Clearly it is important to coordinate reliability standards development with any relevant business practice standards. Specific market based proposed standards were not included in the scope of the proposed Operate Within Interconnection Reliability Operating Limits standard.

6. Estimate of Incremental Specific Costs to Implement Proposed Standard or Enhancement:

Reliability systems used to coordinate reliability analysis and to coordinate transactions may be impacted.

7. Description of Any Specific Legal or Other Considerations:

FERC or other regulatory requirements must be considered.

8. If This Proposed Standard or Enhancement Is Not Tested Yet, List Trading Partners Willing to Test Standard or Enhancement (Corporations and contacts):

N/A

9. If This Proposed Standard or Enhancement Is In Use, Who are the Trading Partners:

N/A

10. Attachments (such as : further detailed proposals, transaction data descriptions, information flows, implementation guides, business process descriptions, examples of ASC ANSI X12 mapped transactions):

See NERC standard "Operate Within Interconnection Reliability Operating Limits, v. 2" attached as Attachment A.

These definitions will be posted and balloted along with the standard, but will not be restated in the standard. Instead, they will be included in a separate "Definitions" section containing definitions relevant to all standards that NERC develops.

DEFINITIONS

Bulk Electric System: A term commonly applied to the portion of an electric utility system that encompasses the electrical generation resources and bulk transmission system.

Cascading Outages: The uncontrolled successive loss of system elements triggered by an incident at any location. Cascading results in widespread service interruption, which cannot be restrained from sequentially spreading beyond an area predetermined by appropriate studies.

Documentable Interconnection Reliability Operating Limit Violation: An instance of exceeding an interconnection reliability operating limit for any length of time.

Generator Owner: The entity that owns the generator.

Instability: The inability of the transmission system to maintain a state of equilibrium during normal and abnormal system conditions or disturbances.

Interconnection Reliability Operating Limit: A system operating limit that, if exceeded, could lead to instability, uncontrolled separation, or cascading outages that adversely impact the reliability of the bulk transmission system. The reliability authority must log each case of exceeding an interconnection reliability operating limit, and must report (to its compliance monitor) each case of exceeding an interconnection reliability operating limit for a time greater than or equal to Tv. Note that Tv may be zero.

Interconnection Reliability Operating Limit Event: An instance of exceeding an interconnection reliability operating limit for any length of time.

Interconnection Reliability Operating Limit Violation: An instance of exceeding an interconnection reliability operating limit for time greater than or equal to Tv.

Real-time Monitoring: To use vision and hearing to scan various real-time data sources and draw conclusions about what the data indicates. Having the ability to scan real time data as conditions dictate.

Occurrence period (Performance-reset Period): The time period in which performance is measured, evaluated, and then reset.

Operational Planning Analysis: An analysis of the expected system conditions, given the peak load forecast(s), known system constraints such as facility outages, and generator outages and limitations, etc. The analysis should ensure that no interconnection reliability operating limits will be exceeded during expected normal operation. An operational planning analysis is done up to seven days ahead of the expected conditions.

Real-time: Immediate time as opposed to future time.

Real-time Assessment: An evaluation conducted by collecting and reviewing immediately available data to determine the status of the electric system. The reliability authority uses real-time data to conduct its real-time assessment.

Real-time Data: Real-time measured values, state estimator values derived from the measured values, or other calculated values derived from the measured values – may include directly monitored data, Inter-

utility data exchange (e.g., Interconnection Control Area Communication Protocol and or SCADA Data), and manually collected data.

Reliability Authority Area: A defined electrical system bounded by interconnection (tie-line) metering and telemetry under the control of a single reliability authority.

Reportable Interconnection Reliability Operating Limit Violation: An instance of exceeding an interconnection reliability operating limit for time greater than or equal to the interconnection reliability operating limit's Tv.

Self-certification: A process whereby an entity submits a form to its compliance monitor, indicating that the entity is in compliance with a specific requirement or set of requirements for a reliability standard.

Self-certification forms generally require the signature of an officer of the corporation. Most self-certification forms are completed on an annual basis although they may be required more often

T_v: The violation time associated with a limit.

Transmission Operator: The entity that provides transmission services to qualified market participants under applicable transmission service agreements.

Uncontrolled Separation: The unplanned break-up of an interconnection, or portion of an interconnection, that is not the result of automatic action by a special protection system or remedial action scheme operating correctly.

200 – OPERATE WITHIN INTERCONNECTION RELIABILITY OPERATING LIMITS

1. **Purpose:** To prevent instability, uncontrolled separation, or cascading outages that adversely impact the reliability of the bulk transmission system.
2. **Effective Period:** This standard will become effective on the first day of the month following the month that the NERC Board of Trustees adopts the standard.
3. **Applicability:** These requirements apply to entities performing various electric system functions, as defined in the functional model approved by the NERC Board of Trustees in June 2001. NERC is now developing standards and procedures for the identification and certification of such entities. Until that identification and certification is complete, these standard apply to the existing entities (such as control areas, transmission owners and operators, and generation owners) that are currently performing the defined functions.

> In this standard, the terms, *balancing authority, generator operator, generator owner, interchange authority*, *planning authority, reliability authority, transmission operator, transmission owner* refer to the entities performing these functions as defined in the functional model.

201 IROL Identification

1. Requirements

1.1. The reliability authority and planning authority shall identify and document which facilities (or groups of facilities) in the reliability authority's reliability area are subject to interconnection reliability operating limits.

1.2. The reliability authority and planning authority shall identify each interconnection reliability operating limit within the reliability authority's reliability area.

1.2.1. The reliability authority or planning authority shall identify a maximum response time (T_v) for any interconnection reliability operating limit that does not already have a T_v.

2. Measures

2.1. The entity responsible shall establish a list of interconnection reliability operating limits for the reliability authority's reliability area.

2.1.1. The entity responsible shall establish a maximum response time (T_v) for any interconnection reliability operating limit that does not already have a T_v.

2.2. The entity responsible shall establish a list of facilities (or groups of facilities) in the reliability authority's reliability area that are subject to interconnection reliability operating limits

3. Regional Differences

None identified.

4. Compliance Monitoring Process

4.1. The entity responsible shall demonstrate compliance through self-certification submitted to its compliance monitor annually. The compliance monitor may also use scheduled on-site reviews every three years, and investigations upon complaint, to assess performance.

4.2. The performance-reset period shall be one calendar year. The entity responsible shall keep data on limits for three calendar years. The compliance monitor shall keep audited data for three calendar years.

4.3. The entity responsible shall have the following available upon the request of its compliance monitor:

4.3.1. List of interconnection reliability operating limits for the reliability authority's reliability area

4.3.2. List of facilities (or groups of facilities) in the reliability authority's reliability area that are subject to interconnection reliability operating limits

5. Levels of Non-compliance

5.1. Level one: Not applicable

5.2. Level two: Not applicable

5.3. Level three: Not applicable

5.4. Level four: No list of interconnection reliability operating limits or no list of facilities subject to interconnection reliability operating limits for the reliability authority's reliability area.

6. Sanctions

6.1. Apply sanctions consistent with the NERC Compliance and Enforcement Matrix. (Attached at the end of this draft standard for reference and comment.)

202 Monitoring

1. Requirements

1.1. The reliability authority shall monitor real-time system operating parameters to determine if it is operating its reliability area within its interconnection reliability operating limits.

2. Measures

2.1. The reliability authority shall have interconnection reliability operating limits available for its operations personnel's real-time use.

2.2. The reliability authority shall have real-time data available in a form that system operators can compare to the interconnection reliability operating limits.

2.3. The reliability authority shall monitor system operating parameters and compare these against its interconnection reliability operating limits.

3. Regional Differences

None identified.

4. Compliance Monitoring Process

4.1. The reliability authority shall demonstrate compliance through self-certification submitted to its compliance monitor annually. The compliance monitor may also use scheduled on-site reviews every three years, and investigations upon complaint, to assess performance.

4.2. The performance-reset period shall be one calendar year. The reliability authority shall keep data on limits for three calendar years. The compliance monitor shall keep audited data for three calendar years.

4.3. The reliability authority shall have the following available upon the request of the compliance monitor:

4.3.1. Display(s) with real time data associated with interconnection reliability operating limits

5. Levels of Non-compliance

5.1. Level one: Not applicable

5.2. Level two: Not applicable

5.3. Level three: Not applicable

5.4. Level four: A level four non-compliance occurs if any of the following conditions are present:

5.4.1. Interconnection reliability operating limits not available to operations personnel for real time use; or

5.4.2. Real-time data not available in a form that can be compared to the interconnection reliability operating limits; or

5.4.3. System operating parameters not monitored and compared against interconnection reliability operating limits.

6. Sanctions

6.1. Apply sanctions consistent with the NERC Compliance and Enforcement Matrix. *(Attached at the end of this draft standard for reference and comment.)*

203 Analyses and Assessments

1. Requirements

1.1. The reliability authority shall perform operational planning analyses to verify that its planned bulk electric system operations will not exceed any of its interconnection reliability operating limits.

1.2. The reliability authority shall perform real-time assessments to verify that it is not exceeding any interconnection reliability operating limits.

2. Measures

2.1. The reliability authority shall identify operating situations or events that impact its ability to operate its reliability area without exceeding any identified interconnection reliability operating limits.

2.1.1. The reliability authority shall conduct an operational planning analysis at least once each day, evaluating the next day's projected system operating conditions.

2.1.2. The reliability authority shall conduct a real-time assessment periodically, but at least once every 30 minutes.

3. Regional Differences

None identified.

4. Compliance Monitoring Process

4.1. The reliability authority shall demonstrate compliance through self-certification submitted to its compliance monitor annually. The compliance monitor may also use scheduled on-site reviews every three years and investigations upon complaint, to assess performance.

4.2. The performance-reset period shall be one day. The compliance monitor shall keep audited data for three calendar years.

4.3. The reliability authority shall demonstrate the following upon the request of the compliance monitor:

4.3.1. Ability to perform an operational planning analysis

4.3.2. Ability to perform a real time assessment

5. Levels of Non-compliance – Penalties Shall be Applied Separately

Operational Planning Analysis

5.1. Level one: Not applicable

5.2. Level two: Not applicable

5.3. Level three: Not applicable

5.4. Level four: Operational planning analysis was not conducted at least once each day

Real Time Assessment

5.5. Level one: Not applicable

5.6. Level two: Not applicable

5.7. Level three: Not applicable

5.8. Level four: Real time assessment was not conducted at least once every 30 minutes

6. Sanctions

6.1. Apply sanctions consistent with the NERC Compliance and Enforcement Matrix. *(Attached at the end of this draft standard for reference and comment.)*

204 Actions

1. Requirements

1.1. The reliability authority shall act[1] or direct others to act to:

1.1.1. Prevent instances where interconnection reliability operating limits may be exceeded

1.1.2. Mitigate the magnitude and duration of instances where interconnection reliability operating limits have been exceeded

1.2. The reliability authority shall document instances of exceeding interconnection reliability operating limits and shall document and complete an Interconnection Reliability Operating Limit Violation Report for instances of exceeding interconnection reliability operating limits for time[2] greater than or equal to T_v.

2. Measures

2.1. The reliability authority shall document each instance of exceeding an interconnection reliability operating limit:

2.1.1. The reliability authority shall document, via an operations log or other data source, the actions taken or directives issued, the magnitude of the event, and the duration of the event. (This data may be from an operating log, may be from the entity's energy management system, or may be from some other source.)

2.2. The reliability authority shall report each instance of exceeding an interconnection reliability operating limit for time greater than or equal to T_v:

2.2.1. The reliability authority shall complete an Interconnection Reliability Operating Limit Violation Report and shall file the report with its compliance monitor within five business days of the initiation of the event. (The report includes the date and time of the event, identification of which interconnection reliability operating limit was violated and the T_v for that limit, magnitude and duration of exceeding the interconnection reliability operating limit, actions taken or directives issued, and explanation of results of actions or directives.)

3. Regional Differences

None identified.

4. Compliance Monitoring Process

4.1. The reliability authority shall demonstrate compliance through self-certification submitted to its compliance monitor annually. The compliance monitor may also use

[1] Note that the reliability authority may choose to take 'no overt action' and this may be an acceptable action. Taking 'no overt action' is not the same as ignoring the problem.

[2] For calculating the duration of the event, time is measured from the point when the limit is exceeded to the point when the system has returned to a state that is within the interconnection reliability operating limits for a minimum of 30 seconds.

scheduled on-site reviews every three years, and investigations upon complaint, to assess performance.

4.2. The performance-reset period shall be one calendar year. The reliability authority shall keep Interconnection Reliability Operating Limit Violation Reports, operations logs, or other documentation for three calendar years. The compliance monitor shall keep audited data for three calendar years.

4.3. The reliability authority shall have the following available upon the request of its compliance monitor:

4.3.1. Operations logs or other documentation indicating the magnitude and duration of each instance of exceeding an interconnection reliability operating limit and the actions or directives issued for each of these instances

4.3.2. Interconnection Reliability Operating Limit Violation Reports

5. Levels of Non-compliance

5.1. Level one: Interconnection reliability operating limit exceeded and no documentation to indicate actions taken or directives issued to mitigate the instance.

5.2. Level two: Not applicable

5.3. Level three: Not applicable

5.4. Level four: Interconnection reliability operating limit exceeded for time greater than or equal to T_v minutes

6. Sanctions

6.1. Apply sanctions consistent with the NERC Compliance and Enforcement Matrix. *(Attached at the end of this draft standard for reference and comment.)*

205 Data Specification & Collection

1. Requirements

1.1. The reliability authority shall specify and collect the data it needs to support real-time monitoring, operational planning analyses and real-time assessments conducted relative to operating within its reliability area's interconnection reliability operating limits. The reliability authority shall collect this data from the entities performing functions that have facilities monitored by the reliability authority, and from entities that provide facility status to the reliability authority. This includes specifying and collecting data from the following:

1.1.1. Generator owners

1.1.2. Generator operators

1.1.3. Reliability authorities

1.1.4. Transmission operators

1.1.5. Transmission owners

1.2. The reliability authority shall specify when to supply data (based on its hardware and software requirements, and the time needed to do its operational planning analyses.)

1.3. The reliability authority shall notify its compliance monitor when an entity that has facilities monitored by the reliability authority does not provide data as specified.

2. Measures

2.1. The reliability authority shall have a documented specification for data needed to build and maintain models needed to support real time monitoring, operational planning analyses and real time assessments relative to interconnection reliability operating limits.

2.1.1. Specification shall include a list of required data, a mutually agreeable format, and timeframe and periodicity for providing data.

2.1.2. Specification shall address the data provision process to use when automated real-time system operating data is unavailable.

2.2. The reliability authority shall distribute its data specification to the entities that have facilities monitored by the reliability authority and to entities that provide facility status to the reliability authority.

2.3. The reliability authority shall notify its compliance monitor when an entity that has facilities monitored by the reliability authority, or an entity that provides facility status to the reliability authority, does not provide data as specified.

2.3.1. The notification shall take place within five business days of discovering that the data is missing.

3. Regional Differences

None identified.

4. Compliance Monitoring Process

4.1. The reliability authority shall demonstrate compliance through self-certification submitted to its compliance monitor annually. The compliance monitor may also use

scheduled on-site reviews every three years, and investigations upon complaint, to assess performance.

4.2. The performance-reset period shall be one calendar year. The reliability authority shall keep its data specification(s) for three calendar years. The compliance monitor shall keep audited data for three calendar years.

4.3. The reliability authority shall have the following available upon the request of the compliance monitor:

4.3.1. Data specification(s)

4.3.2. Proof of distribution of the data specification(s)

5. Levels of Non-compliance

5.1. Level one: Data specification incomplete (missing either the list of required data, a mutually agreeable format, a timeframe for providing data, or a data provision process to use when automated real-time system operating data is unavailable.)

5.2. Level two: No data specification or the specification not distributed to the entities that have facilities monitored by the reliability authority and the entities that provide the reliability authority with facility status

5.3. Level three: Not applicable

5.4. Level four: Not applicable

6. Sanctions

6.1. Apply sanctions consistent with the NERC Compliance and Enforcement Matrix. *(Attached at the end of this draft standard for reference and comment.)*

206 Data Provision

1. Requirements

1.1. Each entity performing one of the following functions shall provide data, as specified, to the reliability authority(ies) with which it has a reliability relationship.

1.1.1. Generator owners

1.1.2. Generator operators

1.1.3. Reliability authorities

1.1.4. Transmission operators

1.1.5. Transmission owners

2. Measures

2.1. The entity responsible shall provide data, as specified, to the requesting reliability authority, within the time frame specified, in the mutually agreed upon format.

3. Regional Differences

None identified.

4. Compliance Monitoring Process

4.1. The entity responsible shall demonstrate compliance through self-certification submitted to its compliance monitor annually. The compliance monitor shall seek confirmation of the data transmission by checking with the receiving reliability authority. The compliance monitor may also use scheduled on-site reviews every three years, and investigations upon complaint, to assess performance.

4.2. The performance-reset period is 12 months without a violation from the time of the last violation. The responsible entity shall keep data transmittal documentation for three calendar years. The compliance monitor shall keep audited data for three calendar years.

4.3. The entity responsible shall have the following available upon the request of the compliance monitor:

4.3.1. Copies of transmittal cover letters indicating data was sent to the reliability authority

5. Levels of Non-compliance

5.1. Level one: Not applicable

5.2. Level two: Not applicable

5.3. Level three: Not applicable

5.4. Level four: Data not provided to the reliability authority as specified.

6. Sanctions

6.1. Apply sanctions consistent with the NERC Compliance and Enforcement Matrix. *(Attached at the end of this draft standard for reference and comment.)*

207 Action Plan

1. Requirements

1.1. The reliability authority shall have an action plan that identifies actions it shall take or actions it shall direct others to take, to prevent or mitigate instances of exceeding its interconnection reliability operating limits.

2. Measures

2.1. The reliability authority shall have a documented action plan that addresses preventing and mitigating instances of exceeding interconnection reliability operating limits. The plan shall be coordinated with those entities responsible for acting and with those entities impacted by such actions.

2.1.1. The action plan may be a process or procedure for preventing or mitigating instances of exceeding interconnected reliability operating limits. (Note: an emergency operations plan may be used to satisfy this requirement if the emergency operations plan addresses actions to prevent and mitigate instances of exceeding interconnected reliability operating limits.)

3. Regional Differences

None identified.

4. Compliance Monitoring Process

4.1. The reliability authority shall demonstrate compliance through self-certification submitted to its compliance monitor annually. The compliance monitor may also use scheduled on-site reviews every three years, and investigations upon complaint, to assess performance.

4.2. The performance-reset period is 12 months. The reliability authority shall keep its action plan for three calendar years. The compliance monitor shall keep audit records for three calendar years.

4.3. The reliability authority shall make the following available for inspection by the compliance monitor upon request:

4.3.1. Action plan

5. Levels of Non-compliance

5.1. Level one: Action plan exists but wasn't coordinated with all involved and impacted entities

5.2. Level two: Action plan exists but wasn't coordinated with any involved or any impacted entities

5.3. Level three: Not applicable.

5.4. Level four: No action plan

6. Sanctions

6.1. Apply sanctions consistent with the NERC Compliance and Enforcement Matrix. *(Attached at the end of this draft standard for reference and comment.)*

208 Reliability Authority Directives

1. Requirements

1.1. The transmission operator, balancing authority and interchange authority shall follow the reliability authority's directives to:

1.1.1.1. Prevent instances where interconnection reliability operating limits may be exceeded

1.1.1.2. Mitigate the magnitude and duration of instances where interconnection reliability operating limits have been exceeded

1.2. The entity responsible shall document the reliability authority's directives and the actions taken

2. Measures

2.1. The entity responsible shall follow the reliability authority's directives and shall document the directives and actions taken to meet the directives

2.2. The entity responsible shall document via an operations log or other data source, the following for each directive it receives relative to an interconnection reliability operating limit:

2.2.1. Date and time of directive received

2.2.2. Directive issued

2.2.3. Actions taken in response to directive

3. Regional Differences

None identified.

4. Compliance Monitoring Process

4.1. The entity responsible shall demonstrate compliance through self-certification submitted to its compliance monitor annually. The compliance monitor may also use scheduled on-site reviews every three years, and investigations upon complaint to assess performance.

4.2. The performance-reset period is 12 months. The entity responsible shall keep its documentation for three calendar years. The compliance monitor shall keep audit records for three calendar years.

4.3. The entity responsible shall make the following available for inspection by the compliance monitor upon request:

4.3.1. Operations log or other data source(s) to show the following for each instance of being issued a reliability authority directive relative to an interconnection reliability operating limit:

4.3.1.1. Date and time of each of directive received

4.3.1.2. Directive issued

4.3.1.3. Actions taken in response to directive

5. Levels of Non-compliance

5.1. Level one: Not applicable.

5.2. Level two: Not applicable.

5.3. Level three: Not applicable.

5.4. Level four: Did not follow directives.

6. Sanctions

6.1. Apply sanctions consistent with the NERC Compliance and Enforcement Matrix. *(Attached at the end of this draft standard for reference and comment.)*

Sanctions Table

The matrix of compliance sanctions that follows was developed by the NERC Compliance Subcommittee as part of the NERC Compliance Enforcement Program and was approved by the NERC Board of Trustees.

Levels of noncompliance are tied to this matrix. The matrix is divided into four levels of increasing noncompliance vertically and the number of violations in a defined period at a given level horizontally.

Note that there are three sanctions that can be used: a letter, a fixed fine, and a $/MW fine.

Letter

This sanction is used to notify company executives, Regional officers, and regulators that an entity is non-compliant. The distribution of the letter varies depending on the severity of the noncompliance. The intent of a letter sanction is to bring noncompliance to the attention of those who can influence the actions of an organization so as to become compliant.

- Letter (A) — Letter to the entity's vice president level or equivalent informing the entity of noncompliance, with copies to the data reporting contact, and the entity's highest ranking Regional Council representative.
- Letter (B) — Letter to the entity's chief executive officer or equivalent, with copies to the data reporting contact, the entity's highest ranking Regional Council representative, and the vice president over the area in which noncompliance occurred.
- Letter (C) — Letter to the entity's chief executive officer and chairman of the board, with copies to the NERC president, regulatory authorities having jurisdiction over the non-compliant entity (if requested by such regulatory authorities), the data reporting contact, the entity's highest ranking Regional Council representative, and the vice president over the area in which non-compliance occurred.

Fixed Dollars

This sanction is to be used when a letter sanction is not sufficient and a stronger message is desired. Fixed dollars are typically assigned as a one-time fine that is ideal for measures involving planning-related standards. Many planning actions use forward-looking assumptions. If those assumptions prove wrong in the future, yet they are made in good faith using good practices, entities should not be harshly penalized for the outcome.

Dollar per MW

Dollar/MW sanctions are intended to be used primarily for operationally based standards. The 'MW' can be load, generation, or flow on a line. The reasonableness of the sanction must be considered when assessing $/MW penalties. Assessing large financial penalties is not the goal, but rather achieving compliance.

Occurrence Period Category	Number of Violations in Occurrence Period at a Given Level			
1st Period of Violations (Fully Compliant Last Period)	1	2	3	4 or more
2nd Consecutive Period of Violations		1	2	3 or more
		$ Sanction from Table; Letter (C) only if Letter (B) previously sent		
3rd Consecutive Period of Violations			1	2 or more
			$ Sanction from Table; Letter (C) only if Letter (B) previously sent	
4th or greater Consecutive Period of Violations				1
				$ Sanction from Table; Letter (C)

Level of Non-Compliance	Sanctions Associated with Non-compliance			
Level 1	Letter (A)	Letter (A)	Letter (B) and $1,000 or $1 Per MW	Letter (B) and $2,000 or $2 Per MW
Level 2	Letter (A)	Letter (B) and $1,000 or $1 Per MW	Letter (B) and $2,000 or $2 Per MW	Letter (B) and $4,000 or $4 Per MW
Level 3	Letter (B) and $1,000 or $1 Per MW	Letter (B) and $2,000 or $2 Per MW	Letter (B) and $4,000 or $4 Per MW	Letter (B) and $6,000 or $6 Per MW
Level 4	Letter (B) and $2,000 or $2 Per MW	Letter (B) and $4,000 or $4 Per MW	Letter (B) and $6,000 or $6 Per MW	Letter (B) and $10,000 or $10 Per MW

Interpreting the Tables:

- These tables address penalties for violations of the same measure occurring in consecutive compliance reporting periods.
- If a participant has non-compliant performance in consecutive compliance reporting periods, the sanctions applied are more punitive.

Scope Document

For

Operate Within Interconnection Reliability Operating Limits

NAESB WEQ Executive Committee

Standards Review Subcommittee

September 9, 2003

NAESB Standard Request # R03017

The North American Electric Reliability Council has sought to establish an industry standard for establishing requirements for the operation of the interconnected bulk power system within specified operating limits. NAESB's Standards Review Subcommittee seeks to evaluate the need for establishing standard business practices to complement the reliability requirements set forth by NERC.

NERC Proposed Standard and date:
200 – Operate Within Interconnection Reliability Operating Limits, July 1, 2003
201 - Interconnection Reliability Operating Limit Identification, July 1, 2003
202 – Monitoring, July 1, 2003
203 – Analyses and Assessments, July 1, 2003
204 –Actions, July 1, 2003
205 – Data Specification & Collection, July 1, 2003
206 – Data Provision, July 1, 2003
207 – Action Plan, July 1, 2003
208 – Reliability Authority Directives, July 1, 2003

Description and Background

The proposed NERC Reliability standard seeks to prevent instability, uncontrolled separation, or cascading outages that adversely impact the reliability of the bulk transmission system.

This NERC standard will address the following areas:

- Identification of system operating limits.
- Monitoring of the system for operating limits.
- Analyze and assess system conditions based on monitored system limits.
- Specify data and collection needed for monitoring system limits.
- Action plan utilized by operators to maintain operations within system limits.
- Requirements apply to entities performing various electric system functions, as defined in the NERC Functional Model.

The Standards Review Subcommittee has identified the need for a NAESB Business Practice Standard that allows for regional differences and includes the following:

- Practices for management of system operating limit relief and reloading including:
  - Timing
  - Priority
  - Magnitude
  - Duration
  -
- Practices for system operating limit relief and reloading processes including:
  - Types of methodologies used
  - Informing parties of the reloads and the methodologies used
  - Affected Parties communicating their agreement on the reloads.

The NERC proposed standard impacts the following NAESB activities/standards:

- Coordinate Interchange Business Practices
- Coordinate Operations Business Practices

The NERC proposed standard raises the following possible business practice concerns and questions to the NAESB Executive Committee:

NERC requires that the operators of the bulk transmission system have in place procedures to effectively manage transactions in the event of overload on the system. These procedures may impact tariff service priorities and affect commercial market transactions that transpire both within and between markets.

Standard Terminology will be developed by the NAESB and NERC drafting teams. Within the Wholesale Electric Quadrant of NAESB, the NAESB drafting teams will use similar definitions where the definitions are appropriate. Where NERC definitions are appropriate, NAESB will seek to use them.

Developing business practices for curtailment processes may entail that all transactions are tagged.

There are questions on whether the development will be focused on national standard, a standard encompassing regional differences, or if the standard will be primarily a communication standard to be applicable on a national basis.

Regarding the list of facilities subject to the interconnection reliability operational limits, will this list be the only set of facilities employed by both NERC for reliability requirements as well as a NAESB Business Practice Standard?

QUESTIONS FOR NERC DRAFTING TEAMS:

1. Will the NERC OWL drafting team prepare standards for the development and communication of the list of facilities that are subject to the interconnection reliability operational limits? Should this list be the only set of facilities employed by both NERC for reliability requirements as well as a NAESB Business Practice Standard?

2. Will the NERC OWL team develop standards for the notification of curtailments? Between which functional entities?

3. Similarly, will the NERC OWL drafting team be asked to develop standards for the notification of reloading?

4. Does NERC expect NAESB to develop complementary OWL standards that are focused on national standard, a standard encompassing regional differences, or if the standard will be primarily a communication standard to be applicable on a national basis.

Comments Received on the Operate Within Interconnection Reliability Operating Limits document:

No comments received on September 10, 2003.