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

via email and posting

TO: NAESB Wholesale Electric Quadrant Members and Interested Parties

FROM: Todd Oncken, Deputy Director

RE: Request for Comments – Due May 28, 2003

DATE: May 15, 2003

The Wholesale Electric Quadrant (WEQ) Standards Review Subcommittee (SRS) has requested comments on its discussion papers which are attached. They are (1) the SAR Coordinate Operations Discussion Paper, (2) SAR Coordinate Interchange Transactions Discussion Paper, and the (3) SAR Initial Standard Review and Analysis Report for the Urgent Requested Standard – Cybersecurity. The SARs themselves can be accessed from the NERC web site (www.nerc.net). The SRS reviewed and modified the attached discussion papers during its May 8, 2003 meeting. The SRS has requested any comments you might have on the underlying SARs, the discussion papers as drafted and attached, or suggested additions to the content of the documents relating to potential business practice standards and related impacts.

For you convenience, the referenced documents are attached. You may also find this request for comments on the NAESB web site (http://www.naesb.org/weq_standards_review.htm). Please submit any comments to the NAESB Office (naesb@aol.com) by close of business May 28, 2003. Any comments submitted will be posted to the NAESB web site and considered for incorporation in the documents prepared by the SRS.

SAR "Coordinate Operations," posted March 20, 2002.

Discussion Paper
May 8, 2003

Proposing Organization(s):

North American Electric Reliability Council (NERC)

Description and Background

This SAR applies to NERC Reliability Authorities. Reliability Authorities (formerly "Security Coordinators") are RTOs and regional reliability organization functions that are responsible for ensuring the reliability of the bulk transmission system within its "Security Authority Area." Reliability Authorities oversee Balancing Authorities (aka "control areas"), transmission providers, and other entities with responsibilities for grid reliability.

The proposed Standard would establish requirements for the coordinated operation between RA's for operational (near-term) planning, real-time operations, and maintenance of the interconnected bulk electric system.

This standard will address the following areas:

- Documenting the RAs authority to assist in resolving problems that it is causing to another system
- Developing and Sharing Unique Operating Procedures
- Analyzing Maintenance Outages
- Performing Security Analyses
- Performing Generation Resource Availability Analyses
- Sharing Results of Analyses
- Communicating with Others
- Acting with Others

Potential business practice standards and related impacts

The proposed standard impacts the following NAESB activities/standards:

- None identified.

The proposed standard raises the following possible business practice concerns:

- If the RA Area is identical to the RTO footprint and the RA function is performed by the RTO, business practice concerns may be minimized. Where this is not the case, or where a single market covers multiple RTOs/ISOs, RA unique operating procedures may conflict with market practices.~~Since most RA's will have authority over a single market,~~

~~business practices may need to be developed or existing practices may need to be modified in order to resolve conflicts between differing business practices employed by an RA's jurisdictional area.~~

- Discussion:
  - The April 28, 2003 FERC Wholesale Market Platform Whitepaper strongly recognizes the need for variations in practices due to regional needs. "Regional operation is critical for both reliability and efficiency because power flows freely throughout the regional grids." Further, FERC states, "…in the Final Rule we will allow flexibility on scope and configurations for ISOs. RTOs and ISOs are developing methods of interregional coordination that allow separate control, but a single market from the customer's perspective." This suggests that Reliability Authorities and RTOs need not share the same footprint. Under such circumstances, the RA operational procedures must be coordinated with the market practices of the RTOs in which it has authority over. These RA procedures must not hinder the marketplace.
  - The SRS requests comments on whether there is a need to standardize RTO practices as they relate to RA's so that RTOs do not implement market practices that conflict with RA's operational procedures.
  - The SRS requests submission of any known practices in place or proposed that may cause discrepancies between RA procedures and RTO practices where~~o~~ the RA Area and RTO do not share the same configuration.

- Business practices may need to be established or existing business practices may need to be altered to implement unique operating procedures required for reliability, especially inter-RA procedures.
  - The SRS requests comments and examples of unique operating procedures employed by a Reliability Authority/Coordinator either in place or to be implemented that may impact market practices.

- The NERC Standard may establish obligations on owners of generators for generation availability and maintenance outages.
  - The SRS requests comments.

- Differing degrees and types of RA authority (e.g., RTO tariff, RRO contract) over generation availability and outage timing, may impact commercial markets in various ways.
  - The SRS requests comments.

- Possible overlaps with current and pending FERC rules on generation interconnection.
  - The SRS requests comments.

- Potential confidentiality of business information associated with generation availability and maintenance outages and other information needed by an RA.
    - The SRS requests comments.

SAR "Coordinate Interchange Transactions, 01-03" posted March 20, 2002.
Discussion Paper

May 8, 2003

Proposing Organization(s):

North American Electric Reliability Council (NERC)

Description and Background

This standard would pertain to "interchange transactions." Interchange transactions, once approved by all entities, are scheduled transfers of energy between balancing authorities that, in effect, agree to increase net generation output in the source area at the same time and rate as net generation output in the receiving areas is reduced. The standard is intended to ensure reliability related data pertaining to interchange transactions is verified and communicated to functional authorities. Reliability related data to be verified should include megawatt magnitude, ramp start and stop times, and the interchange transaction's duration. Reliability related data should be communicated by and between the Interchange Authority, Balancing Authority, Reliability Authority, Transmission Service Provider, and Purchasing-Selling Entity functions.

Verification of data should indicate that a mutual agreement exists between parties that intend to implement a proposed interchange transaction as well as approval by the appropriate functional authorities. The standard also is intended to provide a mechanism for transaction identification that could be used for congestion management and/or relieving operating limit violations.

The purpose of the standard is to ensure that the implementation of Transactions between Sink and Source Balancing Authorities are coordinated by the Interchange Authority such that the following reliability objectives are met:

- Each Interchange Schedule is checked for reliability before it is implemented
- The Balancing Authorities implement the Interchange Schedule exactly as agreed upon in the Interchange Confirmation process
- Interchange Schedule information is available for reliability assessments.

The SAR contemplates the need for complementary commercial practices or supporting documents prior to the implementation of the standard.

Potential business practice standards and related impacts

The SAR impacts the following NAESB activities/standards:

- There may be impacts onto the efforts underway by the NAESB Electric Trading Task Force who is evaluating the need for a standard electric trading day and related timetables.
- The NASEB Inadvertent Interchange Payback Task Force is developing commercial standard(s) relating to inadvertent interchange payback needed when interchange transactions result in differences between actual and scheduled energy.

The SAR raises the following possible business practice concerns:

- The SAR states that "Portions of Policy 3 will be deleted when this SAR is implemented. Policy 3 contains some procedures that may need to be transformed from Policies into commercial practices or supporting documents in concert with the implementation of this new standard."
    - Discussion:

      The SAR acknowledges the resulting fragmentation of Policy 3, ~~that seems to~~but leaves much unsaid about the disposition of tagging in the next 2-3 yrs. The resulting NERC standard on this could be an issue for NAESB because of the significant impact tagging has on the market, both financially and operationally.

      The ESC/OSC deliverables will address how data exchange and communications should happen under OASIS Phase II , however:

        - Who decides how data exchange happens between the time OASIS II is implemented and the time the Coordinate Interchange standard is implemented?
        - Will there be coordination between NERC and NAESB on these implementation timelines?
        - Will tagging continue under the current Policy 3 until OASIS II is implemented or will control rooms/regions set up their own rules for data exchange in anticipation of the new NERC standard?
        - Does work need to begin on Policy 3 to split out the market rules from the reliability rules?
        - If so, is there a need for NERC/NAESB coordination on this~~at~~ issue?
        - Meanwhile, how far should development of or improvements to tagging and/or scheduling systems go in the interim?
        - Is there anything here the SRS can bring to the JIC or EC for deliberation?

- The standard could alter or restrict the start time of ramps within the hour and the ramp rates for generators engaged in transactions between Balancing Authorities.

- The SRS requests comments and examples of known practices for ramp timing and rates in place or to be implemented that differ and will impact the marketplace.

- The standard could impose data entry and verification requirements on Purchasing-Selling Entities.
  - The SRS requests comments and examples of known practices for data requirements in place or to be implemented that differ and will impact the marketplace.
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- The standard could implicate transmission reservation, scheduling and purchasing transactions between generators, merchants, and transmission providers, including verification, credit, and penalty implications.
  - The SRS requests comments and examples of known practices for transmission service requirements in place or to be implemented that differ and will impact the marketplace.

- The standard could alter or affect inter-RA transactions, especially those between LMP markets and non-LMP markets or different LMP markets.
  - The SRS requests comments and examples of known practices for inter-RA transactions in place or to be implemented that differ and will impact the marketplace.

DRAFT for Comments – due May 28, 2003

Initial Standard Review and Analysis Report

NAESB WEQ Executive Committee
Standards Review Subcommittee
May 8, 2003

The initial Standard Review and Analysis Report provides information for the NAESB Wholesale Electric Quadrant (WEQ) to make informed decisions on the disposition of a proposed standard that impacts the wholesale electric industry. The Standards Review Subcommittee provides this Report as an initial review of a proposed Standard that may impact current or future NAESB Wholesale Electric Quadrant standards. This Report contains no recommendations to develop or propose a NAESB Standard. A White Paper may be developed to propose a NAESB standard if the WEQ finds it necessary.

This **Initial Standard Review and Analysis Report** reviews the following standards:

Proposing Organization(s): North American Electric Reliability Council (NERC)

Proposed Standard(s) and date: Urgent Request Standard – Cyber Security, April 2, 2003

Description and Background

Standard requires that critical cyber assets related to the reliable operation of the bulk electric systems are identified and protected. Including: responsible person(s), create and implement programs and procedures, perform a thorough assessment of cyber security, and implement appropriate and technically feasible security improvements.

This standard will address the following areas:

- Specify requirements for the Reliability Authority (RA), Balancing Authority (BA), Transmission Service Provider (TSP), Transmission Operator (TO), Generator, Load Serving Entity (LSE).
- Written cyber security policy, reviewed annually
- Identification of a senior management official responsible
- Maintain documentation justifying deviations or authorized exemptions

Potential business practice standards and related impacts

The proposed standard impacts the following NAESB activities/standards:

- None identified (note-NERC will not develop a PKI Standard, there are current NAESB activities in this area under other Quadrants)

The proposed standard raises the following possible business practice concerns:

- Sec 1207 – There are real costs of screening personnel, and considerations for bargaining unit/non-bargaining unit, new/existing employees, and other HR related issues concerning hiring and job duties.
- Entities will assess which cyber assets are at risk and needing protection. Depending upon how an entity defines its cyber-security assets at risk, access control would vary and costs may vary from one entity to the next.
- There are confidentiality concerns to the information to be provided since standard compliance auditors may be competitors.
- The SAR is intended to apply to the cyber assets around dispatch systems and does not address the market systems. E.g. - AGC generators included in the standard (those that have real-time control). NAESB may consider a parallel standard by applicable to the cyber assets around the market/trading systems.