

ISO/RTO COMMENTS
NAESB ENERGY DAY PROPOSED STANDARDS

April 4, 2005

The ISOs and RTOs appreciate the opportunity to comment on the proposed standards that were developed at the March 21-22, 2005 meeting. Members of the ISO RTO Council have been actively participating in the NAESB Energy standard development process and will continue to be available to provide information and input to NAESB in the future on relevant issues.

The ISOs/RTOs at the September 2004 Joint Interface Committee (“JIC”) initially supported NAESB creating standards to “*Develop standards for the daily operational communications between pipelines and power plants.*” Now we are concerned that NAESB is attempting to create an emergency communications protocol that inappropriately interferes with existing, established ISO, RTO, BA, and Reliability Coordinator (“RC”) emergency procedures and practices. Additionally, trying to modify existing ISO/RTO market timelines is an inappropriate activity and should not be a national standard especially considering that most regions have differing timelines. The ISOs and RTOs Council (IRC) feels this standard is an encroachment on NERC responsibilities and duplicates NERC’s efforts in addressing gas fuel reliability, and its resulting impact on electric system grid reliability.

Energy and capacity shortages can occur for a multitude of reasons not limited to weather conditions, or gas fuel supply and/or delivery limitations. Electric industry emergency operating procedures and practices have been developed by the reliability authorities (i.e. ISOs, RTOs, BA, etc.) over time, as a result of experience. These emergency procedures are very specific to the regional entity, and are compatible with local and regional needs. Emergency conditions like these are local and regional electric system reliability issues, which fall under the purview of NERC and the ten Regional Councils.

The PSEG comments recognize regional and market diversity in both the gas and electric systems. Whereas these suggestions greatly help minimize intrusion into the electric industry’s “emergency operations”, this document still attempts to proscribe actions that electric system reliability entities (i.e. ISOs, RTOs, BAs, RCs, etc.) must take during gas fuel-related emergency conditions. While the PSEG revision recognizes the role of the market stakeholder process, and those of the ISOs and RTOs, electric systems that are still operated by vertically integrated utilities, municipalities, PUDs, irrigation districts, and the federal government (of which, only investor owned utilities are FERC-jurisdictional) must be considered. To make any national standard work, the standard must address all parties in the electric industry. To make this standard meaningful to all regions, the standard cannot be too proscriptive in either function or duty.

Operating entities responsible for electric system reliability would benefit from communications protocols and business standards that would facilitate information exchange and develop common understandings and expectations between electric system and plant operators and gas suppliers. Time efficient receipt and processing of

information is critical to determining fuel supply adequacy for electric production, particularly in emergency or shortage situations when regional and local contingency plans may have to be activated. A clear understanding of terms and conditions for fuel supply continuity strengthens the local risk analysis.

The use of Gas Transportation Service Provider's (TSP) informational postings on Electronic Bulletin Boards (EBB) has been cited as a helpful tool and practice for electric system operating personnel to obtain information on gas operations issues. Those ISOs and RTOs that have used these resources have noted unique designs and layouts of the data on the various EBBs. Electric system users would benefit from some common format data exchange mechanisms of the relevant data posted on the EBBs (i.e. CSV, XML).

The electric side would benefit from a better understanding of gas contracts for electric utility generators. Standardized terms and conditions would better manage expectations of what generators can and cannot do. There are lingering uncertainties regarding firm and non-firm service with respect to curtailment priorities. The electric side would not wish to dictate what the terms would be, but only to understand what they are.

The emergency procedures described in the draft standard [S6/P1] are Reliability based requirements and are too proscriptive to be applicable or relevant on a North American basis. Although adverse weather can be a major contributor, it is not the only reason that gas fuel reliability can be a concern. NERC is in the process of addressing the subject of fuel reliability in its Resource Adequacy Standard. NERC is addressing the reliability of supply, storage, and deliverability of all generator fuels, and not only gas fuel. The issue of fuel supply reliability and its relationship to electric system reliability is much greater than only gas fuel supply and deliverability issues. Depending on a region's generating resource mix, unreliable water supply, coal, and nuclear fuel can have as profound an impact on electric system reliability as would an unreliable gas fuel supply and deliverability. These electric system reliability-related fuel issues would be best handled in NERC's Resource Adequacy Standard.

The provisions in S-6 are still specific to the New England region in the Northeastern United States. These are not uniformly applicable to the rest of the continent. For example:

- The draft standard only addresses winter emergency conditions, other gas dependant regions may have summer peak availability issues as well,
- The temperature threshold used is specific to New England, other regions may be more or less affected at the zero degree threshold used in this draft standard,
- The term capacity margin used in the draft standard is based on a New England peak exposure, whose threshold value or definition of such may be inappropriate for significantly smaller or larger regions,
- The draft standard references Economic Outages, this is specific New England market terminology and may be inappropriate in other regions,

- The draft standard references a noon day-ahead market closing time, this is a specific New England market design parameter and may be inappropriate in other regions,
- The draft standard requires notifying state regulators and their local environmental protection agencies when capacity margin drops, contacting these entities may or may not be appropriate depending on various regional requirements. There may in fact be a need to communicate emergency conditions to other entities not identified in the standard and,
- The draft standard requires entities to “notify neighboring electric generator operators of potential capacity shortage”. Communication with generator operators may be in conflict with FERC and/or various regional Code of Conduct rules.

The above examples clearly demonstrate the need for regional diversity to be taken into account before attempting to establish a North American standard.

Conclusion

There are opportunities for business practice and communication protocol development that would supplement and support regional and local emergency procedures in gas electric coordination to facilitate data and information exchange in a consistent and standardized way. Examples of these include common format data availability (i.e. download) from EBB’s and standardized terms, definitions, and conditions of gas contracts for electric utility generators. However, we feel that NAESB is encroaching on electric system reliability issues that NERC should handle.

The standards under development proscribing the required actions of ISOs, RTOs, BAs, and Reliability Coordinators during emergency conditions are Reliability requirements, and as such are under NERC jurisdiction. Internal and external communications during emergency conditions are well established in regional Emergency Operating Procedures. NERC’s Standard EOP-002 clearly delineates the responsibilities for Balancing Authorities and Reliability Coordinators during times of capacity and energy emergencies. Business standards that proscribe electric industry emergency operations are inappropriate and should be remanded to NERC and the Regional Reliability Councils.

NERC is currently developing a Reliability Standard that will address fuel reliability as part of its Resource Adequacy Assessment. NERC recognizes that reliability of generating resources can be compromised by a loss of fuel supply (and not limited to gas fuel), and that fuel supply and deliverability are reliability matters. As a minimum, a joint NERC and NAESB effort that utilizes NERC review processes would ensure that reliability and business standard development will be appropriately coordinated and delegated.