

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

July 2, 2010

Rae McQuade
President
North American Energy Standards Board
801 Travis Street
Suite 1675
Houston, TX 77002

Dear Ms. McQuade:

I understand that there have been some questions raised regarding the Parallel Flow Visualization effort and NERC's related project, IDC Change Order 283. This letter offers NERC staff's opinion on the situation. Please feel free to forward on to your stakeholders as you see fit.

NERC staff understands the industry's desire to consider improvements to the TLR process. The TLR process has been in existence for quite some time, and although its business rules are governed primarily at NAESB, we encourage the industry to continually evaluate its performance to ensure that it is providing value and to identify improvements as they are needed.

However, we still have an interest in pursuing improvements to the efficacy of the Interchange Distribution Calculator. Change Order 283 has been developed to improve the quality and granularity of the information the IDC uses, thereby improving both its accuracy and the effectiveness of its proposed congestion actions. This is an important part of ensuring Reliability Coordinators have the tools they need to perform their regular duties, and as such, we have allocated funding for its development.

In our response to the FERC Notice of Inquiry regarding the Transmission Loading Relief Reliability Standard and Curtailment Priorities (RM10-9-000), we explained what improvements were being made as a part of Change Order 283, and provided an estimated schedule of completion. We also described the ongoing NAESB effort to address the related prioritization of network service through its business practices, and how that work was expected to coincide with the reliability-related improvements being made as part of Change Order 283. However, we also cautioned that the work NAESB produces could result in additional costs and/or time before the prioritization issue is fully addressed.

There are approximately four months remaining before the testing of the Change Order is scheduled to begin. We do not anticipate any delays in meeting the November 1 target referenced in our NOI response. Given this short time frame, it is essential that NASEB select an option for moving forward so as not to delay the IDC changes needed that improve reliability. NERC staff is not advocating any one of the following options, but we believe NAESB will need to have one of these options in place on or before November 1.

- 1.) Choose one of the three options identified by the Business Practices Subcommittee. If the chosen option cannot be integrated into the scope of CO 283 (i.e., it deviates so significantly from what was contemplated when the Change Order was written that additional expenses will be incurred and time required to implement the option), additional funding will need to be identified to cover the added costs, and the changes may need to be incorporated after the November 1 start.
- 2.) Choose an interim option, to be replaced later with one of the three BPS identified options. One option that could be considered would be to allow each transmission service provider to define their own priorities, based on their tariffs. To the extent entities need additional information, they could work with their Reliability Coordinator to either obtain that information and/or require certain transactions to be tagged and modeled in the IDC. The subsequent replacement option would likely need to be treated as a new Change Order and funding would need to be identified.

If no option is chosen, it is our expectation that Change Order 283 will be implemented using the current prioritization model (i.e., untagged generation inside a BA is treated as firm Network and Native Load service). This will maintain the status quo with regard to curtailment priority and only address the changes needed for reliability improvement. Transmission Service Providers will be responsible for ensuring they comply with their own transmission tariff, up to and including taking additional curtailment and/or redispatch actions as appropriate, and we will issue a formal statement to explain this. If NAESB identifies an option in the future, it would likely need to be treated as a new Change Order, and funding would need to be identified.

In conclusion, we would like to state that we support NAESB, its process, and its efforts to improve TLR methods. Obviously, we are familiar with the challenge of finding consensus within a stakeholder body. We are confident that ultimately, NAESB will succeed in doing so.

Should you or your stakeholders have any further questions, please do not hesitate to contact me.

Sincerely,



Andrew Rodriguez
Manager of Business Practice Coordination

cc: Mr. Herbert Schrayshuen, NERC
Mr. Gerry Adamski, NERC
Mr. Larry Kezele, NERC
Mr. Jim Busbin, Southern Company