

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Electric Reliability Organization Interpretations            )**  
**Of Specific Requirements of Frequency Response            ) Docket No. RM08-16-000**  
**And Bias and Voltage and Reactive Control                )**  
**Reliability Standards    )**

**COMMENTS OF  
THE INDEPENDENT ELECTRICITY SYSTEM OPERATOR**

**I. INTRODUCTION**

The Independent Electricity System Operator of Ontario (“IESO”) <sup>1</sup> respectfully submits these comments on the Commission’s Notice of Proposed Rulemaking (“NOPR”) regarding the approval of the North American Electric Reliability Corporation’s (“NERC”) proposed interpretation of certain specific requirements of one Commission-approved Reliability Standard, BAL-003-0, Frequency Response and Bias; and the remand of NERC’s proposed interpretation of VAR-001-1, Voltage and Reactive Control, for reconsideration.

**II. BACKGROUND**

In October of 2007, Dynegy requested clarification whether there are implicit requirements for the voltage schedule, and associated tolerance bands, provided by the transmission operator to be technically based, reasonable and practical for a generator to maintain. NERC’s proposed interpretation clearly indicates that there are no implicit

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<sup>1</sup> The IESO is a not-for-profit corporation without share capital having statutory responsibility for developing and administering the wholesale electricity markets and directing the operation and maintaining the reliability of the integrated power system within the province of Ontario. The IESO was established on April 1, 1999 as the Independent Electricity Market Operator under the Electricity Act, 1998 (Ontario) and was continued under its current name on January 1, 2005. The IESO is subject to oversight by the Ontario Energy Board (“OEB”, the “Board”), and specifically not by the Commission.

requirements within the standard (VAR-001-1) to issue a technically based, reasonable and practical voltage or reactive power schedule. On July 28, 2008, NERC submitted a petition to the Commission seeking approval of its interpretations. This petition included NERC's interpretation of the Dynegy request regarding VAR-001-1, Voltage and Reactive Control, Requirement R4. The Commission in its NOPR issued on November 20, 2008 is proposing to remand the interpretation offered by NERC for the VAR standard. The Commission in its proposed ruling making indicates that standards should be technically sound and that a voltage schedule should reflect technical analysis and operating judgement and experience.

### **III. SUMMARY OF DISCUSSIONS**

The IESO concurs with the Commission regarding the proposed approval of the interpretation to BAL-003-0, Frequency Response and Bias, but disagrees with the Commission's proposed remand of the interpretation to VAR-001-1, Voltage and Reactive Control.

The IESO believes that NERC followed the framework for responding to interpretation requests as laid out in the NERC Reliability Standards Development Procedure and provided the correct interpretation of the VAR standard requirement in response to Dynegy's request for interpretation. Perceived weaknesses to standards should be pursued by entities like Dynegy through the industry and Commission approved Standard Authorization Request ("SAR"). The SAR process is solely dedicated to addressing such issues.

The IESO agrees with the Commission that all reliability standards must be designed to achieve a specified reliability goal and must contain a technically sound

means to achieve this goal. However, the IESO would like to point out to the Commission that reliability standards supplement each other in many respects, including scope and technically sound principles. The VAR standard in question is no exception and there are many NERC reliability standards which supplement the VAR standard and the IESO has identified a number of these for the Commission's reference and consideration.

#### **IV. DETAILED COMMENTS**

As stated in the previous section, the IESO does not agree with the Commission's proposal to remand the NERC interpretation of the VAR standard for the following reasons:

##### **(A) Scope of Interpretation Requests**

NERC in its interpretation has correctly clarified by indicating that the reliability standard (VAR-001-1, R4)<sup>2</sup> requirement, as written, does not explicitly state that the voltage or reactive schedule must be technically sound and reasonable. NERC has also expressed a correct view that an implied requirement is not a stated requirement that can be objectively measured. In other words, absent any explicit requirements, one cannot and should not interpret any implied requirements, nor can there be measures and associated compliance elements developed to address the implied or interpreted requirements.

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<sup>2</sup> Each Transmission Operator shall specify a voltage or Reactive Power schedule at the interconnection between the generator facility and the Transmission Owner's facilities to be maintained by each generator. The Transmission Operator shall provide the voltage or Reactive Power schedule to the associated Generator Operator and direct the Generator Operator to comply with the schedule in automatic voltage control mode (AVR in service and controlling voltage).

The intent of providing a response to an interpretation request is to provide clarity on the requirement as written and what the requirement does or does not address. From the NERC Reliability Standards Development Procedure document:

“The person requesting an interpretation will send a request to the standards process manager explaining the specific circumstances surrounding the request and what clarifications are required as applied to those circumstances. The request should indicate the material impact to the requesting party or others caused by the lack of clarity or a possibly incorrect interpretation of the standard.”

Responses to interpretation requests should not change the scope or the intent of a reliability standard requirement. The response should only address issues related to clarity and possible misinterpretations. This is exactly what the NERC response has done. There are certainly some reliability standards requirements which can be considered lacking in scope and technical grounding however entities wishing to modify such requirements should follow NERC Rules of Procedures by requesting a SAR. This provides the opportunity and the appropriate platform to address standards which may be inherently flawed in some aspect. From the NERC Reliability Standards Development Procedure document:

“Requests to develop, revise, or withdraw a reliability standard shall be submitted to the standards process manager by completing a SAR. The SAR is a description of the new or revised standard. The SAR provides sufficiently descriptive detail to clearly define the scope of the standard. The SAR also states the purpose of the standard. A needs statement will provide the detailed justification for the development or revision of the standard, including an assessment of the reliability and market interface impacts of implementing or not implementing the standard.”

The IESO believes that the Dynegy request goes beyond the scope of an interpretation request and is more appropriately addressed through a SAR and by following the NERC processes which are in place to address the modification of existing standards. The fact is that the need for a sound technical basis does not currently exist in the requirement as

written, not that such a requirement should not be provided. The Commission's remand, on the basis that it disagrees with the interpretation's suggestion that there is no requirement for a voltage schedule to have a sound technical basis, will force NERC to deviate from the established standard interpretation process. The IESO holds the view that such a remand will in fact be driven by what the Commission wishes the requirement to be, rather than seeking clarity on what the requirement is as written,

**(B) Other Reliability Standards Which Address the Issue**

The IESO agrees with the Commission that standards should be technically sound. There are numerous standards which supplement VAR-001-1 in its scope and function. These standards ensure that the Transmission Operator develops plans and procedures to provide for transmission reliability. These also ensure that Transmission Operators develop, implement, and maintain plans and policies for (a) system reliability, (b) for preventing System Operating Limit (SOL) and Interconnection Reliability Operating Limit (IROL) violations, and (c) for preventing cascading outages. The Transmission Operator would not be able to comply with these requirements if it were not to employ sound engineering principles and technical expertise during the development of its plans and operating procedures in order to meet its reliability objectives and obligations. Some of the standards and associated requirements, which supplement the VAR standard, are listed below for the Commission's consideration:

**TOP-002-2, R1:**

Each Balancing Authority and Transmission Operator shall maintain a set of current plans that are designed to evaluate options and set procedures for reliable operation through a reasonable future time period. In addition, each Balancing Authority and Transmission Operator shall be responsible for using available

personnel and system equipment to implement these plans to ensure that interconnected system reliability will be maintained.

**TOP-004-2, R6:**

**R6.** Transmission Operators, individually and jointly with other Transmission Operators, shall develop, maintain, and implement formal policies and procedures to provide for transmission reliability. These policies and procedures shall address the execution and coordination of activities that impact inter- and intra-Regional reliability, including:

**R6.1.** Monitoring and controlling voltage levels and real and reactive power flows.

**R6.2.** Switching transmission elements.

**R6.3.** Planned outages of transmission elements.

**R6.4.** Responding to IROL and SOL violations.

**TOP-008-1, R2:**

Each Transmission Operator shall operate to prevent the likelihood that a disturbance, action, or inaction will result in an IROL or SOL violation in its area or another area of the Interconnection. In instances where there is a difference in derived operating limits, the Transmission Operator shall always operate the Bulk Electric System to the most limiting parameter.

**(C) Incorporation of Operating Judgement and Experience into Standards:**

The Commission is incorrect in its assumption that operating judgement and experience have not been considered by NERC for the standard in question<sup>3</sup>. Transmission Operators are required by TOP-002-2, R2 to ensure that system planning and design must incorporate operating personnel expertise and experience. The requirement is listed below for the Commission's consideration:

**TOP-002-2, R2:**

Each Balancing Authority and Transmission Operator shall ensure its operating personnel participate in the system planning and design study processes, so that these studies contain the operating personnel perspective and system operating personnel are aware of the planning purpose.

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<sup>3</sup> [P30 of the NOPR]: A voltage schedule should reflect technical analysis, i.e., sound engineering, as well as operating judgement and experience.

## V. CONCLUSION AND RECOMMENDATION

The IESO respectfully recommends that the Commission approve the VAR-001-1 interpretation and rule accordingly in its final order on the subject for the reasons stated above.

Respectfully submitted,

/s/ Nicholas Ingman

Nicholas Ingman

Manager, Regulatory Affairs

**Ontario's Independent Electricity**

**System Operator**

655 Bay Street, Suite 410

Toronto, Ontario

M5G 2K4

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