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January 3, 2007

VIA ELECTRONIC FILING

The Honorable Magalie Roman Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Room 1A-East, First Floor
Washington, DC 20426

Re: Mandatory Reliability Standards for the Bulk-Power System
Docket No. RM06-16-000

Dear Ms. Salas,

Attached for electronic filing in the above-referenced docket is Wisconsin Electric Power Company's Comments on the Mandatory Reliability Standards for the Bulk-Power System Notice of Proposed Rulemaking, issued October 20, 2006, in the above-referenced docket. A copy of the foregoing has been served upon all parties included in the Commission's service list.

If you have any questions or concerns regarding this filing, please feel free to contact me at the address above. Thank you for your assistance in this matter.

Respectfully submitted,

/s/ Regina Y. Speed-Bost
Regina Y. Speed-Bost, Esq.
Stanley P. Wolf, Esq.

Attorneys for Wisconsin Electric Power Company

RYS/spw
Enclosures
cc: Official Service List (w/encl., via e-service)

UNITED STATES OF AMERICA

BEFORE THE

FEDERAL ENERGY REGULATORY COMMISSION

Mandatory Reliability Standards for the Bulk-Power System	**)** **)**	**Docket No. RM06-16-000**

COMMENTS OF WISCONSIN ELECTRIC POWER COMPANY

Pursuant to the Notice of Proposed Rulemaking ("NOPR"), and the Notice Granting in Part Motions for Extension of Time issued on October 20, 2006, and November 27, 2006, by the Federal Energy Regulatory Commission ("FERC" or "Commission"), Wisconsin Electric Power Company ("Wisconsin Electric") respectfully files comments in the above-captioned proceeding. While Wisconsin Electric generally supports the Commission's attempt to establish mandatory reliability standards, certain of the changes to the North American Electric Reliability Corporation ("NERC") standards suggested in the NOPR raise concerns. Accordingly, Wisconsin Electric provides these comments and suggested modifications for the Commission's consideration. In support, Wisconsin Electric states as follows:

I.
NOTICES AND COMMUNICATIONS

All communications, correspondence, documents and other materials should be forwarded to the following persons:[1]

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[1] Wisconsin Electric requests the Commission to grant a waiver of the restriction in 18 C.F.R. § 385.203(b)(3) (2006) to permit the addition of more than two persons in the service list to ensure the timely circulation of comments among the relevant offices.

II.
COMMENTS

The Edison Electric Institute ("EEI") is also submitting comments on the NOPR. Wisconsin Electric generally supports those comments and has the additional comments set forth below which it requests the Commission to consider along with EEI's comments.

Shortcomings of the Functional Model

The Commission concludes[2] that the NERC Functional Model represents "a reasonable and practical approach to determining the applicability of a particular Reliability Standard." However, the Functional Model was developed to help identify responsibilities and functions where they may have been disaggregated. It was not intended to be a definitive model to assign legal responsibilities for compliance where penalties may be applicable. While the Functional Model is helpful in assisting entities to register as responsible entities, it is not a substitute for a clear statement of the applicability of a Reliability Standard.

The Commission proposes[3] that the Functional Model be used to "identify the applicable entities to which each Reliability Standard applies." Wisconsin Electric cautions the Commission that using the Functional Model for such a purpose would require a fundamental redesign of the document. Each Reliability Standard should clearly state the applicability of that standard, without reference to the Functional Model.

[2] NOPR at P 46.

Moreover, the Region should have the responsibility of specifically identifying the applicability of standard compliance requirements to individual entities with owner, operator, and user responsibilities or obligations clearly described using tools such as Registration, the Functional Model and specific agreements among the affected entities.

In addition, while there are over 90 references in the proposed standards to the Interchange Authority, no specific entity is designated to fulfill this role, and there is no common understanding in the industry as to what this role is and what entity should fulfill it. In some cases, it appears that the Interchange Authority is really the sink Balancing Authority. In others, it appears it is the centralized e-tag service. The proposed standards need to clearly define the functions of the Interchange Authority and designate the entity which is to be the Interchange Authority.

Similarly, there are over 100 references in the proposed standards to the Planning Authority, but many requirements regarding this function are written as "the planning authority and the transmission planner will . . ." or "the planning authority or the transmission planner will. . ." Thus, it is not clear which entity has which responsibilities. This uncertainty does not promote the accountability of organizations necessary for effective and efficient implementation of the proposed standards. References to the Planning Authority must be clarified to remove these ambiguities.

[3] *Id.*

Other Ambiguities

Where there is some ambiguity in a Reliability Standard, but there is also a "common interpretation for certain terms based on the best practices within the industry," the Commission proposes to adopt that interpretation.[4] Wisconsin Electric agrees that, as a general principle, using common industry interpretations and best practices is a good foundation for interpreting reliability standards. However, it is not clear what "common interpretations" the Commission is referring to, much less that such interpretations are widely accepted across the industry. In order for common interpretations of Reliability Standards and best practices to be used as a basis for assessing compliance and enforcement, they must be clearly spelled out and made available for review by entities subject to these standards. In addition, these interpretations should be incorporated into the audit guidelines used by the ERO and Regional Entities as acceptable practices. The Commission should require the ERO to review all existing industry sources, such as the NERC glossary and IEEE standards, to supplement the interpretation of Reliability Standards before relying on undocumented "common interpretations."

Further, the wording of many of the present standards is such that hindsight could be used to find fault with nearly any organization. Wisconsin Electric is concerned that an entity may be performing acceptably under a reasonable interpretation of a standard, only to have a different interpretation applied after the fact to assess responsibility and

[4] *Id* at P 111.

perhaps sanctions. Phrases that can be misapplied and their frequency of occurrence include:

- "such as" (47).
- "e.g." (38).
- "including, but not limited to" (8).
- "adequate" or "adequately" (25)
- "sufficient" (37).
- "or other" undefined items (40).
- "where technically feasible" (10).
- "Immediate" or "immediately" is found in 46 requirements.
- "as soon as possible" (16).
- Where "feasible" (10).
- "where practical" (7).
- where "practicable" (3)

While it is acceptable to use such terms in explanatory information, they should not be used in any enforceable standard requirements and the interpretation should not be applied after the fact.

Redundancy

There are many redundant supporting pieces of information that are now considered requirements under the proposed standards. Using the Disturbance Control Standard ("DCS") as an example, there are about 20 requirements that state in different ways the requirement that a Balancing Authority (or group of Balancing Authorities that form a Reserve Sharing Group) must reduce its Area Control Error ("ACE") after a disturbance and expeditiously restore reserves. Examples of the redundancy are: "must comply with DCS," "must comply with DCS for 100% of events," "must get ACE back to zero or pre-disturbance levels within 15 minutes," "must get back" in a different time if better suited to Interconnection and Regions, "must carry reserves," "must distribute

reserves," "must deploy reserves in emergencies," etc. This redundancy could be eliminated by moving the supporting information to a separate section of the standard.

Another source of redundancy is the repetition of the same basic requirements in multiple standards. Interconnection Reliability Operations Limits ("IROLs") are a good example of this. Requirements regarding IROLs can be simplified to:

1. Have IROLs pre-defined (preparedness).
2. Train and prepare for IROLs (preparedness).
3. Update limits based on conditions (performance).
4. Monitor for and respond immediately to IROLs and correct them within 30 minutes (performance).
5. Communicate reaching IROLs to others (performance).
6. Report violations of the IROL standard (administrative).

The acronym IROL shows up 168 times in the present proposed standards. The vast majority of these are restatements of the 6 core requirements in different standards.

Fill in the Blank Standards

Wisconsin Electric believes that there are circumstances in which "Fill in the Blank Standards" are appropriate. These standards provide Regions some flexibility in implementation, and allow the deployment of a standard where it would be difficult to get consensus across several Regions. They also assist in the development of reliability standards concerning issues that have historically been considered to be matters of state jurisdiction.

Information Collection Costs

The Commission[5] seeks comments on the reporting and recordkeeping costs imposed on respondents if the NOPR standards are implemented. It has projected the average annualized amount of such costs to be 100 hours per entity. Wisconsin Electric believes that the Commission has significantly understated the effort involved in managing the administration of a compliance program. We believe that the typical control area utility with its multiple functional entity responsibilities will need significantly more then 100 hours to manage a Quality Compliance program as identified by NERC's Sanction Guidelines Appendix 4B to Rules of Procedure filed October 18, 2006 (quoted below) that would be prudent to minimize the magnitude of a penalty.

> 4.3.6 Presence and Quality of Compliance Program
>
> NERC or regional entity shall consider the presence and quality of the violator's compliance program. NERC or regional entity will be instructed in making their determination on this factor by the text of Paragraphs 22 and 23 of the FERC Policy Statement on Enforcement. As they deem warranted, NERC or regional entity may reduce the violator's penalty consistent with the cited sections of the FERC policy. Consistent with the FERC policy NERC or regional entity may not increase a violator's penalty specifically on the grounds that the violator has no program or a poor quality program.

While the costs of maintaining a complete Quality Compliance Program are greater than the costs of reporting and recordkeeping that the Commission projected in the NOPR, Wisconsin Electric believes that The Commission's estimate of 100 hours annually per entity is nonetheless significantly understated.

[5] NOPR at P 1163.

Specific Standards

Automatic Generation Control (BAL-005-0)

The Commission proposes that the Automatic Generation Control ("AGC") standard, BAL-005-0, include a Requirement that addresses the amount of automatic generation control a balancing authority must have, prior to a contingency, to ensure that load variations and changes in schedules can be accommodated without frequency deviations beyond an appropriate threshold. The Commission proposes to direct that NERC submit a modification to BAL-005-0 that: (1) includes Requirements that identify the minimum amount of automatic generation control or regulating reserves a balancing authority must have at any given time; (2) changes the title of the Reliability Standard to be neutral as to source of the reserves; (3) includes DSM and Direct Control Load Management as part of contingency reserves; and (4) includes Levels of Non-Compliance and Measures, including a Measure that provides for a verification process over the minimum required automatic generation control or regulating reserves a balancing authority maintains.

The Commission should clarify the rationale for contingency reserves so that it is clear that contingency reserves do not have a "regulation portion." AGC includes the tools needed to meet Control Performance Standards ("CPS"), not DCS. CPS is a direct measure of a Balancing Authority's impact on frequency. As the Commission has concluded with regard to BAL-001-0, there is little to gain in mandating a set-aside of generation on AGC or amount of regulating reserves. If the Balancing Authority meets

CPS, it has demonstrated through its performance, that it has deployed sufficient regulating resources.

The Commission notes that Requirement R2 of BAL-005-0 requires a balancing authority to obtain sufficient regulating reserves controlled by automatic generation control to meet the CPS requirements of BAL-001-0. However, the balancing authority may not itself have generation or control over loads that are the sources of regulating reserves. As a Balancing Authority operator that does not own or operate a transmission system, Wisconsin Electric finds itself relying on the Transmission Service Providers' tariff to provide the appropriate amount of resources under Ancillary Service Schedule 3, Regulation and Frequency Response, to the Balancing Authority for deployment to meet the CPS requirements of BAL-001-0. This traditional control area obligation of vertically integrated utilities was assigned by the Commission to the transmission functions in Order No. 888 without regard to future business alignments that separate the provider from the ultimate supplier (be it load or generation resources) and the responsible entity for deployment of these regulating resources to reliably maintain system frequency within the bounds proposed in BAL-001-0. Regardless of the amount of regulating reserves supplied, or as the Commission proposes, a required minimum amount, the Balancing Authority obligation is to balance the system. Ultimately the ability to direct involuntary shedding of load is required for the Balancing Authority to maintain frequency and overall grid reliability.

Facility Ratings Methodology (FAC-008-1)

The Commission proposes[6]

> that the limiting component(s) be identified and that the increase in ratings based on the next limiting component(s) be identified for all critical facilities, including facilities that limit TTC, limit delivery of generation to load, or bottle generation.

The Commission states[7] that this requirement "would provide sufficient information so that the most cost effective solutions to increase facility ratings can be identified," and that "such information would be useful to users of the Bulk-Power System and to the Commission."

Wisconsin Electric opposes this proposed additional requirement to "identify the increase in rating based on the next limiting component(s) for all critical facilities." This proposed new requirement is ambiguous, and the additional work required to identify the increase in rating based on the next limiting component(s) is unwarranted and potentially costly, and the need for any such specific information is questionable. The proposed requirement is ambiguous in that it is not clear what specific criteria would be used to define "critical facilities" and "limits." And the information about the increase in rating based on the next limiting component(s) is not useful without the associated significant cost of removing the initial limit. We do not believe there is a widespread need for this type of information in any event, and we recommend that the need for this type of information be addressed on a case-by-case basis rather than by establishing such an inflexible universal requirement in a standard.

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[6] *Id.* at P 405.

Operating Personnel Training (PER-002-0, PER-003-0)

The Commission proposes[8] to direct that NERC submit a modification to PER-002-0 that: (1) identifies the expectations of the training for each job function; (2) develops training programs tailored to each job function with consideration of the individual training needs of the personnel; (3) expands the Applicability to include reliability coordinators, generator operators, and operations planning and operations support staff with a direct impact on the reliable operation of the Bulk-Power System; (4) uses the SAT methodology in its development of new training programs; and (5) includes performance metrics associated with the effectiveness of the training program.

The Commission proposes[9] to extend the applicability of PER-002-0 and PER-003-0 to include Generator Operators among others. Under this proposal, Generator Operators would be required to staff real-time operation positions with NERC-certified personnel and develop Systematic Approach to Training ("SAT") based training programs tailored to each job function with consideration of the individual training needs of the personnel.

It is unclear under the Commission's proposal how a standard to measure the effectiveness of a training program would apply to an organization that contracts for training services. There are many training requirements found in other standards

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[7] *Id.*

[8] *Id.* at P 780.

[9] *Id.* at PP 771, 779, 780, 790, and 791.

regarding the topics and amount of training. Wisconsin Electric finds the Commission's proposed broad-brush approach to be overly-prescriptive.

Further, in an attempt to implement the Blackout Report, the Commission proposes to extend Standards for training to operations planning and operations support staff with a direct impact on the reliable operation of the Bulk-Power System. The Commission's proposal implicitly poses, but does not address, the questions of how to identify such personnel and how then to develop compliance measures for them. The Commission's proposal is unworkably ambiguous and thus should not be implemented.

Wisconsin Electric also opposes the extension of these standards to all real-time operation positions of a Generator Operator. Most of these real-time operation positions are staffed by long tenured union personnel that routinely operate generating units and take directions from the Balancing Authority. We believe that this type of certification and training extension would be analogous to requiring such certification for the outside field force of a Transmission Operator that operate and switch electric transmission lines.

Operating Personnel Credentials (PER-003-0)

It is unclear whether the Commission is proposing in this standard that every power plant control room be staffed by certified operators. The Commission should clarify this standard to not impose such an obligation on Generator Operators. Imposition of such a standard is unnecessary for the safe and efficient operation of the system and only imposes unnecessary costs on the system and, ultimately, on end users.

Verification of Generator Gross and Net Reactive Power Capability (MOD-025-1)

In the NOPR, the Commission took no action on this standard. Rather, it required further information from NERC stating that the applicable regional procedures referenced in this standard have not been submitted to the Commission.[10] However, the Commission also stated that the Reliability Standard should be made more clear by requiring a minimum reactive power (MVAR) capability throughout a unit's real power operating range.[11]

Wisconsin Electric believes that a requirement to test and verify the minimum reactive capability at multiple points over the operating range as part of the additional minimum MVAR capability requirement would add a significant and unnecessary burden. In Wisconsin Electric's experience, a reactive power test at a single operating point is sufficient and more practical to achieve. For this reason, Wisconsin Electric encourages the Commission to withdraw this component of NERC's standards.

System Protection Coordination (PRC-001-0)

In the NOPR,[12] the Commission approved, with modifications, NERC's proposal in PRC-001-0 for a reliability standard that ensures that protection systems are coordinated among operating entities by requiring transmission operators and generator operators to notify appropriate entities of relay or equipment failures that could impact

[10] *Id.* at P. 748.

[11] *Id.* at P 749.

[12] *Id.* at P 807.

system reliability. However, the Commission also required[13] NERC to add a requirement that relevant transmission operators and generator operators must be informed immediately upon the detection of failures in relays or protection system elements on the Bulk-Power System that would threaten reliable operation. In addition, the Commission imposed a requirement that after being informed of failures in relays or protection system elements on the Bulk-Power System, transmission operators or generator operators shall carry out corrective control actions, i.e., returning the system to a stable state that respects system requirements as soon as possible but in no longer than 30 minutes.

These additional requirements do not have sufficient clarity. For example, in the case of older electromechanical relays, it is usually not possible to know if the relay has failed. This is generally only possible with modern relays. Wisconsin Electric's practice is to provide an alarm via a distributed control system to the control operator in the event of the failure of a microprocessor generator relay, where Wisconsin Electric uses such relays. Also, the standard is not clear concerning which relay failures would threaten "reliable operation" and what corrective control actions, outside of increased monitoring, would be appropriate. Wisconsin Electric requests that the proposed rules be clarified to eliminate these ambiguities.

[13] *Id.* at P 816.

Corrections

In the NOPR,[14] the Commission states that "neither EOP-002-1 nor any other Reliability Standard addresses the impact of inadequate transmission during generation emergencies." However, this impact is addressed in the standards related to Capacity Benefit Margin ("CBM"), MOD-004-0, Documentation of Regional CBM Methodologies, MOD-005-0, Procedure for Verifying CBM Values, MOD-006-0, Procedure for the Use of CBM Values, MOD-007-0, Documentation of the Use of CBM.

The Commission[15] is also proposing that MOD-006-0 R1.2 be modified "so that concurrent occurrence of transmission constraints is not a requirement for CBM usage." However, in making this statement the Commission is misinterpreting CBM. If there is no transmission constraint then there is no need to use CBM. In that case, transmission capacity exists for a load-serving entity to import energy. If there is a transmission constraint, CBM reserves transmission capacity that the LSE can use to import energy for reliability needs.

Finally, the Commission states[16] that "a load serving entity ["LSE"] that has sufficient generation resources within its balancing authority to meet the balancing Reliability Standards should not need to preserve capacity for CBM at all." Just because the balancing authority has sufficient generation does not mean that there is transmission

[14] *Id.* at P 284.

[15] *Id.* at P 638.

[16] *Id.* at P 640.

capacity to deliver the energy to the LSE. The LSE may be remote from the bulk of the balancing authority. So there may be occasions when an LSE that has sufficient generation resources within its balancing authority to meet the balancing Reliability Standards may still need to preserve capacity for CBM.

III.
CONCLUSION

Wisconsin Electric fully supports the ERO standard-setting process and urges the Commission to exercise its authority in harmony with NERC's primary role in developing proposed Reliability Standards. Wisconsin Electric respectfully requests that the Commission consider these comments in issuing the final rule and any direction given to NERC to further modify the proposed mandatory reliability standards.

Respectfully submitted,

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For Wisconsin Electric Power Company

Dated: January 3, 2007

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing document to be served upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C., this 3rd day of January, 2007.

/s/ Stanley P. Wolf
Stanley P. Wolf