



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

March 4, 2011

To Transmission Owners and Transmission Service Providers subject to MOD-029-1:

On February 24, 2011, a number of registered entities within the Western Interconnection (the “WestConnect Utilities”) submitted to NERC and to WECC a request for extension of time to comply with Reliability Standard MOD-029-001. This request follows efforts by the WestConnect Utilities to seek an extension of time from FERC, which was recently dismissed.¹ In its dismissal order, FERC ruled that “requests for extension should be considered through NERC’s enforcement and compliance program.”² In exercise of that authority, I am granting an extension of time as detailed below for all entities subject to MOD-029-1 R2.1 as that requirement is applied to “Flow Limited” paths.

Following the review of the WestConnect Utilities’ recent filing with FERC and a thorough investigation by NERC and WECC of the concerns being raised by these entities, NERC has determined there to be a valid technical concern with the MOD-029-1 Reliability Standard (Rated System Path Methodology). This concern has the potential to affect any entities that have chosen to implement MOD-029-1 to some degree; the magnitude will depend on the unique characteristics of the applicable entity’s system.

NERC understands that the current MOD-029-1 methodology may, in certain cases, lead to Total Transfer Capability (TTC) and Available Transfer Capability (ATC) values significantly lower than those previously used. MOD-029-01 Requirement 2, Sub-Requirement 2.1 requires the use of a simulation to determine the TTC:

R2.1. Except where otherwise specified within MOD-029-1, adjust base case generation and load levels within the updated power flow model to determine the TTC (maximum flow or reliability limit) that can be simulated on the ATC Path while at the same time satisfying all planning criteria contingencies as follows:

When the simulation identifies a limiting piece of equipment that restricts the amount of flow on a path, that path is considered “Reliability Limited,” and the TTC is set based on that flow. When the simulation cannot sufficiently load the transmission path such that a limit is

¹ Docket No. RM08-19-00 – “Request for Extension of Compliance Date and Request for Expedited Consideration of the WestConnect Utilities” (December 30, 2010); *Order Dismissing Request for Extension*, 134 FERC ¶ 61,118 (February 17, 2011).

² *Id.* at P. 12.

encountered, the path is referred to as being “Flow Limited.” Currently, by virtue of requiring the TTC to be established based on the simulation, MOD-029 R2.1 seems to indicate the TTC should be established as the maximum flow simulated for those “Flow Limited” paths. Because of the inconsistencies between contract path scheduling and actual flows on the system, however this can result in cases where TTC is artificially constrained below what the system can actually accommodate. Setting the TTC equal to the maximum simulated flow and then using it to analyze contract-path schedules will not accurately account for parallel path flows and counterflows. Consequently, paths affected by parallel path flows and/or counterflows may have their ATC reduced to some degree. In examples provided to NERC by the WestConnect Utilities, there have been cases where TTCs have reduced by more than 75%.

While this appears to be primarily a commercial issue, the WestConnect Utilities have indicated that strict enforcement of the standard may cause a reliability impact on those entities that depend on the use of the transmission system to serve load. In any event, as a general principle, NERC works to ensure that NERC Reliability Standards do not cause undue restrictions or adverse impacts on competitive electricity markets.

Given the short amount of time remaining until the effective date of April 1, 2011, NERC advises all transmission owners and transmission service providers that have selected the MOD-029-1 methodology that, while they are still expected to be compliant with the standard on April 1, 2011, NERC will be delaying the implementation of MOD-029-01 Requirement 2, Sub-Requirement 2.1 for “Flow Limited” paths only, until such time as a modification to the standard can be developed that will mitigate the technical concern identified. While this request for an extension arose within the Western Interconnection, this delay in implementation for MOD-029-01, Sub-Requirement 2.1 will be available to any transmission owner or transmission service provider that chose the MOD-029-1 methodology, regardless of where located.

NERC is working with a group of industry technical experts to develop a SAR and suggested modifications to the standard. It is expected that such a modification will be consistent with current practices used today, and that the modification would be approved and filed within the next 5-8 months. NERC will also be working with its stakeholders to analyze the aforementioned inconsistencies between contract-path scheduling and actual flows on the system to determine if a longer-term solution is required.

In the interim, NERC suggests (but does not require) that entities calculate the TTC of “Flow Limited” paths consistent with practices used in the past (such as using the path thermal rating). During audits, any paths for which TTC has not been calculated based on R2.1 will be expected to be demonstrably “Flow Limited.” Evidence to demonstrate this will be considered on a case by cases basis, but in general, a presentation of the studies showing the results of the simulation will be adequate proof of compliance.

NERC emphasizes that with the specific exception of the implementation of MOD-029-1 R2.1 on “Flow Limited” paths, all applicable entities are expected to proceed with their implementation plans for the ATC-related MOD standards. If any registered entity believes that it cannot meet the April 1, 2011 effective date for any of the other requirements in the ATC-related MOD standards, the entity should self report possible violations and develop and file mitigation plans covering each requirement of the applicable MOD standards for which the

entity will not be in compliance on the effective date. NERC encourages such entity to coordinate with its regional entity so that it can be prepared in anticipation of timely self-reporting by the effective date.

A handwritten signature in black ink, appearing to read "Joel deJesus". The signature is fluid and cursive, with the first name "Joel" being more prominent than the last name "deJesus".

Joel deJesus
Director of Enforcement

cc: Connie White (WECC)
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