UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Remedying Undue Discrimination
through Open Access Transmission Service
and Standard Market Design

Docket No. RM01-12-000

COMMENTS OF THE
NORTHEAST POWER COORDINATING COUNCIL

Pursuant to the Commission’s notice issued on October 2, 20021, the Northeast Power Coordinating Council (“NPCC” or "Council") hereby submits its comments on the Commission's Notice of Proposed Rulemaking in the above-captioned rulemaking proceeding issued on July 31, 2002 ("SMD NOPR").2

I. INTRODUCTION

NPCC is one of ten Regional Reliability Councils which together make up the North American Electric Reliability Council. NPCC’s geographic region encompasses Northeastern North America, including all of New York, and New England and the area of eastern Canada, including Ontario, Quebec and the Maritime Provinces. NPCC plays a vital role in assuring the reliability of the interconnected bulk power systems in its region through the establishment of reliability criteria, coordination of system design and operation, and the assessment of compliance with reliability criteria. NPCC is a voluntary, non-profit organization. Membership

1 Notice of Conferences and Revisions to Public Comment Schedule, dated October 2, 2002, Docket No. RM01-12-000.

is available to all entities that participate in the interconnected electricity market in Northeastern North America. The NPCC “Membership Agreement” provides for open, inclusive membership and fair and non-discriminatory governance with the Council’s activities directed by a balanced stakeholder Executive Committee. NPCC’s principal office is located at 1515 Broadway, 43rd Floor, New York, New York 10036.

On October 2, 2002, the Commission extended, to January 10, 2003, the deadline for submission of SMD NOPR comments that address several issues, including Resource Adequacy requirements and Regional State Advisory Committees. NPCC’s comments focus on the reliability aspects of the Resource Adequacy requirements, and the role of the proposed Regional State Advisory Committees.

II. EXECUTIVE SUMMARY

As noted above, NPCC’s comments focus on the reliability aspects of Resource Adequacy requirements and the role of the proposed Regional State Advisory Committees. With respect to the Resource Adequacy requirement issues raised in the SMD NOPR, NPCC recommends that RTOs and ITPs be required to participate in the applicable Regional Reliability Councils and comply with NERC standards and regionally specific reliability criteria. Such a requirement would facilitate region-wide reliability coordination. In addition, NPCC argues that the Final SMD Rule should require that the Regional Reliability Council’s criteria be the

3 Available at: (www.npcc.org).

4 Notice of Conferences and Revisions to Public Comment Schedule, dated October 2, 2002, Docket No. RM01-12-000.

5 NPCC members may separately provide additional comments on the remaining aspects of the NOPR, as appropriate.
foundation for the Resource Adequacy standards adopted by the proposed Regional State Advisory Committees. Finally, NPCC believes that it is the role of NERC and the Regional Reliability Councils to establish the reliability objectives for Resource Adequacy, and the role of NAESB to develop business practices to efficiently achieve this objective.

With respect to the proposed Regional State Advisory Committees, NPCC believes that the active participation of Regional Reliability Councils in such committees is essential to maintaining regional reliability because Regional Reliability Councils provide a means for independent regional reliability review and provide the necessary international coordination between US states and Canadian provinces.

III. RESOURCE ADEQUACY

The Final SMD Rule Should Require RTO/ITP Participation In Regional Reliability Councils.

The SMD NOPR proposes that all transmission owners and operators that have not yet joined an RTO must contract with an independent entity to operate their transmission facilities. This proposed rule refers to both the RTO and those independent entities as “Independent Transmission Providers (ITP).” NPCC recommends that the Final SMD Rule should also require that RTO/ITPs participate in applicable Regional Reliability Councils and comply with NERC standards and regionally-specific reliability criteria. A common foundation of reliability criteria over a wide area is essential to achieving the objectivity and checks and balances necessary to support open and competitive markets, irrespective of the number or size of operating entities that evolve or are created in the future. In the Northeast, the development,

---

6 SMD NOPR at P8.
compliance assessment and enforcement of regionally-specific reliability criteria is best accomplished through an international, regional reliability organization, which is complimentary to, but independent of the RTO/ITP.

Requiring participation in Regional Reliability Councils as part of the Final SMD Rule will thus facilitate reliable area-wide coordination of operations for the international, interconnected bulk power systems and will permit RTO/ITPs to interact seamlessly with international and other non-jurisdictional entities. Membership in NPCC, for instance, can support fulfillment of the requirements of several RTO characteristics and functions. A major lesson learned from the 1965 Northeast blackout was that Region-wide coordination is required for reliability. The 1977 New York City blackout also demonstrated that reliability requires the system to be operated consistent with its design. This design-basis approach to the development of NPCC reliability criteria development provides for an effective reliability backstop so that the benefits promised by the competitive electricity marketplace can materialize. NPCC also utilizes a Reliability Assessment Program to monitor its members' conformance with the Council's reliability criteria. NPCC, through its Reliability Compliance and Enforcement Program (RCEP), establishes a mechanism to impose sanctions for non-compliance to a specified set of reliability requirements.

The Final SMD Rule Should Adopt Regional Reliability Council Resource Adequacy Criteria

---

The Commission stated in the SMD NOPR that “In the event of a capacity shortage or emergency, local reliability rules and procedures (which typically combine NERC, regional reliability council and system operator guidelines) prescribe a series of actions that the system operator takes to maintain reliability.” With respect to Resource Adequacy, the "NPCC Basic Criteria for Design and Operation of Interconnected Power Systems" ("Basic Criteria") identifies the design criteria to be used in planning the bulk power system of each of the NPCC member systems, and in reliability testing at the member system, Control Area ("Area"), and Regional Council levels. It is recognized that certain Areas or NPCC member systems may chose to apply more rigid criteria because of local considerations. NPCC’s role in monitoring conformance with the NPCC Basic Criteria is essential, because under this criterion, each NPCC Area determines its resource requirements by considering interconnection assistance from other Areas, on the basis that adequate resources will be available in those Areas. As the Commission

---

8 SMD NOPR at P326.

9 NPCC Document A-2 (www.npcc.org/criteria.htm)

10 NPCC Resource Adequacy Design Criteria states: “Each Area’s resources will be planned in such a manner that, after due allowance for scheduled outages and deratings, forced outages and deratings, assistance over interconnections with neighboring Areas and regions, and capacity and/or load relief from available operating procedures, the probability of disconnecting non-interruptible customers due to resource deficiencies, on the average, will be no more than once in ten years.”

11 For example, the New York State Reliability Council’s mission is to promote and preserve the reliability of electric service on the New York State Power System by developing, maintaining, and, from time-to-time, updating the Reliability Rules which shall be complied with by the New York Independent System Operator and all entities engaging in electric transmission, ancillary services, energy and power transactions on the New York State Power System (See www.nysrc.org).
has recognized, inadequate resources in one Area could result in adverse consequences in the other Areas.\textsuperscript{12}

The "\textit{NPCC Guidelines for Area Review of Resource Adequacy}\textsuperscript{13}" describes the resource adequacy review necessary to determine whether or not an Area’s proposed resources are in accordance with the Basic Criteria. Each NPCC Area demonstrates compliance with the resource adequacy criteria through its Area Triennial Review of Resource Adequacy ("Review"). The time period considered for each NPCC Area’s comprehensive Review is five years, undertaken every three years.\textsuperscript{14} It is recognized that all NPCC Areas may not necessarily express their own resource adequacy criterion as stated in the NPCC Basic Criteria. However, the NPCC Basic Criteria provides the foundation and a reference point against which an Area’s resource adequacy criterion can be compared.

NPCC is concerned that, for many of the reasons identified by the Commission,\textsuperscript{15} a generic 12 percent reserve margin\textsuperscript{16} for the Northeast would provide for less reliability than currently provided for by the current probabilistic loss of load expectation of one day in ten years required by the NPCC Basic Criteria. The Commission recognizes that, “Each region should

\textsuperscript{12} SMD NOPR at P493.
\textsuperscript{13} See: NPCC Document B-8 (\url{www.npcc.org/criteria.htm})
\textsuperscript{14} SMD NOPR at P524: the Commission has asked for “ … comment on whether the Commission should establish limits on the region’s choice for planning horizon, such as at least three years and no more than five years.”
\textsuperscript{15} SMD NOPR at P493.
\textsuperscript{16} SMD NOPR at P493.
take its own characteristics into account when determining the appropriate [resource adequacy] level …”17 and “… the region must assess whether this level is adequate.”18

Allowing for regional specificity19 in Resource Adequacy criteria by requiring adherence to the Regional Reliability Council’s established criteria avoids a “lowest common denominator approach” (which may result in less reliability than presently provided for in some Regions) and preserves well-defined existing regionally appropriate procedures and efficient rules. The Final SMD Rule should require that the Regional Reliability Council’s criteria should be the foundation for the standards adopted by the proposed Regional State Advisory Committees.

NPCC believes this approach is consistent with the Commissions view that “Resource adequacy today must be assessed at the regional level”20, and addresses the Commission’s requests to “comment on what fallback provision should be employed if the Regional State Advisory Committee does not reach agreement on the appropriate level of Resource Adequacy”21 or lacks consensus “… within the Committee regarding the appropriate planning horizon.”22

---

17 SMD NOPR at 490.
18 SMD NOPR at P489.
19 SMD NOPR at P17.
20 SMD NOPR at P458.
21 SMD NOPR at P492.
22 SMD NOPR at 524.
The Roles of NERC and NAESB

In response to the Commission’s consideration “… in the Final Rule to ask the North American Energy Standards Board ("NAESB") to develop more detailed standards for determining whether resources satisfy the resource adequacy requirement …”23, NPCC believes that it is the role of NERC and the Regional Reliability Councils to establish the reliability objectives for Resource Adequacy, and the role of NAESB to develop business practices to efficiently achieve this objective. The coordination process outlined in the recent NERC/NAESB MOU24 will ensure that the development of wholesale electric business practices and reliability standards are harmonized and that every effort will be made to eliminate duplication of efforts between the two organizations.

III. REGIONAL STATE ADVISORY COMMITTEES

The Commission recognized in its SMD NOPR25 that NPCC has been active in planning studies of the transmission needs of the Northeast Region. NPCC’s regional planning activities identify opportunities to reliability enhance the capabilities of the transmission grid from a wide area, trans-regional perspective. NPCC characterizes where and how transmission bottlenecks may adversely affect the Northeast electricity markets in New York, New England, eastern Canada, and PJM. This information aids investment decisions in transmission, generation, and demand response programs.

23 SMD NOPR at P510.


25 SMD NOPR, P 343.
NPCC believes that the Regional Reliability Councils’ active participation with the proposed Regional State Advisory Committees is essential to maintaining regional reliability for the following reasons. First, Regional Reliability Councils provide a means for independent regional reliability review. NPCC’s Collaborative Planning Initiative26 is one example illustrating the need to involve Regional Reliability Councils in transmission expansion studies across participating regions. Second, Regional Reliability Councils provide the necessary international coordination between States and Provinces. For example, interregional planning studies are conducted over as broad a region as feasible, including adjacent Canadian systems that are members of NPCC.27

**IV. CONCLUSION**

NPCC’s paramount function continues to be safeguarding the security, reliability and integrity of the integrated, international bulk power system at all times. NPCC’s regionally-specific reliability criteria form the foundation necessary for the common competitive markets in the Northeast. Requiring RTO/ITP participation in the Regional Reliability Councils as a Final SMD Rule requirement will provide the necessary regional focus to continue to achieve the level of bulk power system reliability expected within Northeastern North America. The Regional Reliability Councils’ active participation with the proposed Regional State Advisory Committees

---

26 NPCC Document CP-10 Phase I report (available at: [www.npcc.org/news.asp](http://www.npcc.org/news.asp)).

is also essential to maintaining regional reliability. The Final SMD Rule should specify that the Regional Reliability Councils’ Criteria should be the foundation for the standards to be adopted by the proposed Regional State Advisory Committees.

NPCC respectfully requests the Commission to consider these Comments as it proceeds with a Final Rule regarding its proposed Standard Electricity Market Design.

Respectfully submitted,

/s/ Edward A. Schwerdt  
Edward A. Schwerdt  
Executive Director  
Northeast Power Coordinating Council  
1515 Broadway, 43rd floor  
New York, NY 10036