UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Regional Transmission Organizations Docket No. RT01-99-000

NORTHEAST POWER COORDINATING COUNCIL’S STATEMENT REGARDING RELIABILITY STANDARDS FOR NERTO

To: The Honorable H. Peter Young,
Administrative Law Judge Mediator

The Northeast Power Coordinating Council (“NPCC”) submits this brief statement regarding the reliability standards that will serve as the foundation for the Northeast Regional Transmission Organization (“NERTO”). NPCC, one of the ten regional councils that comprise the North American Electric Reliability Council (“NERC”), establishes, through an open and inclusive process, regionally specific reliability criteria which implement broad-based North American electric industry standards, while facilitating to the extent possible the attainment of fair, effective and efficient competitive electric markets. In addition, NPCC’s reliability assessment and compliance and enforcement programs serve as the mechanism for promoting reliability in the Northeast United States and Eastern Canada.¹ As the mediation process addresses structural and operational issues for a NERTO, it is imperative that the process build

¹ Each Full Member of the Council is obligated to adhere to NPCC criteria by virtue of its membership and to abide by compliance assessments and sanctions, prescribed by the Council’s enforcement procedures, subject to alternate dispute resolution. See NPCC Membership Agreement § V.A.(2)(f).
upon the firm foundation for reliability assurance that NPCC has established over the past 35 years and that continues to evolve and expand in Northeastern North America to address both industry and market changes. The following essential elements are provided by NPCC and are critical to maintaining bulk power system reliability as market mechanisms continue to be developed and refined.

1. Reliability for the Northeast Market Requires Internationally Applicable Regionally Specific Criteria

To fully appreciate the level of international interdependency that exists within the Northeast, a comparison need only be made between the large amounts of Canadian - U.S. (North – South) transfers versus the relatively small amount of New York – PJM transactions within the U.S. Because of the international scope of operations, reliability criteria must be established by an internationally focused organization. NPCC was originally founded with international focus and has expanded to include approximately 70% of Canada’s interconnected load.

In Order No. 2000 the Commission has stated that an RTO should be configured to recognize natural trading patterns so as not to erect unnecessary barriers to trade and recognized that “natural transmission boundaries do not necessarily coincide with international boundaries.” A U.S. NERTO cannot accomplish the task of encompassing the entire natural Northeast market due to the international character of the Northeast

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2 Furthermore, the Commission stated it “does not have, and is not intending by this rule to seek, jurisdiction over the facilities in a foreign country.” Regional Transmission Organizations, Order No. 2000, III FERC Stats. & Regs. [Regs. Preambles] ¶ 31,089 at 31,085 (1999).

3 The NPCC Membership Agreement provides for open, inclusive membership and fair and non-discriminatory governance. The Membership Agreement also offers non-voting membership to regulatory agencies and public interest organizations.

4 See Order No. 2000 at 31,084-85.
marketplace. A common foundation of reliability criteria is needed in order to permit
Canadian entities to interact seamlessly with a U.S. NERTO. NPCC provides the
necessary reliability fundamentals and a fair and nondiscriminatory organizational
structure to facilitate such interaction.

The Commission has stated that they “encourage Canadian entities that are part of
the Northeast Power Coordinating Council to participate in the [NERTO] discussions to
the extent consistent with their status as subjects of a foreign, sovereign nation.”
NPCC submits that there is no better way for the Commission to achieve its goal of promoting a
single Northeast market than by recognizing NPCC’s continuing role and responsibilities
in the development of internationally applicable, regionally specific criteria to which the
Eastern Canadian entities already ascribe.

2. Reliability Criteria Must be Established by Entities Independent of Any
RTO

The entity responsible for reliability criteria development, compliance assessment
and enforcement must remain separate from the entity charged with the operation of the
electric system and administration of the competitive markets. This beneficial division of
responsibility, while avoiding redundancy, frees the RTO charged with short-term
reliability from the inevitable pressures to tailor the rules to ensure its compliance. It also
allows criteria to be focused on fundamental reliability principles and performance
objectives while facilitating to the extent possible attainment of fair, effective and
efficient competitive electric markets, rather than focusing on any particular market
mechanism.
Reliability criteria must be developed through an open and inclusive process such as is provided through the NPCC Membership Agreement. The separation of responsibilities between reliability criteria development, operations and market administration will provide a needed system of checks and balances to assure a reliable and competitive power supply.

3. **FERC has Recognized that NERC and Regional Reliability Councils Serve as Reliability Standards Organizations**

   In Order No. 888, the Commission clearly endorsed the roles of NERC and the Regional Reliability Councils in establishing reliability criteria.

   An ISO should have the primary responsibility in ensuring short-term reliability of [the] grid[,] . . . this responsibility should be well-defined and comply with all applicable standards set by NERC and the regional reliability council.6

   In addition, the Commission in its order authorizing the NYISO, acknowledged the necessity for local reliability rules. NPCC, both through its membership and governance structure, supports full participation by sub-regional reliability organizations.

   Furthermore, in Order No. 2000 the Commission, after giving due consideration to arguments suggesting that an RTO should be responsible for criteria development, stated,”[w]e conclude that the RTO must perform its functions consistent with established NERC (or its successor) reliability standards . . . .”7 The Commission then went on to

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7 See Order No. 2000 at 31,106.
balance its endorsement of NERC and Regional Council criteria with the proviso that an RTO should “notify the Commission immediately if implementation of these or any other externally established reliability standards will prevent it from meeting its obligation to provide reliable, non-discriminatory transmission service.”

Nothing in a subsequent Commission Order can be construed to contravene the Commission’s position.

The Commission has also recognized the importance of the Regional Reliability Council’s (“RCC”) role in assisting RTOs in meeting certain requirements of Order No. 2000. “As noted in Order No. 2000, the participation of a regional coordination council such as FRCC may be of assistance in coordinating inter-regional cooperation, and may therefore be useful in assisting an RTO and its participants in satisfying the Commission’s required characteristics and functions.” Furthermore, the Commission stated that it saw “no reason to question GridFlorida’s reliance on, and implementation of, FRCC decisions and policies.”

4. NPCC Promotes Coordinated Operations and Facilitates Seamless Markets in the Northeast

Participation in NPCC by U.S. and Canadian entities facilitates reliable wide area coordination of operations for the international, interconnected bulk power systems in the Northeast. Both New York ISO and ISO-New England cited membership in NPCC as providing support for the ISOs fulfilling several RTO characteristics and functions.
NPCC is a leader in addressing seams issues in the northeast in its efforts to provide long-term reliability coordination and wide area oversight in the Eastern Interconnection. Several examples of NPCC’s accomplishments in addressing seams issues and promoting interregional coordination are:

- Lake Erie Emergency Redispatch (“LEER”) Agreement\textsuperscript{13} to establish interregional emergency congestion management techniques

- Shared Activation of reserves to increase international and interregional transfers\textsuperscript{14}

- Operating principles for the Michigan-Ontario Phase Angle Regulators (PAR) to address parallel flows\textsuperscript{15}

In summary, the development, compliance assessment and enforcement of reliability criteria, which are fundamental to the platform of operations of a NERTO, is best accomplished through an international regional council organization.


\textsuperscript{12} See Bangor Hydro-electric Co., et al., Docket No. RT01-86-000, Joint Petition for Declaratory Order to Form the New England Regional Transmission Organization (January 16, 2001).

\textsuperscript{13} The Commission has stated “that the LEER proposal is an additional measure that goes beyond the [Commission’s] requirements” since LEER “obligates members to assist each other not only by selling emergency power (the traditional focus of emergency assistance agreements), but also by cooperating in regional redispatch arrangements.” North American Electric Reliability Council, et al., 87 FERC ¶ 61,160 at 61,644 (1999); see also, Northeast Power Coordinating Council, 92 FERC ¶ 61,209 (2000) (Order accepting revisions to the LEER Agreement). U.S. and Canadian members to the Agreement include American Electric Power, Allegheny Power, FirstEnergy, The Detroit Edison Co., Consumers Energy, New York ISO, the Independent Electricity Market Operator in Ontario, and PJM Interconnection, L.L.C.

\textsuperscript{14} The NPCC Shared Activation of Ten Minute Reserve procedure provides for the shared reliable recovery of sudden losses of generation or energy purchases by jointly activating ten minute reserves in the ISO-NE, NYISO, Maritimes, IMO, and PJM systems. This procedure also provides a reliable means for increasing power flows between Hydro-Québec and the NYISO beyond the Area’s normal largest contingency. See NPCC Document C-12 (May 8, 2001).