



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Please use this form to submit comments on **ReliabilityFirst Corporation's** regional reliability standard **BAL-002-RFC-02 Operating Reserves**. Comments must be submitted by **Monday, January 21, 2008**. Please submit this completed form by e-mail to regionalstandardscom@nerc.com with the words "**RFC BAL-002-RFC-02 Operating Reserves**" in the subject line. If you have questions please contact Alfred Calafiore at al.calafiore@nerc.net or by telephone at 609-452-8060.

Individual Commenter Information (Complete this page for comments from one organization or individual.)	
Name:	
Organization:	
Telephone:	
E-mail:	
NERC Region (Please check all Regions in which your company operates.)	Registered Ballot Body Segment (Please check all Industry Segments in which your company and its affiliates are registered.)
<input type="checkbox"/> ERCOT	<input type="checkbox"/> 1 – Transmission Owners
<input type="checkbox"/> FRCC	<input type="checkbox"/> 2 – RTOs and ISOs
<input type="checkbox"/> MRO	<input type="checkbox"/> 3 – Load-serving Entities
<input type="checkbox"/> NPCC	<input type="checkbox"/> 4 – Transmission-dependent Utilities
<input type="checkbox"/> RFC	<input type="checkbox"/> 5 – Electric Generators
<input type="checkbox"/> SERC	<input type="checkbox"/> 6 – Electricity Brokers, Aggregators, and Marketers
<input type="checkbox"/> SPP	<input type="checkbox"/> 7 – Large Electricity End Users
<input type="checkbox"/> WECC	<input type="checkbox"/> 8 – Small Electricity End Users
<input type="checkbox"/> NA – Not Applicable	<input type="checkbox"/> 9 – Federal, State, Provincial Regulatory or other Government Entities
	<input type="checkbox"/> 10 – Regional Reliability Organizations and Regional Entities

Group Comments (Complete this page if comments are from a group.)

Group Name: MRO NSRS
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Jim Haigh	WAPA	MRO	
Ken Goldsmith	ALTW	MRO	
Joseph Knight	GRE	MRO	
Pam Oreschnick	XCEL	MRO	
Dave Rudolph	BEPC	MRO	
Eric Ruskamp	LES	MRO	
Larry Brusseau	MRO	MRO	
Michael Brytowski	MRO	MRO	
27 Additional members	not mentioned above	MRO	

*If more than one Region or Segment applies, indicate the best fit for the purpose of these comments. Regional acronyms and segment numbers are shown on prior page.

Background Information

A regional reliability standard shall be: (1) a regional reliability standard that is more stringent than the continent-wide reliability standard, including a regional standard that addresses matters that the continent-wide reliability standard does not; or (2) a regional reliability standard that is necessitated by a physical difference in the bulk power system. Regional reliability standards shall provide for as much uniformity as possible with reliability standards across the interconnected bulk power system of the North American continent. Regional reliability standards, when approved by FERC and applicable authorities in Mexico and Canada shall be made part of the body of NERC reliability standards and shall be enforced upon all applicable bulk power system owners, operators, and users within the applicable area, regardless of membership in the region.

The approval process for a regional reliability standard requires NERC to publicly notice and request comment on the proposed standard. Comments shall be permitted only on the following criteria (technical aspects of the standard are vetted through the regional standards development process):

Unfair or Closed Process — Regional reliability standards must be developed in a fair and open process that provides an opportunity for all interested parties to participate. Although a NERC-approved regional reliability standards development procedure shall be presumed to be fair and open, objections could be raised regarding the implementation of the procedure.

Adverse Reliability or Commercial Impact on Other Interconnections — A regional reliability standard cannot have a significant adverse impact on reliability or commerce in other interconnections.

Deficient Standard — A regional reliability standard must provide a level of reliability of the bulk power system such that failure to comply with the regional reliability standard has the potential to cause a serious and substantial threat to public health, safety, welfare, or national security.

Adverse Impact on Competitive Markets within the Interconnection — A regional reliability standard cannot create a serious and substantial burden on competitive markets within the interconnection that is not necessary for reliability.

The Reliability*First* BAL-002-RFC-02 standard was developed to establish Reliability*First* requirements for an Operating Reserves methodology, documentation, review, and associated Contingency Reserves requirements. The Reliability*First* standard is structured to support and complement the NERC Regulatory Approved Reliability Standard BAL-002-0, specifically Requirement 2. Reliability Standard BAL-002-0 Requirement 2 requires in part that each Regional Reliability Organization shall specify its Contingency Reserve policies including certain specific components. In order to fulfill the intent of the NERC requirement, the Reliability*First* Regional Entity has developed the appropriate regional requirements using its approved Standard Development Procedure.

The Reliability*First* BAL-002-RFC-02 standard contains four main requirements for Balancing Authorities (BA's) within Reliability*First* footprint. The requirements deal with the following:

1. Requirement for documentation of methodology specifics regarding Operating Reserves – Spinning and Supplemental and Contingency Reserves

2. Requirement stating that the same portion of any resource shall not be counted more than once as Contingency Reserves by multiple Balancing Authorities.
3. Requirement for annual review and update of the documented methodology
4. Requirement for documenting the most severe single contingency, as used in the determination of the Contingency Reserve requirement, and projected resources for Contingency Reserves for the peak hour of the next operating day

At the recommendation of the NERC Regional Reliability Standards Working Group (RRSWG) the NERC three-year work plan has identified the NERC BAL-002 standard as one which will potentially need Regional Reliability Standards to support and complete its intent. Although revision of the NERC BAL-002 was identified in the NERC three-year work plan, such revision will take some time to complete. In the interim, ReliabilityFirst desires to maintain reliability within the region by having enforceable requirements in place. To that end, ReliabilityFirst processed what was referred to as a Day One Standard (approved by the ReliabilityFirst Board for initial regional operation starting 1/1/2006) through its NERC-approved Standard Development Procedure. The ReliabilityFirst proposed standard BAL-002-RFC-02 is intended to provide the necessary interim enforceable requirements. The BAL-002-RFC-02 standard is intended to remain in place until the related NERC standard revision is FERC approved and appropriate ReliabilityFirst standard requirements can be retired.

The ReliabilityFirst BAL-002-RFC-02 standard addresses day ahead requirements in addition to real time requirements for Operating Reserves. The Standard is required to address a methodology for determining the level of Contingency Reserve required within ReliabilityFirst, the allocation of the reserve requirements to the Balancing Authorities, the consideration of reserves held by third parties, and the resources considered for meeting the Operating Reserves-Spinning and Operating Reserve-Supplemental requirements. This standard incorporates the years of operating experience from the three legacy regions that made up ReliabilityFirst, namely MAIN, ECAR and MAAC.

The following questions solicit comments on the proposed ReliabilityFirst BAL-002-RFC-02 regional reliability standard. You are not required to answer all questions. Enter all comments in simple text format.

Insert a "check" mark in the appropriate boxes by double-clicking the gray areas.

1. Was the proposed regional reliability standard developed in a fair and open process, using the associated Regional Reliability Standards Development Procedure?

Yes

No

Comments:

2. Does the proposed regional reliability standard pose an adverse impact to reliability or commerce in a neighboring region or interconnection?

Yes

No

Comments:

3. Does the proposed regional reliability standard pose a serious and substantial threat to public health, safety, welfare, or national security?

Yes

No

Comments:

4. Does the proposed regional reliability standard pose a serious and substantial burden on competitive markets within the interconnection that is not necessary for reliability?

Yes

No

Comments: The MRO understands that the RFC standard has requirements that are different from their neighboring regions therefore this may create a serious and substantial burden on competitive markets. For example Implementing its Contingency Reserve upon the contingent loss of generation equal to 80% or more of its most severe single contingency seems to be too limiting.

Another example of a serious and substantial burden on competitive markets within the interconnection, can be seen when comparing the operating reserve policies between the MRO and RFC regions. An entity within the MRO only has to keep a minimum operating reserve spinning of 40% which means it can sell more than if it where located in the RFC region. Plus, if an entity is located in the MRO region it can allocate all of its operating reserves supplemental to interruptible load whereas

if that entity were located in the RFC region it could only allocate 25% of its operating reserves supplemental to interruptible load.

Therefore, since no reliability reason has been listed for RFC restricting its entities market opportunities. The operating reserves spinning and supplemental policies within the interconnection should be reviewed and adjusted such that all entities have an equal opportunity to sell power within the interconnection.

5. Does the proposed regional reliability standard meet at least one of the following criteria?

- The proposed standard has more specific criteria for the same requirements covered in a continent-wide standard
- The proposed standard has requirements that are not included in the corresponding continent-wide reliability standard
- The proposed regional difference is necessitated by a physical difference in the bulk power system.

Yes

No

Comments:

6. Do you have any additional comments not addressed above relative to the FRC Operating Reserves Methodology Standard BAL-002-FRC-02?

Yes

No

Comments: The MRO is concerned that the standard does not contain methodology for the real-time monitoring of the spinning reserve requirement.