

MEMORANDUM

TO: Ken DeFontes, Chair
NERC Board of Trustees

FROM: Jack Cashin, Director, Policy Analysis and Reliability Standards, American Public Power Association
John Di Stasio, President, Large Public Power Council
Terry Huval, Executive Director, Transmission Access Policy Study Group

DATE: January 26, 2022

SUBJECT: Response to Request for Policy Input to NERC Board of Trustees

The American Public Power Association, Large Public Power Council, and Transmission Access Policy Study Group concur with the Policy Input submitted today by the State/Municipal and Transmission Dependent Utility Sectors of the Member Representatives Committee, in response to NERC Board Chair Ken DeFontes January 4, 2022 letter requesting policy input in advance of the February 4, 2022 NERC Board of Trustees meetings.



MEMORANDUM

TO: Ken DeFontes, Chair
NERC Board of Trustees

FROM: John Haarlow
Terry Huval
John Twitty
Brian Evans-Mongeon

DATE: January 26, 2022

SUBJECT: Response to Request for Policy Input to NERC Board of Trustees

The Sector 2 and 5 members of the NERC Member Representatives Committee (MRC), representing State/Municipal and Transmission Dependent Utilities (SM-TDUs), appreciate the opportunity to respond to your January 4, 2022 letter to MRC Chair Paul Choudhury in which the Board of Trustees (Board) requested MRC input on the Standard Authorization Request (SAR) developed by the Energy Reliability Assessment Task Force (ERATF). Specifically, the Board seeks MRC views on two questions about the SAR approach:

1. Will the proposed approach summarized above and outlined in the SAR enable stakeholders to identify energy deficit risks and develop mitigations from energy constrained resources?
2. Is there a preferred alternative approach to that outlined in the SAR, or enhancements to the proposed approach in the SAR, that would enable stakeholders to identify energy deficit risks and develop mitigations from energy-constrained resources?

The SM-TDUs respond to these questions below. We look forward to discussing these issues and other agenda items during the virtual meetings of the Board, Board committees, and the MRC on February 9-10, 2022.

Summary of Comments

- **The SM-TDUs support the ERATF's work on energy adequacy risk and its development of the SAR on fuel assurance assessment.**
 - **We support the SAR process and believe that full assessment of the technical details underlying the SAR's proposed approach through the SAR process will best inform conclusions about the ultimate scope and likely effectiveness of the SAR's proposal.**
- **Two scope issues that warrant further examination are (1) the SAR's three proposed time frames for energy assessments; and (2) potential jurisdictional obstacles to successful implementation of the SAR's proposed approach. Each of these issues has the potential to undermine the agility, and, in turn, the success, of the SAR and any resulting standard.**

SM-TDU Comments

The ERATF's efforts highlight how energy adequacy is increasingly challenged by the changing resource mix, presenting reliability risks to the grid. The group's White Paper and SAR demonstrate the complexity of fuel assessment issues in ensuring adequate energy for bulk-power system reliability. The ERATF accurately identifies energy adequacy as a significant reliability risk, but the task force's work also shows that risk to be complex and wide ranging, suggesting the need for further technical assessment.

The SM-TDUs appreciate the opportunity for the MRC to provide feedback on this important SAR. We note that, while the Board does not typically request policy input on pending SARs, the opportunity to comment at this juncture may provide early policy insight on the SAR and NERC agility. Importantly, however, SM-TDUs believe that the process pursued for the SAR should include each of the ordinary SAR development steps to ensure completeness and sufficient technical review so that the eventual standard process is successful. The SM-TDUs support Board and MRC input contributing to the SAR process and upcoming February workshop. While including MRC input in this approach may provide policy direction considerations for the SAR, the SM-TDUs believe that technical details should not be predetermined or directed during this policy stage. The technical aspects of standard development will inform the SAR process which is supported by the industry and results in workable standards that enhance reliability. We note that NERC's other technical teams are additionally working on parameters that will supplement and help to refine the goals and objectives contained within the draft SAR. This includes work outlined by the Cold Weather project, regional resource adequacy work, NAESB and the Electric-Gas Working Group. Specific to work around electric and gas coordination, we would encourage NERC and NAESB work on parallel tracks. The approach the SM-TDUs are suggesting should not diminish the agility of the overall development of standard(s) but rather enhance it. A well scoped SAR with sufficient technical support will ensure an expedient standard development process.

Responses to Specific Questions

1. Will the proposed approach summarized above and outlined in the SAR enable stakeholders to identify energy deficit risks and develop mitigations from energy constrained resources?

The proposed SAR and White Paper provide a good outline of the issues currently associated with fuel assurance assessment and energy adequacy. As the ERATF notes, the issue of fuel assurance assessment for energy adequacy is far reaching and complex. The SAR work to date is laudable, and the full SAR process will provide a useful forum to identify and gain sufficient technical detail for the process to be ultimately successful. Working through the technical details should provide additional framing and opportunities to further define the SAR scope.

The SM-TDUs believe there are at least two policy issues reflected in the SAR that could benefit from further technical development and that may suggest either the need for additional related standard efforts or obstacles to addressing certain issue areas in a standard. Specifically, the SAR's three proposed time frames for energy assessments, and certain jurisdictional issues may need further background on technical detail for a standard drafting team to proceed successfully.

Generally, the SAR lays the initial groundwork for successful standard development by recommending some of the checklist items that need to be included in a fuel assurance assessment going forward. As the ERATF has identified, the checklist will involve three different forward-

looking time frames from which to gauge fuel adequacy: operations, near-term transmission planning, and long-term transmission planning.

Many public power Balancing Authority (BA) entities operate outside of organized markets and therefore would not have all the market information described in the ERATF Whitepaper.¹ Therefore, an assessment in the operational time frame could implicate different data requirements from one BA to another and more generally on a regional basis. The SM-TDUs are not suggesting that the operations time frame be dismissed; rather that, due to regional differences, including the operations time frame in this SAR, and, in turn, the standards development effort, could present an issue that might interfere with the agility of the SAR to meet its goal of addressing the fuel assessment issue. Consequently, the operations time frame may require a SAR of its own rather than being part of this effort.

The SAR addresses fuel assessment processes that would involve electric utility personnel obtaining information from natural gas providers or distributed energy resources. These proposals, too, may benefit from further development given the fact that information would need to be obtained from entities that are not subject to the ERO's mandatory standards regime. Such information requests might raise issues somewhat analogous to those that have arisen in connection with the supply chain standard and the need to obtain information from potentially non-jurisdictional sources such as equipment vendors. Unlike supply chain vendor assessment requests, fuel assessment information requests could put electric utilities in the position of asking for information from entities that are already subject to reporting requirements imposed by state, local, or federal authorities. Moreover, the information may be market sensitive. Consequently, the SAR process will need to ensure that the drafting team structures any proposed standard in a manner that addresses the potential obstacles to obtaining fuel assessment information.

Importantly, the SAR scope should not be so general as to make the drafting team responsible for determining electric utility's jurisdictional boundaries. For example, some technical guidance should be provided prior to any standard drafting team being formed that would help ensure that the eventual standard does not call for the collection of information that would compromise competitive market information either from jurisdictional or non-jurisdictional entities. The subject matter experts that will eventually be part of this effort are not experts on markets and legal jurisdiction. Without such guidance the SM-TDUs are concerned that they will not be set up for success.

2. Is there a preferred alternative approach to that outlined in the SAR, or enhancements to the proposed approach in the SAR, that would enable stakeholders to identify energy deficit risks and develop mitigations from energy-constrained resources?

As discussed above, the SAR identifies far-reaching and complex issues associated with ensuring energy adequacy. The SM-TDUs believe that additional technical detail can further inform the standards development effort aimed at addressing these issues. Specifically, as noted the issues of time frames and jurisdiction may suggest tightening the scope of the SAR to better ensure the success of the standard's development and the agility of completing the initial fuel assurance standard in a timely manner. We look forward in this regard to the upcoming workshop and SAR

¹ ERATF White Paper, P. 6.

process. The SM-TDUs also believe the MRC meeting discussion on Board questions will assist the SAR's development.