

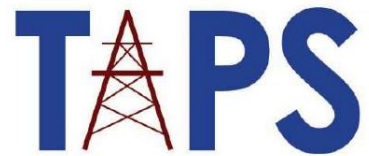
MEMORANDUM

TO: Ken DeFontes,
Chair, NERC Board of Trustees

FROM: Latif Nurani, Senior Regulatory Counsel, American Public Power Association
Tom Falcone, President, Large Public Power Council
Tom Heller, Executive Director, Transmission Access Policy Study Group

DATE: January 29, 2025

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 9, 2025, letter requesting policy input in advance of the February 2025 NERC Board of Trustees meeting.



MEMORANDUM

TO: Ken DeFontes,
Chair, NERC Board of Trustees

FROM: Roy Jones
Scott Tomashefsky
Tom Heller
Colin Hansen

DATE: January 29, 2025

The Sector 2 and 5 members of the North American Electric Reliability Corporation (NERC) Members Representatives Committee (MRC), representing State/Municipal and Transmission Dependent Utilities (SM-TDUs), appreciate the opportunity to respond to your January 9, 2025, letter to the members of the MRC in which the NERC Board of Trustees (Board) requests MRC input on the reliability implications of large load integration. Your letter specifically asks:

- What risks to reliability, resilience, and security do you see with the increasing integration of large loads?
- What should NERC do to address the emerging risks?

SM-TDUs appreciate your letter's follow-up on the issues we raised in our policy input responses last year. We look forward to continuing our collaboration with the Board to support NERC's mission of assuring the effective and efficient reduction of risk to the reliability and security of the bulk-power system.

SUMMARY OF COMMENTS

- Large loads can impact bulk power system reliability, so NERC and the industry should continue collaborating to identify reliability gaps and to address those gaps in cost effective and legally defensible ways.
- Sector 2 and 5 members are committed to participating in NERC's efforts to improve the standards drafting process in ways that maintain stakeholder participation and balloting.
- Public power community is looking forward to participating actively in the development of the 2025 ERO Risk Priorities report to ensure that the perspectives of community-owned, not-for-profit utilities is reflected in the risk report.
- We appreciate NERC's efforts to improve stakeholder engagement and look forward to continued improvements.

SM-TDU COMMENTS

NERC and the industry should continue collaborating to identify and address the bulk power system reliability gaps of large load integration.

SM-TDUs recognize that large loads can individually and collectively impact bulk power system reliability and security. NERC's recent incident review, cited in your letter, demonstrates one such impact: the potential for large amounts of voltage-sensitive load loss during normally

cleared faults. NERC's Large Load Task Force has received several presentations from industry experts and outside consultants that demonstrate additional potential impacts.

While SM-TDUs recognize these potential security and reliability impacts at a high level, the precise scope of the risks is not yet comprehensively understood. The specific risks appear to be highly dependent on the nature of the large loads being integrated: their size, their type of load (e.g., data centers, cryptomining, hydrogen electrolyzers), voltage of their interconnection, etc. NERC's Large Load Task Force—which itself is a collaborative effort among industry experts and NERC's technical staff—is currently developing a white paper to comprehensively identify the potential risks and their scope.

SM-TDUs support the ongoing work of NERC's Large Load Task Force. Of particular interest is developing best practices around factoring large loads into transmission planning, BES operations, and contingency planning. NERC should continue providing resources to that task force to carry out its work over the next year of mapping out risks, identifying reliability gaps, and ultimately making recommendations on how to address those gaps. Importantly, the work of the Large Load Task Force has been—and must continue to be—focused on impacts to the bulk power system.

Efforts to improve the standards drafting process must maintain stakeholder participation and balloting.

In November 2024, the MRC was informed of the Board's intention to establish a task force to modernize standard processes and procedures (the Modernize Standard Processes and Procedures Task Force). SM-TDUs are committed to actively engaging in that important work to improve the standard development process while still maintaining industry participation and the balloting process that have been essential to producing consensus based, technically sound, and fairly enforceable standards.

SM-TDUs recognize that NERC can improve the standards development process. We are very concerned that the Board decided to use of Rule 321 twice in a single year, when such an approach has not been used before. SM-TDUs understand the need for NERC to respond to specific FERC timelines, and on occasion even opt to exercise Rule 321. We strongly suggest, however, that the use of Rule 321 be utilized with caution. Regardless of the Rule 321 path chosen (balloting vs NOPR), stakeholder feedback must be considered and responded to; to do otherwise could result in a regulatory action that may not achieve the long-term result of reducing reliability risk. Regulatory timelines are clearly important, but technical expertise must inform the final decision. Furthermore, in responding to specific FERC timelines, rather than exercising the Rule 321 process, NERC has the option—and should feel empowered—to request additional time from FERC to complete the stakeholder balloting process when doing so is likely to produce a more optimal technical solution, providing greater long-term benefits to the grid.

We look forward to contributing positively to the Modernize Standard Processes and Procedures Task Force. As we conveyed to the Board last year, SM-TDUs have been at the forefront of proposing solutions to ensure standard drafting teams use consistent terminology and that

standards have unambiguous applicability sections; our suggestions, if implemented, would speed up standards development processes and reduce unnecessary failed ballots.

2025 ERO Risk Priorities report should reflect the perspectives of community-owned, not-for-profit utilities.

NERC's biennial ERO Risk Priorities report is an important tool for industry and policymakers to focus efforts and resources on the issues that are most important to bulk power system reliability. SM-TDUs look forward to participating actively in the development of the 2025 ERO Risk Priorities Report to ensure that the perspectives of community-owned, not-for-profit utilities are reflected in the risk report.

We appreciate NERC's efforts to improve stakeholder engagement and support continued efforts.

SM-TDUs appreciate the follow up in your letter regarding improving stakeholder engagement. The proposed board meeting structure, cadence, and opportunities for in-person interaction with the MRC that will begin in 2026 are promising, and they are an improvement over the current structure. We further appreciate the planned efforts to improve interactions with the Trade Associations and generally improving outreach with industry. SM-TDUs support those efforts to continue improving engagement with industry to improve the reliability of the bulk power system.