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October 7, 2005

**VIA ELECTRONIC FILING**

Honorable Magalie Roman Salas  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, DC 20426

**Re: Rules Concerning Certification of the Electric Reliability  
Organization; and Procedures for the Establishment, Approval, and  
Enforcement of Electric Reliability Standards;  
Docket No. RM05-30-000**

Dear Ms. Salas:

Transmitted electronically for filing in the referenced docket is the document titled "Comments of ISO New England Inc. on Proposed Regulations."

If there are any questions concerning this filing, please call me at (202) 661-7616.

Very truly yours,

/s/

Perry D. Robinson  
Counsel for  
ISO New England Inc.

Enclosure

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

Rules Concerning Certification of the Electric	)	
Reliability Organization; and Procedures	)	Docket No. RM05-30-000
for the Establishment, Approval, and	)	
Enforcement of Electric Reliability Standards	)	

**COMMENTS OF  
ISO NEW ENGLAND INC.  
ON PROPOSED REGULATIONS**

ISO New England Inc. (the “ISO” or “ISO-NE”) respectfully submits its comments on the regulations proposed by the Federal Energy Regulatory Commission (“FERC” or “Commission”) to implement section 215 of the Federal Power Act (“FPA”), as added by the Electricity Modernization Act of 2005, concerning mandatory reliability standards.

**I. INTRODUCTION**

ISO-NE is the private, non-profit entity that serves as the Regional Transmission Organization (“RTO”) for New England. ISO-NE administers the New England energy markets and operates the ISO-NE bulk power system (*i.e.*, those facilities located in the New England region) pursuant to the ISO New England Inc. Transmission, Markets and Services Tariff (“ISO Tariff”) and Operating Agreements with the New England transmission owners. In its capacity as the RTO for New England, ISO-NE has the responsibility to protect the short-term reliability and plan for the long-term reliability of the control area.

ISO-NE’s objectives for the New England Control Area, as approved by the Commission, include, but are not limited to: planning, central dispatching, coordinated

maintenance of electric supply and transmission facilities, obtaining emergency power for Market Participants from other Control Areas, system restoration (where required), the development of market rules, the provision of an open access regional transmission tariff and the provision of a means for effective coordination with other control areas and utilities situated in the United States and Canada. ISO-NE carries out these objectives in order to:

1. assure the bulk power supply of the New England Control Area conforms to proper standards of reliability;
2. create and sustain open, non-discriminatory, competitive, unbundled markets for energy, capacity, and ancillary services (including Operating Reserves) that (i) are economically efficient and balanced between buyers and sellers, and (ii) provide an opportunity for a participant to receive compensation through the market for a service it provides in a manner consistent with proper standards of reliability and the long-term sustainability of competitive markets;
3. provide market rules that (i) promote a market based on voluntary participation, (ii) allow market participants to manage the risks involved in offering and purchasing services, and (iii) compensate at fair value (considering both benefits and risks) any required service, subject to FERC's jurisdiction and review;
4. allow informed participation and encourage ongoing market improvements;
5. provide transparency with respect to the operation of and the pricing in markets and purchase programs;
6. provide access to competitive markets within the New England Control Area and to neighboring regions; and
7. provide for an equitable allocation of costs, benefits and responsibilities among market participants.<sup>1</sup>

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<sup>1</sup> See ISO Tariff, § I.1.3, available at: [http://www.isone.com/regulatory/tariff/sect\\_1/Section\\_I\\_General\\_Terms\\_and\\_Conditions.pdf](http://www.isone.com/regulatory/tariff/sect_1/Section_I_General_Terms_and_Conditions.pdf).

## II. COMMENTS

ISO-NE has jointly filed comments today with other ISOs and RTOs in North American in the ISO/RTO Council comments, and files these comments separately to illustrate how these issues raised in the NOPR relate to New England specifically and relate to the responsibilities currently exercised by the Northeast Power Coordinating Committee (“NPCC”) and ISO-NE in working towards the reliable operation of the bulk power system. ISO-NE hopes that these comments will help illustrate for the Commission how it may promulgate rules that will establish the proper delineation of roles between an “Electric Reliability Organization” (“ERO”), a “Regional Entity,” and an ISO/RTO.

In addition, ISO-NE provides these comments with specific regard to the Commission’s statements in Paragraph 46 of the Notice of Proposed Rulemaking, in which the Commission expresses the views that: (a) it is not required to give “due weight to the technical determinations of Regional Entities not organized on an Interconnection-wide basis,” and (b) it expects a greater level of uniformity among Reliability Standards approved for Regional Entities not organized on an Interconnection-wide basis. ISO-NE respectfully submits that the record of this rulemaking does not support the conclusion that these views would promote reliable electric service. In short, any final rule that would lead to the immediate and material change to the roles and responsibilities presently carried out by the NPCC and by ISO-NE may adversely impact the reliable operation of the bulk power system in the Northeast.

**A. The Current Scope and Split of Responsibilities Among ISO-NE and NPCC Promotes Reliable Operation and Planning of the Bulk Power System in New England**

The NPCC is the Regional Reliability Council responsible for assuring the reliability of the bulk power system in the northeastern United States and eastern Canada. It accomplishes this task through the establishment of regionally-specific reliability criteria; coordination of system design and operations; and assessment and enforcement of compliance with such reliability criteria. The NPCC oversees the following Reliability Coordinator Area operators: ISO New England, New York ISO, New Brunswick System Operator, TransEnergie, and the Independent Electric System Operator (for Ontario). The NPCC's performance of these tasks allows ISO-NE to focus on implementing national and northeastern reliability standards and criteria by operating the bulk power system in a manner that takes into account the specific characteristics of the Northeastern and the New England bulk power system and the input provided by industry participants located in and around New England.

The NPCC's focus on ensuring coordination among entities in the Northeast provides the foundation for and complements ISO-NE's implementation of a number of operating practices which enhances reliable electricity service in New England. For example, a North American Electric Reliability Council ("NERC") Audit Team <sup>2</sup> identified ISO-NE as exercising potential "best practices" for North America.

Specifically, the NERC Audit Team highlighted, among other things, ISO-NE:

- operating a control area with a single contiguous footprint of a manageable size;

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<sup>2</sup> See North American Electric Reliability Council, "Control Area Readiness Audit Report" (May 2004). The NERC Audit team included individuals from Regional Reliability Councils around North America.

- instilling a “culture” in which that reliability is the primary issue in all staff;
- establishing six-shift rotation in control room for sufficient training;
- establishing a look-ahead process includes contingency analysis, reserves, generation commitment and market processes;
- using an “N-2 analysis” [referring to “second contingency” analysis] to ensure restoration of operating reserves for both transmission and capacity constraints within 30 minutes;
- imposing restoration plan testing, which includes drills with participants;
- requiring periodic generator testing of both MW and Mvar capability;
- specifying location specific load power factor requirements in order to ensure sufficient voltage control on the transmission system; and
- using the training simulator to train staff on all new and existing processes and tools for market and system operations.

In general, while the NERC Audit Team made some recommendations for improvement (regarding which ISO-NE has been responsive), *the NERC Audit Team found that the ISO New England control area has the appropriate reliability plans, procedures, processes, tools and trained personnel in place to respond to normal, emergency, planned and unplanned events on its system.* Importantly for this rulemaking, many of the plans and procedures that ISO-NE relies upon to manage events on the New England system *rely on the criteria and guidance provided by NPCC.*

With regard to planning for the New England bulk power system, ISO-NE’s accomplishments have received similar commendation. ISO-NE conducts planning for the bulk power system in New England, identifying reliability and economic transmission upgrades, and system-wide and sub-area resource needs. ISO-NE’s needs assessment takes into account reliability criteria and operating needs specific to New England, as well as NPCC and NERC standards. ISO-NE’s annual regional system plans are

therefore the result of the unique mix of *the ISO's technical expertise in assessing the region's compliance with national, regional and local standards, the ISO's independence in making such judgments, and the ISO's receipt of input from interested stakeholders in the Northeast (e.g., utilities, market participants, state regulatory bodies, etc.)*.

The robustness of the ISO-NE's annual system assessment and identification of needed transmission upgrades has been confirmed in recent studies commissioned by the United States Department of Energy ("Department").<sup>3</sup> In a June 2004 Report, ISO-NE's plan was found to be one of the few in the country described as "excellent." The June Report states:

ISO New England . . . has a well-established planning process and has now published three annual plans. The latest one is well written, accessible to people with different interests and backgrounds (including nonspecialists), and comprehensive. The plan covers reliability and congestion (economics), analyzes local and regional transmission issues, and is open to market solutions (generation, demand management, and merchant transmission) as well as regulated transmission solutions.<sup>4</sup>

While other entities may have insights into regional system needs, the characteristics of ISO's system plan (independently produced, technically proficient, and compiled with due regard for regional system conditions and with the input of interested

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<sup>3</sup> See Eric Hirst, Consulting in Electric Industry Restructuring, *U.S. Transmission Capacity Present Status and Future Prospects* (June 2004) ("Hirst"), prepared for Energy Delivery Group, Edison Electric Institute and Office of Electric Transmission and Distribution, U.S. Department of Energy; *see also, e.g.,* Jim Dyer, Electric Power Group, Consortium for Electric Reliability Technology Solutions (CERTS), *U.S. Department of Energy Transmission Bottleneck Project Report*, at § 4.5 (Mar. 19, 2003) ("ISO-NE has a detailed process for identifying transmission constraints by sub-area and uses both reliability and economic criteria for evaluating transmission expansion/enhancement projects. The ISO has identified both critical reliability bottlenecks and economic bottlenecks; most have been in existence for 10 to 20 years.").

<sup>4</sup> Hirst at 19.

stakeholders) provides a reliable and robust basis for the needs of the New England region.<sup>5</sup>

ISO-NE identifies its operating and planning practices not for the purpose of suggesting that ISO-NE cannot improve its overall operation and planning of the bulk power system, but rather to highlight the value that a Regional Entity of an *appropriate size, scope and configuration* provides in promoting the reliable operation of the bulk power system. In short, some of ISO-NE’s “best” operating practices reflect quantifiable measures that are critical to ensuring the reliable operation of the New England bulk power system (and may, in fact, be appropriate for other areas of the bulk power system in North America). While perhaps less quantifiable, but no less important, is the NERC Audit Team’s finding of ISO-NE’s culture of reliability. ISO-NE respectfully suggests that both of these findings are due, in part, to the appropriate split of responsibilities of the Regional Reliability Council in the Northeast and the system operators under its authority, and the appropriate size, scope and configuration of these entities.

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<sup>5</sup> ISO-NE’s recent Regional System Plan provides a good example of the importance of enforcing regional criteria in planning the system. ISO-NE’s Regional System Plan has identified transmission system reliability upgrades for the Northwest Vermont – a sub-area of the New England bulk power system that presented major reliability concerns for the entire New England region, and potentially impacting New York. In its identification of the necessary transmission system upgrades, ISO-NE explained the need to build upgrades that would meet the “n-2 criterion” – *i.e.*, ensuring that the bulk power system is designed and operated in a manner that maintains reliable operations, after a contingency event is experienced and even after the system is already in a degraded state from the loss of a major transmission element or other major resource. The Vermont Public Service Board (the State entity responsible for siting the transmission upgrade) observed that the “N-2” standard “has resulted in highly reliable operation of power systems within the NPCC region” while at the same time acknowledging that “less restrictive reliability standards may be appropriate for other regions of the United States.” See Vermont Public Service Board, Order, Docket No. 6860 (filed on January 28, 2005) at page 15 (emphasis added). The Vermont Public Service Board went on to explain that given that Vermont, and New England generally, has less operating flexibility than other areas of the country, failure to follow the N-2 criterion would “subject the region to unacceptable risks of voltage collapse.” See *id.* at page 18.

**B. The Commission’s Suggestion that No Deference is Warranted for the Establishment of Regional Entities Like the NPCC, or its Technical Expertise, is Unjustified and Could Undermine Reliable Bulk Power System Operation**

In Paragraph 46 of the NOPR, the Commission suggests that no deference is warranted for the technical determinations developed by Regional Entities that are not organized on an Interconnection-wide basis. Such a conclusion is neither supported by the manner in which the bulk power system has been constructed in North America nor the language of the Energy Modernization Act. In order to protect against the inadvertent weakening of existing reliability standards through an adoption of “least common denominator” standards, the Commission must review Regional Entity applications on a “case-by-case basis” with due regard for the *size, scope and configuration* of that entity, and upon acceptance of a Regional Entity, exercise due deference to that Regional Entity’s technical expertise.

The bulk power system in North America, and the Eastern Interconnection specifically, was not constructed, developed or planned on a standardized national or uniform basis. Rather, the growth of the bulk power system is best described by the incremental evolution of small power systems and their periodic (over decades) interconnection with other small power systems. In this fashion, the characteristics of one area of the bulk power system within the Eastern Interconnection may vary from other areas of the bulk power system (relating to, for example, the relative load density, amount of resources, and ability to import power over transmission facilities), requiring different standards and practices for ensuring uninterrupted flows on the system. The Commission, therefore, should *not* establish a presumption that Regional Reliability Standards (which take into account such varied characteristics) are invalid nor presume

that such standards are appropriately applied for the entire North American grid. *While uniform standards for North America may be appropriate in many instances*, the presumption that uniform standards are appropriate carries with it the risk that such uniform standards will (perhaps inadvertently) establish only a “lowest common denominator” in terms of enforceable practices – or alternatively may establish standards that are unnecessarily restrictive in certain parts of the system.<sup>6</sup> The most rational approach to reviewing regional standards is to first establish Regional Entities of an *appropriate size, scope and configuration* – a process that warrants individualized, Commission review of Regional Entity configuration, *without prejudice* towards the Applicant. Entities of appropriate size, scope and configuration are more likely to promulgate appropriate reliability standards – if such regional reliability standards are necessary at all – due to their knowledge of the characteristics of the bulk power system within their footprint and the needs, if any, that require coordination among Control Area operators.<sup>7</sup>

In light of the varied characteristics of the bulk power system, the Commission simply has no basis for concluding that the technical determinations of Regional Entities not organized on an Interconnection-wide basis should not be afforded “due weight” (*see* NOPR at P46). Congress’ silence on the presumption to be afforded entities not

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<sup>6</sup> By way of analogy, the Commission might think of bulk power system reliability standards and operating practices as similar to the types of regulations and instructions that air traffic control centers may employ. The types of protections and practices that an air traffic controller engages in at a rural, low volume airport may look very different than the types of protections and practices employed by air traffic controllers at urban, high-volume airports. To suggest that the practices of one type of airport is *presumptively appropriate* for another type of airport, on the basis that such a presumption would establish consistent rules for all airlines in North America, would exalt uniformity over either reliable regulation (in the case of applying low-volume practices to a high-volume airport) or efficient industry regulation (in the case of applying high-volume practices to a low-volume airport).

<sup>7</sup> Moreover, the Commission can then rely (at least initially) on Regional Entities, such as the NPCC, that have expert knowledge of the reliability requirement that are unique to its region to continue to handle the regional criteria and enforcement.

organized on an Interconnection-wide basis is not indicative of an intent to be prejudiced against such entities. Rather, in order to fulfill its obligation to engage in reasoned decision-making, the Commission should exercise its discretion and investigate what action (*i.e.*, in terms of approving Regional Entities or deferring to Regional Entities' technical determinations) would further Congress' overall goal of ensuring a reliable bulk power system.

Finally, as the bulk electric system continues to be upgraded over time, it may become appropriate to move away from the regional criteria that are in place today. However, the unique local construction, planning and operating techniques that have been developed and refined over decades, coupled with diverse geography and logistical considerations should allow for a more deliberate transition to uniform standards than what the Commission is appearing to contemplate in its NOPR.

### **III. CONCLUSION**

Because the NPCC provides for effective coordination among the system operators within the Northeastern portion of the Eastern Interconnection, ISO-NE may focus on operating and planning the bulk power system in New England in an effective manner that promotes reliable service.

As the Commission considers promulgating and implementing its ERO Regulations, ISO-NE respectfully submits that any regulation, or standard of review, that would result in an immediate and material change to the roles and responsibilities presently carried out by the NPCC and by ISO-NE may adversely impact the reliable operation of the bulk power system in the Northeast. Rather than establish a presumption that is dismissive of the technical expertise currently exercised by entities like the NPCC,

the Commission must exercise its discretion, and review on a case-by-case basis, the role that Regional Entities organized on less than an Interconnection-wide basis, can have, and engage in that rule with due regard for each Regional Entity's size, scope, and configuration.

Respectfully submitted,

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Dated: October 7, 2005