Comment Form – Proposed Revision to Standards Process Manual to include Cost, Risk and Benefit Analysis

This form is to be used to submit comments on the proposed Frequency Response Standard Authorization Request. Comments must be submitted by **November 21, 2005**. You may submit the completed form by emailing it to: sarcomm@nerc.com with the words "Cost Benefit SAR Comments" in the subject line. If you have questions please contact Mark Ladrow at mark.ladrow@nerc.net or by telephone at 609-452-8060.

ALL DATA ON THIS FORM WILL BE TRANSFERRED AUTOMATICALLY TO A DATABASE AND IT IS THEREFORE IMPORTANT TO ADHERE TO THE FOLLOWING REQUIREMENTS:

DO: **Do** enter text only, with no formatting or styles added.
Do use punctuation and capitalization as needed (except quotations).
Do use more than one form if responses do not fit in the spaces provided.
Do submit any formatted text or markups in a separate WORD file.

DO NOT: **Do not** insert tabs or paragraph returns in any data field.
Do not use numbering or bullets in any data field.
Do not use quotation marks in any data field.
Do not submit a response in an unprotected copy of this form.

Individual Commenter Information **(Complete this page for comments from one organization or individual.)**		
Name:	Alan Adamson	
Organization:	New York State Reliability Council (NYSRC)	
Telephone:	518-355-1937	
Email:	aadamson@nycap.rr.com	
NERC Region		**Registered Ballot Body Segment**
☐ ERCOT ☐ ECAR ☐ FRCC ☐ MAAC ☐ MAIN ☐ MAPP ☒ NPCC ☐ SERC ☐ SPP ☐ WECC ☐ NA - Not Applicable	☐	1 - Transmission Owners
	☒	2 - RTOs, ISOs, Regional Reliability Councils
	☐	3 - Load-serving Entities
	☐	4 - Transmission-dependent Utilities
	☐	5 - Electric Generators
	☐	6 - Electricity Brokers, Aggregators, and Marketers
	☐	7 - Large Electricity End Users
	☐	8 - Small Electricity End Users
	☐	9 - Federal, State, Provincial Regulatory or other Government Entities

Comment Form – Proposed Revision to Standards Process Manual to include Cost, Risk and Benefit Analysis

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

Group Name:

Lead Contact:

Contact Organization:

Contact Segment:

Contact Telephone:

Contact Email:

Additional Member Name	Additional Member Organization	Region*	Segment*

* 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:

As NERC moves forward to become the ERO, it appears an important piece of information needed about a proposed standard is missing. As NERC submits a reliability standard to the Board of Trustees and to FERC for approval, it should include an analysis of the costs, risks and benefits of the proposed reliability standard. This information would provide a necessary economic rigor to the standards development process. The understanding of the costs, risks and benefits of a reliability standard would give the Board of Trustees and FERC the basis on which to assess the appropriateness of the proposed penalties and sanctions for that reliability standard and an opportunity to judge whether the additional reliability benefits the proposed standard provides, merits the costs of achieving the additional reliability benefits. This would allow the Board of Trustees and FERC to have a sound basis to accept or reject a proposed standard. The Board would also be in a position to assure that the proposed standard is the "least cost" method to accomplish the reliability objective being sought. In addition, this information may also benefit the registered ballot body in their analysis of the need for the standard as proposed.

This analysis requirement could be added to the current process after the field-testing step, but prior to the balloting step. In fact, field-testing may be needed to determine the cost to the industry to implement a proposed reliability standard.

The requestor would like to receive industry comments on this SAR and to obtain the input of the industry prior to determining the final scope and requirements of the SAR. Accordingly, we request your comments included on this form, emailed with the subject "Cost Benefit SAR Comments" by November 21, 2005.

Question 1: Do you agree there is a reliability need for a quantifying the cost, risk and benefit of reliability standards?

☐ Yes
☒ No

Comments: For the concerns stated under Questions 2-3 below, the New York State Reliabiltiy Council (NYSRC) does not believe that the costs, risks, and benefits of reliability standards can be measured and quantified with sufficient accuracy and confidence to meet the intended purposes ans scope of this SAR. However, we do believe that cost-benefit analyses would provide useful information if limited to certain standards and if were provided during the SAR or very early drafting stage of the process instead of waiting till the field testing stage.

Question 2: Do you agree with the scope and applicability of the SAR?

☐ Yes
☒ No

Comments: The NYSRC comments below are based on the this SAR's scope that specifies cost-risk-benefit analyses be required for ALL proposed standards and that they be provided after the field-testing stage and prior to balloting. Accordingly, the NYSRC does not agree with the scope and applicability of the SAR as presented, for these reasons:

1. PROCESS CONCERNS: (a) The SAR contemplates that the cost/risk/benefit analysis would be prepared following the comment period. If, after this period, the NERC Board were to reject a standard because of insufficient cost benefits, it would have been a waste of the time (over two years in the case of the Determine Facility Rating Standards) the stakeholders had previously taken to review and comment on the standard; (b) Inclusion of cost/risk/benefit analyses in the standard development process could potentially add considerable time to the period for developing a standard; and (c) As the SAR now reads, there is no opportunity for stakeholders to comment on the analysis.

2. STUDY ASSUMPTION AND MODELING CONCERNS: It would be difficult to estimate the capital and operating cost assumptions required for the analysis, particularly since they are Region specific. (See our response to Question 3.) In addition, for certain standards, transmission outage rates, which again are Region specific, would be difficult to estimate. Further, there are no reliable statistics available for customer costs for service interruptions. Transmission planning and operating standards would require a probabilistic study. We are not aware that such models are available and acceptable.

3. STUDY APPLICATION CONCERNS: If the cost impacts of violations of the NERC standards in one Region that led to the 2003 Blackout had been evaluated prior to the Blackout, such a analysis would likely never have projected the extensive economic and political impacts on the many Regions that were impacted. This illustrates the difficulty in estimating the risk and cost impacts of proposed standards. In addition, we believe that there are a number of potential standards would not be suitable or practicable for cost-benefit analyses, such as certain emergency operations and modeling standards.

Question 3: Do you believe the cost, risk and benefit analysis is generally company specific and therefore difficult to quantify on an industry basis?

☒ Yes
☐ No

Comments: From this question we believe that it is the SAR author's intent that the analysis would examine just one company. Even if the accuracy of the results of such a analysis could be considered acceptable with confidence (for the reasons stated in our response to Question #2, we do not believe they can), it would be impossible to judge whether the same result would be applicable to all companies and Regions because of the varying conditions, factors, and situations from Region to Region. Therefore, proper cost/risk/benefit analyses would have to be prepared for all Regions, which would be a huge undertaking.

Question 4: Do you believe the board should consider the cost, risk and benefit analysis of industry proposed standards prior to adopting them?

☐ Yes
☒ No

Comments: Because of the many concerns with such an analysis - as discussed under Questions 2 and 3 - we do not believe that this type of analysis would be acceptable for consideration by the Board in deciding whether a standard should be adopted. However, if the scope of the SAR is revised as discussed in our response to Question #5, we would reconsider this conclusion.

Question 5: Do you have any additional comments regarding the SAR that you believe should be addressed? If yes, please share those comments in the space provided below.

☒ Yes
☐ No

Comments: Recognizing our previous comments, we however believe that cost-benefit analyses could have certain benefical applications if the SAR was revised as follows:

1. A paper should be prepared that provides details of proposed cost/risk/benefit study methodology, basis and sources for assumptions and models, and examples for calculating cost/risk/benefit analyses.

2. The standard drafting team should decide whether it was approprate to include a cost-benefit analysis for its standard; in other words, the decision to perform a cost-benefit analysis should be on a case-by-case basis.

3. Cost-benefit analyses should be limited to those proposed standards for which such an analysis would be acceptable considering the concerns expressed in Questions #2 and 3, and that it would provide useful information when considering its justification.

4. The cost-benefit analysis should be conducted as part of the SAR or very early draft stage and subject to review by the standard's commenters.