

**Compliance Questionnaire and**

**Reliability Standard Audit Worksheet**

**MOD-004-1 — Capacity Benefit Margin**

**Registered Entity:**  *(Must be completed by the Compliance Enforcement Authority)*

**NCR Number:**  *(Must be completed by the Compliance Enforcement Authority)*

**Applicable Function(s): LSE, RP, TSP, BA, TP when their associated TSP has elected to maintain CBM**

**Auditors:**

**Disclaimer**

 NERC developed this Reliability Standard Audit Worksheet (RSAW) language in order to facilitate NERC’s and the Regional Entities’ assessment of a registered entity’s compliance with this Reliability Standard. The NERC RSAW language is written to specific versions of each NERC Reliability Standard. Entities using this RSAW should choose the version of the RSAW applicable to the Reliability Standard being assessed. While the information included in this RSAW provides some of the methodology that NERC has elected to use to assess compliance with the requirements of the Reliability Standard, this document should not be treated as a substitute for the Reliability Standard or viewed as additional Reliability Standard requirements. In all cases, the Regional Entity should rely on the language contained in the Reliability Standard itself, and not on the language contained in this RSAW, to determine compliance with the Reliability Standard. NERC’s Reliability Standards can be found on NERC’s website at <http://www.nerc.com/page.php?cid=2|20>. Additionally, NERC Reliability Standards are updated frequently, and this RSAW may not necessarily be updated with the same frequency. Therefore, it is imperative that entities treat this RSAW as a reference document only, and not as a substitute or replacement for the Reliability Standard. It is the responsibility of the registered entity to verify its compliance with the latest approved version of the Reliability Standards, by the applicable governmental authority, relevant to its registration status.

The NERC RSAW language contained within this document provides a non‑exclusive list, for informational purposes only, of examples of the types of evidence a registered entity may produce or may be asked to produce to demonstrate compliance with the Reliability Standard. A registered entity’s adherence to the examples contained within this RSAW does not necessarily constitute compliance with the applicable Reliability Standard, and NERC and the Regional Entity using this RSAW reserves the right to request additional evidence from the registered entity that is not included in this RSAW. Additionally, this RSAW includes excerpts from FERC Orders and other regulatory references. The FERC Order cites are provided for ease of reference only, and this document does not necessarily include all applicable Order provisions. In the event of a discrepancy between FERC Orders, and the language included in this document, FERC Orders shall prevail.

# Subject Matter Experts

Identify your company’s subject matter expert(s) responsible for this Reliability Standard. Include the person's title, organization, and the requirement(s) for which they are responsible. Include additional sheets if necessary.

**Response: *(Registered Entity Response Required)***

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# Reliability Standard Language

 **MOD-004-1 — Capacity Benefit Margin**

**Purpose:**

To ensure that calculations are performed by Transmission Service Providers to maintain awareness of available transmission system capability and future flows on their own systems as well as those of their neighbors.

**Applicability:**

 Load-Serving Entities

 Resource Planners

 Transmission Service Providers

 Balancing Authorities

 Transmission Planners, when their associated Transmission Service Provider has elected to maintain CBM.

**NERC BOT Approval Date: 11/13/2008**

**FERC Approval Date: 11/24/2009**

**Reliability Standard Enforcement Date in the United States: 04/01/2011**

**Question:** As a TSP, do you maintain a CBM?

***(Registered Entity Response Required)***

**Requirements:**

1. The Transmission Service Provider that maintains CBM shall prepare and keep current a “Capacity Benefit Margin Implementation Document” (CBMID) that includes, at a minimum, the following information: [*Violation Risk Factor: Lower*] [*Time Horizon: Operations Planning, Long-term Planning*]
	1. The process through which a Load-Serving Entity within a Balancing Authority Area associated with the Transmission Service Provider, or the Resource Planner associated with that Balancing Authority Area, may ensure that its need for Transmission capacity to be set aside as CBM will be reviewed and accommodated by the Transmission Service Provider to the extent Transmission capacity is available.
	2. The procedure and assumptions for establishing CBM for each Available Transfer Capability (ATC) Path or Flowgate.
	3. The procedure for a Load-Serving Entity or Balancing Authority to use Transmission capacity set aside as CBM, including the manner in which the Transmission Service Provider will manage situations where the requested use of CBM exceeds the amount of CBM available.

**Describe, in narrative form, how you meet compliance with this requirement:**

***(Registered Entity Response Required)***

# R1 Supporting Evidence and Documentation

**Response: *(Registered Entity Response Required)***

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***This section must be completed by the Compliance Enforcement Authority.***

**Compliance Assessment Approach Specific to MOD-004-1 R1**

\_\_\_ Verify the TSP, that maintains CBM, has prepared and kept current a “Capacity Benefit Margin Implementation Document” (CBMID) that includes, at a minimum, the following information:

 \_\_\_The process through which a LSE within a BA Area associated with the TSP, or the RP associated with that BA Area, may ensure that its need for Transmission capacity to be set aside as CBM will be reviewed and accommodated by the TSP to the extent Transmission capacity is available.

 \_\_\_ The procedure and assumptions for establishing CBM for each ATC Path or Flowgate.

 \_\_\_The procedure for a LSE or BA to use Transmission capacity set aside as CBM, including the manner in which the TSP will manage situations where the requested use of CBM exceeds the amount of CBM available.

**Detailed notes:**

**Additional Evidence Reviewed:**

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1. The Transmission Service Provider that maintains CBM shall make available its current CBMID to the Transmission Operators, Transmission Service Providers, Reliability Coordinators, Transmission Planners, Resource Planners, and Planning Coordinators that are within or adjacent to the Transmission Service Provider’s area, and to the Load Serving Entities and Balancing Authorities within the Transmission Service Provider’s area, and notify those entities of any changes to the CBMID prior to the effective date of the change. [*Violation Risk Factor: Lower*] [*Time Horizon: Operations Planning*]

**Describe, in narrative form, how you meet compliance with this requirement:**

***(Registered Entity Response Required)***

# R2 Supporting Evidence and Documentation

**Response: *(Registered Entity Response Required)***

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***This section must be completed by the Compliance Enforcement Authority.***

**Compliance Assessment Approach Specific to MOD-004-1 R2**

 \_\_\_ Verify the TSP that maintains CBM made available its current CBMID to the TOP, TSPs, RCs, TPs, RPs, and Planning Coordinators that are within or adjacent to the TSP’s area, and to the LSE and BAs within the TSP’s area, and notified those entities of any changes to the CBMID prior to the effective date of the change.

**Detailed notes:**

**Additional Evidence Reviewed:**

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1. Each Load-Serving Entity determining the need for Transmission capacity to be set aside as CBM for imports into a Balancing Authority Area shall determine that need by: [*Violation Risk Factor: Lower*] [*Time Horizon: Operations Planning*]
	1. Using one or more of the following to determine the GCIR:
		* Loss of Load Expectation (LOLE) studies
		* Loss of Load Probability (LOLP) studies
		* Deterministic risk-analysis studies
		* Reserve margin or resource adequacy requirements established by other entities, such as municipalities, state commissions, regional transmission organizations, independent system operators, Regional Reliability Organizations, or regional entities
	2. Identifying expected import path(s) or source region(s).

**Describe, in narrative form, how you meet compliance with this requirement:**

***(Registered Entity Response Required)***

# R3 Supporting Evidence and Documentation

**Response: *(Registered Entity Response Required)***

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***This section must be completed by the Compliance Enforcement Authority.***

**Compliance Assessment Approach Specific to MOD-004-1 R3**

 \_\_\_ Verify the LSE determining the need for Transmission capacity to be set aside as CBM for imports into a BA Area determined that need by:

 \_\_\_ Using one or more of the following to determine the GCIR (Generation Capability Import

 Requirement):

\_\_\_Loss of Load Expectation (LOLE) studies

\_\_\_Loss of Load Probability (LOLP) studies

\_\_\_Deterministic risk-analysis studies

\_\_\_Reserve margin or resource adequacy requirements established by other entities, such as municipalities, state commissions, regional transmission organizations, independent system operators, RRO, or regional entities

\_\_\_Identifying expected import path(s) or source region(s).

**Detailed notes:**

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1. Each Resource Planner determining the need for Transmission capacity to be set aside as CBM for imports into a Balancing Authority Area shall determine that need by: [*Violation Risk Factor: Lower*] [*Time Horizon: Operations Planning*]
	1. Using one or more of the following to determine the GCIR:
		* Loss of Load Expectation (LOLE) studies
		* Loss of Load Probability (LOLP) studies
		* Deterministic risk-analysis studies
		* Reserve margin or resource adequacy requirements established by other entities, such as municipalities, state commissions, regional transmission organizations, independent system operators, Regional Reliability Organizations, or regional entities
	2. Identifying expected import path(s) or source region(s).

**Describe, in narrative form, how you meet compliance with this requirement:**

***(Registered Entity Response Required)***

# R4 Supporting Evidence and Documentation

**Response: *(Registered Entity Response Required)***

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***This section must be completed by the Compliance Enforcement Authority.***

**Compliance Assessment Approach Specific to MOD-004-1 R4**

\_\_\_ Verify the RP determining the need for Transmission capacity to be set aside as CBM for imports into a BA Area determined that need by:

 \_\_\_ Using one or more of the following to determine the GCIR:

\_\_\_Loss of Load Expectation (LOLE) studies

\_\_\_Loss of Load Probability (LOLP) studies

\_\_\_Deterministic risk-analysis studies

\_\_\_Reserve margin or resource adequacy requirements established by other entities, such as municipalities, state commissions, regional transmission organizations, independent system operators, RRO, or regional entities

\_\_\_Identifying expected import path(s) or source region(s).

**Detailed notes:**

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1. At least every 13 months, the Transmission Service Provider that maintains CBM shall establish a CBM value for each ATC Path or Flowgate to be used for ATC or Available Flowgate Capability (AFC) calculations during the 13 full calendar months (months 2-14) following the current month (the month in which the Transmission Service Provider is establishing the CBM values). This value shall: [*Violation Risk Factor: Lower*] [*Time Horizon: Operations Planning*]
	1. Reflect consideration of each of the following if available:
		* Any studies (as described in R3.1) performed by Load-Serving Entities for loads within the Transmission Service Provider’s area
		* Any studies (as described in R4.1) performed by Resource Planners for loads within the Transmission Service Provider’s area
		* Any reserve margin or resource adequacy requirements for loads within the Transmission Service Provider’s area established by other entities, such as municipalities, state commissions, regional transmission organizations, independent system operators, Regional Reliability Organizations, or regional entities
	2. Be allocated as follows:
		* For ATC Paths, based on the expected import paths or source regions provided by Load-Serving Entities or Resource Planners
		* For Flowgates, based on the expected import paths or source regions provided by Load-Serving Entities or Resource Planners and the distribution factors associated with those paths or regions, as determined by the Transmission Service Provider

**Describe, in narrative form, how you meet compliance with this requirement:**

***(Registered Entity Response Required)***

# R5 Supporting Evidence and Documentation

**Response: *(Registered Entity Response Required)***

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***This section must be completed by the Compliance Enforcement Authority.***

**Compliance Assessment Approach Specific to MOD-004-1 R5**

 \_\_\_Verify at least every 13 months, the TSP that maintained CBM, established a CBM value for each ATC Path or Flowgate to be used for ATC or AFC calculations during the 13 full calendar months (months 2-14) following the current month (the month in which the TSP established the CBM values).

 \_\_\_ Did this value reflect consideration of each of the following, if available:

 \_\_\_ Any studies (as described in R3.1) performed by LSEs for loads within the TSP’s area

 \_\_\_ Any studies (as described in R4.1) performed by RP for loads within the TSP’s area

 \_\_\_Any reserve margin or resource adequacy requirements for loads within the TSP’s area established by other entities, such as municipalities, state commissions, regional transmission organizations, independent system operators, RRO, or regional entities

 \_\_\_Be allocated as follows:

 \_\_\_For ATC Paths, based on the expected import paths or source regions provided by LSEs or RPs

 \_\_\_For Flowgates, based on the expected import paths or source regions provided by Load-Serving Entities or Resource Planners and the distribution factors associated with those paths or regions, as determined by the Transmission Service Provider

1. At least every 13 months, the Transmission Planner shall establish a CBM value for each ATC Path or Flowgate to be used in planning during each of the full calendar years two through ten following the current year (the year in which the Transmission Planner is establishing the CBM values). This value shall: [*Violation Risk Factor: Lower*] [*Time Horizon: Long-term Planning*]
	1. Reflect consideration of each of the following if available:
		* Any studies (as described in R3.1) performed by Load-Serving Entities for loads within the Transmission Planner’s area
		* Any studies (as described in R4.1) performed by Resource Planners for loads within the Transmission Planner’s area
		* Any reserve margin or resource adequacy requirements for loads within the Transmission Planner’s area established by other entities, such as municipalities, state commissions, regional transmission organizations, independent system operators, Regional Reliability Organizations, or regional entities
	2. Be allocated as follows:
		* For ATC Paths, based on the expected import paths or source regions provided by Load-Serving Entities or Resource Planners
		* For Flowgates, based on the expected import paths or source regions provided by Load-Serving Entities or Resource Planners and the distribution factors associated with those paths or regions, as determined by the Transmission Planner.

**Describe, in narrative form, how you meet compliance with this requirement:**

***(Registered Entity Response Required)***

# R6 Supporting Evidence and Documentation

**Response: *(Registered Entity Response Required)***

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***This section must be completed by the Compliance Enforcement Authority.***

**Compliance Assessment Approach Specific to MOD-004-1 R6**

 \_\_\_Verify at least every 13 months, that the TP established a CBM value for each ATC Path or Flowgate to be used in planning during each of the full calendar years two through ten following the current year (the year in which the TP is establishing the CBM values).

 \_\_\_ Did this value reflect consideration of each of the following, if available:

 \_\_\_ Any studies (as described in R3.1) performed by LSEs for loads within the TSP’s area

 \_\_\_ Any studies (as described in R4.1) performed by RPs for loads within the TSP’s area

 \_\_\_Any reserve margin or resource adequacy requirements for loads within the TSP’s area established by other entities, such as municipalities, state commissions, regional transmission organizations, independent system operators, RRO, or regional entities

 \_\_\_Be allocated as follows:

 \_\_\_For ATC Paths, based on the expected import paths or source regions provided by LSEs or RPs

 \_\_\_For Flowgates, based on the expected import paths or source regions provided by LSEs or RPs and the distribution factors associated with those paths or regions, as determined by the TSP

**Detailed notes:**

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1. Less than 31 calendar days after the establishment of CBM, the Transmission Service Provider that maintains CBM shall notify all the Load-Serving Entities and Resource Planners that determined they had a need for CBM on the Transmission Service Provider’s system of the amount of CBM set aside. [*Violation Risk Factor: Lower*] [*Time Horizon: Operations Planning*]

**Describe, in narrative form, how you meet compliance with this requirement:**

***(Registered Entity Response Required)***

# R7 Supporting Evidence and Documentation

**Response: *(Registered Entity Response Required)***

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***This section must be completed by the Compliance Enforcement Authority.***

**Compliance Assessment Approach Specific to MOD-004-1 R7**

\_\_\_ Verify that less than 31 calendar days after the establishment of CBM, the TSP that maintains CBM notified all the LSEs and RPs that determined they had a need for CBM on the TSP’s system, of the amount of CBM set aside.

**Detailed notes:**

**Additional Evidence Reviewed:**

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1. Less than 31 calendar days after the establishment of CBM, the Transmission Planner shall notify all the Load-Serving Entities and Resource Planners that determined they had a need for CBM on the system being planned by the Transmission Planner of the amount of CBM set aside. [*Violation Risk Factor: Lower*] [*Time Horizon: Operations Planning*]

**Describe, in narrative form, how you meet compliance with this requirement:**

***(Registered Entity Response Required)***

# R8 Supporting Evidence and Documentation

**Response: *(Registered Entity Response Required)***

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***This section must be completed by the Compliance Enforcement Authority.***

**Compliance Assessment Approach Specific to MOD-004-1 R8**

\_\_\_ Verify that less than 31 calendar days after the establishment of CBM, the TP notified all the LSEs and RPs that determined they had a need for CBM on the system being planned by the TP, of the amount of CBM set aside.

**Detailed notes:**

**Additional Evidence Reviewed:**

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1. The Transmission Service Provider that maintains CBM and the Transmission Planner shall each provide (subject to confidentiality and security requirements) copies of the applicable supporting data, including any models, used for determining CBM or allocating CBM over each ATC Path or Flowgate to the following: [*Violation Risk Factor: Lower*] [*Time Horizon: Operations Planning, Long-term Planning*]
	1. Each of its associated Transmission Operators within 30 calendar days of their making a request for the data.
	2. To any Transmission Service Provider, Reliability Coordinator, Transmission Planner, Resource Planner, or Planning Coordinator within 30 calendar days of their making a request for the data.

**Describe, in narrative form, how you meet compliance with this requirement:**

***(Registered Entity Response Required)***

# R9 Supporting Evidence and Documentation

**Response: *(Registered Entity Response Required)***

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***This section must be completed by the Compliance Enforcement Authority.***

**Compliance Assessment Approach Specific to MOD-004-1 R9**

\_\_\_ Verify the TSP that maintains CBM and the TP provided (subject to confidentiality and security requirements) copies of the applicable supporting data, including any models, used for determining CBM or allocating CBM over each ATC Path or Flowgate to the following:

 \_\_\_ Each of its associated TOPs within 30 calendar days of their making a request for the data.

 \_\_\_ To any TSP, RC, TP, RP, or Planning Coordinator within 30 calendar days of their making a request for the data.

**Detailed notes:**

**Additional Evidence Reviewed:**

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1. The Load-Serving Entity or Balancing Authority shall request to import energy over firm Transfer Capability set aside as CBM only when experiencing a declared NERC Energy Emergency Alert (EEA) 2 or higher. [*Violation Risk Factor: Lower*] [*Time Horizon: Same-day Operations*]

**Describe, in narrative form, how you meet compliance with this requirement:**

***(Registered Entity Response Required)***

**Question:** Did you, as a LSE or BA, request to import energy over firm Transfer Capability set aside as CBM during an EEA 2 event or higher during the audit period? If yes, provide the date of the EEA and provide documentation of the request.

 ***(Registered Entity Response Required)***

# R10 Supporting Evidence and Documentation

**Response: *(Registered Entity Response Required)***

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***This section must be completed by the Compliance Enforcement Authority.***

**Compliance Assessment Approach Specific to MOD-004-1 R10**

\_\_\_ Verify the LSE or BA requested to import energy over firm Transfer Capability, set aside as CBM, only when it experienced a declared NERC Energy Emergency Alert (EEA) 2 or higher.

**Additional Evidence Reviewed:**

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1. When reviewing an Arranged Interchange using CBM, all Balancing Authorities and Transmission Service Providers shall waive, within the bounds of reliable operation, any Real-time timing and ramping requirements. [*Violation Risk Factor: Medium*] [*Time Horizon: Same-day Operations*]

**Describe, in narrative form, how you meet compliance with this requirement:**

***(Registered Entity Response Required)***

# R11 Supporting Evidence and Documentation

**Response: *(Registered Entity Response Required)***

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***This section must be completed by the Compliance Enforcement Authority.***

**Compliance Assessment Approach Specific to MOD-004-1 R11**

\_\_\_ Verify that when reviewing an Arranged Interchange using CBM, the BA and TSP waived, within the bounds of reliable operation, any Real-time timing and ramping requirements

**Detailed notes:**

**Additional Evidence Reviewed:**

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1. The Transmission Service Provider that maintains CBM shall approve, within the bounds of reliable operation, any Arranged Interchange using CBM that is submitted by an “energy deficient entity[[1]](#footnote-1)” under an EEA 2 if: [*Violation Risk Factor: Medium*] [*Time Horizon: Same-day Operations*]
	1. The CBM is available
	2. The EEA 2 is declared within the Balancing Authority Area of the “energy deficient entity,” and
	3. The Load of the “energy deficient entity” is located within the Transmission Service Provider’s area.

**Describe, in narrative form, how you meet compliance with this requirement:**

***(Registered Entity Response Required)***

**Question:** Did you receive a request to approve Arranged Interchange for CBM under an EEA 2 or higher during the audit period? If yes, provide the date of the EEA and provide documentation of the request.

 ***(Registered Entity Response Required)***

# R12 Supporting Evidence and Documentation

**Response: *(Registered Entity Response Required)***

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***This section must be completed by the Compliance Enforcement Authority.***

**Compliance Assessment Approach Specific to MOD-004-1 R12**

\_\_\_ Verify the TSP that maintains CBM approved, within the bounds of reliable operation, any Arranged Interchange using CBM was submitted by an “energy deficient entity” under an EEA 2 if:

 \_\_\_ The CBM was available

 \_\_\_ The EEA 2 was declared within the BA Area of the “energy deficient entity,” and

 \_\_\_ The Load of the “energy deficient entity” was located within the TSP’s area.

**Detailed notes:**

**Additional Evidence Reviewed:**

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# Supplemental Information

**Other ‑** The list of questions above is not all inclusive of evidence required to show compliance with the Reliability Standard. Provide additional information here**, as necessary that** demonstrates compliance with this Reliability Standard.

  **Entity** **Response: *(Registered Entity Response)***

# Compliance Findings Summary (to be filled out by auditor)

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**Excerpts from FERC Orders -- For Reference Purposes Only**

**Updated Through August 2010**

**MOD-004-1**

**Order 693**

1076. The Commission adopts the NOPR proposal not to approve or remand MOD-004- 0 until the ERO submits additional information. Because the regional procedures have not been submitted to the Commission, it is not possible to determine at this time whether MOD-004-0 satisfies the statutory requirement that a proposed Reliability Standard be “just, reasonable, not unduly discriminatory or preferential, and in the public interest.” Accordingly, the Commission neither accepts nor remands this Reliability Standard until the regional procedures are submitted. In the interim, compliance with MOD-004-0 should continue on a voluntary basis, and the Commission considers compliance with the Reliability Standard to be a matter of good utility practice. Consistent with Order No. 890 and comments received in response to the NOPR, the Commission directs the ERO, through the Reliability Standards development process, to modify MOD-004-0 as discussed below.

1082. Accordingly, the Commission neither accepts nor remands MOD-004-0 until the ERO submits additional information. In the interim, compliance with MOD-004-0 should continue on a voluntary basis, and the Commission considers compliance with the Reliability Standard to be a matter of good utility practice. Although the Commission did not propose any action with regard to MOD-004-0, it addressed above a number of concerns regarding the Reliability Standard, consistent with those set forth in Order No. 890. Therefore, we direct the ERO to develop modifications to the Reliability Standard through the Reliability Standards development process to: (1) clarify that CBM shall be set aside upon request of any LSE within a balancing area to meet its verifiable historical, state, RTO or regional generation reliability criteria; (2) develop requirements regarding transparency of the generation planning studies used to determine CBM value; (3) modify the current Requirements to make clear the process for how CBM is allocated across transmission paths or flowgates; (3) modify its standard in order to prevent setting aside CBM and TRM for the same purposes; (4) modify the standard by adding LSE as an applicable entity and (5) coordinate with NAESB business practice standards. 1083. We direct the ERO to consider APPA’s suggestion that MOD-004-0 may be redundant and should be eliminated if the ERO develops a modification to the MOD-002- 0 Reliability Standard that includes reporting requirements

**Order 729-Order on ATC**

**(November 24, 2009)**

26. The Capacity Benefit Margin Methodology Reliability Standard (MOD-004-1) provides for the calculation of capacity benefit margin. NERC defines capacity benefit margin as the amount of firm transmission capability set aside by the transmission service provider for load-serving entities, whose loads are located on that transmission service provider’s system, to enable access by the load-serving entities to generation from interconnected systems to meet generation reliability requirements.The purpose of this Reliability Standard is to promote the consistent and reliable calculation, verification, setting aside, and use of capacity benefit margin to support analysis and system operations. NERC states that setting aside of capacity benefit margin for a load-serving entity allows that entity to reduce its installed generating capacity below that which may otherwise have been necessary without interconnections to meet its generation reliability requirements. NERC states that the transmission transfer capability preserved as capacity benefit margin is intended to be used by the load-serving entities only in times of emergency generation deficiencies.

27. Reliability Standard MOD-004-1 applies to transmission service providers, transmission planners, load-serving entities, resource planners and balancing authorities. As discussed more fully below, NERC states that it does not specify a particular methodology for calculating capacity benefit margin, but rather improves transparency by requiring adherence to specific documented and transparent methodology to ensure consistent and reliable calculation, verification, preservation and use of capacity benefit margin.

110…Accordingly, the Commission directs the ERO to audit the capacity benefit margin and transfer reliability margin implementation documents, created pursuant to MOD-004-1 and MOD-008-1 respectively, to ensure that these documents include information, in such detail that, given the same information, the results of the capacity benefit margin or transfer reliability margin calculation can be validated.

220. We agree with NERC that a transmission service provider should consider any information provided in establishing an appropriate level of capacity benefit margin. Similarly, we agree with the Georgia Companies that all relevant information should be considered in establishing an appropriate level of capacity benefit margin, including information provided by customers. However, in determining the appropriate generation capacity import requirement as part of the sum of capacity benefit margin to be requested from the transmission service provider, it would not be appropriate for a load-serving entity or resource planner to rely exclusively on a reserve margin or adequacy requirement established by an entity that is not subject to this Standard. Thus, we hereby adopt the NOPR proposal to direct the ERO to develop a modification to Requirements R3.1 and R.4.1 of MOD-004-1 to require load-serving entities and resource planners to determine generation capability import requirements by reference to one or more relevant studies (loss of load expectation, loss of load probability or deterministic risk analysis) and applicable reserve margin or resource adequacy requirements, as relevant. Such a modification should ensure that a transmission service provider has adequate information to establish and applicable reserve margin or resource adequacy requirements, as relevant. Such a modification should ensure that a transmission service provider has adequate information to establish the appropriate level of capacity benefit margin.

222…Therefore, pursuant to section 215(d)(5) of the FPA and section 39.5(f) of our regulations, the Commission directs the ERO to modify MOD-004-1 to clarify the term “manage” in Requirement R1.3. This modification should ensure that the Reliability Standard clarify how the transmission service provider will manage situations where the requested use of capacity benefit margin exceeds the capacity benefit margin available.

288. The Commission hereby adopts the NOPR proposal and approves NERC’s request to retire MOD-006-0 and MOD-007-0 and to withdraw its request for approval of MOD-001-0, MOD-002-0, MOD-003-0, MOD-004-0, MOD-005-0, MOD-008-0, and MOD-009-0. The Commission also finds that MOD-001-0, MOD-002-0, MOD-003-0, MOD-004-0, MOD-005-0, MOD-008-0, and MOD-009-0 are all superseded by the available transfer capability calculations required by the proposed MOD Reliability Standards in this proceeding are, upon the effectiveness of the proposed MOD Reliability Standards, no longer necessary.

**Order 729-A**

**(May 5, 2010)**

13…Because capacity benefit margin and transfer reliability margin are integral components of any available transfer or flowgate capability calculation, we believe that, for an entity to validate the results of an available transfer or flowgate capability calculation, the calculations of capacity benefit margin and transfer reliability margin must also be detailed in the implementation document with such detail that they can be validated. Thus, the Commission clarifies that the calculations of capacity benefit margin and transfer reliability margin, performed under MOD-004-1 and MOD-008-1 respectively, are properly audited under Requirement R3.1 of MOD-001-1.

26. In Order Nos. 890 and 693, the Commission emphasized that each load-serving entity has the right to request that capacity benefit margin be set aside, and to use transmission capacity set aside for that purpose, to meet its verifiable generation reliability criteria requirement.**21** The Commission is concerned that Reliability Standard MOD-004-1 could allow a transmission service provider to calculate, allocate, and use capacity benefit margin in a way that impairs the reliable operation of the Bulk-Power System. Under the Reliability Standard, the transmission service provider is to “reflect consideration” of studies provided by load-serving entities and resource planners demonstrating a need for capacity benefit margin and “manage” situations where the requested use of capacity benefit margin exceeds the capacity benefit margin available. Reliability Standard MOD-004-1 places no bounds on this “consideration” and “management” and, for example, would permit a transmission service provider to make decisions regarding the use of capacity benefit margin based solely on economic considerations notwithstanding a demonstration of need for capacity benefit margin by a load-serving entity or resource planner.

27. These concerns would be diminished if the transmission service provider’s capacity benefit margin implementation document were sufficiently transparent to allow others to validate the method of managing capacity benefit margin. Accordingly, the Commission upholds its decision to direct the ERO to develop a modification that would clarify the term “manage” in Requirement R1.3. The Commission clarifies, however, that the ERO, through its Reliability Standards development process, should determine the manner in which this clarification is made.

**Revision History**

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| **Version** | **Date** | **Reviewers** | **Revision Description** |
| 1 | July 2010 | RSAW Working Group  | New Document |
| 1 | September 2010 | NERC Legal & NERC Compliance | Added regulatory language & reviewed for formatting consistency. |
| 1.1 | September 2011 | Craig Struck | Format updates for 2012. |
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1. See Attachment 1-EOP-002-0 for explanation [↑](#footnote-ref-1)