Registration Options for Shared Functions between SPP RTO and Other Registered Entities

Registration is an important part of the NERC Compliance and Enforcement function as it determines who is the responsible party for compliance with the reliability standards. The functions that a Registered Entity is registered for determines which standards and requirements are subject to compliance monitoring. Only the Registered Entity will be monitored and, if necessary, be assigned a violation, even if the violation results from incorrect action on the part of a contractor or other third party. There are three main ways to delegate responsibility for a standard or requirement to another party: 1) change in registration 2) joint or coordinated functional registration and 3) contracting the tasks to a third party. This paper will briefly describe each of those options and consider the details involved in executing these options.

Change in Registration

If entities feel they are no longer performing a function, they can request to de-register for that function. The functions for each registration are explained in the “Statement of Registry Criteria”[1]. Recently several SPP RE entities de-registered as Transmission Service Providers [TSP] because SPP RTO was performing this work under a single tariff and there was no reason for them to continue to be independently registered. When de-registering for a function, it is necessary that another registered entity be performing the function in place of the currently registered entity.

Section 501.1.4 of the “Rules of Procedure” (RoP) [2] states the requirements for ensuring coverage of all Bulk Electric System components. Specifically, “the [registration] process shall:

1.4.1 Ensure that all areas are under the oversight of one and only one Reliability Coordinator.
1.4.2 Ensure that all Balancing Authorities and Transmission Operator entities are under the responsibility of one and only one Reliability Coordinator.
1.4.3 Ensure that all transmission facilities of the bulk power system are the responsibility and under the control of one and only one Transmission Planner, Planning Authority, and Transmission Operator.
1.4.4 Ensure that all loads and generators are under the responsibility and control of one and only one Balancing Authority.[2]”

As explained in the RoP, there is not a desire for overlap or gaps [2]. However, in order to remove an entity from registration, another entity must agree to be the responsible party. While this is straightforward in cases of sales of generation and transmission facilities, it can be more
difficult in operational and service functions such as Transmission Operator (TOP), Transmission Service Provider (TSP), and Transmission Planner (TP) where the responsibilities involve more cooperation and coordination among several entities in order to effectively perform the functions. In order to de-register, the following documentation must be provided to the SPP RE: completed entity registration form [3], entity registration questionnaire [4], substantiating documentation that the entity no longer meets the requirements for registration [1] and, as necessary, a document from another Registered Entity taking full responsibility for the function and/or the BES facilities in question.

It should be noted that membership in a Generation and Transmission Cooperative (G & T) cooperative meets the requirements for another entity taking responsibility and many G & T cooperatives and state municipal organizations take responsibility for smaller utilities who would otherwise meet the thresholds for registration. This is a way to reduce the overhead involved in the compliance process since many of the G & T’s provide other shared services. It is up to the G & T to determine how to allocate any penalty amounts and compliance program costs among its members.

**Joint Registration**

Sections 507 and 508 of the RoP provides for 2 types of Joint Registrations: the Joint Registration Organization (JRO) and Coordinated Functional Registration (CFR) [2]. In a JRO, an entity registers on behalf of members or other related entities and accepts all compliance responsibility for all of the standards and requirements for that registered function. In a CFR, two or more entities determine which entity is going to be responsible for which standards or requirements. Either party can be responsible for a specific subset of standards or requirements or multiple parties can be responsible for certain standards, as deemed appropriate by the entities. A detailed requirement by requirement breakdown of each applicable standard is required. This document must be updated by the parties to the agreement every time a new requirement is added to the NERC Reliability Standards and on an annual basis [5]. There are several examples of the CFR on the NERC website, including ones for California ISO/ San Diego Gas and Electric [6] and Midwest ISO and the underlying BAs [7] in which responsibilities are divided for the TOP and BA functions respectively.

**Third Party Contracting**

Another option that is available is the contracting of tasks to a third party [8]. A written contract may specify that another party performs certain tasks. As with any contract this can specify who will be financially responsible for failure to perform and non-compliance via reimbursement, etc. If the contract is with a third party who is not a registered entity, the Registered Entity will retain compliance responsibility [8]. However, if the third party is also a Registered Entity and accepts full responsibility, a joint registration may be appropriate, but is not required. Only Registered Entities are held responsible or accountable by Regional Entities and NERC. Delegation of a task does not automatically delegate the responsibility for the successful completion of that task. It is required that the registered entities “put mechanisms in place that allow it to:

a. Ensure that non-registered entities performing reliability tasks on its behalf comply with the applicable NERC Reliability Standard requirements;
b. Ensure that non-registered entities provide evidence of such compliance, at a minimum, upon request to the registered entity or Compliance Enforcement Authority. This may arise with respect to, but is not limited to, audits, compliance investigations, or other compliance monitoring activities and could include on-site visits to the non-registered entity locations; and

c. Provide self-certifications, self-reports, or other information to the Compliance Enforcement Authority, as required by the CMEP, regarding tasks performed by non-registered entities.” [8]

With any task performed by a third party, proper controls should be put in place in order to ensure the task is performed properly and in a timely manner.

Evidence of compliance may include contracts, including full-requirement customer contracts, indicating that a task has been contracted to another party. Evidence of compliance must also include evidence that this task is actually being performed by the third party and could include records such as relay test results, vegetation removal invoices, etc. Contract language that explicitly exempts the third party from compliance responsibility or performing a function (such as being the TOP for the Sub1-Sub2 161kV line) indicate that the Registered Entity remains the responsible party for ensuring the task is done properly and providing evidence of compliance. In some cases, the contract may specify joint registration or the entities may find it convenient to register using a CFR or JRO.

For example, SPP RTO conducts facility interconnection requirements studies for some interconnections. FAC-001 and FAC-002 place certain responsibilities upon the Transmission Owner. The studies may be run by SPP RTO or another third party contractor. However, only the entity registered for the TO function (not SPP RTO as they are not a registered TO), would be audited on the studies. It is prudent to ensure that if studies are run or tasks are performed by a third party that ALL of the NERC requirements are being addressed by such studies or tasks. If not, the Registered Entity will be required to fill any gaps to meet the requirements of the standard. This can avoid additional work on the Registered Entity’s part.

Conclusion

It is recognized that many Registered Entities use a third party to perform certain activities for which it is responsible. There are three ways to allocate responsibility for shared reliability functions: de-registration of one party in favor of another, joint registration, and maintaining registration while addressing delegated tasks in a contract.

References:


Submitted by:
R. W. Ciesiel
Executive Director of Compliance
Southwest Power Pool Regional Entity
July 18, 2011