



# FERC NOPR Review ~ Public

Summary of FERC Order Approving the NERC Definition of Bulk Electric System (March 6, 2013)

## Order Details:

### **FERC Order No. 773 : Revisions to Electric Reliability Organization Definition of Bulk Electric System and Rules of Procedure**

<b>Date Issued</b> <b>Event</b>	<p>December 20, 2012</p> <p>The Federal Energy Regulatory Commission (FERC) issued a final rule revising the definition of the bulk electric system. FERC's news release stated: <i>"The revisions, proposed by the North American Electric Reliability Corporation (NERC), should provide greater transparency and uniformity in defining the bulk electric system.</i></p> <p><i>Key revisions to the current definition remove language allowing for broad discretion across the reliability regions and establish a "bright-line" threshold that includes all facilities operated at or above 100 kilovolts. Today's final rule also establishes a process for seeking a Commission ruling on whether facilities otherwise included in the bulk power system are used in local distribution as set forth in the Federal Power Act. The starting point for this case-by-case analysis will be Order No. 888's seven-factor test for determining whether a facility is a local distribution or transmission facility; however, FERC will consider other factors based on the specific situation.</i></p> <p><i>In other revisions, the final rule:</i></p> <ul style="list-style-type: none"><li>- <i>Identifies five facilities configurations that are included in the bulk electric system.</i></li><li>- <i>Identifies four facilities configurations that are not included in the bulk electric system.</i></li><li>- <i>Accepts North American Electric Reliability Corporation's proposed exception process rules to add or remove system elements from the definition on a case-by-case basis.</i></li></ul> <p>Enforcement Date: July 1, 2015 FERC Order Date: <b>December 20, 2012</b> Federal Register Publication Date: <b>January 4, 2013</b> Rehearing Date: <b>January 22, 2013</b> (First business day after 30 days of the FERC Order) FERC Effective Date: <b>March 5, 2013</b> (60 days after publication in the Federal Register) NERC Implementation Effective and Enforcement for current BES assets Dates: <b>July 1, 2013</b> (First day of the 2nd calendar quarter after receiving applicable regulatory approval) Completion of the Implementation Period Date: <b>June 30, 2015</b> Enforcement Date for newly identified BES Assets: <b>July 1, 2015</b></p>
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## NOPR Summary

### Key Approvals

### Inclusions and Exclusions

**Definition of Bulk Electric System: Unless modified by the inclusion and exclusion lists shown below, all Transmission Elements operated at 100 kV or higher and Real Power and Reactive Power resources connected at 100 kV or higher. This does not include facilities used in the local distribution of electric energy.**

#### **Inclusions:**

**I1** - Transformers with the primary terminal and at least one secondary terminal operated at 100 kV or higher unless excluded under Exclusion E1 or E3.

**I2** - Generating resource(s) with gross individual nameplate rating greater than 20 MVA or gross plant/facility aggregate nameplate rating greater than 75 MVA including the generator terminals through the highside of the step-up transformer(s) connected at a voltage of 100 kV or above.

**I3** - Blackstart Resources identified in the Transmission Operator's restoration plan.

**I4** - Dispersed power producing resources with aggregate capacity greater than 75 MVA (gross aggregate nameplate rating) utilizing a system designed primarily for aggregating capacity, connected at a common point at a voltage of 100 kV or above.

**I5** - Static or dynamic devices (excluding generators) dedicated to supplying or absorbing Reactive Power that are connected at 100 kV or higher, or through a dedicated transformer with a high-side voltage of 100 kV or higher, or through a transformer that is designated in Inclusion I1.

#### **Exclusions:**

**E1** - Radial systems: A group of contiguous transmission Elements that emanates from a single point of connection of 100 kV or higher and:

- a) Only serves Load. Or,
- b) Only includes generation resources, not identified in Inclusion I3, with an aggregate capacity less than or equal to 75 MVA (gross nameplate rating). Or,
- c) Where the radial system serves Load and includes generation resources, not identified in Inclusion I3, with an aggregate capacity of non-retail generation less than or equal to 75 MVA (gross nameplate rating).

Note – A normally open switching device between radial systems, as depicted on prints or one-line diagrams for example, does not affect this exclusion.

**E2** - A generating unit or multiple generating units on the customer's side of the retail meter that serve all or part of the retail Load with electric energy if:

- (i) the net capacity provided to the BES does not exceed 75 MVA; and
- (ii) standby, back-up, and maintenance power services are provided to the generating unit or multiple generating units or to the retail Load by a Balancing Authority, or provided pursuant to a binding obligation with a Generator Owner or Generator Operator, or under terms approved by the applicable regulatory authority.

**E3** - Local networks (LN): A group of contiguous transmission Elements operated at [or above 100 kV but] less than 300 kV that distribute power to Load rather than

transfer bulk-power across the interconnected system. LN's emanate from multiple points of connection at 100 kV or higher to improve the level of service to retail customer Load and not to accommodate bulk-power transfer across the interconnected system. The LN is characterized by all of the following:

- a) Limits on connected generation: The LN and its underlying Elements do not include generation resources identified in Inclusion I3 and do not have an aggregate capacity of non-retail generation greater than 75 MVA (gross nameplate rating);
- b) Power flows only into the LN and the LN does not transfer energy originating outside the LN for delivery through the LN; and
- c) Not part of a Flowgate or transfer path: The LN does not contain a monitored Facility of a permanent Flowgate in the Eastern Interconnection, a major transfer path within the Western Interconnection, or a comparable monitored Facility in the ERCOT or Quebec Interconnections, and is not a monitored Facility included in an Interconnection Reliability Operating Limit (IROL).

**E4** – Reactive Power devices owned and operated by the retail customer solely for its own use.

**Note** - Elements may be included or excluded on a case-by-case basis through the Rules of Procedure exception process.

# Description of impact to VELCO's identified facilities as "Bulk Electric System (BES)"

## Current BES Definition:

- Bulk Electric System = Bulk Power System (BPS)
- Four substations currently identified as BPS

## New BES Definition Impact:

- Facilities included in new definition:
  - 38 of 43 VELCO substations
  - All of VELCO's switching stations
  - Thirteen Transformers with a low-side voltage of >100 kV
  - All VELCO's 115kV static (shunt capacitors, reactor banks and dynamic reactive devices)
  - All VELCO non-radial transmission lines (679 of 718 miles)
  - Converter HVDC station
- NPCC stated that initially its more stringent criteria will apply only to those facilities that have an inter-area impact on system reliability
- Increased NERC Compliance documentation, reporting & tracking of equipment maintenance, inter-area ties, event analysis & mis-operations
- Elements may be included or excluded on a case-by-case basis through the Rules of Procedure exception process.
  - FERC will rule on all exceptions
  - Will apply the Seven Factor Test used to indicate facilities that will be considered as local distribution. Order No. 888 at 31,771 and 31,981
- Under the Implementation in instances where 24 months is inadequate entities may petition for an extension of time.
- NPCC will request an update to the BES Facilities Listing under the new Definition.
- Further coordination between ISO and TOs is going to be required

## Area's for Review:

Due to the FERC suggested wording changes proposed for Exception 3, those facilities that have previously been identified as likely falling out of the definition of BES due to its radial nature, may now become identified as a BES facility. This could have a cascading impact on what equipment will be considered BES on the Transmission and Sub-transmission owners:

- Sub-transmission looped systems could become identified as BES if they are viewed as supporting the BES system itself
- Transformers with a low side below 100kV could become applicable to BES if the sub-transmission system is identified as BES.

## Points of Interest

- Appendix Section 5C and the Exception Process
  - Appendix 5C outlines the uniform exception process that all regions will follow.
  - An IT application is being developed by NERC to accept and catalog the exception requests and related documentation. It will be accessible to Registered Entities via the NERC website and will notify NPCC when exception requests are submitted.
  - CDAA will not be used.
  - No exception requests will be accepted before July 1, 2013.
  - NPCC makes the recommendation to NERC. NERC makes final decision.
  - Section 1703 outlines the Challenge process.
- In general, only existing assets that are newly identified BES assets due to the revised BES definition are eligible for the BES Definition 24 month implementation. NPCC will also examine this on a case by case basis as the need arises.
- Fact: NPCC Criteria/Directories still only relate to Full Member A10 busses and Full Member generating assets that are connected to an A10 bus. The A10 list will continue to be updated annually for Criteria/Directory purposes.
- FERC requested further action from NERC in the BES Order:
  - NERC is required to implement exclusion E1 in such fashion for radial systems and networks so that they do not apply to tie-lines for BES generators. (Para164, page 101)
  - NERC is required to modify the local network exclusion E3 to the 100kV minimum operating voltage to allow for systems that include one or more looped configurations connected below 100 kV. (Para199, page122)
- Even if FERC grants rehearing, the July 1, 2013 date could still stand. Rehearing requests must be related to error in law or error in technical facts.

## Supplemental Information (Excerpts from FERC Order 773)

Note: Excerpts below are preceded by the applicable paragraph number from Order 773.

4. We direct NERC to implement the bulk electric system definition consistent with the Commission determinations below. Specifically, we direct NERC to implement the exclusions for radial systems and local networks so that they do not apply to tie-lines for bulk electric system generators. In addition, we direct NERC to modify the local network exclusion to remove the 100 kV minimum operating voltage to allow systems that include one or more looped configurations connected below 100 kV, (as shown in figures 3 and 5 below) to be eligible for the local network exclusion.

52. Other than the directive to modify exclusion E3 as discussed below, the Commission declines to direct NERC to further modify the definition or the specified inclusions and exclusions. Specifically, we will not direct further revisions to address demand response, protection systems and other facilities or equipment as separate inclusions or exclusions as advocated by ISO New England, PSEG Companies, IUU or Barrick.

53. Moreover, in the NOPR we acknowledged NERC's statement that the core definition also continues to capture equipment associated with the facilities included in the bulk electric system. In the NOPR we agreed with NERC that while the new definition does not use the term "associated equipment," the phrase is included in the definition through the defined term "Transmission Elements." We adopt the NOPR proposal that the term "associated equipment," is included in the definition through the defined term "Transmission Elements" which could include the facilities identified by PSEG Companies

66. For the reasons discussed below, we find that NERC's "core" definition of bulk electric system definition, together with exclusion E3 (local networks), is consistent with the section 215 exclusion of local distribution facilities.

80. We find that inclusion I1 is a reasonable approach to identifying transformers that are appropriately included as part of the bulk electric system. We agree with NERC that inclusion I1 includes transformers operating at 100 kV or higher on the primary winding and at 100 kV or higher on at least one secondary winding. With regard to the Commission's concern in the NOPR about inclusion of a transformer that is operated at 100 kV or higher on the primary winding but all secondary terminals are operated below 100 kV, we agree with NERC that it is appropriate for such transformers to be considered for inclusion through the exception process. We are persuaded that transformers with low side voltages stepped down to a voltage class that is designed to distribute power to load and, therefore, the 100 kV threshold for secondary windings provides an initial screening between facilities used to transfer power as opposed to those that serve load. We agree with NERC's assessment that crafting an inclusion for transformers described by the Commission is difficult because the distinction may hinge on function as opposed to the physical characteristics of the transformer. Therefore, we decline to include such transformers in inclusion I1.

91. Further, the Commission agrees with NERC and other commenters that multiple step-up transformers that are solely used to deliver the generation to the bulk electric system at 100 kV or above qualify the generator and the step-up transformers pursuant to inclusion I2.

92. ...if a transformer is also used to deliver power to serve local load, through, for example a 69 kV network, the generation resources and transformers should be excluded from the bulk electric system. The Commission agrees with the specific example.

95. Regarding ISO New England's assertion that generators that connect to the bulk electric system via transmission facilities with voltages below 100 kV are needed for reliability, the Commission believes these

generators can be added to the bulk electric system through the exception process, and if registration is warranted for the owners and operators of these generators, the Registry Criteria provides NERC and the Regional Entities the option of registering “[a]ny generator, regardless of size, that is material to the reliability of the Bulk Power System. Aggregate stability impacts of generation below 100 kV could fall into this category of “material to the reliability of the Bulk Power System.”

102. We find that NERC’s inclusion of blackstart resources in the definition is an improvement to the definition. We also agree with NERC’s statement that the “restoration plan” in inclusion I3 refers to the restoration plans in the EOP Reliability Standards. With regard to cranking paths, the Commission declines to include all cranking paths regardless of voltage level. The Commission finds that cranking paths operating at or above 100 kV are included in the bulk electric system by the core definition, and if a cranking path that does not fall within the definition of bulk electric system, (i.e. operating at or above 100 kV) but is needed for reliability, such elements can be included in the bulk electric system through the exception process. We also disagree that not including cranking paths will cause regional differences and inconsistent application resulting in some owners electing to exclude such assets. The revised definition includes all Transmission Elements at or above 100 kV. Thus, to the extent a cranking path is operating at or above 100 kV and a “Transmission Element,” it would be included in the bulk electric system. If a cranking path is below 100 kV and is necessary for operation of the interconnected transmission network or operates at or above 100 kV and is not necessary for the operation of the interconnected transmission network, the status of the cranking path may be determined in the exception process.

113. As the Commission previously stated in the inclusion I2 discussion, multiple step-up transformers that are solely used to deliver the generation to the bulk electric system at 100 kV or above qualify the generator or plant/facility and the step-up transformers for inclusion in the bulk electric system.

114. ... the Commission will not direct NERC to categorically include collector systems pursuant to inclusion I4.

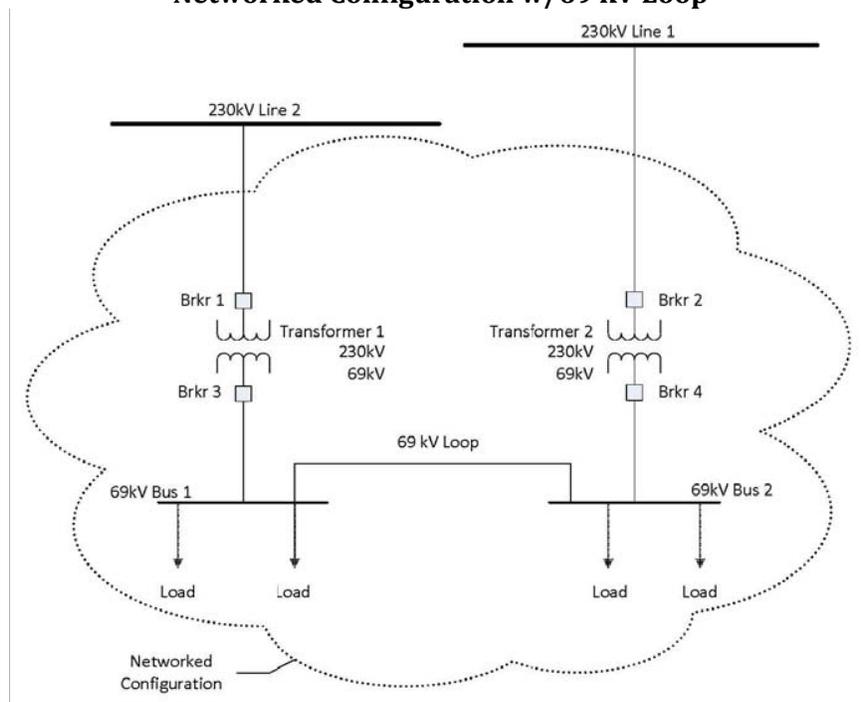
123. The Commission approves inclusion I5 and finds that the inclusion adds clarity to the application of the bulk electric system definition by providing specific criteria for reactive power devices. The Commission also accepts NERC’s response for cases where the reactive power device is connected through a transformer designated in inclusion I1 – that the reactive resource itself is included in the bulk electric system pursuant to inclusion I5 and the transmission elements connecting the reactive power device to the transformer are addressed in other portions of the definition.

126. While we approve in the Final Rule the language of exclusions E1, E2 and E4, we have concerns with regard to the application of exclusions E1 and E3 in specific situations and, thus, direct NERC to implement or apply these exclusions consistent with the determinations set forth below. In addition, we direct NERC to remove the 100 kV minimum operating threshold language from exclusion E3.

133. The Commission finds that the radial system exclusion only applies to “transmission Elements” and does not apply to nor is it determinative of whether any generation is included or excluded from the bulk electric system.

152. NERC further explains that the focus of the definition of bulk electric system is on looped or networked connections at or above 100 kV. According to NERC, connections operated below 100 kV, generally do not carry significant parallel flow due to the higher impedance of lower voltage facilities. If such facilities are necessary for the reliable operation of the interconnected transmission network, NERC states that the exception process can be used to include such facilities.

**Figure 3  
Networked Configuration w/69 kV Loop**



155. The Commission finds figure 3, which is identical to figure 5, is a networked configuration through a 69 kV loop and does not qualify for exclusion E1. The Commission also finds that, because the load in figure 3 can be served by either 230 kV line, it does not depict a “radial system.” However, the facilities below 100 kV may or may not be necessary for the operation of the interconnected transmission network, and this decision can be made case-by-case in the exception process. In other words, such facilities below 100 kV depicted in figure 3 would be excluded under the general threshold of the core definition unless found on a case-specific basis as necessary for the reliable operation of the interconnected transmission network. Thus, the Commission, while disagreeing with NERC’s interpretation, does not propose to include the below 100 kV elements in figure 3 in the bulk electric system, unless determined otherwise in the exception process. Further, as we discuss below in connection with exclusion E3 and figure 5, while we find that the configuration shown in figures 3 and 5 would not be eligible for exclusion E1, we believe that such configurations should be eligible for exclusion E3 for local networks. However, exclusion E3 as written requires the candidate local network to be contiguous and above 100 kV, thus, the exclusion E3 language as written does not allow for figures 3 and 5 to be eligible for the local network exclusion because they are not contiguous and include facilities that are not above 100 kV. Therefore, we direct NERC to modify exclusion E3 to remove the 100 kV minimum operating voltage in the local network definition. This modification will enable configurations similar to figures 3 and 5 to be assessed for the local network exclusion.

164. We approve exclusion E1 conditions (b) and (c). However, we direct NERC to implement exclusion E1 so that the exclusions for radial systems do not apply to tie-lines for bulk electric system generators identified in inclusion I2. If the generator is necessary for the operation of the interconnected transmission network, the Commission believes that it is generally appropriate to have the radial tie-line operating at or above 100 kV that delivers the generation to the bulk electric system included as well.

166. NERC explains that the exclusion of radial systems pursuant to conditions (b) and (c) is based on the premise that a single point of failure causing the radial system to separate from the bulk electric system, resulting in the loss of a limited amount of generation will not have an adverse reliability impact. However, there are other

reliability concerns that NERC does not address. For example, both the radial line emanating from a generator and the portion of the bulk electric system to which it is connected have protective relays that require coordination to prevent the lines from tripping. The generator needs to coordinate the protective relays with transmission operators, otherwise there may not be adequate information to prevent a fault on the radial line from causing cascading outages on the bulk electric system. The Commission also notes that the phrase “adverse reliability impact,” which is defined in the NERC Glossary of Terms as “the impact of an event that results in frequency-related instability; unplanned tripping of load or generation; or uncontrolled separation or cascading outages that affects a widespread area of the Interconnection,” is an extreme result that should not occur from the loss of a single tie-line for any sized generator.

167. Therefore, the Commission directs NERC to implement exclusion E1 so that the exclusion for radial systems does not apply to tie-lines for bulk electric system generators identified in inclusion I2. This directive provides consistent application of the entire definition by not allowing exclusion E1 to override the qualifying tie-lines pursuant to inclusion I2.

168. The Commission also rejects NERC’s argument that subjecting the elements associated with this type of radial system to all the Reliability Standards has a limited benefit to the reliability of the interconnected transmission network. In cases of radial tie-lines for bulk electric system generators where the generator owner also owns the tie-line, NERC has exercised discretion, on a case-by-case basis, in determining which entities require registration as transmission owners/operators and identified sub-sets of applicable reliability standard requirements for these entities.

183. We find that exclusion E2 provides additional clarity to the definition of bulk electric system, and we disagree that exclusion E2 is contrary to the reliability of the bulk electric system. We agree with ELCON that such configurations are commonly employed by industrial users of electricity. Indeed, this exclusion is similar to the exclusion for such facilities in NERC’s Registry Criteria. With regard to ISO New England’s and PSEG Companies specific examples, to the extent such scenario exists, they may be eligible for inclusion or exclusion through use of the exception process.

193. The Commission approves exclusion E3. The Commission accepts NERC’s explanation about the statement that “neither will the local network’s separation or retirement diminish the reliability of the interconnected transmission network.”

199. As discussed above, the Commission is directing a modification to exclusion E3 to better capture local networks like those depicted in figure 5. The Commission notes that Exelon believes that the configuration shown in figure 5, which is identical to figure 3, does not qualify as a local network within the terms of exclusion E3. While figures 3 and 5 are a networked configuration through a 69 kV loop, they do not qualify for the local network exclusion because exclusion E3 defines local networks as “[a] group of contiguous transmission Elements operated at or above 100 kV but less than 300 kV that distribute power to Load rather than transfer bulk-power across the interconnected system.” The configuration in figure 5 includes elements that are below 100 kV, and does not have contiguous elements operating at or above 100 kV but less than 300 kV. As noted above, while the Commission finds that these configurations should not be eligible for exclusion E1, we believe that they should be eligible for the local network exclusion. Therefore, we direct NERC to modify exclusion E3 to remove the 100 kV minimum operating voltage in the local network definition. Within 30 days of the effective date of this Final Rule, we direct NERC to submit a schedule outlining how and when it will make the modification to the definition.

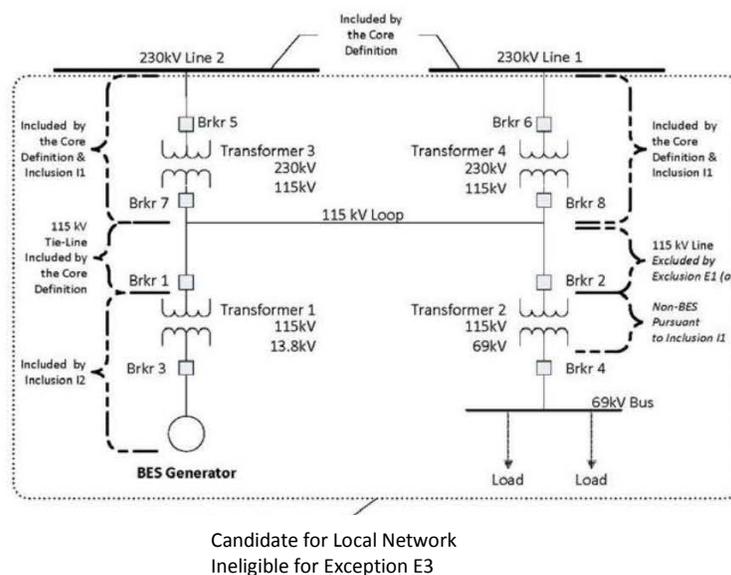
206. The Commission approves the 300 kV voltage threshold for local networks for the initial implementation of the definition. While we approve the 300 kV threshold, the limited number of examples provided for 200-300 kV systems cause us to seek additional information. Thus, following implementation when actual exclusion data is available, the Commission directs NERC to submit a compliance filing within one year of the implementation date

identifying in sufficient detail the types of local network configurations that have been excluded from the bulk electric system under this exclusion.

213. We find that the local network exclusion only applies to “transmission Elements” and does not allow the exclusion of generation resources otherwise included in the bulk electric system pursuant to inclusion I2, as discussed above in our determination regarding exclusion E1.

214. Further, as discussed above regarding exclusion E1, the Commission agrees with Idaho Power, PSEG Companies, SmartSenseCom, and AEP that tie-lines for generators identified in the inclusion I2 should not qualify for exclusion as radial systems or local networks. Rather the tie-lines can be considered for exclusion under NERC’s exception process. Accordingly, consistent with the Commission’s directive discussed above regarding exclusion E1, the Commission directs NERC to implement exclusion E3 so that the exclusion for local networks does not apply to bulk electric system generator tie-lines operated at or above 100 kV as shown in the figure below.

### 115 kV Loop with BES Generation



228. The Commission finds that: (1) pursuant to exclusion E3 criterion (b), generation produced inside a local network should not transport power to other markets outside the local network; and (2) exclusion E3 criterion (b) applies in both normal and emergency operating conditions. The Commission agrees with NERC’s statements that basing the determination solely on normal or optimal conditions could lead to inconsistent application of this exclusion and hence the definition itself, and would also introduce a degree of subjectivity in the application of the definition that is not in the interest of reliability.

229. .... If a local network is expected to be needed to operate the interconnected transmission network, i.e., to meet reliability performance criteria in transmission planning assessments, it should not be excluded from the bulk electric system under exclusion E3.

230. In response to Idaho Power and ISO New England asking for how emergency conditions are defined to determine if a candidate configuration meets exclusion E3 criterion (b), the Commission believes that the best way to show that a local network meets criterion (b) is through historical power flow data.

251. Pursuant to FPA section 215(f), we approve the NOPR proposal and find that the exception process is just, reasonable, not unduly discriminatory or preferential, and in the public interest. Further, we find that the proposal satisfies the statement in Order No. 743 that NERC establish an exception process for excluding facilities that are not necessary for the reliable operation of the interconnected transmission network from the definition of the bulk electric system. The exception process balances the need for effective and efficient administration with due process and clarity of expectations and promotes consistency in determinations and eliminates regional discretion by having all decisions on exception requests made at NERC.

285. For the reasons discussed below, we conclude that the Commission has the authority to designate an element as part of the bulk electric system pursuant to our authority set forth in sections 215(a)(1) and (b)(1) of the FPA.

286. ...for purposes of approving Reliability Standards established under this section and enforcing compliance with this section.” Section 215(a)(1) of the FPA, in turn, defines “Bulk-Power System” to mean “facilities and control systems necessary for operating an interconnected electric energy transmission network (or any portion thereof); and electric energy from generation facilities needed to maintain transmission system reliability.” If an entity owns or operates sub-100 kV elements, or other elements, “necessary for operating an interconnected electric energy transmission network,” the Commission has jurisdiction pursuant to FPA section 215(b)(1) to “enforc[e] compliance with this section,” and to ensure that the approved definition is being implemented properly.

287. For example, an entity may operate sub-100 kV elements, or other elements, that are, pursuant to the modified definition approved in this Final Rule, not treated as part of the bulk electric system. However, an event analysis may reveal that such facilities are “necessary for operating an interconnected electric energy transmission network.” As an appropriate prospective remedy, pursuant to the FPA section 215(b)(1) authority to “enforc[e] compliance with this section,” the Commission could designate the facilities as part of the bulk electric system. This approach is consistent with Commission precedent regarding unregistered entities whose facilities are involved in a violation of Reliability Standards. The Commission determined that, in such situations, the appropriate remedy is to register the entity so that, prospectively, the entity must comply with the relevant Reliability Standards based on the functions performed by that entity.

293. The Commission accepts NERC’s explanation that requiring a technical panel review of all Regional Entity recommendations will likely cause an additional administrative burden on Regional Entities, delaying final recommendations to NERC. While the Commission sees benefits in utilizing a technical review panel for all requests, we are not persuaded that these benefits will outweigh the costs associated with the increased administrative burden likely to be imposed. Additionally, if the Technical Review Panel does not provide an opinion on all exception requests, the exception process is not without other levels of technical review. On the contrary, the exceptions process provides multiple levels of technical review before a final determination is made by NERC, including a substantive review by the Regional Entity and a subsequent review by a panel of technical experts at the NERC level. For these reasons, the Commission approves the Technical Review Panel as proposed by NERC.

304. We agree with commenters that the twenty-four month time period gives sufficient time to accommodate planning for and changes resulting from the new definition, including any exception requests and compliance obligations. Therefore, we approve NERC’s proposal to implement a twenty-four month implementation plan. In response to Consumers’ comment regarding the need for additional time for special circumstances, an entity or NERC may petition for an extension of time.

317. We agree with NERC that registered entities are obligated to inform the Regional Entity of any self-determination that an element is no longer part of the bulk electric system.....

Section 501, Part 1.3.5 provides: Each Registered Entity identified on the NCR shall notify its corresponding Regional Entity(s) of any corrections, revisions, deletions, changes in ownership, corporate structure, or similar matters that affect the Registered Entity's responsibilities with respect to the Reliability Standards. Failure to notify will not relieve the Registered Entity from any responsibility to comply with the Reliability Standards or shield it from any Penalties or sanctions associated with failing to comply with the Reliability Standards applicable to its associated Registration. Thus, a registered entity that concludes that an element is no longer part of the bulk electric system must notify the Regional Entity of such change.

326. Commenters raise concerns that modifications to the proposed definition or directives to NERC may result in substantial changes to the burden estimates. While the Commission is requiring one modification to the language in the NERC proposal, the Commission finds that it does not need to reassess the burden estimates because the change is intended to simply make more explicit what NERC and other commenters indicate is the expected application of the proposed definition to a low-voltage, looped system as depicted in figures 3 and 5 above. Therefore, we do not anticipate the one modification to result in a significant change to what elements are considered part of the bulk electric system or applications for case-by-case exceptions. The burden estimates in this Final Rule represent the incremental burden changes related only to increased reporting burden associated with the identification of new bulk electric system elements as a result of the modified definition. Furthermore, we acknowledge that NPCC may be subject to additional reporting requirements, however, the burden estimates are averages for all of the filers. Idaho Power's observation that the Commission is underestimating the number of engineering hours is not supported by analysis. Similarly, we are not persuaded by ISO New England's position that there may be a significant burden on planning coordinators and transmission planners associated with proposed definition because it does not offer any analysis to support this assertion. The Commission expects any burden for planning coordinators and transmission planners to be *de minimis* or incorporated under their existing responsibilities.

334. In the NOPR, the Commission estimated that approximately 418 of the 1,730 registered transmission owners, generator owners and distribution service providers may fall within the definition of small entities. Further, the Commission estimated that of the 418 small entities affected there are 50 within the NPCC region that would have to comply with the rulemaking. The Commission contemplated that the rulemaking would affect more small entities in the NPCC Region than those outside NPCC because there are more elements in the NPCC region that would be added to the bulk electric system based on the new definition than elsewhere. The Commission estimated the first year affect on small entities within the NPCC region to be \$39,414. This figure is based on information collection costs plus additional costs for compliance. The Commission estimated the average annual affect per small entity outside of NPCC will be less than for the entities within NPCC. In the NOPR, the Commission stated that it did not consider this to be a significant economic impact for either class of entities because it should not represent a significant percentage of the operating budget.

338. The Commission disagrees with commenters that challenge the Commission's conclusion that the rule will not have a significant economic impact on a substantial number of small entities. We are not persuaded by APPA, BPA and ISO New England's assertions regarding how the Commission's analysis is erroneous or in what ways the Final Rule will have a significant economic impact on a substantial number of small entities. As the Commission stated in its NOPR, most transmission owners, transmission operators and transmission service providers do not fall within the definition of small entities. In addition, the requirement to comply with the definition of bulk electric system is not new.