

**ORDER NO. 88573**

IN THE MATTER OF THE REVIEW OF  
ANNUAL PERFORMANCE REPORTS ON  
ELECTRIC SERVICE RELIABILITY  
FILED PURSUANT TO COMAR  
20.50.12.11

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BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF MARYLAND

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CASE NO. 9353  
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**Issue Date: February 14, 2018**

On September 28, 2017, in Order No. 88406, the Commission directed Staff to lead a work group addressing future system-wide reliability targets for years 2020 through 2023, including an evaluation of “the value of additional reliability in light of the principle of cost-effectiveness.”<sup>1</sup> In response to that directive, Staff convened the Reliability Targets Work Group (“RTWG”), which filed its final report on January 5, 2018, entitled *Proposal for Addressing Future System-Wide Reliability Targets & the Cost Effectiveness of Additional Reliability for the Years 2020 Through 2023* (“Final Report”).

The RTWG Final Report sets forth five base reliability scenario options that provide a minimum to maximum cost range with associated reliability implications for Commission consideration.<sup>2</sup> The Final Report states that the purpose of including the scenarios is to inform the Commission of cost versus reliability variability and to address whether there is a point of diminishing returns in continued reliability spending. The

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<sup>1</sup> Order No. 88406 at 16.

<sup>2</sup> Those five scenarios are (i) Minimum Cost Goal; (ii) Flat Cost Goal; (iii) Flat Reliability Goal; (iv) Company Goal; and (v) First Quartile Goal.

Final Report also sets forth reliability planning best practices<sup>3</sup> that utilities should consider adopting for inclusion in their March 1, 2018 “next cycle” reliability reports that will address 2020 through 2023 SAIDI and SAIFI Reliability Standards.<sup>4</sup> After listing each utility’s current capabilities with respect to best practices,<sup>5</sup> the Final Report provides a list of deliverables for each utility to include in their respective filings with the Commission.<sup>6</sup>

One of the best practices discussed in the Final Report is the 2.5 Beta Method. The 2.5 Beta Method is a statistics-based methodology that identifies and removes outlier events that are not representative of a utility’s normal operating conditions. The Final Report observes that COMAR’s definition of major events removes some outliers, but it contends that several “low frequency, high impact, localized events continue to be included as part of normal operating conditions.”<sup>7</sup> Additionally, the Final Report notes that COMAR 20.50.12.02 requires utilities to report annual reliability indices in terms of the 2.5 Beta Method, but that the 2.5 Beta Method is not directly used in setting system-wide reliability standards. The Final Report concludes that if the 2.5 Beta Method was used both for setting future reliability standards and for measuring annual compliance

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<sup>3</sup> Pursuant to Code of Maryland Regulations (“COMAR”) 20.50.12.01 and 20.50.12.02D(7), utilities with over 40,000 customers in Maryland must file with the Commission proposed annual 2020 – 2023 System Average Interruption Duration Index (“SAIDI”) and System Average Interruption Frequency Index (“SAIFI”) reliability standards and corresponding cost estimates by March 1, 2018.

<sup>4</sup> The Final Report discusses reliability best practices such as waterfall charts, reliability normalization, planning margins, and the 2.5 Beta Method. Nevertheless, the Final Report notes that not every utility is currently able to meet the best practices listed in the report and that the RTWG is not recommending a one-size-fits-all approach. See Final Report at 15, 25.

<sup>5</sup> The Final Report lists the capability of each utility to provide reliability information and best practices. Final Report Table 2 at 15-16.

<sup>6</sup> Final Report Table 3 at 17-18.

<sup>7</sup> Final Report at 27. COMAR 20.50.01.03B25 defines Major Event Day using the methodology used by the Institute of Electrical and Electronics Engineers (“IEEE”).

with the reliability standards, utilities would require smaller planning margins because the reliability indices would be measured with less variability.

The Final Report concludes with two recommendations. First, the RTWG recommends that each utility submit benchmarking information, multiple reliability scenario options, cost estimates, graphs, and other deliverables as provided in Table 3 of the Final Report. Second, the RTWG recommends that the Commission employ the 2.5 Beta Method for setting 2020 through 2023 reliability standards.<sup>8</sup>

The Commission declines to modify COMAR by exclusively adopting the 2.5 Beta Method at this time. As noted in the Final Report, the Office of People's Counsel articulated several concerns related to adoption of the methodology, which the Commission would like to explore during the upcoming rulemaking proceedings.<sup>9</sup> In order to provide sufficient time for the utilities to provide the information using both the 2.5 Beta Method and the COMAR SAIDI and SAIFI definitions, the deadline for submitting next cycle reliability filings pursuant to COMAR 20.50.12.02D(7)(b) is extended from March 1, 2018 to April 1, 2018.

**IT IS THEREFORE**, this 14<sup>th</sup> day of February, in the year Two Thousand and Eighteen, by the Public Service Commission of Maryland,

**ORDERED:** (1) That each utility shall submit benchmarking information, multiple reliability scenario options, cost estimates, graphs, and other deliverables as

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<sup>8</sup> An exception is made for Potomac Electric Power Company ("Pepco") and Delmarva Power & Light Company, who, because of commitments made in the Exelon – PHI merger proceeding (Case No. 9361, *In the Matter of the Merger of Exelon Corporation and Pepco Holdings, Inc.*) will be required to set reliability targets only for the years 2021 through 2023. Final Report at 25.

<sup>9</sup> Final Report at 13 n. 26.

provided in Table 3 of the Final Report of the Reliability Targets Work Group;

(2) That the recommendation of the Reliability Targets Work Group that the Commission exclusively employ the 2.5 Beta Method for setting 2020 through 2023 reliability standards is denied at this time;

(3) That the utilities shall file next cycle reliability reports using *both* the 2.5 Beta Method as well as the COMAR method (utilizing Major Outage Events) used in previous next cycle reliability reports; and

(4) That the deadline for submitting next cycle reliability filings pursuant to COMAR 20.50.12.02D(7)(b) is extended from March 1, 2018 to April 1, 2018.

By Direction of the Commission,

*/s/ David J. Collins*

David J. Collins  
Executive Secretary