

From: [Monica Benson](#)
To: monica.benson@nerc.net
Subject: NERC: Standards Announcement - Project 2011-INT-01 Interpretation of MOD-028-1 for FPL | Ballot Pool, Initial Ballot and Comment Period Information
Date: Monday, October 03, 2011 2:55:06 PM

Standards Announcement

Project 2011-INT-01 Interpretation of MOD-028-1 for FPL
Ballot Pool Window Open: October 4 – November 2, 2011
Formal Comment Period Open: October 4 – November 16, 2011
Initial Ballot Window: November 7 – November 16, 2011

[2011-INT-01 Project Page](#)

In May 2011, Florida Power & Light Company (FPL) requested an interpretation of MOD-028-1 – Area Interchange Methodology, Requirement R3.1. The request asks for clarification of the timing and frequency of Total Transfer Capability (TTC) calculations needed for Available Transfer Capability (ATC) calculations. At its July 2011 meeting the Standards Committee approved (with FPL’s approval) addressing FPL’s request for interpretation through a rapid revision to the MOD-028-1 standard. As envisioned, making a permanent revision to the standard makes more efficient use of industry resources than providing clarity first through an interpretation and then later through a revision to the standard.

A drafting team appointed by the Standards Committee has posted FPL’s request for interpretation, a SAR identifying the revisions necessary to address the requested clarification, a draft MOD-028-2 (clean and redline showing changes to the last approved version of the standard), and an associated implementation plan, for a formal 45-day comment period through 8 p.m. Eastern on Wednesday, November 16, 2011. Because the revisions are narrowly focused on addressing the clarification requested by FPL, the Standards Committee approved waiving the initial 30-day formal comment period. A ballot pool is open through **8 a.m. Eastern on Wednesday, November 2.**

Ballot Pool Open through 8 a.m. Eastern on Wednesday, November 2

A ballot pool is being formed for balloting the revisions to MOD-028-2. The Standards Committee has authorized posting the standard and implementation plan for a 45-day formal comment period with an initial ballot conducted during the last 10 days of that comment period. (The Standards Committee authorized waiving the initial 30-day formal comment period because the revisions to MOD-028 are narrowly focused on addressing the clarification requested in FPL’s request for interpretation.)

The ballot pool is open through 8 a.m. Eastern on November 2, 2011, and the ballot window will be open from 8 a.m. Eastern on Monday, November 7 through 8 p.m. Eastern on Wednesday, November 16, 2011.

Instructions for Joining the Ballot Pool for Project 2011-INT-01

Registered Ballot Body members may join the ballot pool to be eligible to vote in the upcoming ballot at the following page: [Ballot Pool](#)

During the pre-ballot window, members of the ballot pool may communicate with one another by using their "ballot pool list server." (Once the balloting begins, ballot pool members are prohibited from using the ballot pool list servers.) The list server for this ballot pool is: bp-2011-INT-01_in@nerc.com

Instructions for Commenting

Please use this [electronic form](#) to submit comments. If you experience any difficulties in using the electronic form, please contact Monica Benson at monica.benson@nerc.net. An off-line, unofficial copy of the comment form is posted on the [project page](#).

Next Steps

An initial ballot of MOD-028-2 and its associated implementation plan will begin on Monday, November 7, 2011 and end at 8 p.m. Eastern on Wednesday, November 16, 2011.

For more information or assistance, please contact Monica Benson at monica.benson@nerc.net.

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From: [Monica Benson](#)
To: monica.benson@nerc.net
Subject: NERC: Standards Announcement - Project INT-2011-01 Revision of MOD-028-1 to address FPL Request for Interpretation | Initial Ballot Results
Date: Tuesday, November 22, 2011 4:56:33 PM

Standards Announcement

Project INT-2011-01 Revision of MOD-028-1 to address FPL Request for Interpretation

Initial Ballot Results

[Now Available](#)

An initial ballot of MOD-028-2 – Area Interchange Methodology concluded on November 16, 2011. Voting statistics are listed below, and the [Ballot Results](#) Web page provides a link to the detailed results.

Quorum: 91.2%

Approval: 95.05%

Next Steps

The drafting team will consider all comments received and determine whether to make additional changes to the interpretation. If the drafting team decides to make additional changes to the interpretation to address stakeholder feedback from the formal comment period and ballot, the team will post the revised interpretation, along with its consideration of comments, for a parallel comment period and successive ballot. If the drafting team decides that no substantive changes are required to address stakeholder feedback, the team will post the interpretation and consideration of comments for a recirculation ballot.

Background

On October 1, 2009, clarification was requested by ISO-RTO Council on Requirement R2, specifically on whether “directives” are limited to actual and anticipated emergency operating conditions, or whether routine operating instructions are also considered “directives.” The effort was delayed following discussion with the requester based on the anticipation that more clarity regarding the term “directives” would be identified through standard development work in Project 2007-02.

When it became clear that the work in Project 2007-02 would require considerable industry debate, a drafting team was formed and prepared a draft interpretation, which was posted for a 30-day formal comment period that ended December 18, 2010. Reprioritization of the total standards workload in accordance with guidance from the NERC Board of Trustees issued in November 2009 and a delay as the Standards Committee developed more formal processes for addressing interpretations resulted in a delay in further processing; the Standards Committee directed that work resume on the Interpretation in April 2011.

Standards Development Process

The [Standard Processes Manual](#) contains all the procedures governing the standards development process. The success of the NERC standards development process depends on stakeholder participation. We extend our thanks to all those who participate.

For more information or assistance, please contact Monica Benson at monica.benson@nerc.net.

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You have received this email because you are a registered representative in the Registered Ballot Body.

From: [Monica Benson](#)
To: monica.benson@nerc.net
Subject: NERC: Correction: Standards Announcement - Project 2009-22 Interpretation of COM-002-2 for ISO-RTO Council | Initial Ballot Results
Date: Tuesday, November 22, 2011 6:50:14 PM

Standards Announcement

Project 2009-22 Interpretation of COM-002-2 for ISO-RTO Council

Initial Ballot Results (Revised with Correct Ballot Results)

Now Available

An Initial ballot of an interpretation of COM-002-2 R2 concluded on November 18, 2011. Voting statistics are listed below, and the [Ballot Results](#) Web page provides a link to the detailed results.

Quorum: 91.2% (Corrected)

Approval: 95.05% (Corrected)

Next Steps

The drafting team will consider all comments received and determine whether to make additional changes to the interpretation. If the drafting team decides that no substantive changes are needed, a recirculation ballot will be conducted.

Background

On October 1, 2009, clarification was requested by ISO-RTO Council on Requirement R2, specifically on whether “directives” are limited to actual and anticipated emergency operating conditions, or whether routine operating instructions are also considered “directives.” The effort was delayed following discussion with the requester based on the anticipation that more clarity regarding the term, “directives” would be identified through standard development work in Project 2007-02.

When it became clear that the work in Project 2007-02 would require considerable industry debate, a drafting team was formed and prepared a draft interpretation, which was posted for a 30-day formal comment period that ended December 18, 2010. Reprioritization of the total standards workload in accordance with guidance from the NERC Board of Trustees issued in November 2009 and a delay as the Standards Committee developed more formal processes for addressing interpretations resulted in a delay in further processing; the Standards Committee directed that work resume on the Interpretation in April 2011.

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From: [Monica Benson](#)
To: monica.benson@nerc.net
Subject: NERC: Standards Announcement - Project 2009-22 COM-002-2 Interpretation for IRC | Ballot Window Now Open Through 8 p.m. Eastern on Friday, November 18, 2011
Date: Tuesday, November 08, 2011 11:23:09 AM

Standards Announcement

Project 2009-22 COM-002-2 Interpretation for IRC Ballot Window Now Open Through 8 p.m. Eastern on Friday, November 18, 2011

[Now Available](#)

An initial ballot of an interpretation of COM-002-2 – Communications and Coordination, Requirement R2 is open through 8 p.m. Eastern on Friday, November 18, 2011.

Instructions for Balloting the Interpretation of COM-002-2 for IRC

Members of the ballot pool associated with this project may log in and submit their vote for the interpretation from the following page: <https://standards.nerc.net/CurrentBallots.aspx>

Instructions for Commenting

A formal comment period is open through **8 p.m. Eastern on Friday, November 18, 2011.**

Please use this [electronic form](#) to submit comments. If you experience any difficulties in using the electronic form, please contact Monica Benson at monica.benson@nerc.net. An off-line, unofficial copy of the comment form is posted on the [project page](#).

Special Instructions for Submitting Comments with a Ballot

Please note that comments submitted during the formal comment period and the ballot for the interpretation both use the same electronic form, and it is NOT necessary for ballot pool members to submit more than one set of comments. The drafting team requests that all stakeholders (ballot pool members as well as other stakeholders) submit all comments through the electronic comment form.

Next Steps

The drafting team will consider all comments submitted to determine whether to make additional revisions to the interpretation.

Background

On October 1, 2009, clarification was requested by ISO-RTO Council on Requirement R2, specifically on whether “directives” are limited to actual and anticipated emergency operating conditions, or whether routine operating instructions are also considered “directives.” The effort was delayed following discussion with the requester based on the anticipation that more clarity regarding the term, “directives” would be identified through standard development work in Project 2007-02.

When it became clear that the work in Project 2007-02 would require considerable industry debate, a drafting team was formed and prepared a draft interpretation, which was posted for a 30-day formal comment period that ended December 18, 2010. Reprioritization of the total

standards workload in accordance with guidance from the NERC Board of Trustees issued in November 2009 and a delay as the Standards Committee developed more formal processes for addressing interpretations resulted in a delay in further processing; the Standards Committee directed that work resume on the Interpretation in April 2011.

Standards Development Process

The [Standard Processes Manual](#) contains all the procedures governing the standards development and interpretation processes. The success of the NERC standards development process depends on stakeholder participation. We extend our thanks to all those who participate. For more information or assistance, please contact Monica Benson at monica.benson@nerc.net.

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From: [Monica Benson](#)
To: monica.benson@nerc.net
Subject: NERC: Standards Announcement - Project 2009-22 Interpretation of COM-002-2 for ISO-RTO Council | Initial Ballot Results
Date: Tuesday, November 22, 2011 7:54:04 PM

Standards Announcement

Project 2009-22 Interpretation of COM-002-2 for ISO-RTO Council

Initial Ballot Results (Revised with Correct Background Information)

Now Available

An Initial ballot of an interpretation of COM-002-2 R2 concluded on November 18, 2011. Voting statistics are listed below, and the [Ballot Results](#) Web page provides a link to the detailed results.

Quorum: 88.05%

Approval: 85.53%

Next Steps

The drafting team will consider all comments received and determine whether to make additional changes to the standard. If the drafting team decides that no substantive changes are needed to a standard, a recirculation ballot will be conducted.

Background (Corrected)

On October 1, 2009, clarification was requested by ISO-RTO Council on Requirement R2, specifically on whether “directives” are limited to actual and anticipated emergency operating conditions, or whether routine operating instructions are also considered “directives.” The effort was delayed following discussion with the requester based on the anticipation that more clarity regarding the term, “directives” would be identified through standard development work in Project 2007-02.

When it became clear that the work in Project 2007-02 would require considerable industry debate, a drafting team was formed and prepared a draft interpretation, which was posted for a 30-day formal comment period that ended December 18, 2010. Reprioritization of the total standards workload in accordance with guidance from the NERC Board of Trustees issued in November 2009 and a delay as the Standards Committee developed more formal processes for addressing interpretations resulted in a delay in further processing; the Standards Committee directed that work resume on the Interpretation in April 2011.

Standards Development Process

The [Standard Processes Manual](#) contains all the procedures governing the standards development process. The success of the NERC standards development process depends on stakeholder participation. We extend our thanks to all those who participate.

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From: [Monica Benson](#)
To: monica.benson@nerc.net
Subject: NERC: Standards Announcement - Project 2010-07 Generator Requirements at the Transmission Interface
Date: Wednesday, November 09, 2011 11:33:00 AM

Standards Announcement

Project 2010-07 Generator Requirements at the Transmission Interface

Four Ballot Windows Now Open Through 8 p.m. Eastern on Friday, November 18, 2011

[Now Available](#)

An initial ballot of each of the following standards is open through 8 p.m. Eastern on Friday, November 18, 2011. Note that the ballots are limited to the few modifications made to these standards to ensure that there is a functional entity responsible for requirements associated with the transmission line connecting the generator step up transformer to the transmission system (generator interconnection Facility).

- FAC-001-1 – Facility Connection Requirements
- Two versions of FAC-003 – Transmission Vegetation Management (FAC-003-3 and FAC-003-X). Note that FAC-003-X shows changes to FAC-003-1, while FAC-003-3 shows changes to FAC-003-2 developed by the Project 2007-07 drafting team. **FAC-003-2 was adopted by the NERC Board on November 3, and a revised version of FAC-003-3 showing the Project 2010-07 drafting team's changes against the Board's version has now been posted.**
- PRC-004-2.1 – Analysis and Mitigation of Transmission and Generation Protection System Misoperations

IMPORTANT: Updates on Posted Standards

Last week, while the Project 2010-07 standards were posted for comment, NERC's Board of Trustees adopted FAC-003-2 – Transmission Vegetation Management (developed under Project 2007-07 Vegetation Management). Based on this approval, NERC staff will file FAC-003-2 with the applicable regulatory authorities. The Project 2010-07 SDT will move forward with ballots for both FAC-003-3 (proposed changes to the BOT-adopted FAC-003-2) and FAC-003-X (proposed changes to the FERC-approved FAC-003-1) with the intention of eventually only filing FAC-003-3. The SDT has elected to carry FAC-003-X through to ballot because if FAC-003-2 and FAC-003-3 are not approved by FERC, the SDT wants to be ready to file FAC-003-X to ensure that there is a functional entity responsible for managing vegetation on the piece of line commonly known as the generator interconnection Facility.

Additionally, when the NERC Board of Trustees adopted FAC-003-2 –Transmission Vegetation Management last week, it approved the standard with NERC staff-proposed VSLs rather than the Project 2007-07 SDT-developed VSLs that were originally posted with both FAC-003-2 and

FAC-003-3. The posted versions of Project 2010-07's FAC-003-3 now include the FAC-003-2 VSLs proposed by NERC staff, since they are the set that was approved by the NERC Board of Trustees. Note that the Project 2010-07 SDT made no substantive changes to any version of the FAC-003-2 VSLs; the SDT simply changed "Transmission Owner" to "responsible entity." A text box has also been added to the VSL section of FAC-003-3 for further clarity.

Instructions for Balloting

Members of the ballot pools associated with this project may log in and submit their votes for the standards from the following page: <https://standards.nerc.net/CurrentBallots.aspx>

Instructions for Commenting

A formal comment period is open through **8 p.m. Eastern on Friday, November 18, 2011.**

Please use this [electronic form](#) to submit comments. If you experience any difficulties in using the electronic form, please contact Monica Benson at monica.benson@nerc.net. An off-line, unofficial copy of the comment form is posted on the [project page](#).

Special Instructions for Submitting Comments with a Ballot

Please note that comments submitted during the formal comment period and the ballots for the standards all use the same electronic form, and it is NOT necessary for ballot pool members to submit more than one set of comments. The drafting team requests that all stakeholders (ballot pool members as well as other stakeholders) submit all comments through the electronic comment form.

Next Steps

The drafting team will consider all comments submitted during the formal comment period and ballots to determine whether to make additional revisions to the standards.

Background

The purpose of Project 2010-07 is to ensure that all generator-owned Facilities are appropriately covered under NERC's Reliability Standards. While many Generator Owners and Generator Operators operate Facilities, commonly known as generator interconnection Facilities, that are considered by some entities to be transmission, these are most often radial Facilities that are not part of the integrated grid. As such, they should not be subject to the same standards applicable to Transmission Owners and Transmission Operators who own and operate Transmission Elements and Facilities that are part of the integrated grid.

As part of the BES, generators do affect the overall reliability of the BES. But registering a Generator Owner or Generator Operator as a Transmission Owner or Transmission Operator, as has been the solution in some cases in the past, may decrease reliability by diverting the Generator Owner's or Generator Operator's resources from the operation of the equipment that actually produces electricity – the generation equipment itself.

The drafting team's goal is to ensure that an adequate level of reliability is maintained in the BES by clearly describing which standards need to be applied to generator interconnection Facilities that are not already applicable to Generator Owners or Generator Operators. This can be accomplished by properly applying FAC-001, FAC-003, and PRC-004 to Generator Owners as proposed in the redline standards posted for comment.

Before reviewing the standards, the drafting team encourages all stakeholders to read the [technical justification resource document](#) it has provided to describe its rationale and its work thus far.

Additional information is available on the [project page](#).

Standards Development Process

The [Standard Processes Manual](#) contains all the procedures governing the standards development process. The success of the NERC standards development process depends on stakeholder participation. We extend our thanks to all those who participate. For more information or assistance, please contact Monica Benson at monica.benson@nerc.net.

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From: [Monica Benson](#)
To: monica.benson@nerc.net
Subject: NERC: Standards Announcement - Project 2010-07 Generator Requirements at the Transmission Interface | Initial Ballot Results
Date: Tuesday, November 22, 2011 3:57:16 PM

Standards Announcement

Project 2010-07 Generator Requirements at the Transmission Interface

Initial Ballot Results

[Now Available](#)

Initial ballots for each of the following standards and their associated implementation plans closed on November 18, 2011:

- FAC-001-1 – Facility Connection Requirements
- Two versions of FAC-003 – Transmission Vegetation Management (FAC-003-3 and FAC-003-X). *Note that FAC-003-X shows changes to FAC-003-1, while FAC-003-3 shows changes to FAC-003-2 developed by the Project 2007-07 drafting team. FAC-003-2 was adopted by the NERC Board on November 3, and a revised version of FAC-003-3 showing the Project 2010-07 drafting team's changes against the Board's version was posted.*
- PRC-004-2.1 – Analysis and Mitigation of Transmission and Generation Protection System Misoperations

Voting statistics for each ballot are listed in the table below, and the [Ballot Results](#) Web page provides a link to the detailed results.

Standard	Quorum	Approval
FAC-001-1	88.22%	86.94%
FAC-003-3	85.08%	85.71%
FAC-003-X	84.82%	85.31%
PRC-004-2.1	84.29%	96.09%

Next Steps

The drafting team will consider all comments received and determine whether to make additional changes to the standards. If the drafting team makes substantive changes to a standard, the standard will be posted for a parallel 30-day comment period and successive ballot. If the drafting team decides that no substantive changes are needed to a standard, a recirculation ballot will be conducted.

Background

The purpose of Project 2010-07 is to ensure that all generator-owned Facilities are

appropriately covered under NERC's Reliability Standards. While many Generator Owners and Generator Operators operate Facilities, commonly known as generator interconnection Facilities, that are considered by some entities to be transmission, these are most often radial Facilities that are not part of the integrated grid. As such, they should not be subject to the same standards applicable to Transmission Owners and Transmission Operators who own and operate Transmission Elements and Facilities that are part of the integrated grid.

As part of the BES, generators do affect the overall reliability of the BES. But registering a Generator Owner or Generator Operator as a Transmission Owner or Transmission Operator, as has been the solution in some cases in the past, may decrease reliability by diverting the Generator Owner's or Generator Operator's resources from the operation of the equipment that actually produces electricity – the generation equipment itself.

The drafting team's goal is to ensure that an adequate level of reliability is maintained in the BES by clearly describing which standards need to be applied to generator interconnection Facilities that are not already applicable to Generator Owners or Generator Operators. This can be accomplished by properly applying FAC-001, FAC-003, and PRC-004 to Generator Owners as proposed in the redline standards posted for comment. Additional information is available on the [project page](#).

Standards Development Process

The [Standard Processes Manual](#) contains all the procedures governing the standards development process. The success of the NERC standards development process depends on stakeholder participation. We extend our thanks to all those who participate.

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From: Guy V. Zito
Sent: Tuesday, November 22, 2011 10:49 AM
To: rsc
Subject: FW: NERC: Standards Announcement - Project 2010-17 Definition of Bulk Electric System - Recirculation Ballot Results

FYI

Guy V. Zito
Asst. Vice President-Standards
Northeast Power Coordinating Council, Inc.
1040 Avenue of the Americas, 10th Floor
New York, NY 10018
212-840-1070
212-302-2782 fax

From: Philip A. Fedora
Sent: Tuesday, November 22, 2011 10:35 AM
To: grpStaff
Subject: FW: NERC: Standards Announcement - Project 2010-17 Definition of Bulk Electric System - Recirculation Ballot Results

FYI - Phil

From: Ed Dobrowolski [<mailto:Ed.Dobrowolski@nerc.net>]
Sent: Tuesday, November 22, 2011 10:22 AM
To: dbessdt_plus
Subject: FW: NERC: Standards Announcement - Project 2010-17 Definition of Bulk Electric System - Recirculation Ballot Results

Congratulations to all and thanks for your hard work in getting this phase to a successful completion. I know it wasn't easy and I pushed you at times but we did it! Now comes the fun part – phase 2! I'll be talking to Pete & Barry next week (they are on vacation this week) as to how they want to proceed and we will need to coordinate the posting of the SAR with NERC staff but we should be on our way shortly.

Happy Thanksgiving and thanks again,

Edd

Edward J. Dobrowolski
NERC
Standards Development Coordinator
1.609.947.3673

Mark Twain: "Travel is fatal to prejudice, bigotry, and narrow-mindedness."

From: Monica Benson
Sent: Tuesday, November 22, 2011 10:08 AM
To: Monica Benson
Subject: NERC: Standards Announcement - Project 2010-17 Definition of Bulk Electric System - Recirculation Ballot Results

Standards Announcement

Project 2010-17 Definition of Bulk Electric System

Recirculation Ballot Results

[Now Available](#)

Two recirculation ballots, for the definition of Bulk Electric System (BES) and for the application form titled 'Detailed Information to Support a Request for a BES Exception,' closed on November 21, 2011. Both recirculation ballots achieved stakeholder approval.

Voting statistics for each ballot are listed below, and the [Ballot Results](#) Web page provides a link to the detailed results.

BES Definition	Detailed Information to Support a Request for BES Exception
Quorum: 95.92%	Quorum: 93.02%
Approval: 81.32%	Approval: 81.48%

Next Steps

The definition of Bulk Electric System, its associated implementation plan and the supporting application form titled 'Detailed Information to Support a BES Exception Request' will be presented to the NERC Board of Trustees for adoption and subsequently filed with regulatory authorities. A set of proposed changes to the Rules of Procedure to provide a process for determining exceptions to the definition of BES is near completion and will be presented to the NERC Board of trustees for approval at the same time as the BES definition. The regulatory deadline in FERC Orders 743 and 743A requires that the revised definition of BES and process for handling exceptions be filed by January 25, 2012.

Additional information about the project, including a Fact Sheet and additional informational documents, has been posted on the [project page](#).

Background

On November 18, 2010 FERC issued Order 743 (amended by Order 743A) and directed NERC to revise the definition of Bulk Electric System so that the definition encompasses all Elements and Facilities necessary for the reliable operation and planning of the interconnected bulk power system. Additional specificity will reduce ambiguity and establish consistency across all Regions in distinguishing between BES and non-BES Elements and Facilities.

In addition, NERC was directed to develop a process for identifying any Elements or Facilities that should be excluded from the BES. NERC addressed these directives with two activities – the definition of Bulk Electric System was revised through the standard development process and a BES Definition Exception Process has been developed as proposed modifications to the Rules of Procedure. The work of the BES Definition Exception Process has been publicly

posted at: http://www.nerc.com/filez/standards/Rules_of_Procedure-RF.html.

Standards Development Process

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Y

From: [Monica Benson](#)
To: monica.benson@nerc.net
Subject: NERC: Standards Announcement - Project 2010-17 Definition of Bulk Electric System | Two Recirculation Ballot Windows Open: Thursday, November 10 – Monday, November 21, 2011
Date: Wednesday, November 09, 2011 5:41:52 PM

Standards Announcement

Project 2010-17 Definition of Bulk Electric System

Two Recirculation Ballot Windows Open: Thursday, November 10 – Monday, November 21, 2011

[Now Available](#)

Two recirculation ballot windows are now open for Project 2010-17 Definition of Bulk Electric System (BES). The first is for the definition of Bulk Electric System and the associated Implementation Plan, and the second is for a draft application form titled *Detailed Information to Support an Exception Request* referenced in the proposed Rules of Procedure BES Definition Exception Process. Both recirculation ballots are open through 8 p.m. Eastern on Monday, November 21, 2011.

Since the initial ballot, the drafting team has considered all comments received during the formal comment period and initial ballots of the definition and *Detailed Information to Support an Exception Request* form, and made clarifying modifications to the Bulk Electric System Definition and Implementation Plan in the following areas:

- Clarified the wording in Inclusion I1 to indicate that at least one secondary terminal must be at 100 kV or higher to accommodate multiple terminal transformers.
- Removed the reference to the ERO Statement of Compliance Registry Criteria in Inclusion I2 so that there is no chance of the registry values being changed and affecting the definition prior to resolution of threshold values in Phase 2 of this project.
- Clarified that generators were not part of Inclusion I5 to avoid improperly pulling in small generators.
- Clarified the issue of power flow into the local network in Exclusion E3.b.
- Clarified the compliance obligation date of the revised definition in the Implementation Plan.

The drafting team made the following clarifying modifications to the *Detailed Information to Support an Exception Request* form referenced in the Rules of Procedure Exception Process:

- General – Clarified that it was the intent of the drafting team to allow an entity to submit any data or information that it feels supports the exception request.
- General – Clarified the use of facility versus Element(s).

- Generation Questions:
 - Clarified several questions by consistently using ‘generation resource’s’ vs. ‘generator’s’ or ‘generator facility’s’.
 - Clarified several questions by clearly identifying reliability-related purposes associated with the generation resources.

In response to industry concerns, the drafting team has provided a detailed explanation of the hierarchy of the BES definition, including the proper application of the Inclusions and Exclusions for the identification of BES Elements (See Consideration of Comments report posted on [project page](#) of the NERC website). Additionally, the drafting team explained the rationale behind the creation of the *Detailed Information to Support an Exception Request* form and the guidance it provides for evaluating a request.

A presentation made in support of the NERC Standards and Compliance Workshop held in Atlanta, GA on October 26 – 30, 2011 provides a detailed explanation of the ‘phased’ project approach to the revision of the BES definition as well as addressing the modifications to the BES definition, the Implementation Plan, and the application form titled *Detailed Information to Support an Exception Request*. The presentation (audio and power-point) is available on the NERC website at the following link: <http://www.nerc.com/page.php?cid=2|247|326>.

Documents associated with this project, including clean and redline copies of the definition, the Implementation Plan, the *Detailed Information to Support an Exception Request* form referenced in the Rules of Procedure Exception Process and the drafting team’s consideration of comments submitted during the parallel formal comment period and initial ballot that ended on October 10, 2011, have been posted on the [project page](#).

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If the definition and application form achieve ballot pool approval, they will be presented to the Board of Trustees for adoption and subsequently filed with regulators for approval along with the proposed Rules of Procedure additions (Sections 509 and 1703). FERC Orders 743 and 743-A require that the revised definition and an approach to determine exceptions be filed with FERC by January 25, 2012.

The Standards Committee and NERC Board of Trustees have recommended that the drafting team address issues such as generation thresholds in a second phase of this project. This approach will ensure that the drafting team has sufficient time to adequately consider and develop a sound technical basis for an approach, and will allow the drafting team to meet the

regulatory deadline in FERC Orders 743 and 743A (filing by January 25, 2012). The drafting team has posted a draft Supplemental Standards Authorization Request (SAR) for information purposes only; the SAR will be posted for comment at a future time.

Additional information about the project, including a Fact Sheet and additional informational documents, has been posted on the [project page](#).

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In addition, NERC was directed to develop a process for identifying any Elements or Facilities that should be excluded from the BES. NERC is working to address these directives with two activities – the definition of Bulk Electric System is being revised through the standard development process and a BES Definition Exception Process is being developed as proposed modifications to the Rules of Procedure. The proposed modifications to the Rules of Procedure were posted for a comment period through October 27, 2011.

The work of the BES Definition Exception Process (Rules of Procedure) team has been publicly posted at: http://www.nerc.com/filez/standards/Rules_of_Procedure-RF.html.

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From: Monica Benson [Monica.Benson@nerc.net]
Sent: Tuesday, November 22, 2011 10:08 AM
To: monica.benson@nerc.net
Subject: NERC: Standards Announcement - Project 2010-17 Definition of Bulk Electric System - Recirculation Ballot Results

Standards Announcement

Project 2010-17 Definition of Bulk Electric System

Recirculation Ballot Results

Now Available

Two recirculation ballots, for the definition of Bulk Electric System (BES) and for the application form titled ‘Detailed Information to Support a Request for a BES Exception,’ closed on November 21, 2011. Both recirculation ballots achieved stakeholder approval.

Voting statistics for each ballot are listed below, and the [Ballot Results](#) Web page provides a link to the detailed results.

BES Definition	Detailed Information to Support a Request for BES Exception
Quorum: 95.92%	Quorum: 93.02%
Approval: 81.32%	Approval: 81.48%

Next Steps

The definition of Bulk Electric System, its associated implementation plan and the supporting application form titled ‘Detailed Information to Support a BES Exception Request’ will be presented to the NERC Board of Trustees for adoption and subsequently filed with regulatory authorities. A set of proposed changes to the Rules of Procedure to provide a process for determining exceptions to the definition of BES is near completion and will be presented to the NERC Board of trustees for approval at the same time as the BES definition. The regulatory deadline in FERC Orders 743 and 743A requires that the revised definition of BES and process for handling exceptions be filed by January 25, 2012.

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From: Guy V. Zito
Sent: Tuesday, November 22, 2011 10:49 AM
To: rsc
Subject: FW: NERC: Standards Announcement - Project 2010-17 Definition of Bulk Electric System - Recirculation Ballot Results

FYI

Guy V. Zito
Asst. Vice President-Standards
Northeast Power Coordinating Council, Inc.
1040 Avenue of the Americas, 10th Floor
New York, NY 10018
212-840-1070
212-302-2782 fax

From: Philip A. Fedora
Sent: Tuesday, November 22, 2011 10:35 AM
To: grpStaff
Subject: FW: NERC: Standards Announcement - Project 2010-17 Definition of Bulk Electric System - Recirculation Ballot Results

FYI - Phil

From: Ed Dobrowolski [<mailto:Ed.Dobrowolski@nerc.net>]
Sent: Tuesday, November 22, 2011 10:22 AM
To: dbessdt_plus
Subject: FW: NERC: Standards Announcement - Project 2010-17 Definition of Bulk Electric System - Recirculation Ballot Results

Congratulations to all and thanks for your hard work in getting this phase to a successful completion. I know it wasn't easy and I pushed you at times but we did it! Now comes the fun part – phase 2! I'll be talking to Pete & Barry next week (they are on vacation this week) as to how they want to proceed and we will need to coordinate the posting of the SAR with NERC staff but we should be on our way shortly.

Happy Thanksgiving and thanks again,

Edd

Edward J. Dobrowolski
NERC
Standards Development Coordinator
1.609.947.3673

Mark Twain: "Travel is fatal to prejudice, bigotry, and narrow-mindedness."

From: Monica Benson
Sent: Tuesday, November 22, 2011 10:08 AM
To: Monica Benson
Subject: NERC: Standards Announcement - Project 2010-17 Definition of Bulk Electric System - Recirculation Ballot Results

Standards Announcement

Project 2010-17 Definition of Bulk Electric System

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[Now Available](#)

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In addition, NERC was directed to develop a process for identifying any Elements or Facilities that should be excluded from the BES. NERC addressed these directives with two activities – the definition of Bulk Electric System was revised through the standard development process and a BES Definition Exception Process has been developed as proposed modifications to the Rules of Procedure. The work of the BES Definition Exception Process has been publicly

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Y

From: [Monica Benson](#)
To: monica.benson@nerc.net
Subject: NERC: Standards Announcement - Project 2010-17 Definition of Bulk Electric System | Two Recirculation Ballot Windows Open: Thursday, November 10 – Monday, November 21, 2011
Date: Wednesday, November 09, 2011 5:41:52 PM

Standards Announcement

Project 2010-17 Definition of Bulk Electric System

Two Recirculation Ballot Windows Open: Thursday, November 10 – Monday, November 21, 2011

[Now Available](#)

Two recirculation ballot windows are now open for Project 2010-17 Definition of Bulk Electric System (BES). The first is for the definition of Bulk Electric System and the associated Implementation Plan, and the second is for a draft application form titled *Detailed Information to Support an Exception Request* referenced in the proposed Rules of Procedure BES Definition Exception Process. Both recirculation ballots are open through 8 p.m. Eastern on Monday, November 21, 2011.

Since the initial ballot, the drafting team has considered all comments received during the formal comment period and initial ballots of the definition and *Detailed Information to Support an Exception Request* form, and made clarifying modifications to the Bulk Electric System Definition and Implementation Plan in the following areas:

- Clarified the wording in Inclusion I1 to indicate that at least one secondary terminal must be at 100 kV or higher to accommodate multiple terminal transformers.
- Removed the reference to the ERO Statement of Compliance Registry Criteria in Inclusion I2 so that there is no chance of the registry values being changed and affecting the definition prior to resolution of threshold values in Phase 2 of this project.
- Clarified that generators were not part of Inclusion I5 to avoid improperly pulling in small generators.
- Clarified the issue of power flow into the local network in Exclusion E3.b.
- Clarified the compliance obligation date of the revised definition in the Implementation Plan.

The drafting team made the following clarifying modifications to the *Detailed Information to Support an Exception Request* form referenced in the Rules of Procedure Exception Process:

- General – Clarified that it was the intent of the drafting team to allow an entity to submit any data or information that it feels supports the exception request.
- General – Clarified the use of facility versus Element(s).

- Generation Questions:
 - Clarified several questions by consistently using ‘generation resource’s’ vs. ‘generator’s’ or ‘generator facility’s’.
 - Clarified several questions by clearly identifying reliability-related purposes associated with the generation resources.

In response to industry concerns, the drafting team has provided a detailed explanation of the hierarchy of the BES definition, including the proper application of the Inclusions and Exclusions for the identification of BES Elements (See Consideration of Comments report posted on [project page](#) of the NERC website). Additionally, the drafting team explained the rationale behind the creation of the *Detailed Information to Support an Exception Request* form and the guidance it provides for evaluating a request.

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From: Monica Benson [Monica.Benson@nerc.net]
Sent: Tuesday, November 22, 2011 10:08 AM
To: monica.benson@nerc.net
Subject: NERC: Standards Announcement - Project 2010-17 Definition of Bulk Electric System - Recirculation Ballot Results

Standards Announcement

Project 2010-17 Definition of Bulk Electric System

Recirculation Ballot Results

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From: [Guy V. Zito](#)
To: [rsballot](#)
Cc: [rsc](#)
Subject: NERC Ballot, Project 2008-10 — Interpretation of CIP-006-1 R1.1 for Progress Energy
Date: Monday, November 14, 2011 11:30:48 AM

NPCC Members of the NERC Registered Ballot Body,

The Regional Standards Committee, receiving input from the Task Force on Infrastructure Security and Technology, "TFIST" has reviewed the subject interpretation currently posted for ballot on the NERC website through 8 pm, November 21, 2011. The interpretation was not viewed as expanding the standard's requirement and the RSC recommends an "Affirmative" vote to accept the interpretation.

If you have any questions please contact me.

Thank-you,

Guy V. Zito
Assistant Vice President-Standards
Northeast Power Coordinating Council, Inc.
1040 Avenue of the Americas, 10 th Floor
New York, NY 10018
212-840-1070
212-302-2782 fax

From: [Laura Hussey](#)
To: [laura.hussey@nerc.net](#)
Cc: [nerc-info@nerc.com](#); [nercroster_plus@nerc.com](#); [nercroster@nerc.com](#); [standards@nerc.com](#); [rbb@nerc.com](#)
Subject: NERC: Standards Announcement - Project 2008-10 Interpretation of CIP-006 for Progress Energy | Successive Ballot Windows Open: Friday, November 11 – Monday, November 21, 2011
Date: Friday, November 11, 2011 8:14:38 AM

Standards Announcement

Project 2008-10 Interpretation of CIP-006-x R1 for Progress Energy

Ballot Window Open: Friday, November 11 – Monday, November 21, 2011

[Now Available](#)

A ballot window for Project 2008-10 Interpretation of CIP-006-x -- Physical Security of Critical Cyber Assets for Progress Energy is open [from](#) 8 a.m. Eastern today (Friday, November 11, 2011) through **8 p.m. Eastern on Monday, November 21, 2011.**

Instructions for Balloting the Interpretation of CIP-006-x for Progress Energy

Members of the ballot pool associated with this project may log in and submit their vote for the interpretation from the following page: <https://standards.nerc.net/CurrentBallots.aspx>

Instructions for Commenting

A formal comment period is open through **8 p.m. Eastern on Monday, November 21, 2011.** Please use this [electronic form](#) to submit comments. If you experience any difficulties in using the electronic form, please contact Monica Benson at monica.benson@nerc.net. An off-line, unofficial copy of the comment form is posted on the [project page](#).

Special Instructions for Submitting Comments with a Ballot

Please note that comments submitted during the formal comment period and the ballot for the interpretation both use the same electronic form, and it is NOT necessary for ballot pool members to submit more than one set of comments. The drafting team requests that all stakeholders (ballot pool members as well as other stakeholders) submit all comments through the electronic comment form.

Next Steps

The drafting team will consider all comments submitted to determine whether to make additional revisions to the interpretation.

Background

On April 2, 2008, clarification was requested by Progress Energy on CIP-006-1, specifically on whether Electronic Security Perimeter wiring external to a Physical Security Perimeter must be protected within a six-wall boundary.

Initial ballots ended on August 16, 2008, and October 12, 2009. In November 2009, the NERC Board of Trustees issued guidance concerning interpretations, and development of more formal

process for addressing interpretations consistent with BOT guidance, as well as the overall workload and priorities of the Project 2008-06 CIP standards drafting team, resulted in a delay in further processing.

In June 2011, the Standards Committee established and appointed members for a standing CIP Interpretation Drafting Team to process the CIP-related interpretations that remain outstanding, including Project 2008-10. A new project team was formed for this interpretation from the CIP Interpretation Drafting Team. In developing the revised interpretation for this successive ballot, the team considered and discussed FERC Order No. 706 and subsequent versions of the CIP standards. In addition, since the previous versions of this interpretation were posted, the Standards Committee has published Guidelines for Interpretation Drafting Teams that were applied by the CIP Interpretation Drafting team.

Additional information on Project 2008-10 is available on the [project webpage](#). Additional information on the activities of the CIP Interpretation Drafting Team is available on the team's [webpage](#).

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Comment Period Opens Proposed Amendments to NERC Rules of Procedure Section 509, Section 1703 and Appendix 5C

Comment Period Ends October 27, 2011

The North American Electric Reliability Corporation (NERC) is proposing changes to its Rules of Procedure (ROP) and associated Appendices.

NERC is requesting comments on a proposed revision to the NERC Rules of Procedure to add new sections 509 and 1703, as well as, Appendix 5C: *Procedure For Requesting and Receiving An Exception From The Application Of The NERC Definition of Bulk Electric System*. The comment period begins September 13, 2011 and ends October 27, 2011.

The proposed revisions are in response to FERC Orders 743 and 743A where NERC was directed to revise the definition of the Bulk Electric System (BES) and to develop a proposed exemption process. The proposed amendments would effectuate the exemption process directive by creating a new ERO rule implementing an exceptions process.

Under this process entities would be allowed to pursue either including within the BES an Element or Elements that would otherwise be excluded by application of the BES Definition or excluding from the BES an Element or Elements that would otherwise be included by application of the BES Definition. This exception process was developed with the participation of interested stakeholders who believe it to be practical in application and less burdensome than the NOPR proposal where a Regional Entity would have sought ERO and Commission approval before exempting each facility rated at 100kV or above from compliance with the Reliability Standards.

Materials Included in this Request for Comments

- Proposed new Section 509: Exceptions to the Definition of the Bulk Electric System
- Proposed new Section 1703: Challenges to NERC Determinations of BES Exception Requests under ROP Section 509
- Proposed new Appendix 5C: *Procedure for Requesting and Receiving An Exception From the Application of The NERC Definition of Bulk Electric System* (clean and redline showing changes from the May 2011 posting)

Additional Materials Included for information

- Consideration of comments from May 2011 posting
- BES Exception Request flowchart and timelines
- Exception Request Form template

Submission of Comments

Comments are due **October 27, 2011**, and must be submitted electronically using the form provided.

1. The ROP team believes the proposed amendments represent a process that balances the need for effective and efficient reliability administration with due process and clarity of expectations. Do you agree? **Please comment why or why not...If not please offer your proposed revision.**

☐ Yes

☒ No

☒ **Comments:** The process needs simplification in order to be efficient. The whole process may take over 22 months to be completed as shown in the flowcharts.

NERC has failed to address the specific requirements of a key FERC directive contained in Orders No. 743 and 743-A. These Rules of Procedure amendments potentially violate the jurisdictional boundary set between Transmission and local distribution in Federal Power Act (FPA), Section 215, 824(o) and in those Orders.

The Regions and NERC must first screen all Elements and facilities presented for exception for the presence of "facilities used in the distribution of electric energy." In our view, and that of FERC, these local distribution facilities must be excluded from the Bulk Electric System (BES) as is specifically required in FPA, Section 215, 824(o), and through reference to the FPA by FERC in Order Nos. 743 and 743-A. This local distribution exclusion from the BES should be automatic upon presentation of appropriate proofs. Only then may NERC apply its various administrative procedures and technical criteria for exempting jurisdictional Transmission Elements and Facilities from the BES, where they may be found **not** "necessary for operating an interconnected electric energy transmission network."

NERC should adopt, in the proposed amendments to the RoP as a potential "first screen", the FERC Seven Factor test, and use it for identifying and excluding any and all "facilities used in the distribution of electric energy." Filing Entities presenting such appropriate proofs should not need to present further evidence to demonstrate that such Elements and facilities are eligible for exclusion from the BES.

The presentation of a local distribution determination by a jurisdictional Federal, State or Provincial body, that such Elements or facilities are "facilities used in the distribution of electric energy," represents appropriate proof and is sufficient for said Elements and facilities to be excluded from the BES.

Supporting Discussion:

Federal Power Act (FPA), Section 215, 824(o), Definitions differentiates between jurisdictional Transmission and non-jurisdictional local distribution as follows:

- (a) Definitions- For purposes of this section:

- (1) The term 'bulk-power system' means--

- (A) facilities and control systems necessary for operating an interconnected electric energy transmission network (or any portion thereof); and
- (B) electric energy from generation facilities needed to maintain transmission system reliability.

The term does not include facilities used in the local distribution of electric energy.

In FERC Order 743-A the Commission stated

69. We agree ... that the Seven Factor Test could be relevant and possibly is a logical starting point for determining which facilities are local distribution for reliability purposes”

By adopting this FERC Seven Factor test, the BES SDT will have fulfilled its obligation to respond to these FERC mandates relating to “local distribution” as stated in FERC Order 743:

“Determining where the line between ‘transmission’ and ‘local distribution’ lies,” (§37),

“To the extent that any individual line would be considered to be local distribution, that line would not be considered part of the bulk electric system” (§39), to establish

“[A] means to track and review facilities that are classified as local distribution to ensure accuracy and consistent application of the definition” (§119).

Supporting References:

FERC Order 743 observed some believe that “the Commission’s [and by extension NERC’s] proposal exceeds its jurisdiction by encompassing local distribution facilities that are not necessary for operating the interconnected transmission network.” [FERC Order 743, §27.]

In this regard FERC Order 743 states:

At §37, Congress specifically exempted “facilities used in the local distribution of electric energy” from the definition. ... Determining where the line between “transmission” and “local distribution” lies, which includes an inquiry into which lower voltage “transmission” facilities are necessary to operate the interconnected transmission system, should be part of the exemption process the ERO develops.

And at §39, To the extent that any individual line would be considered to be local distribution, that line would not be considered part of the bulk electric system.

And at §119, ... [W]e believe that it would be beneficial for the ERO in maintaining a list of exempted facilities, to consider including a means to track and review facilities that are classified as local distribution to ensure accuracy and consistent application of the definition. Similarly, the ERO could track exemptions for radial facilities. [Emphasis added]

Note that in §119 the Commission clearly distinguishes between “radial facilities” and “local distribution” just as it differentiates between jurisdictional radials and non-jurisdictional local distribution facilities in footnote 82:

⁸² As discussed further below, the Commission uses the term “exclusion” herein when discussing facilities expressly excluded by the statute (*i.e.*, local distribution) and the term “exemption” when referring to the exemption process NERC will develop for use with facilities other than local distribution that may be exempted from compliance with the mandatory Reliability Standards for other reasons.

2. The ROP team believes the proposed amendments represent a process that is consistent, repeatable, and verifiable. Do you agree? **Please comment why or why not...If not, please offer your proposed revision.**

☐ Yes

☒ No

☒ **Comments: Refer to the response to Question #1.**

There is a very noticeable gap and lack of transparency on how the exception application will be evaluated and processed. Suggest the ROP team develop a reference/guidance document in order to assist Registered Entities, Regional Entities, and the ERO on how and on what basis an exception application would or should be processed.

While the proposed process is repeatable, it is difficult to evaluate if the process will be verifiable because it will depend, for example, how the RE conducts its review of an Exception request.

In addition, there is a significant need to provide Applicants greater clarity and improved transparency with regard to how their exception applications will be evaluated by Regional Entities and NERC. Absent some guidance we are concerned that Regional variances will arise during application of the Exception Process within the eight NERC regions.

The RoP Drafting Team and/or the BES Standard Drafting Team develop an Applicant's and Evaluator's Guidance document to assist Applicants, Regional Entities, and NERC in preparing and evaluating exception applications. For example, the Federal Power Act provides Congress' vision for a reliable transmission system. Federal Power Act (FPA), Section 215, 824(o), Definitions states,

(4) The term '**reliable operation**' means operating the elements of the bulk-power system within equipment and electric system thermal, voltage, and stability limits so that instability, uncontrolled separation, or cascading failures of such system will not occur as a result of a sudden disturbance, including a cybersecurity incident, or unanticipated failure of system elements.

NERC and the Regions should specifically adopt this Congressional guidance, defining 'reliable operation,' as their overriding Technical Principle when evaluating Exception Process applications concerning jurisdictional Transmission Elements and facilities.

3. The ROP team believes the proposed amendments represent a process that supports consistent treatment of transmission lines that cross international borders. Do you agree? **Please comment Please comment why or why not...If not, please offer your proposed revision.**

☒ **Yes**

☐ **No**

☒ **Comments:** The Procedure for requesting and receiving an exception from the application of the NERC definition of BES may not be applicable because of the obligation to make submissions to the applicable Governmental Authorities in Canada. NERC will have to take into consideration that procedures exist under Canadian jurisdictions which may be quite different from the one proposed.

Also, footnote 2 in section 1.2 presumes automatic adherence of Canadian Authorities or the need for its procedure to be submitted to NERC. Instead, it will be necessary that NERC and Canadian Authorities, with the Canadian Entities involved, to come to a common understanding of differences to arrive at an agreement. Those exchanges should aim to ensure reliability across the border while respecting proper jurisdictions. It could be done by

addressing reliability in bulk power transfer within (intra) or between (inter) two Balancing Authority Areas, and monitored facilities included in an Interconnection Reliability Operating Limit (IROL). Other criteria must be left to the discretion of the applicable jurisdiction.

4. The ROP team believes the proposed amendments represent a process that helps alleviate concerns about a “one-size fits all” approach. Do you agree? **Please comment why or why not...If not, please offer your proposed revision.**

☐ Yes

☒ No

☒ **Comments:** As stated previously, the Procedure needs to be made more efficient, recognize that applicable Governmental Authorities in Canada may adopt different approaches or methodologies for addressing exceptions to the NERC BES definition.

Also refer to the response to Question #1.

5. The ROP team believes the proposed amendments represent a process that allowed commenters to raise and address a number of their substantive concerns. Do you agree? **Please comment Please comment why or why not...If not, please offer your proposed revision.**

☐ Yes

☒ No

☒ **Comments:** Refer to the response to Question #2.

6. Do you have any other comments not covered above?

☐ **Comments:** Sections 4.5.3 and 4.6 discuss the disclosure of confidential information mandated by or under the rules, laws, or acts within the United States. Suggest that alternate language be used for clarity, or adequate provisions be provided to include other jurisdictions, such as Canada.

As stated in previous responses, the Procedure in the document in general, and specifically in the document's Section 1.3 footnote needs to be made more efficient, and that it needs to be recognized that applicable Governmental Authorities in Canada may adopt different approaches or methodologies for addressing exceptions to the NERC BES definition. In addition, before implementing this process, NERC will have to ensure that they fit all applicable Governmental Authorities frameworks as addressed in the proposed Section 1703 - Challenges to NERC Determinations of BES Exception Requests under ROP Section 509.

Section 5.3 should be made to read:

“Each Regional Entity shall establish provisions for a Technical Review Panel consisting of not less than five (5), three (3) individuals as appointed by the Board of the Regional Entity. Panel members shall comply with Subsection 7 of Section 403 of the NERC Rules of Procedure, shall not have participated in the review of the Exception Request, and shall have the required technical background to evaluate Exception Requests.”

Unofficial Comment Form (Standard)

Project 2011-INT-01 – Interpretation of MOD-028 R3.1 for FPL

Instructions

Please **DO NOT** use this form for official commenting. Please use the [electronic form](#) to submit comments on the SAR and draft MOD-028-2 standard (Area Interchange Methodology). The electronic comment form must be completed **November 16, 2011**.

If you have questions please contact Monica Benson at monica.benson@nerc.net or by telephone at 404-446-2573.

<http://www.nerc.com/filez/standards/2011-INT-01 Interpretation MOD-028-1 FPL.html>

Background Information

MOD-028-1 Area Interchange Methodology is one of the three methodologies included in the ATC-Related MOD standards. Sub-requirement R3.1 of MOD-028-1 states the following:

R3.1 For on-peak and off-peak intra-day and next-day TTCs, use the following (as well as any other values and additional parameters as specified in the ATCID):

NERC received a request to interpret this sub-requirement. The requester stated:

By using the words “on-peak”, “off-peak”, and “intra-day” this requirement implies there would have to be separate TTC numbers for different portions of the current day. However, R5 of MOD-28 establishes the calculation frequencies and only requires an update to TTC once within the 7 days prior to the specified period where they are used in an ATC calculation. The clarification needed is on the ATC Drafting Team’s intent with respect to the quantity and timing of individual TTC calculations needed for use in the ATC calculations. Adherence to the implied intra day calculation requirement of R3.1 is resulting in additional work and creating coordination issues with other parties which are not calculating intra day TTC values.

NERC assembled an Interpretation team made up of some of the members of the original ATC-TTC-CBM-TRM Drafting Team. While that Interpretation team was preparing its Interpretation, the Standards Committee requested the Interpretation Team use a “rapid revision” approach to clarify the requirement in question directly. (The Standards Committee confirmed that revising the standard rather than developing an interpretation was acceptable to the requester.) The Interpretation team discussed this approach, and developed a revision to the standard that is intended to eliminate the ambiguity present in the current version of the standard. Other minor corrections and errata were addressed as well.

Questions

1. Do you agree with the use of this “Rapid” approach to clarify the standard, rather than clarifying the standard through an Interpretation? If No, please explain your concerns.

☒ Yes

☐ No

Comments:

2. Does the language in the SAR adequately represent the issue raised in the interpretation request? If No, please provide your suggestions to modify the SAR.

☒ Yes

☐ No

Comments:

3. Does the proposed revision resolve the issue raised in the interpretation request? If No, please provide your suggestions to modify the standard.

☒ Yes

☐ No

Comments:

4. If you have any other comments on the SAR or on the proposed Standard that you have not provided above, please provide them here.

Comments:

Unofficial Comment Form

Interpretation of COM-002-2 – Communications and Coordination R2 for the ISO/RTO Council (Project 2009-22)

Please **DO NOT** use this form to submit comments. Please use the [electronic comment form](#) to submit comments on the Interpretation of COM-002-2 — Communications and Coordination R2 for the ISO/RTO Council (Project 2009-22). Comments must be completed by **November 17, 2011**.

[2009-22 Project Page](#)

If you have questions please contact Joseph Krisiak by email at Joseph.Krisiak@nerc.net or by telephone at 609-651-0903.

Background Information

On October 1, 2009, clarification was requested by ISO-RTO Council on requirement R2, specifically on whether “directives” are limited to actual and anticipated emergency operating conditions, or whether routine operating instructions are also considered “directives.”

A drafting team was formed and prepared a draft interpretation, which was posted for a 30-day informal comment period that ended December 18, 2010. However, the effort was delayed following discussion with the requester based on the anticipation that more clarity regarding the term, “directives” would be identified through standard development work in Project 2007-02. Reprioritization of the total standards workload (with interpretations given a lower priority than standards development in accordance with guidance from the NERC Board of Trustees issued November 2009) resulted in further delay. Additional delay was created as Standards Committee developed more formal processes for addressing interpretations were developed. The Standards Committee directed that work resume on the Interpretation in April 2011. The OPCPSDT, which was previously working on this Interpretation, re-commenced work in June 2011 and reached consensus in September 2011.

The drafting team primarily based its interpretation on the purpose statement of the standard, which reads:

To ensure Balancing Authorities, Transmission Operators, and Generator Operators have adequate communications and that these communications capabilities are staffed and available for addressing a real-time emergency condition. To ensure communications by operating personnel are effective.

The drafting team has interpreted this to mean that the standard should only apply during emergencies, and that routine operating instructions during normal operations would not require the communications protocols for repeat backs as specified in R2.

To the extent entities are seeking to modify the definition of the word “directive,” such changes cannot be made through the interpretation process. However, that definition is within the scope of other drafting teams that are currently working on revisions to this and related standards, and comments should be provided to those teams directly.

Regarding modifications made to the interpretation since its last posting, the SDT eliminated the statement “routine operating instructions can be directives,” as commenters felt it added

confusion. Additionally, some commenters suggested a sentence regarding electronic communications should be removed. The SDT agreed that the sentence went beyond the question asked, and removed the sentence. With these changes, the SDT believe it has addressed the majority of the concerns raised with the original interpretation.

Please use this form to record comments for the drafting team.

You do not have to answer all questions. Enter All Comments in Simple Text Format.

Insert a “check” mark in the appropriate boxes by double-clicking the gray areas.

Please review the request for an interpretation, the associated standard, and the draft interpretation and then answer the following questions.

1. The NERC Board of Trustees indicated that the interpretation process **should not** be used to address requests for a decision on “**how**” a reliability standard applies to a registered entity's particular facts and circumstances. Do you believe this request for an interpretation is asking for clarity on the meaning of a requirement or clarity on the application of a requirement?

☒ The request is asking for clarity on the **meaning** of a requirement.

☐ The request is asking for clarity on the **application** of a requirement.

Comments:

2. The NERC Board of Trustees indicated that in deciding whether or not to approve a proposed interpretation, it will use a standard of strict construction and not seek to expand the reach of the standard to correct a perceived gap or deficiency in the standard. Do you believe this interpretation expands the reach of the standard?

☐ The interpretation expands the reach of the standard.

☒ The interpretation does not expand the reach of the standard.

Comments:

3. Do you agree with this interpretation? If not, why not.

☒ Yes

☐ No

Comments:

4. If you have any other comments that you have not already provided in response to the prior questions, please provide them here.

Comments:

FAC Alert Recommendation Webinar Participant Q&A

On September 22, 2011, NERC hosted a webinar to present the FAC Alert Recommendations. This document provides answers to many of the questions NERC has received.

1. If the analysis of a transmission line finds a clearance limitation that affects the transmission conductor rating but some other element in the facility (different from the conductor where the limitation was found) is the limiting element, does the finding need to be reported (even though the overall facility rating does not change)?

If a discrepancy occurs because of a clearance limitation and it has been determined that the conductor rating should be reduced as a result, then the discrepancy should be reported. If the current line rating is determined by the limiting element and this rating is less than the clearance limitation rating, then it would not need to be reported if the limiting element establishes the line's permanent rating and not a temporary derate.

2. a. Will the full webinar (audio and slides) be posted on the NERC website after today?
b. It might be helpful to prepare a written FA Q&A list to post to the NERC website in addition to the copy of the presentation.
c. Where can we download this draft spreadsheet?

Only the slides and the Q & A will be posted on the NERC FAC Alert Webpage located at [FAC Alerts](#).

3. If there is no change in the spreadsheet from July to December do we resubmit the same spreadsheet from July?

No. We are requesting that all future reports be submitted in the new spreadsheet format. If you completed all of your high priority assessments and reported the status in the July report, then there is no need to report anything by the January 15, 2012 due date. However, if you did not complete all of the assessments of your high priority transmission lines, we are requesting you submit all assessments completed since the July 15th report using the revised spreadsheet discussed on the September 22nd webinar.

4. The previous spreadsheet had locked cells and columns. Have they been unlocked?

Due to the export process that NERC and the Regions will be performing after the data is prepared, the spreadsheet is still locked. We understand this may make the spreadsheet more difficult to use,

but issues resulting from the unlocked version being reformatted caused many delays and errors in the processing of the data and in some cases data had to be rebuilt.

5. Recommend addition of a "comment" column for each tab so that users can explain the inevitable differences in interpretation that will arise.

A comment column for "additional" clarifications needed for answers will be added to the spreadsheet.

6. A definition of the discrepancies and remediation needs to be provided.

The definition of a discrepancy is provided in the Assessment Plan Review Criteria which can be found on the [FAC Alerts](#) page. The project team felt that a definition for remediation was not necessary. The term describes the process or procedure the transmission owner is taking to alleviate the discrepancy.

7. The categories should allow multiple choices.

The project team provided drop down boxes for many of the input fields to simplify the data input process. If, for whatever reason, the response you are looking for is not included in the dropdown box menu, we have provided a field adjacent to the input field for you to explain "other" responses.

8.
 - a. Should the second submittal (due January 15, 2012) include what was completed and reported on the first submittal or just what was found since July 15th?
 - b. Do we re-input information from our previous report in the next report?
 - c. In the report due on January 15, 2012, is it to cover the lines not reported on the July report that were inspected from then to the end of the year, or should it be a summary of all lines inspected in 2011?
 - d. Is the spreadsheet meant to be accumulative as the report periods progress, or just show assessments done/completed for each report period?
 - e. Just so I'm clear, now not sure if multiple line entries being discussed as examples are assuming multiple reporting periods, or represent a single report. Again, just to be sure that each report will show in the discrepancy tab only those new discrepancies discovered since the prior report. Perhaps this explanation could be built into the data dictionary.
 - f. As far as only reporting the information since the last report, what if you didn't submit the July 2011 report on the proper form, i.e. we made our own. Do you still want just since July or all of the data?

g. Please confirm when you submit the information in the reporting period. I thought I heard you only include updates when remediated.

The January 15th, 2012 report should only include the information from your assessments since the July 15th, 2011 report but NOT the information from the July 15th 2011 report. However, if the information provided for an assessment in the July 15th report was incomplete, please resubmit the assessment in its entirety.

9. For the midyear report, how does an entity report lines that have been surveyed but are still being assessed?

For transmission lines that have been assessed, but for which the discrepancy determination has not been completed, report the results of the assessment in the end-of-the year report. We would like to avoid double reporting.

10. a. If there are multiple discrepancies on the line, do we put other and then explain how many of each there are?
- b. What if the four discrepancies required different remediation?
- c. Usually a discrepancy is only in one span so the # of miles associated with a discrepancy doesn't make sense.
- d. You can't associate a certain number of miles of a circuit to a single discrepancy because it only affects one span.

If multiple discrepancies exists on a particular circuit and the discrepancies are the result of one type of discrepancy (e.g., underbuild clearance problem), then you can put them all on the same row within the spreadsheet along with the total miles in the circuit, total number of discrepancies, and the type of discrepancy. If there are multiple types of discrepancies for a particular circuit, then put each type of discrepancy on a separate row in the spreadsheet with the corresponding number of miles that were inspected, and the type of each discrepancy.

11. One column implies only discrepancies requiring derates are to be reported but if that is the case when would a derate not be done?

Only report discrepancies which have resulted in a derate of the transmission line.

12. a. If you used LiDAR and followed it up with a ground inspection, how should this be recorded in the Inspection Type column?

b. What should be done if a circuit was assessed with LiDAR/PLSCAD and field inspections? Where LiDAR/PLSCAD identifies possible suspect points, then field inspections are done to determine if a problem exists or not, at the suspect points.

Whichever inspection method first determined that there was a discrepancy should be reported in the Inspection Type column. The second method is considered as confirming the original inspection.

13. Can you please add "100" as an option in the drop down menu in the "Rated kV" column on both the "Discrepancy Lines" and "No Discrepancy" tabs?

A 100kV option has been added to the spreadsheet.

14. On inspection type, what is the difference between Field Inspection and Ground Survey?

Field Inspection is most often performed by taking clearance measurements from the ground to the conductor. Ground survey typically uses some type of surveying tool (e.g., transit) to determine clearances. For further information, contact your Regional Entity Representative.

15. How many spans were inspected on the July 15, 2011 report by the 278 owners that resulted in 200 discrepancies?

The information is not available. The Project Team did not request the transmission owners to provide NERC or the Regions with the number of spans included in the number of miles of transmission lines or number of transmission line circuits assessed in the July 15, 2011 report.

16. Will the spreadsheet have the flexibility to allow the columns to be expanded in width? For instance, the circuit name cell was not wide enough for us to insert the whole circuit name? What are your thoughts?

The width of the cell is just for formatting purposes and does not limit the amount of text that may be inserted into a cell. The "Wrap Text" feature has been enabled to better portray the data within the spreadsheet but you may always look at the text in the formula bar in the cell.

17. My definition of terrain is different from yours. Define what you believe the choices are in the drop down lists.

Please refer to Merriam-Webster's' definition of terrain:

a) a geographic area (2) : a piece of land

b) the physical features of a tract of land

Uneven terrain is meant to capture any situation where the original terrain may have changed from the time the line was built to the present time. This could result from any number of possibilities such as dirt piles, mulch piles, wood chips being placed under the transmission line. Additionally, it could be

the result of erosion from one area washing sediment and soil to another area and buildup causing the clearance to be reduced.

18. a. Should the "de-rate" in the remediation column say "permanent de-rate" to avoid confusion with a temporary de-rate while a discrepancy is being remediated?

b. What happens if the circuit derate is temporary?

c. In the case where the permanent remediation is the addition of a structure, it is likely that the line will be derated (for safety consideration) until the structure work can be completed. How do we show the temporary derate or do we ignore that as it is temporary and only enter the permanent solution?

The Project Team understands that the immediate response to a discrepancy will most likely be to temporarily de-rate the line while some analysis is done to determine the long term solution. The Team is not looking for the temporary response but, rather, the long term solution and the associated completion date.

19. In the remediation summary, there was no mention as to percent corrected via re-grading. Was that a very low percentage?

Yes it was. Since the number was low compared to the top five remediation methods, we did not include it.

20. An Entity's guidelines generally determine derating of lines. Does the spreadsheet address this?

If the deviation between the design and as-built condition happens to not exceed the transmission owner's tolerance, then the deviation is not a discrepancy. The tolerance value mentioned here is directly tied to the transmission owner's guidelines and methodology. Therefore, the FAC Alert Recommendation does consider an owner's guidelines.

21. a. If a medium or low priority facility wants to report (before the posted due dates) can they do that now? If all remediation is complete, is reporting obligation complete? How is reporting done, to whom do we email the spreadsheet?

b. If an Entity has High priority to report, but also worked Med, can the Entity report the medium?

The revisions made to the reporting spreadsheet allows for transmission owners who have medium and low priority transmission lines to report their assessments of those lines in the January 15, 2012 report. If all remediation is completed, then the owner is finished with the FAC Alert. However, if the owner self-reported (for issues it believes that are possible standard violations) any discrepancies to

the Regions, these self-reports will be addressed but will be outside and independent from this FAC Alert Recommendation. Reports are to be submitted to the applicable Regional Entity Representative.

22. Is it not the intent to report the discrepancies under one report and the remediation subsequently under another report?

Please report the discrepancy and all known information on a single report. If the remediation is not completed by January 15, 2012 for a discrepancy occurring in 2011, input the known information in the reporting spreadsheet. For example, if a discrepancy has occurred and the remediation has started but has not been completed, then click on the dropdown choice "in progress", etc.

23. It sounds like you may make additional revisions to the spreadsheet. When and where will it be available?

There is a possibility that slight revisions will be made to the spreadsheet to incorporate recommendations and suggestions made during and after the September 22nd webinar. Any new reporting spreadsheet will be posted to the [FAC Alert Recommendation Webpage](#) as soon as possible and an email will be sent from NERC about the posting.

24. a. If we report our analysis, but have not completed the mitigation, how do we report when mitigation has been completed if you don't want us to report the same section on the next six month report?
- b. If we derate, then mitigate permanently, how do we report it without reporting the same section of line on the next six month report?
- c. For an in progress status, would you want the information reported again when complete on the next set of reports?
- d. With discussion of updating of derate fields, implies that subsequent reports will have to include lines reported previously, i.e., can't be just lines assessed since last report.

Where a discrepancy was not completely mitigated by the July 15th reporting date and partial information (e.g., excluded remediation information) about the discrepancy was provided on July 15th, we request that the information be re-entered and include the completed information not available on July 15th. The project team will have to filter and extract certain data in the report to be sure these reports are not duplicated.

25. What is the other derating column about?

The "If a line was not de-rated, explain why" column was added so owners could explain why a derate did not occur.

26. Do we just keep using the same spreadsheet that we've already started from report to report, so we just change previous fields to note status changes?

The revisions made to the spreadsheet following the July 15, 2011 report period provides the ability to accumulate information from all assessments from July 15th to the end of the requested reporting periods for high, medium, and low priority assessments (January, 2014). For information to be provided in the January 15, 2012 report and thereafter, please use the revised spreadsheet and do not use the reporting spreadsheet submitted July 15, 2011.

Unofficial Comment Form

Generator Requirements at the Transmission Interface (Project 2010-07)

Please **DO NOT** use this form to submit comments. Please use the [electronic comment form](#) to submit comments on the first formal posting for Project 2010-07—Generator Requirements at the Transmission Interface. The electronic comment form must be completed by **November 18, 2011**.

[2010-07 Project Page](#)

If you have questions please contact Mallory Huggins at mallory.huggins@nerc.net or 202-383-2629.

Background

With the exception of the errata change to PRC-004-2.1, which is being posted for the first time, this is the second formal comment period and first ballot period for the standards included in Project 2010-07. The standards will be posted for formal comment for 45-days, with a ballot during the final 10 days of the comment period. Ballot pool formation will take place during the first 30 days of the comment period, and [the SDT is hosting an interactive webinar on October 6](#).

A 30-day formal comment period took place earlier this year, from June 17-July 17, 2011. The SDT thanks all those who provided feedback during that comment period. The SDT has reviewed and considered all comments submitted, and has incorporated many of them into its latest proposed standards, as explained in the Consideration of Comments form posted at the Project 2010-07 project page.

The purpose of Project 2010-07 is to ensure that all generator-owned Facilities are appropriately covered under NERC's Reliability Standards. While many Generator Owners and Generator Operators operate Elements and Facilities that are considered by some entities to be Transmission, these are most often radial Facilities that are not part of the integrated grid, and as such should not be subject to the same standards applicable to Transmission Owners and Transmission Operators who own and operate Transmission Elements and Facilities that are part of the integrated grid.

As part of the BES, generators affect the overall reliability of the BES. However, registering a Generator Owner or Generator Operator as a Transmission Owner or Transmission Operator, as has been the solution in some cases in the past, may decrease reliability by diverting the Generator Owner's or Generator Operator's resources from the operation of the equipment that actually produces electricity – the generation equipment itself.

The drafting team's goal is to ensure that an adequate level of reliability is maintained in the BES by clearly describing which standards need to be applied to generator interconnection Facilities that are not already applicable to Generator Owners or Generator Operators. The SDT believes this can be accomplished by properly applying FAC-001, FAC-003, and PRC-004-2.1 to Generator Owners as proposed in the redline standards posted for comment.

NOTE: The Project 2007-07 Vegetation Management team will likely be posting a sixth draft of FAC-003-2 for recirculation ballot during the Project 2010-07's comment period. Both teams acknowledge this overlap, and have been in contact to discuss best strategies moving forward. The

changes proposed by the Project 2010-07 SDT in FAC-003-3 are minimal, and serve only to apply the standard and its requirements to qualifying Generator Owners. The SDT recognizes that a number of scenarios may occur with respect to the filing and approval of Versions 2 and 3 of FAC-003 and has attempted to account for those in the FAC-003-3 implementation plan.

You do not have to answer all questions. Enter all comments in Simple Text Format.

1. Based on stakeholder comment, the SDT clarified the applicability language of FAC-001-1 and removed the Generator Owner from R4. Do you support the proposed redline changes to FAC-001-1? (Please refer to the posted FAC-001-1 technical justification document for more information about the SDT's rationale for its changes.)

☐ Yes

☒ No

Comments: The intent of the draft language in FAC-001-1 is to provide guidance for addressing the alleged reliability gap that exists between GO/GOPs that own/ operate transmission facilities but are not registered as TO/TOPs.

The impact of the revised language will depend on the characterization of the generator lead after the "third party " connects to the existing generator lead.

IF the generator lead is owned by the TO utility after the third party connection :

The proposed DRAFT FAC-001 language suggests that within 45 days of a 3rd party having an executed Agreement to evaluate the reliability impact of interconnecting, the existing generator needs to document and publish facility connection requirements. The proposed language suggests that a third party can commandeer existing generators leads and interconnect. A reclassification would be required because "third party" power would flow through the downstream portions of the existing leads. This introduces **significant challenges** for defining ownership / transfer of installed assets as well as real property, easements, operational jurisdiction, O&M cost responsibility, etc.

The FERC approved pro-forma Attachment X Interconnection Agreement clearly states that the project Developer must meet all **Applicable Reliability Standards** which means that all requirements and guidelines of the Applicable Reliability Councils, and the Transmission District to which the Developer's Large Generating Facility is directly interconnected. As an example, to accommodate this NERC proposal, the FERC approved NYISO pro-forma tariff would need to be revised to allow this "third party" use. The pro-forma interconnection tariff also states that the Developer must provide updated project information prior to the Facilities Study. The Facilities Study might not be made until several years after the Interconnection Request /Feasibility Study is made ("executed Agreement to evaluate the reliability impact of interconnecting" in this proposed draft is akin to the Interconnection Request/Feasibility Study).

Placing the requirement to have the existing Generator Owner publish reliability requirements for a potential "third party user", without the generator having any knowledge of the potential reliability outcomes or asset transfer / ownership issues is not a reasonable expectation.

The interconnection of a third party to an existing generator lead would force existing generators to revise their Interconnection Agreements with FERC.

The “third party”, would at a minimum, need to comply with the existing Generators reliability obligations as specified in the Interconnection Agreement.

IF the third party connects to the GO owned generator lead, the GO will be considered a TO:

A TO would not be involved, other than review of the SRIS and Facilities reports.

The difficult thing for an existing GO would be to prepare, within 45 days of having an executed Agreement to evaluate the reliability impact of interconnecting a third party Facility to the Generator Owner's existing Facility, a document listing the requirements.

To allow for the above possibilities, the language for applicability of FAC-001 to GO's or GOP's, should be :

“Each applicable Generator Owner shall, at least 60 days prior to execution of a Facilities / Class Year Study Agreement to evaluate the reliability impact of interconnecting a third party Facility to the Generator Owner's existing Facility that is used to interconnect to the Transmission System, document and publish its Facility connection requirements to ensure compliance with NERC Reliability Standards and applicable Regional Entity, sub regional, Power Pool, and individual Transmission Owner planning criteria and Facility connection requirements.”

2. Do you support the one year compliance timeframe for Generator Owners as proposed in the Implementation Plan for FAC-001-1?

☒ Yes

☐ No

Comments:

3. With respect to FAC-003, many commenters focused on the half-mile qualifier in FAC-003. Some commenters found the half-mile length too short, others found it too long, and still others found the choice among the starting points of the switchyard, generating station, or generating substation to be confusing. The drafting team attempted to address all of these concerns with its latest proposed standard changes. The qualifier now reads: “...that extends greater than one mile beyond the fenced area of the generating station switchyard...” We believe that the one mile length is a reasonable approximation of line of sight, and that using a fixed starting point (at the fenced area of the generation station switchyard) eliminates confusion and any discretion on the part of a Generator Owner or an auditor. Finally, we maintain that it is appropriate to include this qualifier for Generator Owners because there is a very low risk from vegetation within the line of sight, and thus the formal steps in this standard are not necessary to ensure reliability of these lines.

Taking into consideration that only one of the versions of FAC-003 will actually be implemented, a decision that will be made as Project 2007-07—Vegetation Management moves forward, do you support the proposed redline changes to FAC-003-X and FAC-003-3?

☐ Yes

☒ No

Comments: Suggest in FAC-003-X; 4.3.1. that Regional Entity be changed to RE as listed in 4.2.1 for consistency. Also Regional Entity is used throughout the rest of the document, suggest using RE for consistency.

In FAC-003-3; 4.3.1. add station to the following: “ Overhead transmission lines that extend greater than one mile or 1.609 kilometers beyond the fenced area of the generation station switchyard and are” to show consistency as it is written in FAC-003-X 4.3.1.

The technical justification characterized the exclusion (i.e., one mile or 1.609 kilometers beyond the fenced area of the generating station switchyard) as “approximate line of sight [sic] from a fixed point” and noted that this line of sight may be limited by local terrain. Where line of sight of the radial corridor is limited on a clear day due to terrain, the one mile exemption must be limited in distance to no more than the line of sight on a clear day beyond the fenced area.

4. Do you support compliance timeframe for Generator Owners as included and explained in the Implementation Plans for FAC-003-X?

☒ Yes

☐ No

Comments:

5. In the FAC-003-3 implementation plan, the SDT has attempted to account for a number of different scenarios that could play out with respect to the filing and approvals of FAC-003-2 and FAC-003-3. Do you support this approach? If there are other scenarios that the SDT needs to account for, please suggest them here.

☒ Yes

☐ No

Comments:

6. In its technical justification document, the SDT reviews all standards that had been proposed for substantive modification in the Ad Hoc Group’s original support and explains why, with the exception of FAC-003, modifying them would not provide any reliability benefit. Do you support these justifications? If you believe the SDT needs to add more information to its rationale for any of these decisions, please include suggested language here.

☒ Yes

☐ No

Comments:

7. The SDT is attempting to modify a set of standards so that radial generator interconnection Facilities are appropriately accounted for in NERC’s Reliability Standards, both to close reliability

gaps and to prevent the unnecessary registration of GOs and GOPs at TOs and TOPs. Does the set of standards currently posted achieve this goal?

☒ Yes

☐ No

Comments:

8. If you answered "yes" to Question 7, are the modifications the SDT has made in this posting the appropriate ones?

☒ Yes

☐ No

Comments:

9. If you answered "no" to Question 7, what standards need to be added or removed to achieve the SDT's goal? Please provide technical justification for your answer.

☐ Yes

☐ No

Comments:

10. Do you have any other comments that you have not yet addressed? If yes, please explain.

☐ Yes

☒ No

Comments:

CAN Comment Form

Compliance Application Notice – 0020

Please complete the CAN Comment Form and email it to cancomments@nerc.net.

Commenter Information

Name: Guy Zito

Phone Number: 212-840-1070

Email Address: gzito@npcc.org

Entity Represented: Northeast Power Coordinating Council

Region: Northeast Power Coordinating Council

Primary Interest Groups

Are you suggesting a change to the groups mentioned? Yes / No

If yes, explain what change and why:

Issue

Are you suggesting a change to the issue statement of the CAN? **Yes**

If yes, explain what change and why: **By attempting to clarify the requirement around maintenance outages in the planning horizon, the CAN is adding to the requirement as well as introducing new concepts that will require further clarification. It would be more effective to address this issue through the standard interpretation process. Referring to Requirement R1.3.12 from TPL-002:**

“R1.3.12. Include the planned (including maintenance) outage of any bulk electric equipment (including protection systems or their components) at those demand levels for which planned (including maintenance) outages are performed.”

Because of the timeframe in which planning studies are conducted, it is at the discretion of the party doing the studies what maintenance outages should be included in the studies.

From the CAN, a CEA is to use the following to determine whether the outage is “planned” in the TPL planning horizon as required by the standard:

1. if it is included on an approved, applicable TOP or BA outage schedule; and
2. if the outage was included on the approved, applicable TOP or BA outage schedule more than 12 months out from the time the TPL assessment was conducted.

A transmission planner may not have the above processes (which in fact may need further clarification), nor is it reasonable to expect that finally approved is in the same timeframe as originally scheduled, thus making those planning studies obsolete. It is more reasonable if there is a planned outage that extends for a significant duration of the planning horizon which is being studied. It may be more appropriate to include those maintenance outages for which the duration spans several seasonal study conditions.

There is frequent mention of Protection System outages. It should be made clear that a Protection System, or one of the elements that comprises a Protection System may be taken out of service for maintenance without the need for studies or assessments as long as the primary protection on the facility is not compromised. The facility must have adequate protection in service while the element or elements are out of service.

Background

Are you suggesting a change to the background statement of the CAN? Yes / No

If yes, explain what change and why:

Compliance Application

Are you suggesting a change to the compliance application section of the CAN? Yes / No

If yes, explain what change and why:

Effective Period for CAN

Are you suggesting a change to the effective period of the CAN? Yes / No

If yes, explain what change and why:

Evidence of Compliance

Are you suggesting a change to the evidence of compliance mentioned in the CAN? Yes / No

If yes, explain what change and why:

CAN-0030 Comment Analysis Summary

Attestations

CAN-0030 provides instruction for assessing the appropriate uses of attestations as evidence of compliance with a reliability standard. The CAN was posted for industry comment on the NERC web site on October 19, 2011 and the comment period expired on November 9, 2011. NERC received 17 comments from registered entities and 3 comments from trade associations, which are identified below. The main themes of the comments consisted of the following four categories: errata changes, scope, effective date and evidence of compliance. In addition, there were a few comments that expressed appreciation for the removal of the notary requirement from previous version of the CAN.

Errata

The recommended errata change was implemented in order to clarify the issue statement by adding the word “requirement” to the end of the sentence.

Scope

There were several recommended substantive changes to the CAN in regard to scope.

A commenter stated that the first sentence of the Compliance Application section was inconsistent with the remainder of the CAN. The sentence states, “A CEA [compliance enforcement authority] is not to accept an attestation as a substitute for the registered entity’s obligation to have maintained adequate records.” The commenter believed that the first sentence contradicted the following instructions of the CAN, because there may be other instances beyond the three examples where the CEA may use discretion to allow an attestation.

In response to the comment, there is an obligation for registered entities to maintain records of compliance and have the evidence available during an audit; an attestation is not be an acceptable alternative to providing evidence. However there are times when an attestation is appropriate, and this CAN provides guidance to CEAs for three acceptable situations where an attestation is a sufficient form of evidence plus allows discretion in other circumstances not outlined in the CAN. The language in the CAN states “If no corroborating evidence is available, CEAs are not precluded from accepting an attestation but must evaluate the facts and circumstances to determine whether the attestation by itself constitutes sufficient evidence.”

Another comment was made in reference to the second example in the Compliance Application section, which instructs CEAs to verify other corroborating evidence if the registered entity attests that an event did not occur. The commenter went on to state that corroborating attestations with supporting evidence for an event or situation did not occur will create unnecessary administrative burdens for both Registered Entities and Regional Entities.

In response to the comment, it is the CEA's duty to assess the evidence and to determine if the attestation provides reasonable assurance of the entity's compliance. In the event that no corroborating evidence is unavailable, a CEA must evaluate the facts and circumstances to determine whether the attestation alone constitutes sufficient evidence.

Another comment was submitted about the third example in the Compliance Application section that references NERC Compliance Process Bulletin #2011-001, Data Retention. The commenter stated that record retention is not directly related to the purpose of the CAN. Since the data retention subject is already addressed in referenced in a NERC Bulletin, it shouldn't be necessary to duplicate the requirements in this CAN. It was suggested that this item be deleted.

In response, the Data Retention Bulletin was included to provide CEAs with another reference with regard to attestations during their compliance monitoring of registered entities. The reference of attestations in the Public Notice Bulletin also states that CEAs are to verify the attested statements and any applicable corroborating evidence, which is consistent with the instruction in CAN-0030.

Effective Date

Several commenters believe that NERC should to incorporate a reasonable implementation period for all CANs. Other commenters suggested that a CAN should become effective only after it is publicly posted by NERC as final and provides in that posting an implementation and effective date which cannot be earlier than the posted date. There has been confusion from the industry about the date stated in the Effective Period of CAN section, as it refers to the date of the previously posted version.

The effective date for CAN-0030 is date that the CAN is posted as final on the NERC web site, which is the date CEAs are to begin using the compliance application to assess compliance.

Evidence

Commenters had questions regarding the Evidence of Compliance section. Particularly, several industry members stated that NERC should only verify attestations and should not look for additional corroborating evidence. The commenters stated that CEAs should only conduct an investigation when other evidence supports a reasonable suspicion of a possible compliance violation.

To clarify CAN-0030, attestations will be considered as evidence when a registered entity wishes to provide such evidence of compliance. However, to obtain reasonable assurance of compliance, CEAs are to verify if there are any other types of corroborating evidence to substantiate the attestation. The types of evidence that may be reviewed are documents, log books and interviews with registered entity staff. The determination of whether the attestation is sufficient on its own will be dependent on the specific facts and circumstances of the situation. Attestations are a tool to assist CEAs and registered entities during an audit, but they should not be used as an alternative to maintaining adequate records.

Conclusion

The analysis spreadsheet for CAN-0030 is posted on the NERC website. Because the spreadsheet format may not provide sufficient visibility into the effort that NERC puts into reviewing all of the comments received with respect to this CAN, this document is intended to supplement that information. NERC staff thanks industry for the time and effort put into providing that feedback. If you would like further discussion on CAN-0030, please feel free to contact us at cancomments@nerc.net.

Registered Entities that submitted CAN Comments

ACES Power Marketing
 American Electric Power (AEP)
 American Transmission Company (ATC)
 Associated Electric Cooperative, Basin Electric Power Cooperative and Tri-State Generation and Transmission Association (G&T Cooperatives)
 Bonneville Power Administration (BPA)
 Central Lincoln
 Constellation Energy (CEG)
 Farmington Electric Utility System (FEUS)
 First Energy (FE)
 Ingleside Cogeneration/Occidental
 Kansas City Power & Light (KCP&L)
 Manitoba Hydro
 Oncor Electric Delivery Company
 PSEG Services Corporation
 Puget Sound Energy (PSE)
 Southern Company
 Westar Energy

Trade Associations that submitted CAN Comments

Edison Electric Institute (EEI)
 Midwest Reliability Organization NERC Standards Review Forum (MRO NSRF)
 National Rural Electric Cooperative Association (NRECA)

Unofficial Comment Form for Interpretation of CIP-006-x for Progress Energy (Project 2008-10)

Please **DO NOT** use this form to submit comments. Please use the [electronic comment form](#) to submit comments on the interpretation of CIP-006-x for Progress Energy (Project 2008-10). The electronic comment form must be completed by **November 21, 2011**.

[Project Page](#)

If you have questions please contact Steven Noess at steven.noess@nerc.net or by telephone at 404-446-9691.

Background Information

The last successive ballot to this interpretation closed on October 12, 2009. Since that date, a project team from the CIP Interpretation Drafting Team reviewed and responded to the comments received from the last successive ballot and made revisions to the interpretation. The project team revised the interpretation pursuant to NERC Guidelines for Interpretation Drafting Teams ([available here](#)).

The interpretation drafting team determined that the interpretation must limit itself to the question asked: whether CIP-006-1, Requirement R1.1, applies to the aspects of wiring that comprises the ESP. The interpretation drafting team revised the interpretation from the last successive ballot accordingly.

The definition of "Cyber Asset" in the *NERC Glossary of Terms Used in Reliability Standards* includes "communication networks," but the interpretation drafting team determined that it does not explicitly include wiring or communication mediums in general. Since wiring is not included in the definition of "Cyber Asset," the interpretation drafting team interpreted that Requirement R1.1 of CIP-006-1 does not apply to wiring.

The team furthermore acknowledges and notes in its revised interpretation that a different interpretation, appended to CIP-006-3c as appendix 3, applies to the "alternative measures" question "where a completely enclosed ('six-wall') border cannot be established" for "Cyber Assets within an Electronic Security Perimeter." The interpretation drafting team has determined that such analysis is beyond the scope of this interpretation. CIP-006-1 R1.1 applies to "Cyber Assets" and this interpretation is limited to whether wiring is a "Cyber Asset." A secondary analysis of "acceptable alternative measures where a completely enclosed ('six-wall') border cannot be established" does not apply.

You do not have to answer all questions. Enter All Comments in Simple Text Format.

Insert a "check" mark in the appropriate boxes by double-clicking the gray areas.

Please review the request for an interpretation, the associated standard, and the draft interpretation and then answer the following questions.

1. The NERC Board of Trustees indicated that the interpretation process **should not** be used to address requests for a decision on "**how**" a reliability standard applies to a registered entity's particular facts and circumstances. Do you believe this request for an interpretation is asking for clarity on the meaning of a requirement or clarity on the application of a requirement?

☒ The request is asking for clarity on the **meaning** of a requirement.

☐ The request is asking for clarity on the **application** of a requirement.

Comments:

2. The NERC Board of Trustees indicated that in deciding whether or not to approve a proposed interpretation, it will use a standard of strict construction and not seek to expand the reach of the standard to correct a perceived gap or deficiency in the standard. Do you believe this interpretation expands the reach of the standard?

☐ The interpretation **expands** the reach of the standard.

☒ The interpretation **does not expand** the reach of the standard.

Comments:

3. Do you agree with this interpretation? If not, why not.

☒ Yes

☐ No

Comments:

4. Are there any other comments you would like to add that haven't been covered in the previous questions, please add them here.

Comments: No comments.

CAN Comment Form

Compliance Application Notice – 00

Please complete the CAN Comment Form and email it to cancomments@nerc.net. Due to the amount of comments NERC receives, we will not accept attachments or comments submitted in another format.

Commenter Information

Name:

Phone Number:

Email Address:

Entity (ies) Represented:

Region(s):

Primary Interest Groups

Do you disagree with the groups mentioned? Yes or No

If yes, explain why:

Issue

Do you disagree with the issue statement of the CAN? Yes or No

If yes, explain why:

Background

Do you disagree with the background statement of the CAN?

Yes or No

If yes, explain why:

Compliance Application

Do you disagree with the compliance application section of the CAN?

Yes or No

If yes, explain why:

Effective Period for CAN

Do you disagree with the effective period of the CAN?

Yes or No

If yes, explain why:

Evidence of Compliance

Do you disagree with the evidence of compliance mentioned in the CAN?

Yes or No

If yes, explain why:

CAN Comment Form

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Yes or No

If yes, explain why:

CAN Comment Form

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CAN Comment Form

Compliance Application Notice – 00

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Commenter Information

Name:

Phone Number:

Email Address:

Entity (ies) Represented:

Region(s):

Primary Interest Groups

Do you disagree with the groups mentioned? Yes or No

If yes, explain why:

Issue

Do you disagree with the issue statement of the CAN? Yes or No

If yes, explain why:

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Yes or No

If yes, explain why:

Compliance Application

Do you disagree with the compliance application section of the CAN?

Yes or No

If yes, explain why:

Effective Period for CAN

Do you disagree with the effective period of the CAN?

Yes or No

If yes, explain why:

Evidence of Compliance

Do you disagree with the evidence of compliance mentioned in the CAN?

Yes or No

If yes, explain why:

Draft Directive #2011 CAG-001 Regarding Generator Transmission Leads

Comments

The industry would be better served by allocating resources to the Project 2010-07 Standard Drafting Team for Generator Requirements at the Transmission Interface as opposed to implementing the draft Compliance Directive.

The SDT's proposal of altering the appropriate TO/TOP standards to address any identified reliability gaps and to increase their applicability to Generator Owners and/or Generator Operators is preferable to the Directive's approach of registering most Generator Owners and/or Generator Operators as Transmission Owners/Transmission Operators whose compliance obligations will vary based on Regional discretion. This unnecessary interim step will carry high administrative costs, circumvent the NERC Standards Development Process, and divert resources from NERC's own Standard Drafting Team that has been charged with solving this issue.

Specific Issues

- The Directive has the potential to circumvent FERC's authority since it seeks to modify approved NERC Reliability Standards by increasing their applicability without prior Commission approval.
- While the Directive appears to limit its applicability to Generator Owners/Operators with certain characteristics, those characteristics appear to encompass a large number of generators. Furthermore, it is evident that any perceived increase in reliability is purely subjective given that the Standards Process has not been followed – the Standards Process allows companies to assess the benefits and burdens associated with applying new or modified Standard requirements.
- Providing Regional Entities with the discretion to negotiate with Registered Entities in determining which standards will apply will create an uneven application both within a given Region and across Regional boundaries and thereby undermine the Directive's stated goal of achieving consistency.
- The suggested applicable TO/TOP requirements are broader than the proposals of the SDT and the GO/TO team before it. Since those teams have involved broad industry representation and have been considering this issue for years, their proposals should be reflected (and not expanded) in any interim Directive.
- The assumption is being made that a Generator Owner/Operator with a generator lead meets the Registry Criteria for registering as a TO/TOP in that the entity is presumed to own and/or operate an integrated transmission facility. This assumption has not been resolved by the Commission. (See FERC's Cedar Point Wind, LLC Order, Oct. 11, 2011, at P 15).

NPCC Comments to Draft NERC Compliance Process Directive #2011-CAG-001

Directive Regarding Generator Transmission Leads

- Before the interim bulletin or interim directive is implemented the Region should identify the transmission assets of each of the registered GO/GOP in its Region, to assess if there exists reliability gaps that would necessitate the registration of a GO/GOP as a TO/TOP. This assessment would identify any applicable facilities that are not currently “covered” by NERC Reliability Standards.
- If ultimately issued, the document should be classified as a “Bulletin” rather than as a “Directive” as the need to register a GO/GOP as TO/TOP should be evaluated on a case by case basis by the applicable Regional Entity. A directive seems to indicate that the GO/GOP should be registered as a TO/TOP. The use of the word bulletin would provide guidance and alert the Regional Entities and registered entities as to the issue and make it clear that an assessment has to be done by the Regional Entity first before any registration activities take place.
- If implemented, the document needs to emphasize, in its title and throughout, that this is an interim document to be considered during the time that the appropriate existing NERC Reliability Standards are being reviewed and revised to incorporate, among other things, the identification of all applicable registered entities (including existing GO/GOP) for the appropriate Reliability Standards. The revision of the standards is a recommendation from the *Final Report from the Ad Hoc Group for Generator Requirements at the Transmission Interface* completed November 16, 2009.
- Once there have been any gaps identified then the appropriate registration could take place as needed.
- The need to register a GO/GOP as a TOP is not warranted.

- As the registration of GO/GOP could be impacted by a new BES definition, this initiative should not be implemented until after the FERC has issued its final rule related to the definition of the BES.
- The Termination provision in the MOU needs to be addressed. The Termination provision allows either party, on notice to the other, to unilaterally terminate the MOU. From the Region's perspective, the right to terminate should not be a unilateral option of the Entity. And from the Entity's perspective, there is probably concern that the Region having that ability could potentially expose the Entity to having to comply with the full set of TO/TOP Reliability Standards if the MOU, with its select list of TO/TOP requirements, is terminated by the Region. As NERC's proposal is an interim measure that will apply until there are changes to GO/GOP Reliability Standards to incorporate protections for generator leads. Perhaps a more appropriate Termination clause would include a trigger whereby the MOU terminates upon FERC approval of those new GO/GOP standards.
- An MOU that would be proposed, between a Regional Entity and a GO/GOP, to describe and identify the specific requirements that the GO/GOP may need to meet as a TO or TOP should not include a requirement for an annual review of registration status for the GO/GOP. This would create a burden on both the Regional Entity and the GO/GOP and would not yield significant changes on an annual basis. Reviews should occur periodically, over a longer time frame (e.g. five years) or after new facilities have been introduced.

CAN Comment Form

Compliance Application Notice – 0040

Please complete the CAN Comment Form and email it to cancomments@nerc.net.

Commenter Information

Name: Guy Zito

Phone Number: 212-840-1070

Email Address: gzito@npcc.org

Entity Represented: Northeast Power Coordinating Council

Region: Northeast Power Coordinating Council

Primary Interest Groups

Are you suggesting a change to the groups mentioned? Yes / No

If yes, explain what change and why:

Issue

Are you suggesting a change to the issue statement of the CAN? Yes / No

If yes, explain what change and why:

Background

Are you suggesting a change to the background statement of the CAN? Yes / No

If yes, explain what change and why:

Compliance Application

Are you suggesting a change to the compliance application section of the CAN? Yes / No

If yes, explain what change and why: The ACE equation used in the CAN is not correct. Bias Setting is actually B and not beta.

In the examples of how the Bias Setting accommodates the provision of frequency response, the contingent BA also provides some frequency response. If it provided response exactly equal to bias, its change in ACE would reflect the size of the contingency.

In the example:

When determining a fixed Frequency Bias Setting as described in R2.1, the first step for a BA is to analyze its Frequency Response to a number of disturbances. A list of on-peak events that can be analyzed for the determination of a fixed-bias setting is provided annually by the NERC Resources Subcommittee at the end of each year. Other tools that sample frequency change and analyze the change in Tie Line deviation throughout the year during on-peak periods may also be used in this analysis.

The CAN is correct that other sets of events can be used. Also, the number of annual samples could be relatively small once a BA is aware that their frequency response is well below 1% of peak. Only a few samples would be needed to confirm response is still below 1%.

Bias setting is an obligation of a Balancing Authority. Frequency Response is provided by generators and frequency responsive load (such as motors).

Based on a response to the March 18, 2010 FERC Order on this standard, NERC is obliged to file a new BAL-003 by May of 2012. It's not clear why the CAN is needed as the standard may take a different approach.

Effective Period for CAN

Are you suggesting a change to the effective period of the CAN? Yes / No

If yes, explain what change and why:

Evidence of Compliance

Are you suggesting a change to the evidence of compliance mentioned in the CAN? Yes / No

If yes, explain what change and why:

CAN Comment Form

Compliance Application Notice – 004 3

Please complete the CAN Comment Form and email it to cancomments@nerc.net.

Commenter Information

Name: Guy Zito

Phone Number: 212-840-1070

Email Address: gzito@npcc.org

Entity Represented: Northeast Power Coordinating Council

Region: Northeast Power Coordinating Council

Primary Interest Groups

Are you suggesting a change to the groups mentioned? Yes / No

If yes, explain what change and why:

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Are you suggesting a change to the issue statement of the CAN? Yes / No

If yes, explain what change and why:

Background

Are you suggesting a change to the background statement of the CAN? Yes / No

If yes, explain what change and why:

Compliance Application

Are you suggesting a change to the compliance application section of the CAN? Yes / No

If yes, explain what change and why: The CAN is expanding the scope of the requirements by addressing continuous monitoring. Continuous monitoring is not encompassed within the definition of Protection System.

Effective Period for CAN

Are you suggesting a change to the effective period of the CAN? Yes / No

If yes, explain what change and why:

Evidence of Compliance

Are you suggesting a change to the evidence of compliance mentioned in the CAN? Yes / No

If yes, explain what change and why:

October 6, 2011

Mr. William Gallagher, Chairman
NERC Member Representatives Committee
104 Hampton Meadows
Hampton, New Hampshire 03842

Re: Policy Input to NERC Board of Trustees

Dear Bill:

The agenda for the November 2, 2011 Member Representatives Committee (MRC) meeting is chock full of substantive items, several of which will warrant high interest by members of the Board of Trustees (board). The board always is interested in policy input from the committee members on any issue, but would especially like to hear members' views on the following:

Compliance Enforcement Initiative (BOTCC-2 and MRC-9) — NERC filed late last week with FERC its decision to shift how it deals with Possible Violations that pose lesser risks to the bulk power system (BPS). As the filing explains, NERC and the Regional Entities are employing a more comprehensive and integrated risk control strategy that differentiates and addresses compliance issues according to their significance to the reliability of the BPS. In addition, NERC and the Regional Entities are increasing the utilization of their inherent enforcement discretion in the implementation of compliance and enforcement activities. The board will be very interested in the reaction of committee members to this filing and NERC's continuing efforts to improve the efficiency and effectiveness of its compliance enforcement process.

Compliance Application Notices – Status (MRC 10) — NERC continues to work to improve both the process and content of Compliance Application Notices. The board welcomes comments on whether the changes to date are addressing effectively the issues raised at the August meeting.

Status of CIP Standards Version 4 and 5 Implementation Plans (MRC-11) — I understand that a number of concerns have been voiced by the industry regarding the draft implementation plans for Versions 4 and 5 of the CIP Standards regarding duplication of effort and backwards looking compliance requirements. While we do not have formal input from stakeholders until the posting of draft proposals, the board would still like to hear discussion by the MRC on the concerns they have with the staging of these proposed implementation plans. I understand that this discussion will begin in the Standards Oversight and Technology meeting and continue during the MRC meeting.

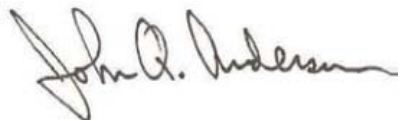
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Bulk Electric System (BES) Definition and Rules of Procedure – Status (MRC-12) — The board is very interested in how the BES Definition project is progressing since the August meeting. I understand that the drafting team took very seriously the board's views and is proposing to address the FERC directive in one phase and the remaining industry issues in a subsequent phase. The board wants to stay actively involved as this effort progresses, and to that end asks the MRC to continue its review and discussion at the November meeting.

Rules of Procedure Changes (MRC-15) — At the August MRC meeting some issues were raised regarding some of the Rules of Procedure changes that were being proposed, namely the provision to impose penalties in the event registered entities failed to respond to NERC data requests. While the proposed changes are still being discussed by NERC and the Regional Entities, and will not be posted for industry comment until after the November meetings, the board would like to hear of any concerns the committee has with the general direction of the proposed changes.

Thank you in advance for providing written comments to Dave Nevius, MRC secretary (dave.nevius@nerc.net) by **October 24, 2011** so they can be packaged and sent to the board members in advance of the meeting.

Thank you,



John Q. Anderson
NERC Board of Trustees Chair

cc: NERC Board of Trustees
Member Representatives Committee



Policy Input to the NERC Board of Trustees

Atlanta

Provided by the Edison Electric Institute

November 3, 2011

On behalf of our member companies, the Edison Electric Institute (EEI) appreciates the opportunity to provide the following policy input to the NERC Board of Trustees. EEI is the trade association representing the investor-owned segment of the electric industry in this country. Our views on NERC-related matters are informed by the CEO Task Force on Reliability, CEO Task Force on Business Continuity, and the Reliability Executive Advisory Committee.

In addition to responding to the request for policy input dated October 6, our comments reflect other current strategic issues that may be discussed at the upcoming meetings in Atlanta.

NERC As A Learning Organization

We are strongly convinced that the most important form of learning can be derived from:

- Understanding those events on the system involving various configurations of equipment and network conditions that unexpectedly cause special problems or challenges
- how personnel make decisions and perform under a broad range of conditions, and
- integration of newer technologies on the system, where there may be very little experience available to reasonably judge potential reliability issues.

In addition to its requirements under Section 215 to develop mandatory reliability standards, conduct the enforcement of those standards, and perform reliability assessments, EEI appreciates that NERC aspires to organize itself to support the electric industry's performance in providing bulk power system reliability. NERC in the past year has begun to deliver "lessons learned" on various issues, and conduct various webinars and technical workshops on a broad range of issues.

EEl understands that these activities may have some modest value for “learning.” This value could be increased at least in part by providing the “lessons learned” in context by NERC making public the event analysis reports that lead to the “lessons learned.”

For almost two years, EEl has focused the Board of Trustees on the Events Analysis program and the need for reform. We understand that changes to the Rules of Procedure regarding Events Analysis are likely to be previewed at the upcoming meetings and look forward to engaging the discussion. Reviewing previous EEl comments, it is imperative that the program a) find a constructive way forward that allows for timely reporting and disclosure of important findings, b) defines a relationship with enforcement that requires transparency and due process, and c) restricts enforcement activities from becoming endless time-consuming ‘fishing expeditions’ for violations. On this last point, EEl understands that some analyses of minor events can extend for years, and while there may be “learning” to be extracted from such endeavors, at some point a reasoned decision needs to be made to either “fish or cut bait,” to either declare a violation or close the case and move on.

NERC is arriving at a critical threshold challenge in its pursuit of the goal of becoming a learning organization. Reconciling the inherent tensions of the competing goals, prudent compliance risk management and the open discussion of company experiences, needs to be plainly addressed, and soon. EEl believes that now is the time for NERC to begin consideration for various alternatives that could relieve some of these tensions. The North American Transmission Forum (NATF) continues to expand its scope of activities and plans a significant expansion in the next three years. Similarly, the North American Generator Forum (NAGF) has begun to develop its structure and processes. Information sharing, learning from system events, discussing new technologies and system configurations and their potential reliability impacts, and developing best practices, all of these can and should be considered as capable of being handled by NAGF and NATF.

Allowing NAGF and NATF to cover these issues could help NERC to sharpen its focus on its core program requirements, managing the development of mandatory standards, and compliance and enforcement. As described in the following comments, there are many matters in NERC’s core program areas that offer opportunities for continuous improvement.

Lessons Learned From The Facilities Ratings Alert

One year ago, NERC issued an Alert on facilities ratings, saying that a vegetation contact by a Transmission Owner suggested that widespread actual field conditions varied significantly from design assumptions – to the point where some facility ratings were considered inaccurate. The Alert recommended that companies carefully examine and reconcile their facilities ratings to actual field conditions.

Companies have broadly supported this initiative and with the benefit of experiences gathered in the year, EEI believes that transparent communications and corrective actions are underway. Summary statistics distributed by NERC show that companies are mitigating discrepancies by physically adjusting structures, revising ratings, or removing clearance or other “underbuild” issues. EEI believes that none of the discrepancies discovered to date in any way suggest a reduction or imminent systemic threat to reliability. Experience further suggests that the existing FERC-approved standards continue to suitably address facilities ratings issues. In addition, EEI encourages NERC in the future to more explicitly consider potential costs and benefits when considering whether or how to communicate these technical issues, and to more carefully consider the appropriate use of Alerts to help ensure that Alerts do not inadvertently impose *de facto* requirements.

Standards Development

Recent changes to the standards development process manual have provided some marginal improvements in the process. EEI supported these changes. Further work is needed, more improvements should be made.

There are many potentially legitimate drivers to explain the length of time needed to achieve consensus in standards development. The issues may be technically difficult to understand and analyze, and there may be multiple issues being addressed that require the coordination with other standards. There may be strong divergent viewpoints within a ballot body on proposals being made. The matter may be defined as a lower priority issue. In addition, drafting teams may have engaged issues with no explicit deadlines. With enforceable standards, drafting teams must now go beyond the technical aspects of a standard and must now consider potential compliance issues that may result from the use of certain

wording or phrases, or the lack of specificity or ambiguity in requirements or measures.

For whatever combinations of explanations, EEI continues to emphasize that the NERC processes need to focus much more aggressively on resource efficiency in management and execution. Companies' subject matter experts own the majority portion of the responsibility with regard to standards development and need to square up to the challenge. However, companies' resources are severely resource constrained, and much stronger process management disciplines are badly needed. The promulgation of regional standards also has become a resource issue. NERC, as the ERO, should ensure that there is an enterprise-wide priority evaluation as many of the same resources are needed to develop regional standards.

Root cause analyses for standards development may provide some benefit here, but such analyses should not be required as a condition for developing a strategic action plan to identify changes that will improve the efficiency of standards development. EEI supports an approach, where stakeholders and NERC management assemble a small team of officer-level personnel to discuss options and deliver to NERC management and the Board of Trustees an action plan early next year. To the extent possible, the team could explore short-term process changes that would not require FERC approval, and those that would require such approval, and that the implementation of such recommendations could be reflected in proposed NERC 2013 budget development.

FAC-003

EEI strongly supports FAC-003 and recommends that the Board of Trustees approve the standard, which will apply to several hundred thousand miles of transmission lines in this country. We believe that the changes offer a substantial improvement over the current version for several reasons. Proposed FAC-003 responds to the directives in Order No. 693 issued in March 2007. It is an initial example of a results-based design that aims first at identifying the reliability objective and then allows companies to establish programs to accomplish that objective in a manner that adapts to localized conditions, topographies, and climates, thus avoiding a micro-managed assembly of one-size-fits-all 'how to' requirements to manage vegetation. It also attempts to differentiate through the proposed VRFs and VSLs those violations that likely would pose greater risks of cascading outages. We believe that the revised proposed standard will improve

companies' abilities to allow for coordinated right of way and line inspections, and adapt their vegetation management plans to cover widely varying conditions, thus improving resource management efficiency while maintaining bulk power system reliability.

Compliance and Enforcement

EEl supports NERC moving ahead with the "find fix track report" (FFTR) enforcement discretion tool with its recent proposal filed at FERC. Joint trade association comments filed on October 21 offered a strong endorsement, which is attached to this policy input document. Properly implemented and carefully monitored for actual results, we believe that FFTR will help companies, NERC, and the regional entities, to improve resource allocation in alignment with reliability priorities. This is a good start and yet we also believe that much more needs to be done. We encourage NERC not only to resist any efforts to add more process to FFTR, but to also strive to reduce process over time. Further, EEl looks forward to reviewing program results with the Board in six months to ensure benefits are realized and that resources are able to devote more time to reliability operations rather than to administrative compliance activities.

Compliance Operations

EEl appreciates the broad range of initiatives that have been undertaken on the goal of delivering compliance guidance to companies. EEl counts approximately five different kinds of compliance guidance that have been developed recently, including RSAWs, CANs, CARS, lessons learned, and case notes. While in general we continue to strongly support such tools and practices on a conceptual level, we comment on some challenges and report to the Board of Trustees some likely next steps that stakeholders will take.

First, we have several times commented on Compliance Application Notices (CANs), engaged NERC staff in various meetings, commented on proposed CANs, and most recently commented on proposed revised CANs and a process document. We were encouraged by NERC's announcement at the Board of Trustees meeting in Vancouver that NERC would restate the guidelines for CANs and would review those CANs already in place. While we have seen some improvements, there are still concerns that remain. For example, NERC has just released a final revised CAN-0016 (Sabotage Reporting procedures under CIP-001) and a final revised process document. EEl with other trade associations are likely

to use the new appeal process to address CAN-0016 and three or four other CANs, where we expect unsatisfactory outcomes. In the final CAN-0016, we continue to strongly believe that NERC has altered the boundaries of the standard.

Regarding the CANs process document, we are deeply troubled by a process where NERC solicits comments on a proposed CAN and completely discards those comments. In the case of CAN-0016, we understand over 70 parties commented that NERC reached beyond the scope of the standard. Yet, NERC rejected those comments without explanation. CAN development must adhere to reasonable due process and CAN-0016 clearly raises basic concerns about the viability of the current CAN implementation process.

Second, a recently proposed Compliance Process Directive (CPD) seeks to address a perceived reliability gap pertaining to transmission facilities that connect generation plants to the larger network. These issues were addressed in a series of recent FERC orders that covered registration appeals, and are reflected by a high-priority standard under development. The proposed CPD lists criteria that would govern decisions for registering entities for the TO/TOP function.

EI will provide comments timely on the CPD by November 15, however, our first impression is that the document ignores current FERC-approved entity registration criteria and provides no other analysis of the declared “reliability gap” that the CPD would address other than to suggest that all of these generator connection facilities must be covered. Instead, we see a one-size-fits-all mandate.

EI asks that the Board of Trustees Compliance Committee seek a more detailed understanding of the reliability gap that would be covered by the proposed CPD and determine to its own satisfaction whether such a gap actually exists. If the need for the CPD is more clearly established, we also ask that any final CPD avoid violating or materially changing the FERC-approved NERC registration criteria.

Entity Risk Assessments

Last year at the Board of Trustees meeting in Phoenix, stakeholders uniformly embraced a broad recognition that NERC should move toward more risk-based approaches to executing its core program missions for standards development,

and compliance and enforcement. This reflected the dual themes of “everything cannot be priority” and “everything does not share the same reliability risks.”

We appreciate that translating these broad goals into actionable decisions is another matter. We applaud compliance operations in seeking to explore various tools and practices to apply to this policy target.

However, we need to raise a growing concern with NERC’s plans to develop “entity risk assessments”. Exactly how these assessments will be conducted, the kinds of materials that will be gathered, the criteria for making or changing determinations, the application of these criteria, and the need for making these assessments in light of the existing audit and spot check tools, all are unknown. EEI asks that the Board of Trustees Compliance Committee engage a more detailed discussion on the need for this particular activity, how it will be managed and practiced, due process issues, the extent of oversight by the Board of Trustees, the resources needed to conduct this work, and its ultimate strategic value in compliance operations.

EEI believes that this proposal needs much more careful consideration. In the nuclear generation industry, for example, we understand that there are five clearly defined risk categories, and companies understand the criteria and actions needed to move up or down. We ask that consideration of such risk assessments developed by NERC to include the costs and benefits for the activity, its importance for the overall missions of compliance and enforcement, process clarity and transparency, and stakeholder involvement. The activity in the nuclear industry involved owners and operators. Similarly, stakeholders should be allowed to participate in the development of the NERC process.

CIP Standards / Version 4 / Version 5

EEI generally supports the proposal by FERC in Docket No. RM11-11 to approve “version 4” of the CIP standards and for FERC to adopt the CIP drafting team work plan by setting a reasonable deadline for filing “version 5” of the standards. We believe that NERC needs to move forward proactively to respond to the full range of directives in Order No. 706. Comments in the docket are due at FERC on November 21, and we expect that the issues could also arise at the November 29-30 FERC technical conference addressing the status of various NERC priorities.

We also recognize that “version 5” is an enormous and complex undertaking. Order No. 706 contains over one hundred directives addressing a broad range of

issues. Many directives are subject to widely varying understandings by technical experts. There could be significant implementation costs, timing concerns, and compliance complexities if there were close proximity of version 4 and version 5 effective dates, which must be carefully considered. The current drafting team plan offers no specific “plan B” for bifurcating divisive issues, thus creating a type of “all or nothing” approach to “version 5.”

For these reasons, EEI believes that it would be extremely useful for stakeholders to work with NERC management and the drafting team to develop a strategic plan and to map a workable pathway to finishing the current project, including consideration of potential alternatives to the current work plan. To this end, we strongly urge NERC to convene an industry group to focus on this issue in advance of November 21.

Bulk Electric System Project

EEI understands the BES project to be on schedule for a timely compliance filing at FERC in early 2012. The initial ballots are concluding and while both the BES definition and related exceptions process did not receive the needed levels of support, EEI expects that both recirculation ballots will succeed. We also understand that various issues raised over the past several months in the project may be combined into a second phase.

Rules of Procedure Changes

The proposed changes to the Rules of Procedure included in the meeting package raise two areas of concern. First, it is difficult to determine exactly what the changes are that are being proposed. While the summary information leads one to believe the proposed changes are minor in nature, a closer inspection indicates the changes are more extensive. EEI requests that NERC provide a clearer red-line version of the proposed changes.

Second, it appears one of the proposed changes involves a proposal to impose monetary penalties for failures to comply with the Rules of Procedure. Stakeholders offered comments two months ago on a first batch of proposed changes to the Rules of Procedure, including this issue. Since Section 215 provides that the Electric Reliability Organization may impose monetary sanctions only for violations of FERC-approved reliability standards, numerous comments raised questions on the legality of such action and also asked for clearer explanations of the drivers for these changes. Based on the MRC agenda item, it

appears that the proposal to impose penalties is still in proposed Rules of Procedure and that the Board of Trustees will be asked to approve them at their February 2012 meeting. Should the Board of Trustees ultimately approve the changes, we expect to challenge their legality in comments in any FERC proceeding where decisions on them are made. We also urge NERC to have greater transparency in making clear the reasons for proposed changes, how stakeholder comments are addressed, and the proposed changes.

EEI asks that NERC provide a practical explanation for its proposal. Then, EEI can offer alternative constructive solutions and avoid challenging NERC at FERC on the law.

Spare Equipment Database

EEI supports the work of the NERC Spare Equipment Database Task Force (SEDTF) and the recommendations made in the Task Force Report regarding implementation and voluntary participation in a database for the purposes of facilitating communication and potential exchange of spare equipment between Transmission and Generation Owners in the case of a High Impact Low Frequency event. As currently proposed, the NERC SEDTF will provide value without being overly burdensome on participants and will adequately protect sensitive information. We encourage NERC to continue to ensure that the database purpose and use remains limited to that which is outlined in the Report and that the confidentiality of the information contained in the database be maintained at the highest possible level.

We appreciate the opportunity to provide these comments and look forward to actively discussing the issues next week in Atlanta.

**UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION**

North American Electric Reliability Corporation)

Docket No. RC11-6-000

**MOTION TO INTERVENE AND COMMENTS OF THE EDISON ELECTRIC
INSTITUTE, THE AMERICAN PUBLIC POWER ASSOCIATION, ELECTRICITY
CONSUMERS RESOURCE COUNCIL, THE NATIONAL RURAL ELECTRIC
COOPERATIVE ASSOCIATION, THE TRANSMISSION ACCESS POLICY STUDY
GROUP, THE ELECTRIC POWER SUPPLY ASSOCIATION AND THE LARGE
PUBLIC POWER
COUNCIL**

The Edison Electric Institute (“EEI”), the American Public Power Association (“APPA”), the National Rural Electric Cooperative Association (“NRECA”), the Transmission Access Policy Study Group (“TAPS”), the Electricity Consumers Resource Council (“ELCON”), the Electric Power Supply Association (“EPSA”) and the Large Public Power Council (“LPPC”) (collectively referred to as the “Trade Associations”) submit this joint and several motion to intervene and comments in support of the Petition filed by the North American Electric Reliability Corporation (“NERC”) on September 30, 2011, in this docket asking the Federal Energy Regulatory Commission (“FERC” or “Commission”) for approval of NERC’s proposed new enforcement mechanism known as Find, Fix Track and Report (“FFTR”).¹

JOINT AND SEVERAL MOTION TO INTERVENE

Pursuant to Rules 212 and 214 of the Commission's Rules of Procedure, the Trade Associations move to intervene in this proceeding.

EEI is the association of the nation’s shareholder-owned electric utilities, international affiliates, and industry associates world-wide.

¹ Petition Requesting Approval of New Enforcement Mechanisms and Submittal of Initial Informational Filing Regarding NERC’s Efforts to Refocus Implementation of its Compliance Monitoring and Enforcement Program, Docket No. RC11-6-000 (“the Petition”).

APPA is the national service organization representing the interests of more than 2,000 not-for-profit, publicly owned electric utilities throughout the United States.

NRECA is the not-for-profit national service organization representing approximately 930 not-for-profit, member-owned rural electric cooperatives, including 66 generation and transmission cooperatives that supply wholesale power to their distribution cooperative owner-members.

TAPS is an association of transmission-dependent utilities in more than 30 states, promoting open and non-discriminatory transmission access.

ELCON is the national association representing large industrial users of electricity.

EPSA is the national trade association representing competitive power suppliers, including generators and marketers. These suppliers account for 40 percent of the installed capacity in the United States.

The Large Public Power Council represents 25 of the largest state-owned and municipal utilities in the nation, reflecting the views of the larger, asset owning members of the public power community.

The Trade Associations meet the requirements of Rule 214(b) for intervention. Many of the Trade Associations' members are users, owners, and operators of the bulk-power system and are subject to the Reliability Standards established by NERC, acting as the Commission-certified Electric Reliability Organization ("ERO"), and will be subject to the enforcement mechanisms that are the subject of the Petition. Therefore, the Trade Associations are interested parties with respect to this docket. The Trade Associations' respective members will be directly impacted by the outcome of this proceeding and cannot be adequately represented by another party to the proceedings. The intervention of the Trade Associations is in the public interest. Accordingly,

the Trade Associations respectfully request that the Commission grant their joint and several motion to intervene.

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COMMENTS**Executive Summary**

The Trade Associations strongly support NERC’s decision to revamp how it deals with Possible Violations of reliability standards that pose a lesser risk to the bulk power system (“BPS”). NERC’s Petition for approval of new compliance enforcement mechanisms outlines a promising new strategy to differentiate among and address compliance issues according to their significance to the reliability of the BPS. While all Possible Violations will continue to be found, fixed, tracked and reported to Regional Entities, NERC and the Commission, lesser risk issues that have been corrected (*i.e.*, already mitigated/fixed-in-the-field by the registered entity) will be presented as Remediated Issues in a Find, Fix, Track and Report (“FFTR”) spreadsheet that will be submitted to the Commission in a monthly informational filing.

The Trade Associations strongly support NERC's proposal to exercise discretion in dealing with lesser risk enforcement matters and urge the Commission to accept NERC's petition as a well-designed first step in recognizing a significant and growing problem of resource misallocation in the ERO compliance and enforcement program. Minor administrative, documentation-related, and other violations that pose a lesser risk to reliability need to be addressed quickly and simply, so that NERC, the Commission and the industry can refocus their attention on actual and potential reliability issues, including but not limited to significant violations of reliability standards, that pose a significant risk to reliable operation of the BPS.

The Trade Associations support NERC's analysis that its FFTR proposal is consistent with the Commission's regulations and prior orders, NERC's Rules of Procedure and Commission policies on enforcement discretion. For example, all possible violations will be timely reported to the Commission, as required by 18 CFR Part 39.7(b). All Possible Violations will be identified and mitigated and will become part of the registered entity's compliance history.

NERC's proposal to submit six-month and twelve-month reports on its progress implementing the FFT proposal will provide evidence on the tangible experience of registered entities, NERC and Regional Entities. The initial NERC informational filing in mid-2012 will provide specific information on the status of FFTR and feedback on whether FFTR has begun to shift NERC, Regional Entity and industry resources by increasing the efficiency and effectiveness of documenting compliance and handling minor enforcement matters. The Commission should also consider convening a policy-level technical conference to address the broader goals, priorities, cost impacts, and practical challenges for NERC compliance and enforcement.

The Commission Should Approve the FFTR as a Promising New Approach

The Trade Associations believe that the FFTR approach provides an effective means to handle the preponderance of NERC violations that have little or no impact on the reliability of the BPS. Registered entities are now overwhelmed by the demands of the compliance and enforcement “administrivia” associated with demonstrating compliance with many of the NERC standards. Such minor violations should be resolved quickly and simply so that personnel may devote the substantial resources now dedicated to handling these issues to matters that have a greater impact on BPS reliability. The Trade Associations believe that the FFTR proposal can serve as one remedy for this serious and growing problem and provide a means to re-focus resources on issues more important to BPS reliability.

On a consolidated basis, NERC and the regions propose to spend in 2012 approximately \$92 million on compliance and enforcement activities, almost 45% of the consolidated ERO budget. The current enforcement backlog of over 3,000 pending violations is growing. The average processing time for a NERC violation is not known with precision; however, the Trade Associations understand that it is not unusual for many minor enforcement matters to require two years to reach the Commission as filed Notices of Penalty.

The registered entity resources required to satisfy the broad range of compliance documentation and enforcement-related paperwork and other administrative demands are without doubt several multiples of the consolidated NERC spending. These expenditures include preparation for and participation in compliance audits and spot checks, self-reporting and mitigation plan development and management, violations settlement discussions and negotiations, and a broad range of other compliance monitoring, reporting and data submittals, and the attendant paperwork flow management and coordination within registered entities. The

work requires the involvement of field operations and maintenance personnel, technical subject matter experts, compliance program management, attorneys, outside consultants, and in some cases, senior management. This rough estimate does not include capital expenditures, or operating and maintenance expenses, required to plan and operate the bulk power system, but only the registered entity managerial and administrative overhead expense that supports NERC compliance and enforcement processes. FFTR is an important first step to ensure that the substantial resources devoted to compliance demonstration and enforcement are targeted on those matters that pose the greatest risk to the reliability of the BPS. This approach will better ensure the more effective deployment of NERC's compliance and enforcement resources.

Trade Associations also strongly support NERC's proposal to submit informational reports in six months and twelve months. Those reports will provide specific information on the status of FFTR implementation, and should be structured to enable the Commission and stakeholders to assess the effectiveness of the FFTR tool, its impact on NERC and industry costs, and whether the FFTR tool is yielding a reduction to the compliance violation backlog. The informational filings should also provide information to allow the Commission and stakeholders to understand how the Regional Entities are implementing FFTR. The informational reports will also provide a timely opportunity to identify any mid-course changes to NERC's plans needed to ensure that FFTR achieves its objectives.

Finally, in its filing in this docket, NERC also proposes additional work phases to address other issues in compliance and enforcement. The Trade Associations strongly agree that a broad range of work is needed, and recommend that the Commission convene a technical conference next year to address policy level issues. We outline our concerns and objectives below – but submit that these technical and policy issues are beyond the scope of the actual proposal and any

approvals that may be before the Commission in the instant filing. These long term improvements to NERC's compliance and enforcement program are more properly the subject of a new Commission proceeding, noticed as an AD docket, in which NERC, industry stakeholders, and the Commission can engage in an open dialogue on the direction of the NERC compliance and enforcement program.

Throughout 2009, stakeholders engaged both the Commission and NERC to discuss the problem in standards development that "everything is a priority." Significant efforts have been underway since that time to better define priorities for standards development, and the Commission has expressed general support that such efforts are both needed and timely. Now, NERC rightly has begun to address a similar prioritization issue from the perspective of compliance and enforcement. The present approach of more or less equal treatment of all violations, and the full enforcement of each and every violation under the process that has been developed and practiced to date, in effect creates an inefficient, unsustainable, costly, and unnecessary policy for compliance with the Commission-approved standards.

A Commission technical conference should address the range of policy issues and help focus the scope and content of subsequent NERC work plans and proposals for this core NERC program. We believe that such a technical conference should focus on how compliance and enforcement programs can be designed to create incentives for improved performance, avoid creating distractions for personnel and resources to cover matters largely irrelevant to reliability, address potentially unsustainable compliance-related costs, and ensure efficient program administration. Given the nature of the problem, the attention provided to standards development prioritization last year, and the costs involved, we believe that there is significant merit for using a technical conference process to address compliance and enforcement policy

issues. We envision that such a conference would include the involvement and participation of senior executive officers.

The Trade Associations Support Opportunities for Open Discussion of the FFTR Proposal

Given that the FFTR proposal impacts all users, owners, and operators of the bulk-power system and could result in a shift in the overall approach to NERC enforcement, the free exchange of ideas and concerns by industry participants with the Commission and its staff is essential. Indeed, the proposed FFTR procedure will be a significant topic of discussion at the NERC Board of Trustees (BOT) meetings, including many attended by Commissioners and Staff. The application of the *ex parte* rules to the FFTR proposal would prevent the free flow of information necessary for the Commission to adequately consider the FFTR proposal. The Trade Associations understand that the Commission will issue appropriate notice of the NERC BOT meetings so that Commissioners may participate without excusing themselves from discussion of the FFTR proposal. The Trade Associations appreciate this recognition of the importance of open discussion of the proposal. The Trade Associations also support the Commission considering other opportunities for discussion of FFTR. This may include the upcoming technical conference scheduled for November 29 and 30. By making this suggestion, the Trade Associations do not intend in any way to delay the Commission's consideration and hoped-for approval of the FFTR proposal.

CONCLUSION

For these reasons, the Trade Associations request that the Commission grant the Petition, recognizing the FFTR process as an important new approach to improve the compliance process

to redirect resources to the most important risks to reliability and hold a technical conference next year to discuss progress in achieving that goal.

Respectfully submitted,

/s/ Signed

EDISON ELECTRIC INSTITUTE

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October 21, 2011

Certificate of Service

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding in accordance with the Commission's Rules.

Dated at Washington, D.C. this 21st day of October, 2011.

*/s/ Barbara A. Hindin*_____

Barbara A. Hindin
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Policy Input to the NERC BOT and MRC – October 24, 2011

The Electricity Consumers Resource Council (ELCON) is pleased to offer the following policy input to the NERC Member Representatives Committee and the Board of Trustees.

In addition to the specific replies to issues listed by NERC Chairman John Q. Anderson, ELCON raises two high-level concerns:

1. Large industrial electricity consumers need a reliable supply of electricity, but it must be at competitive prices. Increasingly, compliance with the growing numbers of NERC standards requires tremendous quantities of resources. NERC must find a way to balance compliance to necessary standards with consumer costs.
2. While entities required to be in compliance with NERC standards want clear and concise standards, increasingly they are concerned that NERC staff, rather than industry stakeholders, are making determinations that in essence become mandatory actions. The approved ANSI-approved standards development process should be followed to the greatest degree possible.

Responses to specific issues raised in Chairman Anderson's letter:

- **Compliance Enforcement Initiative (BOTCC-2 and MRC-9)** – ELCON joined with other trade associations in a FERC filing strongly urging FERC approval of NERC's decision to revamp how it deals with Possible Violations of reliability standards that pose a lesser risk to the bulk power system. Registered entities are now overwhelmed by the demands of the compliance and enforcement "administrivia" associated with demonstrating compliance with many of the NERC standards. ELCON agrees with the other trade associations that the "Find, Fix, Track and Report" (FFTR) proposal can serve as one remedy for this serious and growing problem and provide a means to re-focus resources on issues more important to BPS reliability.
- **Compliance Application Notices – Status (MRC 10)** – Initially, ELCON was a strong advocate and supporter of the CANs process. However, we have become very disappointed with the results. We hoped that positive fixes were on the way, but have not yet seen them. There is very broad industry concerns with the CANs process. ELCON is working with other industry stakeholders to develop a procedure that will provide necessary guidance, respond to industry concerns, and minimize costs.
- **Status of CIP Standards Version 4 and 5 Implementation Plans (MRC-11):** -- The implementation of the CIP standards has become very complex including duplication of effort and backwards looking compliance requirements – thus raising serious resource and cost issues. There is very broad industry concern with how the standards are being implemented. ELCON is working with other industry stakeholders to develop an

implementation plan that will minimize costs while providing guidance and minimizing costs..

- **Bulk Electric System (BES) Definition and Rules of Procedure (MRC 12)** – ELCON is generally pleased with the outcome of what is now called Phase I of the BES Definition project (NERC Project 2010-17), and we urge the Board to endorse the drafting team's product without qualification. We continue to feel strongly that technical criteria, assumptions or metrics used in definitions or standards be based on sound technical analysis that has been thoroughly vetted by the industry. For example, the continued use of the 20/75-MVA generation thresholds in the BES definition and Statement of Compliance Registry Criteria remains problematic. We urge the Board to reaffirm its unqualified support for Phase II and for the Phase II drafting team to complete its work expeditiously.

**NERC Board of Trustees
Atlanta, Georgia
November 3, 2011
Policy Input of the Electric Power Supply Association**

On behalf of its member companies, the Electric Power Supply Association (“EPSA”)¹ appreciates the opportunity to provide policy input in advance of next week’s NERC Member Representatives Committee (“MRC”) and Board of Trustees (“BOT”) meetings in Atlanta Georgia. EPSA commends the MRC leadership, the BOT and NERC management for recognizing the value of stakeholders’ policy input in advance of the MRC and BOT meetings and how that input can play an important role in NERC’s successful evolution as the Electric Reliability Organization (“ERO”).

MRC Chair Bill Gallagher provided in his October 6 letter to BOT Chair John Q. Anderson five policy issues for which the BOT seeks comment. Herein, EPSA responds to the policy issues highlighted by the BOT Chair Anderson. Generally the theme of the EPSA comments remain similar to what was communicated to the BOT in preparation for the Vancouver meeting. NERC as an organization should be focused on material programs and processes that increase the ERO’s efficiency and effectiveness, as attested to by material evidence that supports these programs and processes. The new compliance and enforcement initiative is such a program. However, EPSA is concerned that the multitude of new compliance “guidance” initiatives create duplicative processes and confusion that may in fact undermine efficiency and limit the ERO’s effectiveness.

Compliance Enforcement Improvement Initiative

The ERO petitioned the Federal Energy Regulatory Commission (“FERC”) regarding new initiatives that will increase the efficiency of compliance enforcement. EPSA along with the other industry trade associations supported the NERC petition in October 21 comments to FERC. As was highlighted in the October 6, BOT policy input letter the thrust of this initiative is to reduce the violation caseload in light of heightened concerns from both industry and regulators

¹ EPSA is the national trade association representing competitive power suppliers, including generators and marketers. Competitive suppliers, which, collectively, account for 40 percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities serving power markets. Each EPSA member typically operates in four or more NERC regions, and members represent over 700 registered entities in the NERC registry. EPSA seeks to bring the benefits of competition to all power customers. The comments contained in this filing represent the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue.

over the growth in the backlog for minor administrative violations. In the FERC pleading EPSA and the other trade associations supported the need for increased efficiency for compliance demonstration. Moreover, the trades expressed their joint support for the ERO addressing this issue and submitting the petition to the Commission. In addition, the associations sought clarity regarding ex-parte concerns and a technical conference to discuss the progress of the initiative publicly.

EPSA has urged the Commission to act favorably on the petition so that the Find, Fix, Track and Report (“FFTR”) process can advance, furthering the efficiency of the compliance process. The new mechanism should serve as an impetus to improve the compliance and enforcement process and allow for more focus on issues that have the greatest impact on reliability. The pursuit of such improvements to the compliance and enforcement program is appropriate and should continue to be stressed. Managing compliance and enforcement is necessary for the ERO to meet its core mission and is further strengthened and defined by such changes.

Compliance Action Notices (CANs)

The Vancouver meeting highlighted a need to revisit the Compliance Application Notice (“CAN”) process to both rewrite CANs Process Document and the CANs issued thus far. EPSA appreciates this commitment to improve CANs and the CANs process. Much as has been documented already to date, industry continues to support the need for compliance guidance within the bounds of existing Standards. Unfortunately, since the inception of the CANs, EPSA members have found that the process and a small number of certain CANs go beyond the bounds of existing Standards.

The CANs process has the potential to appropriately provide guidance to assist company compliance efforts. However, because the process is new and still evolving, there are steps that need to be taken to strengthen the CANs process so that a CAN does not become final unless the CAN provides guidance that is within the bounds of Standards. To assist in that evolution EPSA provides the following recommendations:

(1) As an initial matter and as previously pointed out by EPSA, CANs function as supporting documents under NERC’s Rules of Procedure (“ROP”), but are not currently recognized as such. Recognizing them as supporting documents would align CANs with the existing ROP and increase clarity regarding how CANs fit with Standards. EPSA has recently submitted a letter to the NERC General Counsel about this issue (attached).

(2) CANs that have been reviewed and raise no concerns that they go beyond the bounds of existing Standards should be deemed as final and used as guidance. CANS that require a greater level of review should either be held in abeyance until

that review is completed or slated for the Standard rapid repair process. This would ensure that the majority of draft CANs are made final in a timely manner. These CANs would become quickly available to Compliance and Enforcement Authorities (“CEAs”). In addition, this process would provide sufficient due process while also identifying and providing for needed standard revision.

Status of CIP Standards Version 4 and 5 Implementation

EPSA members recognize the importance of Critical Infrastructure Protection (“CIP”) Standards because the Standards not only address reliability but security issues. The importance of CIP Standards highlights the need to quickly update and improve them. However, the quick pace of CIP Standard drafting has led to two different but concurrent versions that will need to be implemented almost simultaneously. The implementation of different versions over a short period of time creates significant challenges and confusion for industry.

In the spirit of the new compliance and enforcement initiative, there needs to be attention given to how these two versions can be implemented efficiently and reasonably. Given the open-ended questions about CIP 4 and 5 implementation, EPSA members encourage further dialogue among the ERO, Regions and Industry without delay to ensure successful CIP version 4 and 5 implementation.

Proposed New Rules of Procedure

As EPSA stated in its August policy input, the current taxonomy for determining changes for programs, processes and rules should raise and address material problems without undermining ERO efficiency. To ensure efficiency the BOT should be provided with material evidence for any changes considered prior to approving them. ROP changes should all be evaluated based on their material support and ability to increase ERO efficiency. One benchmark for determining adequate support is stakeholder comments. The BOT should ensure that comments are appropriately addressed before approving ROP changes.

The following is from the EPSA August policy input and remains relevant to the questions posed in BOT Chair Anderson in his October letter:

NERC has posted draft ROP revisions for sections 400, 1002 and 1502 that propose to simplify documents, make for more consistent use of defined terms, move provisions to different sections or consolidate sections, provide greater consistency among different documents that address the same topic and create conforming cross references. Additionally, the proposed changes create new authorities to fine entities for not responding to data requests and increase penalties for violations if the entity engages in “frivolous or dilatory action” during a hearing.

EPSA supports efforts to clean up the ROP by making the language more efficient and concise. However, EPSA is concerned about resources being expended on new ROP proposals that address infrequent and immaterial issues.

The new ROP proposals have been characterized during their rollout as rules that will be used infrequently because data requests generally are responded to and hearings occur without delay. Therefore EPSA is concerned that precedent-setting proposed ROPs address items that rarely happen and are not significant. In light of recent ERO priority and resource discussions, making immaterial ROP changes for infrequent events justifies EPSA's concern. New rules should be considered only if there is sufficient justification for the changes. Moreover, the ERO should be focused on material priorities.

Sincerely,

/s/

Jack Cashin

Director, Regulatory Affairs

Electric Power Supply Association



Electric Power Supply Association
*Advocating the **power** of competition*

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October 25, 2011

David N. Cook
Senior Vice President & General Counsel
North American Electric Reliability Corporation (NERC)
1120 G St. NW, Suite 990
Washington, DC 20005

Dear David,

The Vancouver Board meeting highlighted the Compliance Action Notice (CAN) program and the need to revisit the program and associated processes. As NERC is in the process of revising the CANs program to increase its effectiveness while increasing Standard guidance and information in accordance with Commission Order No. 693, EPSA has comments for your consideration.

EPSA has found while examining the CANs process that there are potential implications for the NERC Rules of Procedure (ROP). These implications often prompt issues that go beyond specific CANs and the CANs process, suggesting the need for potentially revisiting and changing the NERC ROP. Specifically, it appears that the current NERC ROP views CANs as supporting documents for Standards. We would appreciate your views and any clarification you can offer on this interpretation.

From the NERC ROP, (Appendix 3A - of the Standards Process Manual, page 39 (attached)) the definition of "supporting documents" appears to apply to CANs for the following reasons:

1. The NERC Web page for CANS states: "CANS have two purposes: to provide transparency to industry on how an ERO auditor will apply compliance criteria to a NERC Reliability Standard and to establish consistency in the application of compliance criteria across all regions." See <http://www.nerc.com/page.php?cid=3|22|354>.
2. The July 8, 2011 Compliance Application Notice Update states - that "A CAN is not a Reliability Standard or an Interpretation of a Reliability Standard. Further, a CAN cannot modify or change an Interpretation or Reliability Standard." (p. 5) See http://www.nerc.com/files/CAN_Process_Update_20110708.pdf.

3. Appendix 3A (p, 39.) describes supporting documents: "These documents may explain or facilitate implementation of standards but do not themselves contain mandatory requirements subject to compliance review. Any requirements that are mandatory shall be incorporated into the Standard in the Standard development process." This description matches the purpose of CANs. Furthermore, CANs align with the definitions for two of the examples of supporting documents found in the table on p. 39 of the Standards Process Manual:

- Guideline: Recommended process that identifies a method of meeting a requirement under specific conditions.
- Reference: Descriptive, technical information or analysis or explanatory information to support the understanding and interpretation of a reliability standard. A standard reference may support the implementation of a reliability standard or satisfy another purpose consistent with the reliability and market interface principles.

Properly, these two types of supporting documents are consistent with the Commission's assertion that "(NERC) needs to provide more information and guidance to registered entities concerning compliance and enforcement process" (FERC Order on NERC Three-Year Assessment). As CANs fulfill each of these functions, they should be interpreted to be supporting documents.

Much of the Vancouver discussion on this issue addressed the lack of clarity regarding CANs and their relationship with both Standards and Standard Interpretations. If CANs are recognized specifically as Standard supporting documents, how CANs relate to Standards becomes better defined regarding how they should be used by Compliance Enforcement Authorities (CEAs). Moreover, using CANs as supporting documents would alleviate due process concerns that have been expressed in CANs discussions.

As CANs are on the Atlanta Board of Trustees (BOT) agenda, EPSA believes further clarity is necessary on this issue. Consequently, your thoughts on the questions and issues raised in the letter are appreciated.

Please call if you have any questions.

Sincerely,



Jack Cashin, Director of Regulatory Policy

Cc: Gerry W. Cauley, President and Chief Executive Officer of NERC
Herb Schrayshuen, Senior Vice President & General Counsel of NERC
Mike Moon, Compliance Operations of NERC

NERC Sector 4 – Federal or Provincial Utility
Policy Input to NERC Board of Trustee Request of October, 2011
October 24, 2011

The North American Electric Reliability Corporation (NERC) Sector 4 members appreciate the opportunity to provide written input to the NERC Board of Trustees. Sector 4 held a conference call among its members to discuss the request for policy input and shared several emails to coordinate this input.

1. Compliance Enforcement Improvement Initiatives

Sector 4 members support a goal of improving compliance enforcement and look forward to engaging with NERC and industry to develop and implement improvements. Sector 4 supports the recent FERC filing outlining NERC's approach to Possible Violations that pose lesser risk to the bulk power system. In particular, the improvements should reduce administrative activities that are unrelated to the reliability of the BES. The reductions and improvements should be for both NERC and industry workload, and ultimately focus efforts on critical high priority issues.

2. Compliance Application Notices in the Context of Standards and Interpretations Development

Sector 4 appreciates the effort and priority that NERC staff is placing on developing CANs in an effort to provide more consistency and transparency. As we stated in our previous comments, we view the development of CANs as only a stopgap measure that has the potential to provide considerable risk to industry and NERC, especially if the CAN conflicts with current industry approach and understanding of standard requirements. Also, because the CAN is not an official interpretation, any compliance violations that may result from the use of a CAN may not be recognized in some jurisdictions. Sector 4 appreciates NERC's recognition of industry's concerns, and the discussion at the August MRC and Board meetings. In fact, recent CAN changes now properly assign applicability to the Compliance Enforcement Authority. We also look forward to additional improvements that would result in CANs being used as guidance rather than rigid requirements and interpretations. We would also recommend that NERC provide written feedback to industry on why some industry comments are not acted upon.

3. Status of CIP Standards Version 4 and 5 Implementation Plans

Staging and timing of Version 4 and 5 implementation is critical, and efforts should be taken to reduce duplication of effort and unnecessary investment that could result from premature implementation of Version 4.

NERC Sector 4 – Federal or Provincial Utility
Policy Input to NERC Board of Trustee Request of October, 2011
October 24, 2011

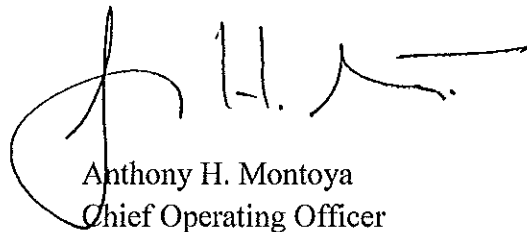
4. MRC BES/ALR Policy Issues Task Force Report to the Board

Sector 4 members support the efforts of the Bulk Electric System (BES) Standard Drafting Team (SDT) activities related to BES/ALR and their efforts to continue work to resolve this.

5. NERC Rules of Procedure Changes

Sector 4 is concerned that ROP's could be used to create mandatory requirements that are outside of the standard development and enforcement process. Specifically, Sector 4 is concerned with Section 414, "Imposition of Fines for Failure to Provide Information Requested Pursuant to the Rules of Procedure", whereby fines unrelated to Electric Reliability Standard enforcement are being contemplated. The establishment of requirements and fines, outside of the Standard development and enforcement process could create serious jurisdictional problems for Sector 4 members. Sector 4 Canadian Provincial Utility representatives encourage the NERC Board to consider comments being provided by the Canadian Electricity Association for additional input on this policy issue.

On behalf of the NERC Sector 4 Members -
Sincerely,

A handwritten signature in black ink, appearing to read 'A. H. Montoya', with a large, stylized initial 'A'.

Anthony H. Montoya
Chief Operating Officer
Western Area Power Administration

ISO/RTO Council's (IRC) Policy Input to Board of Trustees ***(Ref. MRC Agenda Items 9, 10, 11 and 15)***

MRC Agenda Item 9 – Compliance Enforcement Initiative

The ISO/RTO Council (IRC¹) supports NERC's request that FERC approve the Find, Fix, Track and Report (FFTR) initiative in its Compliance Monitoring and Enforcement Program (CMEP) as outlined by NERC. The IRC supports NERC's objective of streamlining the processing of possible violations that pose lesser risks to the bulk power system, and supports the use of the FFTR mechanism as a means to achieve that objective.

The IRC agrees with NERC that the FFTR initiative represents "a more flexible approach to enforcing compliance in a manner that truly fosters enhanced reliability rather than draining resources on minutia" while providing "for systematic NERC tracking of region- and industry-wide trends in possible violations/issues to ensure continued reliable operations and compliance with standards...."

The IRC have proposed recommendations in two areas:

1. FERC require NERC to use the NERC stakeholder process in its preparation of the six-month and one-year reports on the initiative, providing an opportunity for public review of those reports once filed.
2. FERC remand the proposed entity risk assessment initiative to NERC, and direct NERC to fully develop that initiative's components and process with industry input.

The IRC finds the entity risk assessment components presented by NERC in its petition to be both vague and subjective, and the manner in which the components are evaluated to be non-transparent. This creates a significant possibility that a Registered Entity may be unfairly saddled with a "risky" reputation without a means to even understand, much less challenge, the manner in which that degree of risk was determined.

¹ The IRC is comprised of the Alberta Electric System Operator ("AESO"), Electric Reliability Council of Texas ("ERCOT"), the Independent Electricity System Operator of Ontario, Inc. ("IESO"), ISO New England, Inc. ("ISO-NE"), Midwest Independent Transmission System Operator, Inc. ("Midwest ISO"), New York Independent System Operator, Inc. ("NYISO"), PJM Interconnection, L.L.C. ("PJM"), Southwest Power Pool, Inc. ("SPP") and New Brunswick System Operator ("NBSO").

Further development of the entity risk assessment components and process, with industry input, is therefore needed to ensure that objective and transparent criteria are in place that will permit conduct of the assessments in a fair, objective, and reviewable manner. Given the potential impact to Registered Entities' compliance posture and liability exposure, the rights and obligations and impact must be fully understood and the process must be completely transparent before it is put into effect. Moreover, FERC should require the addition of a process that will afford Registered Entities an opportunity to challenge their assigned risk levels.

MRC Agenda Item 10 – Compliance Application Notices – Status

The IRC previously commented on its concern that the Compliance Application Notices were imposing new requirements as part of their guidelines to Compliance Enforcement Agents. NERC President Gerry Cauley at the August 3, 2011 Board of Trustees meeting agreed with the concern and indicated that he would initiate revisions to selected CANs to remove requirement language such that CANs contain guideline language and provide examples for evidence only.

These comments are directed towards the revised CANs posted subsequent to Mr. Cauley's statement.

IRC's Comments

The IRC recognizes significant improvement in a number of revised CANs since Mr. Cauley's declaration and thanks Mr. Cauley for his support in this area. The IRC however still finds that some CANs contain or imply requirements not stipulated in standards, and therefore require additional revision to remove such language.

The IRC reiterates its support of a CAN Process that is implemented consistent with the limited intent and scope that recognizes that:

1. The CAN Process is not meant to address "gaps and ambiguities" in the approved standards, and that CANs shall not introduce any new standard, requirement or measure not explicitly mandated by a given standard
 - a. CANS must not be used to implement rights and obligations, policies, best practices or NERC's subjective belief of what is required by a standard where any of the foregoing exceed the scope of the standards;
 - b. CANS must not be used to close perceived "gaps" in standards;

- c. CANS are intended to achieve consistency among auditors with respect to compliance assessments; and should be limited to identifying non-exclusive guiding principles for determining “safe-harbour” evidence that is acceptable to demonstrate compliance (i.e. not defining the one and only measurement of piece of evidence, just guidelines for evidence that if met will demonstrate compliance)
 - d. CANS are temporary CMEP administration aids to facilitate consistent CMEP results that will expire if and when the underlying issue is addressed by an interpretation and/or standard revision implemented through the FERC approved standards development process.
- 2. The CAN Process is a NERC-staff initiative and not part of the Standards Development Process and therefore not enforceable.
 - 3. A CAN must not impose data retention or measures that begin BEFORE the effective dates given in the FERC and Canadian authorities’ approvals.
 - 4. A CAN must not contain language indicating a “possible compliance violation”; a “non-compliance” finding; or a “compliance” finding based on the contents of the CAN. Such language should be removed before any CAN is considered final.

MRC Agenda Item 11 – Status of CIP Standards Version 4 and 5 Implementation Plans

Version 3 of the CIP standards is in effect and the implementation of those standards is well underway. Many entities are already fully responsible for compliance with these standards, while others may still be in implementation. The new Version 4 standard changed the identification requirements for Critical Asset identification from the Risk-Based Assessment Methodology of the Version 3 to a newly established set of “Bright Line” criteria in CIP-002-4. Changes within CIP-003 to CIP-009 V4 are only “conformance changes” to coordinate with the changes in CIP-002-4. FERC has issued a NOPR for comment on their proposal to approve Version 4. A primary concern with the NOPR proposals is that FERC proposes to direct NERC to make the implementation plan for Version 4 a firm “deadline” for implementation. This may be problematic in that entities must remain fully compliant with Version 3 until Version 4 is fully “mandatory and enforceable”. There may be significant differences between the Critical Assets (and, thus, the Critical Cyber Assets) identified in Versions 3 and 4. The entities must carefully bookend compliance for all Critical Assets and Critical Cyber Assets with both versions under the new CIP standards.

These concerns become even more complex when the proposed timeline for CIP Version 5 is considered. The present Version 5 development timeline calls for posting for a concurrent 60 day comment and ballot period beginning in early November 2011. Successive and recirculation ballots are planned for the first half of 2012 as needed, with an anticipated filing of Version 5 with FERC in the third quarter of 2012.

There are significant concerns with the overlap of implementation plans. The implementation of the presently mandatory Version 3 standards, the Version 4 Implementation plan, depending upon the FERC approval (NOPR has been issued), with a resultant Version 4 mandatory status possibly effective even before the completion of all implementation of Version 3, and a possible Version 5 Implementation plan beginning even before Version 4 is fully mandatory and implemented and Version 5 mandatory status beginning even before the completion of the mandatory implementation of Version 4. All of these overlap with the required Audit/Compliance Period for the present cycles and on into the "Next" Audit Cycle.

Unnecessary complexity exists in such a moving implementation. Great care and attention will be required as Registered Entities transition from Version 3 to Version 4, and then subsequently move from Version 4 to Version 5; with overlapping requirements of each.

It is not difficult to postulate the possibility that some Critical Assets may be identified under the bright line criteria of Version 4 that were not identified under the risk-based assessment methodology of Version 3; or even vice versa. Version 5 modifies the bright line criteria by adding different tiers of Critical Assets. Thus, this presents a very complicated and complex set of tasks and demonstration of compliance for differing standards' requirements.

FERC should be encouraged not to make the Implementation Plan of Version 4 a mandatory deadline, given the uncertainties of the development of Version 5 of the CIP standards. The Implementation Plan should be established with flexibilities to coordinate with requirements of Version 5. Perhaps, given the overlapping of the various Implementation Plans, it would be much better and result in less possibility of gaps, if the Implementation of Version 4 were not required, given the very near future of Version 5 requirements.

MRC Agenda Item 15 – Rules of Procedure Changes

For this and future Rules of Procedure (RoP) changes, it would be helpful if NERC would communicate the reasons for the proposed change prior to posting them for comment.

Based on our extensive experience with filing Tariff/Market Rule changes with regulators, NERC should vet concepts regarding RoP changes because:

- a. NERC could use its resources more efficiently. If NERC personnel would first present for discussion RoP concepts and take time to understand areas of agreement/disagreement, and tailor accordingly, then less time needs to be spent drafting RoP changes that are later deemed unnecessary or unwise, but only after having received comment.
- b. Stakeholders could use their resources more efficiently. When Stakeholders are not first briefed on the concepts of the proposal, and the problems the proposal is aiming to solve, it is very difficult to know how to effectively review and comment. This problem is exacerbated when NERC publishes for comment documents several hundred pages long.
- c. Any disagreements will be identified clearly & early. To the extent there is disagreement, it is clearly understood and not the result of misunderstanding. This will facilitate and expedite Regulators' review of the proposed changes.

The EAct mandated commenting periods for changes to the ERO's rules. We believe the reason for this was to ensure industry input was considered. Understanding the problem to be solved before asking Stakeholders to critique a proposed solution would enable targeted, informed comments and more efficient use of resources.



MEMORANDUM

To: John Q. Anderson

From: Bill Gaines, Director of Utilities and CEO, Tacoma Utilities, on Behalf of the Large Public Power Council

Subject: October 6, 2011 Letter Requesting Input

Please be advised that on behalf of the Large Public Power Council ("LPPC"),¹ I have reviewed and concur in the response submitted today by the State and Municipal Utility Sector to your October 6, 2011 letter requesting input in advance of the upcoming Members Representative Committee and NERC Board meetings.

¹ LPPC represents 25 of the largest state and municipal utilities in the nation, with members that own approximately 90% of the transmission assets owned by non-federal public power utilities. The council's members are listed below.

Austin Energy (TX) • Chelan County PUD (WA) • CPS Energy (TX) • Clark Public Utilities (WA) • Colorado Springs Utilities (CO)
IID (CA) • JEA (FL) • Long Island Power Authority (NY) • Los Angeles Department of Water and Power (CA) • Lower Colorado River Authority (TX)
MEAG Power (GA) • Nebraska Public Power District (NE) • New York Power Authority (NY) • Omaha Public Power District (NE) • OUC (FL)
Platte River Power Authority (CO) • Puerto Rico Electric Power Authority (PR) • Sacramento Municipal Utility District (CA) • Salt River Project (AZ)
Santee Cooper (SC) • Seattle City Light (WA) • Snohomish County PUD (WA) • Tacoma Public Utilities (WA)



POLICY INPUT TO NERC BOARD OF TRUSTEES

NOVEMBER 3, 2011

Pursuant to the NERC Board of Trustee's request for policy input from the NERC Member Representative Committee for the upcoming November 3, 2011 meeting, the Midwest Reliability Organization ("MRO") Board of Directors respectfully submits the following for consideration by the NERC Board of Trustees.

Compliance Enforcement Improvement Initiatives (BOTCC-2 and MRC-9)

MRO supports this effort. Possible violations from the MRO region comprised nearly 21% of the initial submitted filing. MRO believes that tailoring the compliance and enforcement process to significance and risk is an important step in shifting from a compliance and enforcement-centric ERO model to an engagement-centric ERO model that emphasizes performance. Compliance must be considered in the context of performance. For example, a Registered Entity which has strong internal assurance programs to find and self report problems before they escalate, combined with solid, swift corrective action plans, should be encouraged and not punished through a labyrinth of enforcement administration. The Compliance and Enforcement program must be designed around risk and provide the encouragement and tools necessary for the industry to assure risks are being addressed, which will ultimately improve performance.

Compliance Application Notices – Status (MRC 10)

MRO commends NERC's acknowledgement of the need to improve existing CANs and encourages NERC to consider how it can effectively leverage the expertise of the industry in the development of CANs without compromising the ERO's enforcement function. Additionally, MRO is concerned that CANs are designed for use by Region and NERC staff. If the intent of CANs is to set expectations for compliance, then these expectations should be transparent to those who are subject to them, the Registered Entities.

MRO is also concerned that the Regions will be "hamstrung" as NERC is providing a binding directive on the Regions via the CANs without the same obligation on the industry. Instead, Region staff and those we oversee, the Registered Entities, should share the same expectations related to the application of the standards.

MRO supports a two step approach to bring about more uniform application of the standards in the compliance area which can replace the current CANs:

1. NERC should establish and train to a uniform process for generally applying the standards across the Regions and NERC. In addition, MRO suggests that NERC should





continue to use the quarterly NERC and Region audit staff workshops to address the uniform application of standards.

2. Phase 2 of the NERC compliance enforcement initiative should include the development of application guides and model controls and procedures to meet requirements. MRO is facilitating these efforts in the MRO Region using stakeholder expertise to develop standards application guides to better clarify the application of requirements, the type of evidence needed to demonstrate compliance, and the controls and procedures necessary to “wrap around” the requirements.

Bulk Electric System (BES) Definition and Rules of Procedure – Status (MRC-12)

MRO supports NERC’s efforts to address the regulatory directive. Any other changes regarding the BES definition and related Rules of Procedure can be accomplished later as a separate filing to the regulator.

Rules of Procedure Changes (MRC-15)

MRO supports the non-substantive Rules of Procedure changes and other changes that are required to comply with a regulatory directive. MRO is not supportive of other proposed substantive changes to the Rules of Procedures at this time. Currently, NERC and the industry are facing numerous challenges, including the adoption of a new compliance enforcement initiative. MRO recommends that NERC defer the other Rules of Procedure changes for later in 2012 and, perhaps, include them as part of Phase 2 of the compliance enforcement initiative.

Regional Reliability Standards

MRO notes that two regional standards within the Eastern Interconnection will be presented to the NERC Trustees for approval on November 3, 2011. MRO is again concerned that a proliferation of regional standards will be spread across the Eastern Interconnection – complicating the operations of the bulk electric system by creating un-necessary coordination seams between systems and adding both costs and risk across the interconnection.

Additionally, both proposed regional standards are being addressed through the standards process:

- PRC-006. The continent-wide Under Frequency Load Shedding standard (PRC-006-1) was approved by the Trustees on November 4, 2010 and is pending regulatory approval.





- MOD-025. NERC has a project to merge two standards (MOD-024 and MOD-025) into a single standard (MOD-025-2, Project 2007-09 (“Generation Verification”)).

First, MRO suggests that the Trustees direct NERC staff to coordinate the current standards setting process among the six Regional Entities in the Eastern Interconnection to assure as much uniformity as possible across the interconnection.

Second, MRO suggests that the Trustees direct NERC staff to establish a standards setting process for the Eastern Interconnection. While the Rules permit regional standards, they do not have an explicit requirement for coordination among the Regional Entities within the Eastern Interconnection or an explicit method to permit the Eastern Interconnection to propose and ballot standards through a single process. Further, deference for interconnection-wide standards should apply equally to the Eastern Interconnection as they do to Regional Entities organized within an interconnection (Texas and the West interconnections). Where possible, reliability will benefit from greater standardization across the Eastern Interconnection.





NORTHEAST POWER COORDINATING COUNCIL, INC.
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**NPCC Board of Directors Policy Input to the
November 2, 2011 NERC Member Representatives Committee
and November 3, 2011 NERC Board of Trustees Meetings**

1. Compliance Enforcement Initiative

- a. NPCC supports the Find, Fix, Track and Report (FFT) procedure as a forward advancement in NERC's continuing efforts to improve the efficiency and effectiveness of the ERO's compliance processes for Possible Violations that pose lesser risks to the bulk power system
- b. NPCC recommends that NERC continue to emphasize that FFT candidates are strictly identified by the Regional Entities and that there are no formulaic criteria for FFT designation
- c. NPCC suggests that the filing of FFTs for approval, in order to obtain closure with regard to Possible Violations, would be an appropriate and effective enhancement to the FFT process

2. Compliance Application Notices (CAN) - Status

- a. NPCC supports the suggestions made by the industry for improvement to the process during the posting periods and is actively engaging its Regional Standards Committee in the review of draft CANs
- b. NPCC continues to be concerned that the clarification provided by CANs, which are temporary in nature, can have the unintended impact of expanding a standard and adding to its requirements. Any such changes should be expeditiously captured within a revised standard.

3. Status of CIP Standards Version 4 and 5 Implementation Plans

- a. NPCC supports a phased approach to the implementation of CIP standards, with Version 5 using the Bright line approach to the identification of critical cyber assets that was introduced in Version 4
- b. NPCC suggests that Version 5 of the CIP standards should not result in excess or unneeded expenditures, as it is a furtherance of CIP Version 4 and addresses the remaining FERC Directives found in Order 706

4. Bulk Electric System (BES) Definition and Rules of Procedure - Status

- a. NPCC members have separately submitted their individual comments with regard to the BES Definition
- b. NPCC acknowledges the proposed NERC BES Definition as being responsive to the FERC Order and reiterates its view that cost effectiveness should be a consideration in the implementation, including in the exception process
- c. NPCC, consistent with its commitment to enhanced reliability, will continue to utilize a risk-based analysis to define facilities for which its more stringent Regional criteria apply

5. Rules of Procedure Changes

- a. NPCC does not support the imposition of financial penalties for administrative infractions by registered entities
- b. NPCC strongly recommends that Rules of Procedure changes not preclude NPCC's FERC approved structure for its Hearing Body

Approved by the NPCC Board of Directors at its October 26, 2011 Meeting

National Rural Electric Cooperative Association (NRECA)
Policy Input to the NERC Board of Trustees (BOT)
October 24, 2011

NRECA appreciates the opportunity to provide policy input to the NERC BOT regarding several issues that will be discussed at the November 2/3 MRC and BOT meetings.

Compliance Enforcement Improvement Initiatives (BOTCC-2 and MRC 9)

- NRECA, along with APPA, EEI, ELCON, EPSA, LPPC and TAPS, filed joint comments with FERC supporting the NERC FFTR proposal. EEI is including these joint comments with their policy input submittal and NRECA strongly supports the issues addressed in the joint comments.
- Specifically from the joint comments, NRECA supports the need for a six and twelve month report from NERC on the effectiveness of the FFTR process. These reports must provide details describing the extent of the efficiencies gained by industry, NERC and the REs due to the implementation of the FFTR process.
- NRECA also supports the need for a high level policy focused FERC Commissioner-led technical conference in 2012 to further examine the efficiency results of implementing the FFTR process and to more fully review the NERC compliance and enforcement program. This technical conference should review the many elements of the NERC compliance and enforcement program. There is industry concern that there are unnecessary, conflicting and confusing processes/elements in the NERC compliance and enforcement program that are causing industry to not clearly understand where they should focus their attention.
- From an overall compliance and enforcement program view, NRECA is hearing increasing concerns from its members that the costs associated with demonstrating compliance are continuing to increase at excessive rates. Without continued attention on making the NERC compliance and enforcement program much more efficient and effective, associated industry costs will soon become unsustainable. The entire process for how industry is required to document its compliance efforts must be reexamined to ensure that the focus is actually on operating a reliable BES.
- NERC, the REs and industry need to enter into a dialogue to review the long-term viability for NERC to become the lessons-learned organization it aspires to be. Because the NERC governing documents do not provide a way for NERC to be involved in an examination of an event/incident without also focusing on compliance and enforcement matters, NERC may not be in the best position to gather information from industry and produce timely and comprehensive lessons learned for industry. Other options need to be explored for determining the best way to provide industry with needed lessons learned analysis and information.

- NRECA is beginning to hear of concerns with NERC's risk profiling program that is being implemented to determine the extent of an entity's compliance program. The results of this profiling goes toward determining the level of audit an entity will be subject to. The concerns include NERC/RE staff seeking to review sensitive and confidential internal documents, which if not provided, will cause that entity's audit to be more extensive. We believe these early concerns with the program point to a need to take an immediate and careful review of the program before these and other problems become a more significant issue.
- NRECA strongly encourages NERC to continue to explore steps to reduce burdens on stakeholders, RE and NERC staff, while focusing on the issues that are most critical to BES reliability.

Compliance Application Notices (MRC-10)

- NRECA is very dissatisfied with the level of progress that has been made regarding the correction of problems with several CANs and the CAN Process since August BOT meeting. The vast majority of industry comments on the CAN Process and CAN-0016 were not responded to in a satisfactory manner. As an example, approximately 70 respondents commented that the draft revised CAN-0016 (on CIP-001) exceeded the scope of the standard language. In response, NERC apparently disagreed and issued a revised final CAN that interpreted CIP-001 and developed audit schemes that are not represented in the standard language.
- NRECA and other trade associations are likely to submit several CANs for a higher level review as permitted in the revised CAN process. However, since the CEO of NERC is part of the approval process of CANs, it is unclear what evidence – above and beyond comments already submitted on the CAN during the development stage - would convince the CEO to take a different position than he previously took. NRECA and other trade associations will utilize the existing process to see if it is fair and effective for providing an appeal of a CAN. It is possible that further changes may be needed to the CAN Process after we see how the current process works.
- NRECA is concerned that NERC is more focused with making minor adjustments to all the existing final and draft CANs rather than more properly focusing the majority of its attention on the CANs that industry identified as improperly changing and interpreting standards outside of the standards development process. NERC has overwhelmed the industry with requesting comments on twenty-plus draft CANs since the end of August. With industry attention and focus on numerous other NERC standard and compliance activities, issuing this many CANs for industry comment in such a short timeframe is stretching industry resources to the limit. In some cases, it is likely that industry did not have the ability to properly review draft CANs due to other commitments. Industry did not ask for all CANs to be revised. We did ask for the process and the few

problematic CANs we identified to be revised between the August and November BOT meetings. NERC's unnecessary rush to revise all CANs is not indicative of NERC addressing industry's concerns, and NRECA is very disappointed with NERC's direction on these issues.

- Several draft CANs and the revised final CAN-0016 continue to exceed providing compliance audit guidance and have actually interpreted or changed the original meaning of the existing reliability standard outside of the standards development process. This is unacceptable and these missteps must be corrected.
- There needs to be a priority placed on developing a permanent solution to address the vague and unclear language that exists in standards – CANs are not that solution. The appropriate solution is to fix such language in the formal standards development process or through formal interpretations.
- It continues to be unacceptable for an entity to be found in violation of a standard based on a CAN that expands the meaning or requirements of a standard because that CAN did not go through the standards development process, nor did it gain approval from the Registered Ballot Body (RBB), the BOT or FERC.
- The basis for any violation and resulting penalty must be from a standard or interpretation that has received approval from the RBB, the BOT and FERC.

Status of CIP Standards Version 4 and 5 Implementation Plans (MRC-11)

- NRECA is concerned with a number of issues regarding the forthcoming implementation of Version 4 and 5 of the CIP standards. With the issuance of FERC's NOPR on Version 4 of the CIP standards, and the potential approval of these standards, the timeframe for when entities will have to implement these standards may not be far off. While FERC is currently evaluating Version 4, the industry is moving forward with the development of Version 5. The primary need for Version 5 is the need to address the many outstanding FERC directives that were not addressed in Version 4. Version 4 only addressed the FERC directive related to developing bright-line criteria for identifying Critical Assets. With the potential for Version 5 to be approved by industry and the BOT in the third quarter of 2012 and shortly thereafter submitted to FERC for approval, this sets up a situation over the next few years that could require entities to go from Version 3 of the CIP standards to implementing Version 4 and then Version 5 in quick succession.
- NRECA believes the potential for the Version 4 and 5 implementation plans to overlap one another could create a number of problems. The most significant problems could be confusion over what an entity is required to comply with and a lack of clarity for auditors knowing what version of a standard to audit an entity against. In addition, with the constant changing of the CIP standards over the next few years, entities may be faced with unnecessary increases in compliance demonstration

and program costs. It is critical for industry, NERC and the REs to have a detailed plan developed to address the concerns identified above. We ask NERC and the REs to immediately reach out to industry – possibly through the trade associations – to begin developing solutions to these potential problems.

- NRECA requests that NERC meet with the trade association immediately after the November 3 BOT meeting to discuss the development of NERC's and industry's comments to FERC on the Version 4 NOPR.
- NERC must understand that industry cannot continue to be faced with constantly changing CIP standards. There must be an effort to quickly bring these standards to a final and stable state so industry can focus on developing and finalizing their compliance plans and programs related to the CIP standards.

Bulk Electric System (BES) Definition and Rules of Procedure (MRC-12)

- With the affirmative result of the initial ballot of the BES definition, NRECA is hopeful that the likely forthcoming recirculation ballot will maintain that affirmative result. This would provide the BOT with a revised definition that satisfactorily responds to FERC's Order Nos. 743 and 743-A within the timeframe provided by FERC.
- Upon the BES definition drafting team's completion of this first phase of work on the BES definition, NERC needs to continue providing the needed support and priority for the drafting team's efforts on phase 2 of project which is scheduled to begin immediately upon completion of the first phase.

Rules of Procedure (ROP) Changes (MRC-15)

- NRECA remains strongly opposed to NERC assessing penalties for non-standard/compliance related actions. NERC has not provided any evidence or basis for such significant potential changes to its ROP. In addition to opposing these changes, NRECA believes that Section 215 of the Federal Power Act does not provide NERC with such authority. Making such changes to the ROP may make it necessary for industry to consider other steps, including legal options, to prevent these changes from being implemented.
- NRECA also remains strongly opposed to the NERC proposal to increase from 10 to 50 the number of NERC members required to request an ROP modification. Again, NERC has provided no evidence or basis for demonstrating the need for such changes. There appears to be no other purpose for these changes other than to make it more difficult for members to request modifications to the ROP. To date NERC members have never formally requested ROP changes which makes it all the more confusing why NERC has proposed this unnecessary change to the ROP.
- For all future ROP changes proposed by NERC, there must be detailed evidence and support provided for the proposed changes prior to the 45-day comment period. Recent proposed changes to the NERC ROP have

not been accompanied by any evidence/basis. This makes it challenging for industry to understand why changes were proposed and it does not help industry to provide constructive and targeted comments on such changes.

- NRECA appreciates what appears to be an effort to provide industry with an advance opportunity to review and provide feedback to NERC on forthcoming ROP modifications. We hope this will be an ongoing effort.

Barry R. Lawson
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MEMORANDUM

From: John DiStasio
Tim J. Arlt

To: Dave Nevius, Secretary
NERC Member Representatives Committee

Subject: Response to Request for Policy Input

Date: October 24, 2011

This response is submitted on behalf of the MRC's State and Municipal and Sector Utilities ("SMUs") to the letter dated October 6, 2011 from NERC Board Chairman John Q. Anderson to Mr. Bill Gallagher, acting in his capacity as Chairman of the NERC Member Representatives Committee (MRC), requesting policy input on topics to be discussed by the NERC MRC and the NERC Board of Trustees at meetings to be held November 2 and 3, 2011.

This response addresses the following five topics raised in Mr. Anderson's October 6th letter, and provides additional thoughts related to general direction and priorities.

- NERC's Compliance Enforcement Initiative to address Possible Violations that pose lesser risks to the Bulk Power System (BPS), and to facilitate increased enforcement discretion (BOTCC-2; MRC-9);
- NERC's effort to revise the process and content of Compliance Application Notices (CANs) (MRC-10);
- NERC's proposed implementation plans for Versions 4 and 5 of the Critical Infrastructure Protection (CIP) Standards (MRC-11);
- NERC's efforts to develop a new Bulk Electric System (BES) definition and Rules of Procedure (ROP) changes responsive to FERC Order Nos. 743 and 743-A (MRC-12); and
- NERC's proposed ROP changes, including a provision to impose penalties in the event a registered entity does not respond to a NERC data request (MRC-15).

The November Board meeting provides a timely opportunity for NERC to assess its strategic direction and priorities for 2012 and beyond, to ensure that we are making effective use of resources to ensure reliable operation of the BPS, now and in the future. SMUs believe that the ERO Enterprise, which encompasses NERC, its Regional Entities and the registered entities and stakeholders that participate in NERC's activities, are at a new crossroad. It is no longer sufficient that we work *harder* on the various standards, compliance, cyber-security and events analysis initiatives we now have under way. Instead we need to create and implement process initiatives that allow us to get things done with less time and fewer resources, to free up

NERC and industry bandwidth to work on more important initiatives. We also need to be cautious about launching new initiatives, to make sure that new projects do not ultimately duplicate the work of other organizations or create multiple processes within NERC.

As discussed below, we applaud NERC for its develop and implementation of the Compliance Enforcement Initiative, but remain concerned that the Compliance Application Notice process is duplicative of the standards process and other NERC compliance tools such as compliance reports, bulletins, directives, and Reliability Standard Audit Worksheets.

The NERC Standards Process is worthy of additional high-level attention. We are interested in exploring process improvements, with respect given to due process, that would allow the industry to reach consensus in support of technically sound standards more expeditiously than today, with less time, effort and expense. It is increasingly common for drafting teams to second-guess their own efforts to write requirements that accomplish reliability objectives based on perception that the enforcement process is focused on compliance, not on reliable operation.

NERC also faces a continuing tension between its goal of becoming a learning organization and its role as an enforcement entity. Event analysis is a fundamental obligation of both NERC and the industry, if we are to learn from our mistakes, to prevent the next wide area BES event from occurring. However, the perception of industry stakeholders is that event analysis and public distribution of lessons learned take a second chair behind preservation of enforcement issues. Finally, SMUs recognize that the electric industry faces a daunting set of emerging issues, some of which are squarely within NERC's statutory mandate and others which are more peripheral to NERC's scope and mission. We need to develop a better strategy and process for policy issue identification and scoping, to ensure that NERC develops timely information for policy makers on emerging issues, without jeopardizing the ERO's ability to accomplish its core mission.

Our input on the specific questions raised in the October 6 letter is this:

1. Compliance Enforcement Initiative (BOTCC-2; MRC-9)

SMUs support NERC's September 30, 2011 filing with the Federal Energy Regulatory Commission (FERC) in Docket No. RC11-6 ("the September 30 Filing") introducing a new enforcement process that permits regional entities to exercise the discretion to treat possible violations that pose lesser risk through "Find, Fix and Track" reports, in place of a formal Notice of Penalty. SMUs believe that the proposed approach holds much potential for reforming the enforcement process to reflect a "risk-based" approach to establishing priorities for compliance and enforcement activities. This will allow the industry to refocus its efforts on achieving reliability excellence through attention to matters that pose the greatest risk to the BES. The new approach also promises to improve caseload processing to reduce the enforcement backlog that is now pending before NERC.

To facilitate implementation of this new process and to provide needed certainty to registered entities as to the mechanics of the proposed compliance enforcement initiative, SMUs urge NERC to establish clear guidelines in order to give regional entities and registered entities reasonably objective direction as to eligibility for "find, fix and track" (FFT) treatment. Such

clearly-defined procedures will guide regions in their implementation of the compliance initiative and ensure some degree of uniformity across regions as to how the process is carried out. SMUs recognize that these guidelines should invest the regional entities with a meaningful discretion in determining which potential violations will be afforded FFT treatment.

As part of the September 30 Filing, NERC introduces what it envisions to be an ongoing initiative to develop an “entity risk assessment” enabling registered entities to enjoy “lesser compliance monitoring,” based on a determination that the entities meet certain criteria for organizations that can be relied upon to manage reliability matters in a demonstrably expert fashion. While SMUs express tentative support this concept, they are very concerned about fairness in implementation. SMUs stress the need for uniformity and objectivity in how qualification for this “lesser compliance monitoring” treatment is determined across the program and between regions. In particular, NERC should develop objective metrics to provided a basis for how such determinations are to be made, how a registered entities’ qualification for “lesser compliance monitoring” treatment will be determined and by whom. SMUs submit that in order for this concept to be administered fairly and effectively, all registered entities must start with a clean slate as of the date this program is implemented, regardless of past compliance history. This will ensure that the new process will be administered without prejudice and will properly account for registered entities’ actions under the newly-developed compliance enforcement initiative.

SMUs look forward to working with NERC and other stakeholders to further refine the mechanics of the proposed approach to enforcement discretion.

2. Compliance Application Notices Content and Process (MRC-10)

SMUs generally support the use of CANs as a helpful tool to resolve uncertainty surrounding certain reliability standards. However, SMUs emphasize that CANs should not be read to identify exclusive means for compliance with reliability standards, where the CANs are designed not simply to interpret the standards but offer compliance techniques. Compliance ultimately is governed by the language of the standard itself and compliance often may be achieved through multiple means. SMUs recognize that the disclaimer associated with each CAN specifies that the CAN does not substitute for standards or establish a definitive interpretation, and that the revisions to the disclaimer included in the recently posted CAN Template Form make further clear that the CANs are not intended to define exclusive methods for compliance. SMUs strongly support this reworded disclaimer, but emphasize that its impact must be impressed upon regional entities’ auditors. The pre-existing disclaimer already included the note that the CANs are not intended to establish conclusive interpretations of standards. Nonetheless, the SMUs’ experience has been that the disclaimer was given limited credence in the field, where registered entity practices that do not follow the example for compliance measures outlined in the CANs are often conclusively presumed to be violations of the applicable standards

SMUs continue to believe that CANs should not supplant the formal standards interpretation process, or be used to forestall needed reform for ambiguous standards. Both the interpretation process and the standards development process used to secure formal revision to the standards employ the full ANSI process, and benefit from formal consideration of

stakeholder comments, unlike the CANs. SMUs do not view a CAN as more than a stopgap measure when formal clarification of, or revision to, a standard is needed.

SMUs appreciate NERC's commitment to improve the CANs process. The CAN stakeholder process has improved opportunity for input, but there remains a good deal of concern among the SMUs as to how receptive NERC ultimately will be to stakeholder comments. SMUs urge NERC to be mindful of the input it receives through the CAN stakeholder process and to take care to address these issues and to modify draft CANs in such a way as to satisfy the concerns voiced by stakeholders. As well, SMUs urge NERC to post stakeholder comments on the CANs at links available when accessing the CANs themselves, enabling registered entities to weigh others' input in developing their views of the meaning of a standard.

3. Implementation Plans for CIP Versions 4 and 5 (MRC-11)

SMUs urge NERC to convene an open discussion with stakeholder groups in order to develop a rational approach to implementation of CIP Versions 4 and 5. There is strong sentiment for doing what is practically feasible in implementing Version 4, while continuing to work on Version 5. The practical consequences of a phased approach, the issue posed by delays in implementation, and the cost and difficulty of approaching implementation in phases should be fully vetted.

4. Bulk Electric System Definition and Rules of Procedure Changes (MRC-12)

SMUs express their strong support for the efforts of the BES drafting team and Rules of Procedure Team to reach industry consensus in support of a technically robust BES definition and workable technical exception criteria. We are optimistic that the draft standard will reach industry approval to allow timely filing of the revised definition, exception criteria and rules of procedure in January 2012. We are equally committed to Phase 2 of this project, to address a number of significant technical issues and concerns that could not be timely addressed by the SDT and industry stakeholders while meeting the regulatory deadlines established by the Commission in Order No.743.

5. Proposed Rules of Procedure Changes (MRC-15)

It is the SMUs' understanding that NERC has proposed to revise its ROP to impose penalties on registered entities that do not respond to NERC data requests. It is not clear to SMUs that failure to respond to NERC data requests is a problem that occurs with sufficient regularity to require a routine process for penalization. Nor is it clear that NERC has the legal authority to impose a financial penalty in such circumstances. SM-TDU's would appreciate more input on this topic. SMUs note that they have been and will continue to be diligent in their response to NERC data requests.

Thank you for the opportunity to provide this input.



An association of transmission-dependent utilities and other supporters of equal, non-discriminatory transmission access and vigorously competitive wholesale electric markets. TAPS members are located in 35 states, including:
Alabama, Arizona, California, Colorado, Connecticut, Delaware, Florida, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, South Dakota, Vermont, Virginia, West Virginia, Wisconsin, Wyoming

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Transmission Access Policy Study Group

www.tapsgroup.org

October 24, 2011

Via electronic mail to dave.nevius@nerc.net

John Q. Anderson, Chairman
North American Electric Reliability Corporation
116-390 Village Boulevard
Princeton, New Jersey 08540-5731

Re: Response to Letter from John Q. Anderson Requesting Policy Input to NERC Board of Trustees

Dear John:

This responds to your letter of October 6, 2011 soliciting policy input from the Member Representatives Committee on various issues in advance of the November 2-3, 2011 meetings of the MRC and Board of Trustees.

You solicit input with respect to topics including the status of Compliance Application Notices (CANS), the proposed changes to the NERC Rules of Procedure that were discussed at the August MRC meeting, the proposed BES definition, and the Compliance Enforcement Initiative.

CANS

We appreciate NERC's commitment, expressed at the August MRC and Board meetings, to improve CANS. Some improvements have been made since then; for example, the draft revision to CAN-0010 no longer improperly restricts the definition of "annual." Much work remains to be done, however, because a significant number of revised CANS continue to overreach, creating additional or more stringent requirements. For example, the draft revision to CAN-0031 posted on September 23, like the prior version, defines a "physical access point" as any opening over 96 square inches, despite the fact that there is no such definition in the standard. We urge NERC management and staff to continue their efforts to bring existing and new CANS into line with the reliability standards.

Rules of Procedure

While we do not know the status of the changes to the Rules of Procedure that were proposed in June 2011 and discussed at the August MRC meeting, we are concerned by the new Rule 414 proposed in the June posting, under which NERC would assess fines for failure to provide information. As stakeholders have stated in comments to NERC and at the August MRC meeting, the proposal is flawed and should not be implemented. Nothing in the Federal Power Act gives NERC the authority to assess fines for violations of its rules.

This legally dubious measure is likely not needed for entities of any size. Our understanding is that most NERC requests for information get a high

John Q. Anderson

October 24, 2011

Page 2

response rate without the threat of penalties. To the extent the proposal is aimed at obtaining data for planning purposes from small, unregistered entities, it is similarly unnecessary because good planning does not require 100% data.

We suggest that NERC demonstrate a currently unmet need for information that has a clear link to preserving or enhancing the integrity of the Bulk Electric System, before instituting this controversial proposal.

Bulk Electric System definition

We believe that, although minor improvements before the end of the year are possible, the BES definition that recently succeeded in an initial ballot will comply with FERC Order 743, and we support the planned second phase of the BES definition project, which is to address issues such as the technical justification for the threshold for BES generators. The related "Detailed Information to Support BES Exception Requests" failed to win a supermajority in the last ballot. We are hopeful that the Detailed Information will be approved through the standard drafting process in time to be filed at FERC by the January 25, 2012 deadline, and urge NERC to allow that process to continue. If it does not succeed, however, we do not believe that NERC will be required to resort to the "Rule 321" process; instead, NERC should approve the Detailed Information through its Rules of Procedure revision process, as permitted by FERC in Order 743 P 90.

Compliance Enforcement Initiative

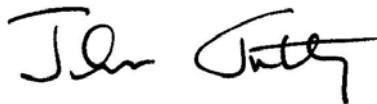
We strongly support NERC's "Find, Fix, Track, and Report" initiative. We expect that the FFTR process will allow NERC, the Regional Entities, and the industry to better focus resources on violations that pose a significant risk to reliability. We look forward to working with NERC to ensure that FFTR is implemented consistently and effectively.

Thank you for considering these concerns. We look forward to discussing these issues in Atlanta next week.

Sincerely,

A handwritten signature in black ink, appearing to read "Terry Huval". The signature is fluid and cursive, with a long horizontal line extending from the top of the first letter.

Terry Huval, P.E.
Director, Lafayette Utilities System

A handwritten signature in black ink, appearing to read "John Twitty". The signature is cursive and somewhat stylized, with the first letter being a large capital 'J'.

John Twitty
Executive Director, Transmission Access Policy Study Group

Schedule of Events – Industry November 2-3, 2011 — Atlanta, GA

Wednesday, November 2, 2011	
9:00-10:30 a.m. Room name: Grand Ballroom A – 4th Floor	Standards Oversight and Technology Committee – <u>OPEN</u> Session
10:30 a.m.-12:00 p.m. Room name: Grand Ballroom A – 4th Floor	Compliance Committee – <u>OPEN</u> Session
12:00–1:00 p.m. Grand Ballroom Foyer - 4th Floor	LUNCH
1:00–5:00 p.m. Room name: Grand Ballroom B, C, D, E – 4th Floor	Member Representatives Committee – <u>OPEN</u> Session
5:45-6:30 p.m. NERC Atlanta Headquarters	Tour of NERC Offices
6:30–7:30 p.m. Grand Ballroom Foyer – 4th Floor	Reception
7:30 p.m. Buckhead Ballroom – 2nd Floor	Dinner
Thursday, November 3, 2011	
8:00 a.m.–Noon Room name: Grand Ballroom B, C, D, E – 4th Floor	Board of Trustees Meeting

Meeting Location

Westin Buckhead Atlanta
3391 Peachtree Road, NE
Atlanta, GA 30326
404-365-0065

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Reliability Standards

Standards Oversight and Technology Committee

November 2, 2011

Herb Schrayshuen, Vice President Standards and Training

RELIABILITY | ACCOUNTABILITY



- Update on proposals to revise Violation Risk Factors (VRFs) and Violation Severity Levels (VSLs) criteria
- Significant minority opinions on proposed NERC Reliability Standards
- ANSI – Forward looking obligations
- Five-year assessment and Rule of Procedure 317
- Industry request to change our position on CIP Version 4
- Policy discussion on Reliability Standard Development Plan (RSDP) long-term adjustments

- VRFs
 - The goal of this effort is to standardize a method to determine VRF assignments for individual requirements
 - As a part of this effort, the team is proposing to create definitions for five VRFs, rather than the current three VRFs
 - Definitions and a tool to help assist in determining the VRF were presented to stakeholders for comment in mid-2010
 - An updated set of definitions, as well as an updated tool for use in analyzing VRFs, is being prepared for a second round of industry comment

- VSLs
 - The goal of this effort is to develop a generalized approach for creating VSLs to be used in lieu of the current approach of performing an exhaustive analysis of possible violations for inclusion in the VSLs. The team is updating the proposal for informal review and feedback prior to posting for industry comment

- How should the BOT proceed on proposed standards on which there are significant minority opinions; e.g., FAC-003-2?
- Does the Board of Trustees or Standards Oversight and Technology Committee want an early alert and more thorough technical presentation (technical conference) when a given proposed standard has significant minority opinions before it comes to the Board of Trustees for approval?

- NERC received notice that effective September 9, 2011 NERC's standard development process has been re-approved as an ANSI-accredited standard development process. The following statement was included in the approval letter:
 - NERC is expected to continue to make progress towards its stated goal of submitting documents to ANSI for consideration as proposed American National Standards (ANS)

- Options
 - Reaccredit every five years as we have been
 - Move to a continual accreditation process by submitting one or more standards to ANSI for approval

- Initiate a dialogue with Canadian stakeholders to address issues associated with submitting one or more NERC standards to ANSI for approval
 - In the past the Canadian stakeholders have objected to a review by a United States accrediting organization

- Discuss options for exercising discretion on review of standards every five years
 - Under ROP 317, NERC is required to review each standard within five years of its effective date
 - ANSI accreditation requirement
 - Five-year review obligation is incorporated in the prioritization process

- What is the nature and extent of the “review” that NERC needs to conduct to comply with this ANSI and Rules of Procedure requirement?

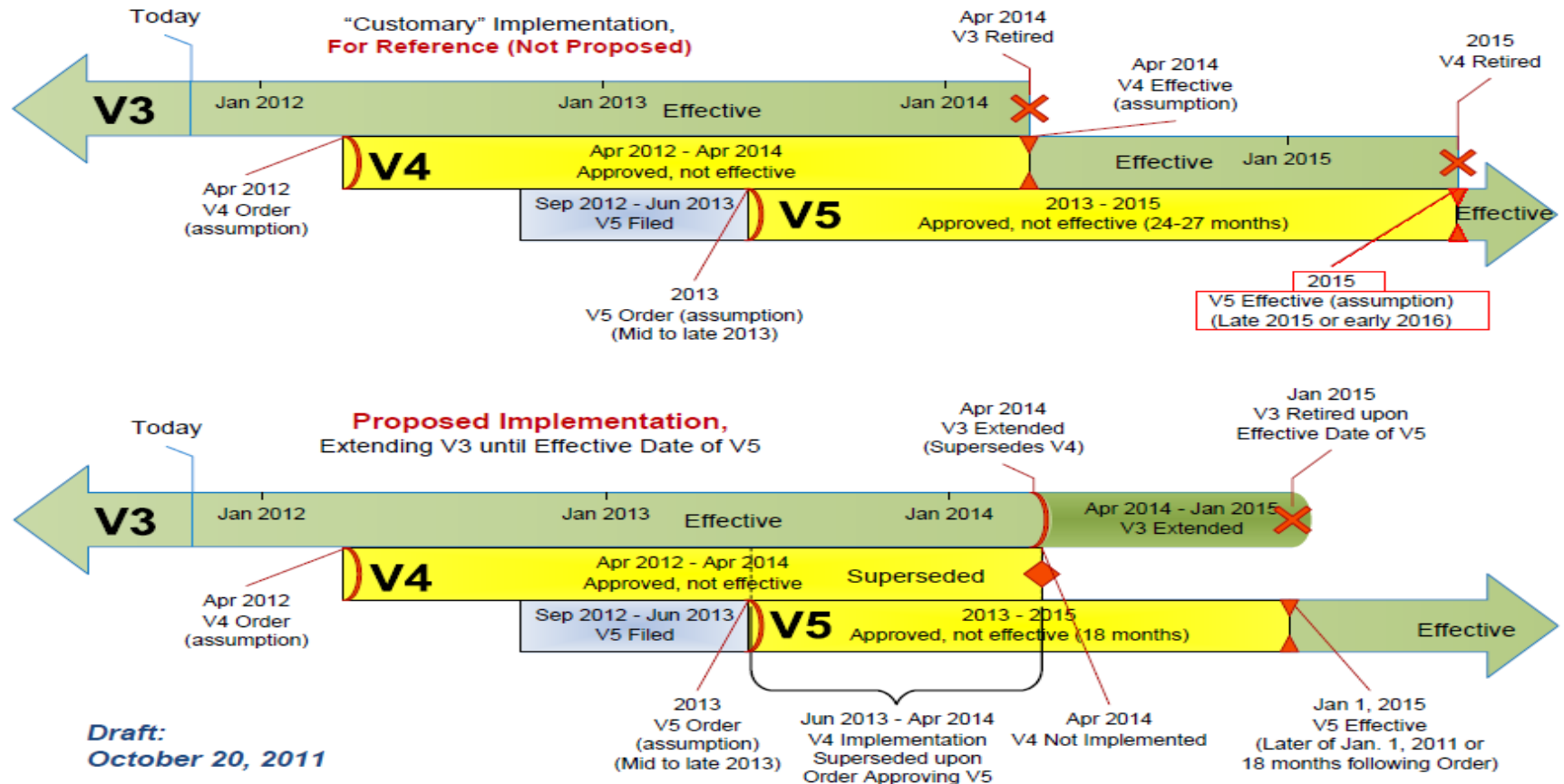
Industry Request to Change Our Position on CIP v4

- Certain stakeholder groups are advocating that NERC consider withdrawing CIP-002 Version 4 (v4) and that the industry await the development and delivery of CIP Version 5 (v5)
- The Standard Drafting Team proposed an option that would allow a registered entity to go to CIP v5 early
- Under consideration now is an option that extends v3 slightly, makes v5 effective January 1, 2015 and supersedes implementation of v4
- Given that NERC has filed CIP-002 Version 4 for approval, what are the possible courses of action?

Current Transition Plan

Implementation Plan for Version 5 of CIP Cyber Security Standards

(Graphic for illustrative and comparative purposes only; dates are estimates only and based on assumptions. There is no way to know or anticipate when FERC may take action on pending matters)



- This year, the process for developing the RSDP considered areas not explicitly accounted for in the past
- The Standards Committee considered:
 - The NERC President's Top Priority Issues for Bulk Power System Reliability and used them to help prioritize work and allocate resources to work on projects related to reliability, time-sensitivity, and practicality

- The plan should include the most current changes to the long-term strategic direction of the ERO
 - Cold-weather issues related to the Texas event
 - Risk to Reliability Performance report
- To incorporate new projects, the Standards Committee may need to defer some of the projects slated for initiation in 2012 to address these strategic priority areas when they become more defined

- More specific process modifications such as:
 - Coordination during the development of the RSDP with the PC/RAPA emerging issues process
 - Beginning the planning process earlier, to ensure all aspects are considered in the planning cycle
 - Building the plan to recognize the dynamic nature of our priorities
 - And ensuring the plan can easily accommodate change
 - The plan treats such change as an expectation, rather than an exception
 - Formally integrate the emerging issues process from the Reliability Assessment and Performance Analysis activities under the Planning Committee with the standards development process

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RELIABILITY CORPORATION

Compliance Enforcement Initiative

Filing and Status Update

November 2, 2011

Rebecca Michael

RELIABILITY | ACCOUNTABILITY



- NERC filed several components of the Compliance Enforcement Initiative on September 30, 2011
 - Docket No. RC11-6: Petition for Approval of New Enforcement Mechanisms; Initial Informational Filing of FFTs
 - First group of FFT Remediated Issues
 - 117 total: 62 Operations/Planning Standards/55 CIP Standards
 - No action requested on individual FFT remediated issues
 - Report back to the Commission and industry stakeholders at six months and one year following initial filing

- Docket No. NP11-270: First Spreadsheet NOP
 - 75 total: 44 Operations/Planning Standards/31 CIP Standards
 - Subject to FERC's 30-day review period for NOPs
 - Requesting action on the Spreadsheet NOP format or individual NOP violations to be taken in this docket
- Docket No. NP11-267 – NP11-269: 3 Full NOPs
- Second group of FFT Remediated Issues and second Spreadsheet NOP violations were filed October 31, 2011
 - Docket No. RC12-_: 82 FFT Remediated Issues
 - Docket No. NP12-1: 31 in Full CIP NOP
 - Docket No. NP12-2: 46 in Spreadsheet NOP

A large, light blue map of North America (USA and Canada) serves as the background. Overlaid on the map is a semi-transparent image of a nuclear power plant, showing two large cooling towers and a containment dome. The text "Next Steps" is written in a large, bold, dark blue font across the center of the map.

Next Steps

- Public comments were filed on October 21, 2011
- Continue to develop internal compliance programs
 - Ongoing self-monitoring to find, fix, and self-report possible violations in advance of audits and self-certifications
- Utilize ERO resources to aid compliance and improve self-reporting
 - Webinars, workshops, and documents on NERC website
 - Guidance for self-reports posted on NERC website at <http://www.nerc.com/files/Guidance%20on%20Self-Reports.pdf>
 - Other CEI forms are available on NERC website under Compliance, then Resources at <http://www.nerc.com/files/Notice%20of%20FFT%20Treatment.pdf>
<http://www.nerc.com/files/FFT%20Spreadsheet%20Template.pdf>
<http://www.nerc.com/files/NOP%20Spreadsheet%20Template.pdf>

- Ongoing work
- Public outreach
- Training

The ERO's commitment to promoting reliability excellence is unchanged.

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Compliance Operations Update

November 2, 2011

Mike Moon

Director, Compliance Operations

RELIABILITY | ACCOUNTABILITY



- Risk-based Reliability Compliance and Entity Assessment
- Regional Entity work on Entity Assessment
 - Culture of Compliance NPCC
 - Internal Controls MRO
- Compliance Operations update

A large, light blue map of North America serves as the background for the slide. Overlaid on the southern part of the map is a photograph of a nuclear power plant, showing several large, white, hyperboloid cooling towers and a containment dome. The image is semi-transparent, allowing the map to be seen through it.

Risk-based Reliability Compliance and Entity Assessment

- In the 2012 Plan
- To make an overall, comprehensive assessment of an entity to appropriately scope where an entity is doing well and where an entity is not
 - An entity doing well
 - May get extended time between compliance monitoring activities
 - An entity not doing well may get extra compliance monitoring activities
 - More self-certifications

- Five aspects
 - Technical and risk profile
 - Reliability metrics
 - Internal compliance program
 - Enforcement metrics and status
 - Regional Entity evaluations
- Entity assessment does not place an entity into a tier as described in the 2012 ERO CMEP Implementation Plan
 - Only Reliability Standard requirements are placed into tiers

- NERC and the Regional Entities have been exploring different options
- Regions are conducting preliminary entity assessments
- In the process of developing a draft template
- Working with select registered entities to gain industry perspective and input
- A draft template will be provided for broader industry input

Regional Entity work on Entity Assessment

- NPCC Internal Compliance Program
- MRO Internal Controls

A light blue silhouette map of North America serves as a background. Overlaid on the southern part of the map is a photograph of a nuclear power plant, showing several large, white, hourglass-shaped cooling towers and a containment dome. The image is semi-transparent, allowing the map to be seen through it.

Compliance Operations Update

Recently Completed and Posted

- TOP-002 Normal Operations Planning
 - Applicable to over 63% of registered entities
 - 139 Violations, 74% self identified
 - Documentation is an area that needs improvement
- Compliance Registry and Registration Appeals
 - 94 appeals; 69% settled at region, 88% were in 2007
 - Process works
- NERC Organization Certifications
 - Process works; estimate 10 per year

A light blue map of North America is centered on the slide. Overlaid on the map is a semi-transparent image of a nuclear power plant, showing two large cooling towers and a containment dome. The text of the title is superimposed on a dark blue horizontal band across the middle of the map.

NERC Compliance Process Directive #2011-CAG-001

Directive Regarding Generator Transmission Leads

- Interim guidance to address reliability gap that exists with GO/GOPs that own transmission facilities (meeting the NERC Statement of Compliance Registry Criteria) but not registered as TO/TOP
- Ensure consistency across the Regions for GO/GOPs that meet the Compliance Registry Criteria to be registered as TO/TOPs
- **NOTE: This Directive does not prejudice outcome of Standards Development process**

- ERO recognized a gap in reliability as it relates to particular types of transmission facilities that connect generators directly to the bulk power system (BPS)
- NERC formed the Ad Hoc Group for Generator Requirements at the Transmission Interface (GOTO Ad Hoc Team); *Final Report from the Ad Hoc Group for Generator Requirements at the Transmission Interface Nov 2009*
- Currently, the Standard Drafting Team has proposed application of three Reliability Standards and 11 requirements of the FAC-001, FAC-003 and PER-003 standards
- The ultimate goal is to propose revisions to all standards that are applicable

- Industry comment period
 - Comments due November 15 through NERC stakeholder committees, trade associations, and forums
- Discussed at the Oct 17-18 North American Generator Forum Annual meeting and received feedback and comments
- Review comments
- Publish a final directive by end of year

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Questions?

RELIABILITY | ACCOUNTABILITY

A large, light blue map of North America (USA and Canada) serves as the background. Overlaid on the map is a semi-transparent image of a nuclear power plant, showing two large cooling towers and a containment dome. The title 'Entity Assessment Backup' is centered over the map in a dark blue banner.

Entity Assessment Backup

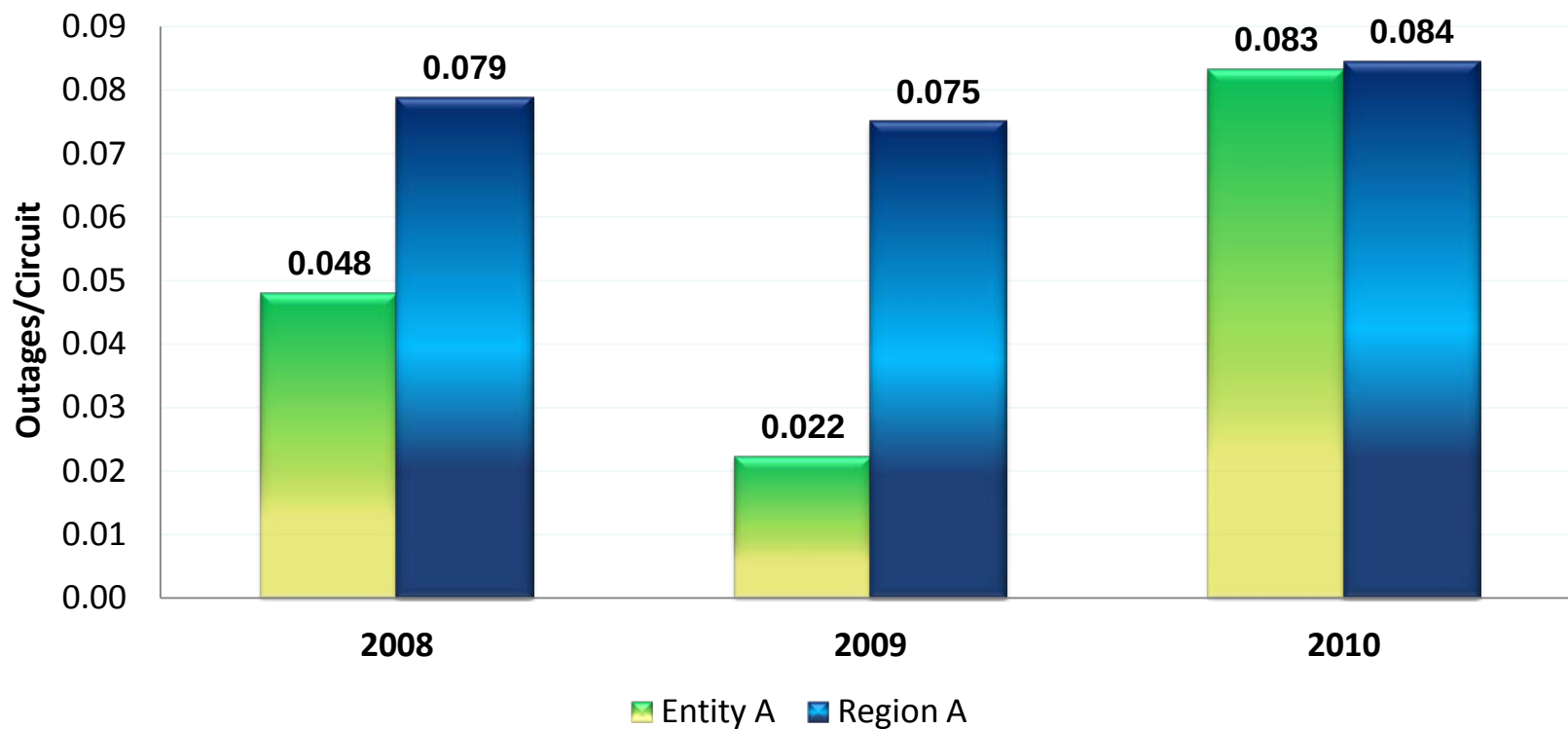
- Organization and structure
- Registered functions
- System size
- Neighboring entities
- High voltage transmission
 - Circuit miles
- Number of interconnections
- Generation portfolio
- Peak demand

- An Independent System Operator with multiple functions and a large geographical foot print would obviously have a higher profile than a small entity with limited functions and connections to other entities
- A high risk profile based on a large complex entity does not necessarily equate to that entity being a bad actor

- Unique metrics based on functional registration to measure performance
- How do we incorporate the Integrated Risk Index (IRI) into the entity assessment?

- ALR6-11: Automatic Outages Initiated by Failed Protection System Equipment
 - This reliability metric shows automatic outages due to failed protection system equipment
- ALR6-12: Automatic Outages Initiated by Human Error
 - This reliability metric shows the automatic outages due to human error
- ALR6-15: Element Availability Percentage (APC)
 - This reliability metrics provides the overall percent of time the aggregate of transmission elements are available and in service
- Performance relative to the regional average

ALR6-12 Automatic AC Circuit Outages Initiated by Human Error



- This assessment will allow a Regional Entity to identify generic strengths and weaknesses of a registered entities' culture of compliance
 - Examples of excellence and best practices
- It is envisioned that these identified examples of excellence and best practices can be shared with registered entities
 - Sharing will be on a group or individual basis
 - The sole purpose is to encourage the development and maintenance of a sound culture of compliance throughout the Regional Entity and the ERO

Internal Compliance Program

Key ICP Attributes	Reference Document
Officers/Personnel	Docket No. PL08-3-000: <i>FERC Policy Statement on Enforcement, Page 10, ¶ 22</i>
Independence	Docket No. PL06-1-000: <i>FERC Policy Statement on Enforcement, Page 10, ¶ 22</i>
Resources	Docket No. PL06-1-000: <i>FERC Policy Statement on Enforcement, Page 10, ¶ 22</i>
Leadership Support	Docket No. PL08-3-000: <i>FERC Policy Statement on Enforcement, Page 10, ¶ 22</i>
Compliance Training	Docket No. PL06-1-001: <i>FERC Revised Policy Statement on Enforcement, Page 23, ¶ 59</i>
Program Evaluation	Docket No. PL09-1-001: <i>FERC Policy Statement on Compliance, Page 8, ¶ 16</i>
Self-Identifying	Docket No. PL06-1-001: <i>FERC Revised Policy Statement on Enforcement, Page 23, ¶ 59</i>

- Possible violations
 - Totals
 - Self-identified versus externally discovered
 - Repeat violations
 - Timing of self-identified violations
- Mitigation plans
 - Completion of milestones
 - Timeliness of mitigation plan submittals
- Reviews/investigations

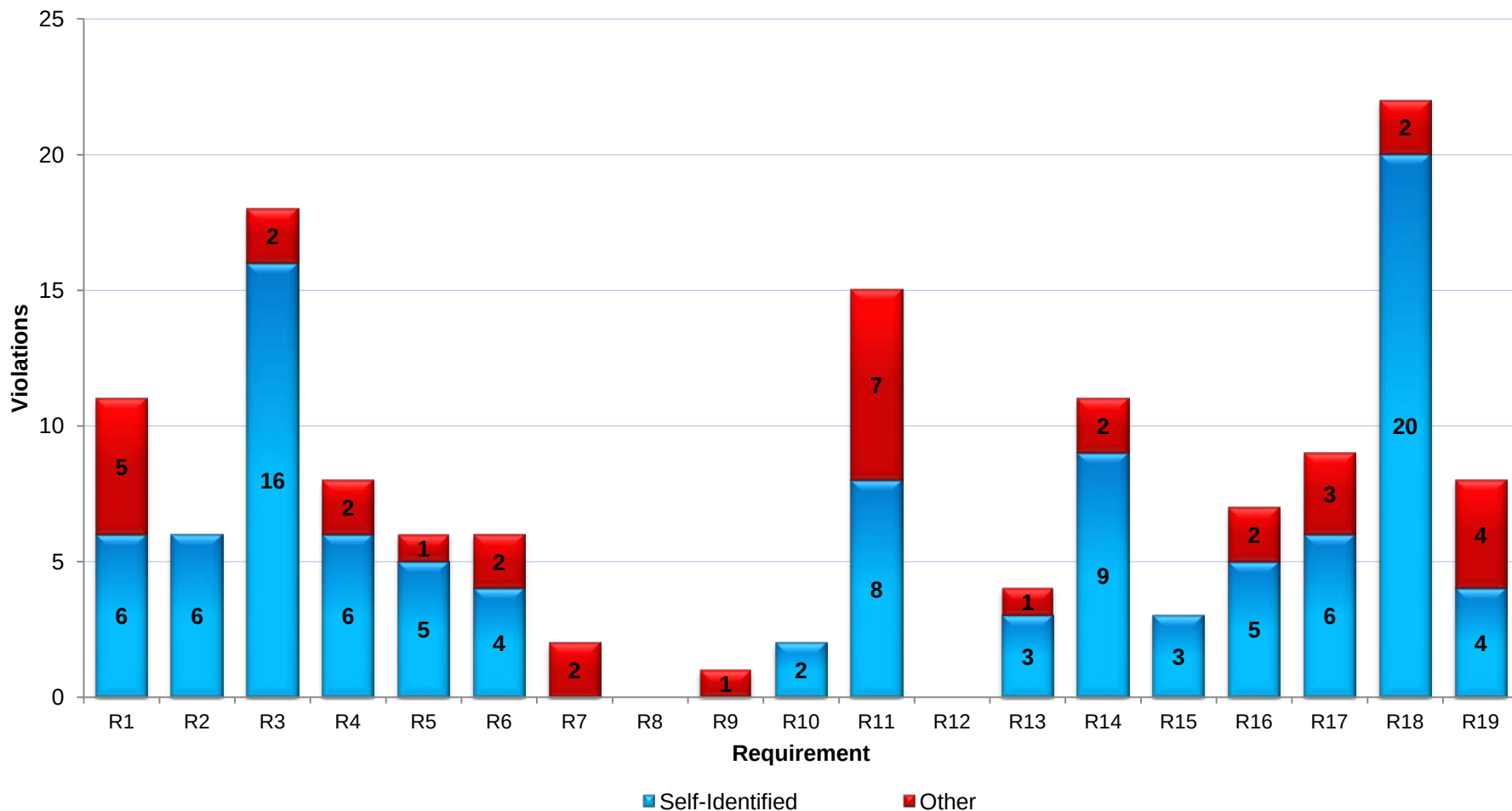
- Qualitative evaluation
 - Regional Entity information and knowledge of the registered entity regarding regional trends and issues
- Factors considered in this section may include:
 - Known system issues in registered entity's footprint
 - Previous events
 - Registered Entity involvement with ERO reliability initiatives
 - Communication and interaction between the Regional Entity and registered entity
 - Reliability or compliance trends within that region

A light blue silhouette map of North America serves as a background. Overlaid on the southern part of the map is a photograph of a nuclear power plant, showing two large white cooling towers and a containment dome. The title text is centered over a dark blue horizontal band.

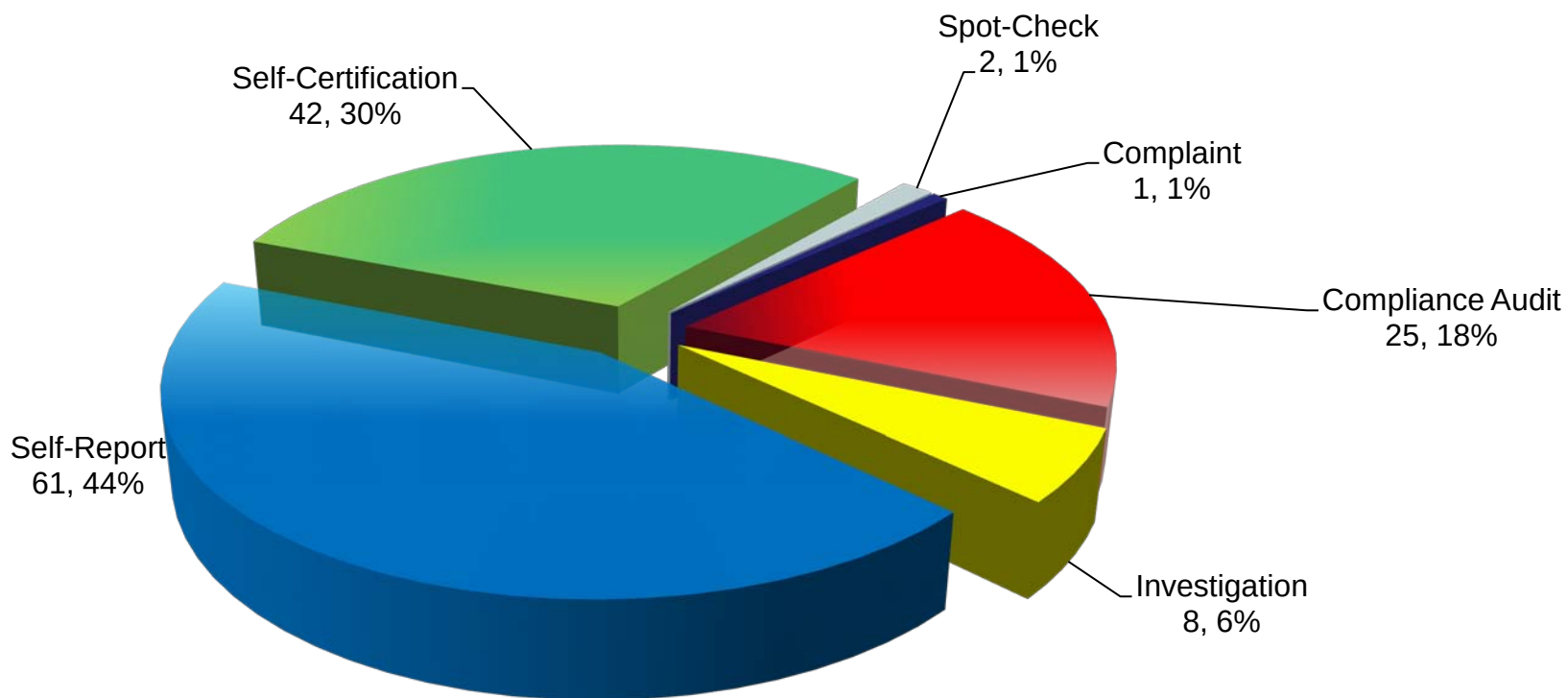
Compliance Analysis Report Backup

- Fourth most violated O & P standard all-time
- Fifth most violated O & P standard last 12 months
- Applicable to over 63% of registered entities
- 139 violations, 74% self-identified
 - Five requirements in double digit violations
 - Documentation is an area that needs improvement
- Link to TOP-002 report
 - <http://www.nerc.com/files/TOP-002.pdf>

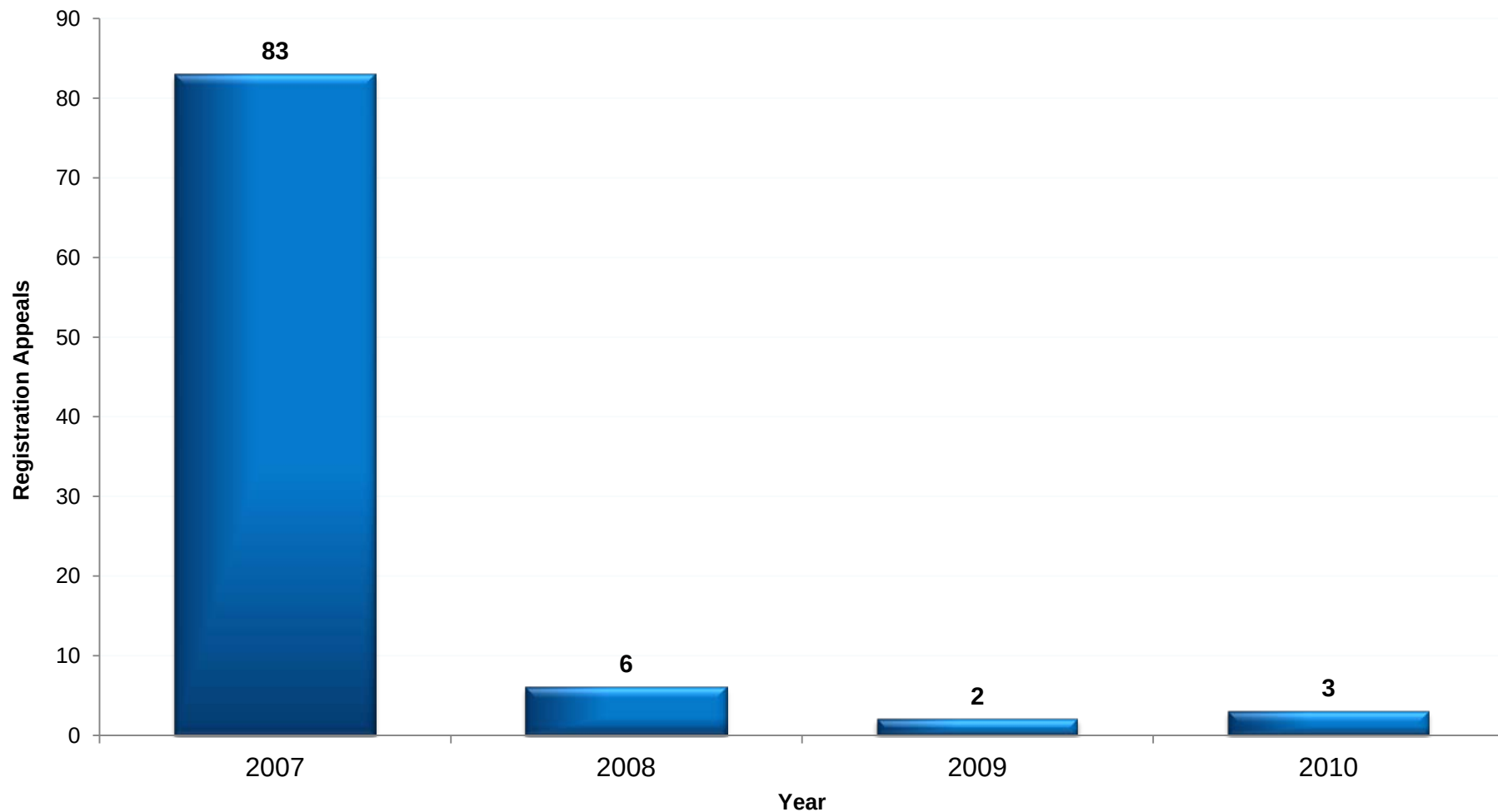
TOP-002 Violations by Requirement



TOP-002 Violations by Method of Discovery

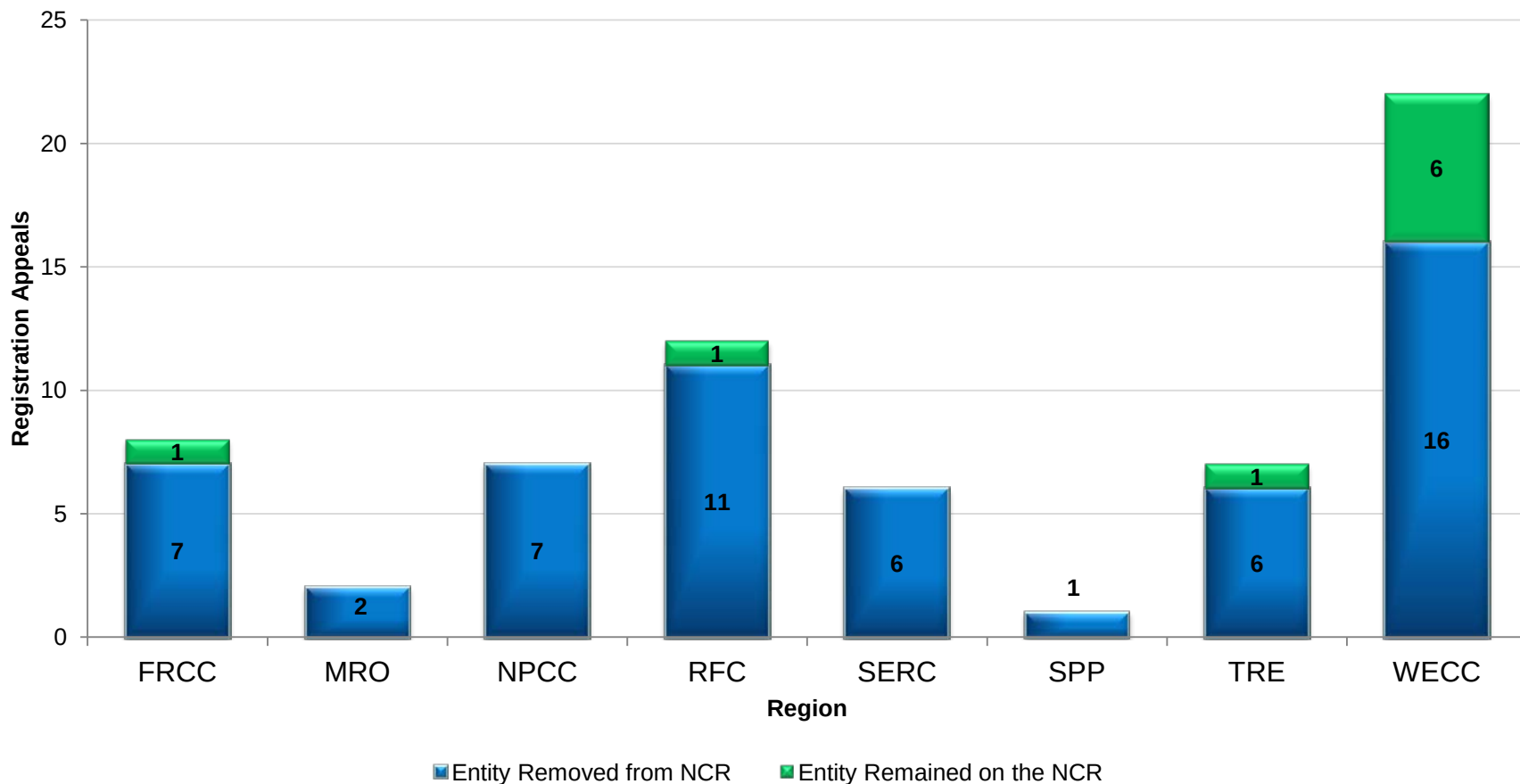


Total Registration Appeals by Year



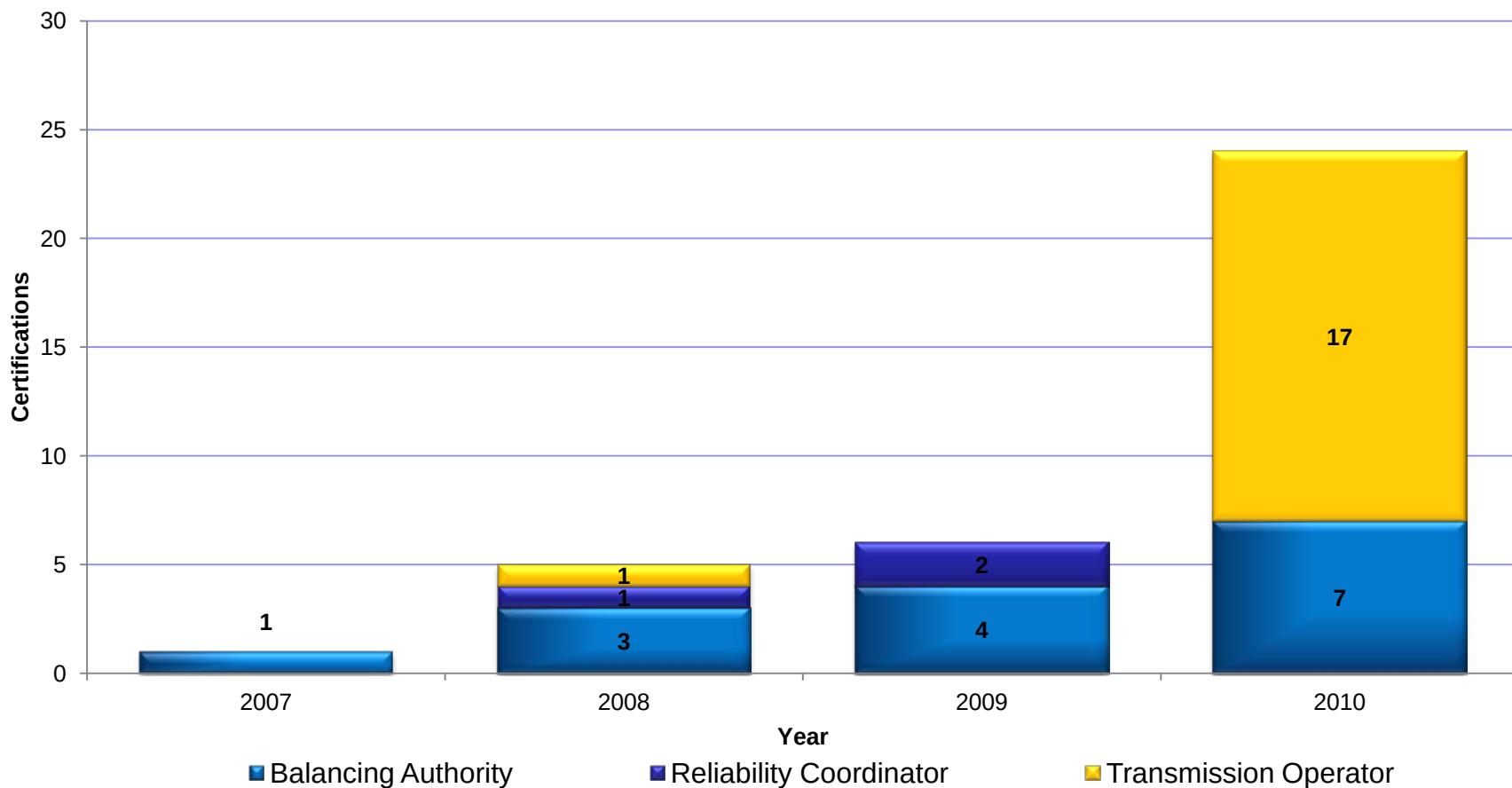
Registration Appeals Settled at the Regions

65 Total Appeals Were Settled at the Regions

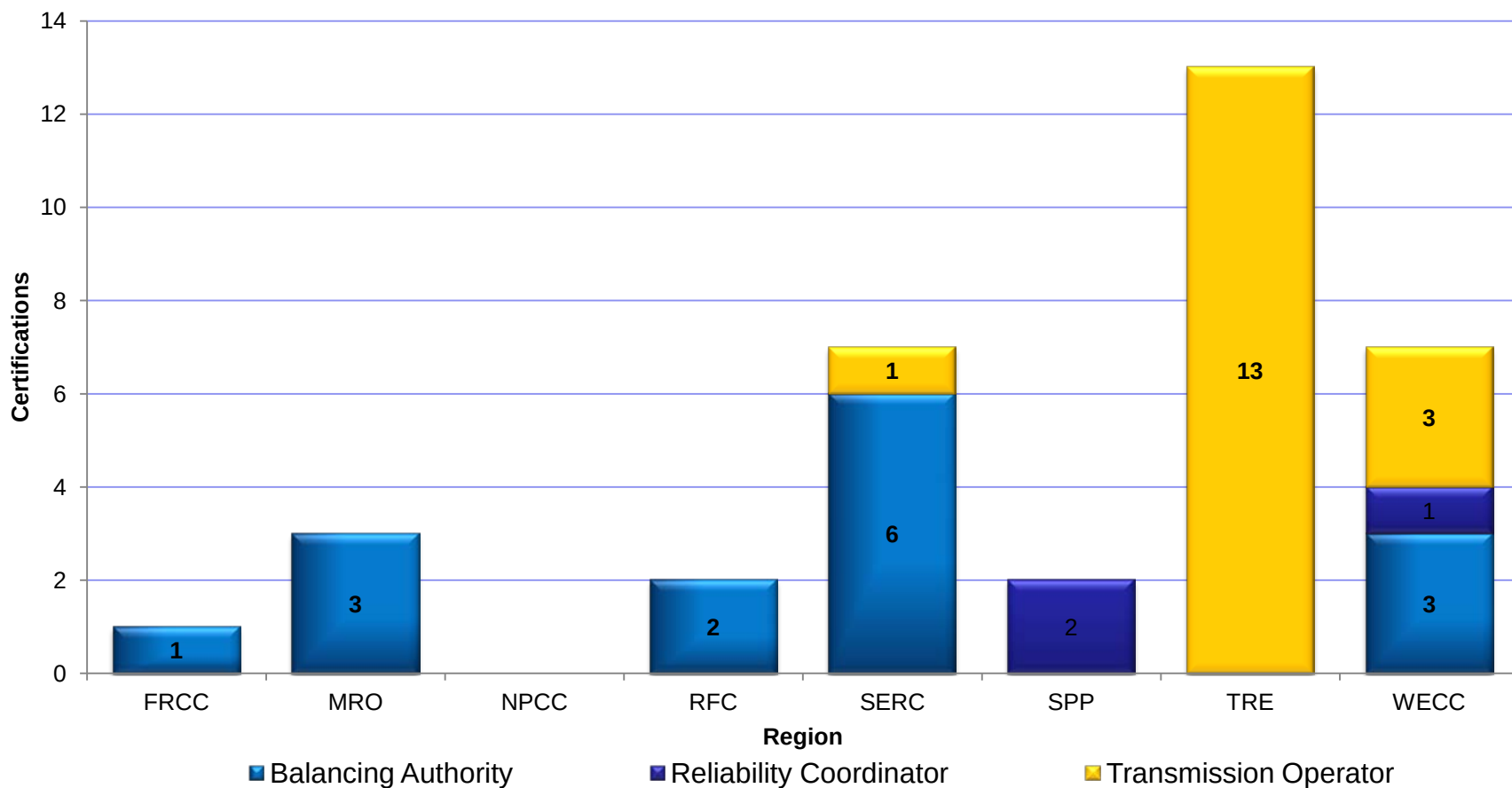


- NERC has posted sample certification materials for transparency
- Industry has already utilized the materials
- Documents can be found here:
 - <http://www.nerc.com/page.php?cid=3|25|294>

Certifications Completed by Year



Certifications Completed by Region



- NERC and the Regional Entities are working to provide opportunities to lessen the need for on-site visits for those entities that have gone through the certification process before
- NERC is committed to providing open and transparent information to the industry and has begun posting certification processes, procedures, and tools on its website

- NERC staff appreciates comments to reports as well as suggestions for improvements
- Working to develop a process with the Operating Committee, Planning Committee, and Critical Infrastructure Protection Committee
- Questions/comments?

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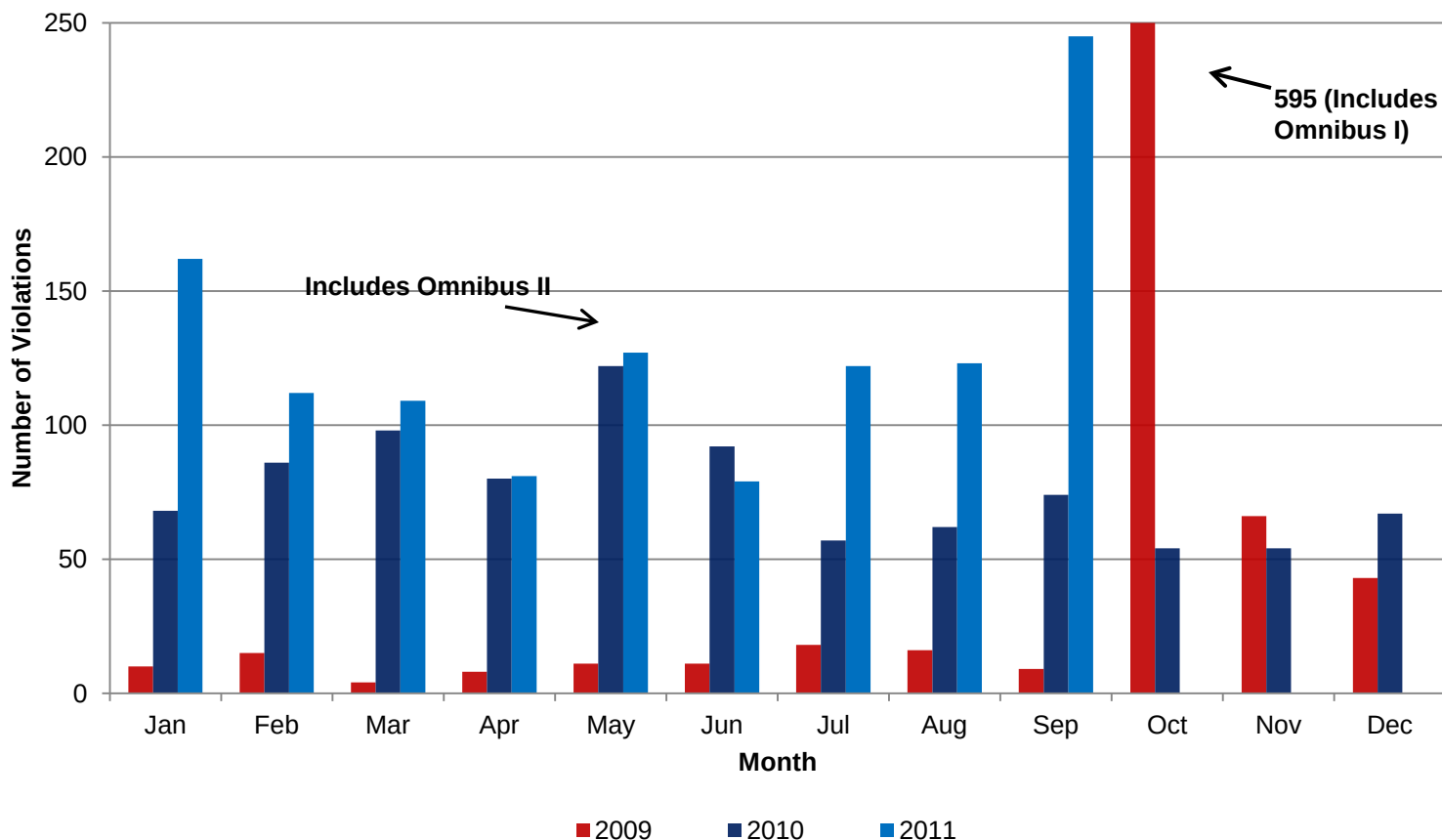
Quarterly Statistics

RELIABILITY | ACCOUNTABILITY

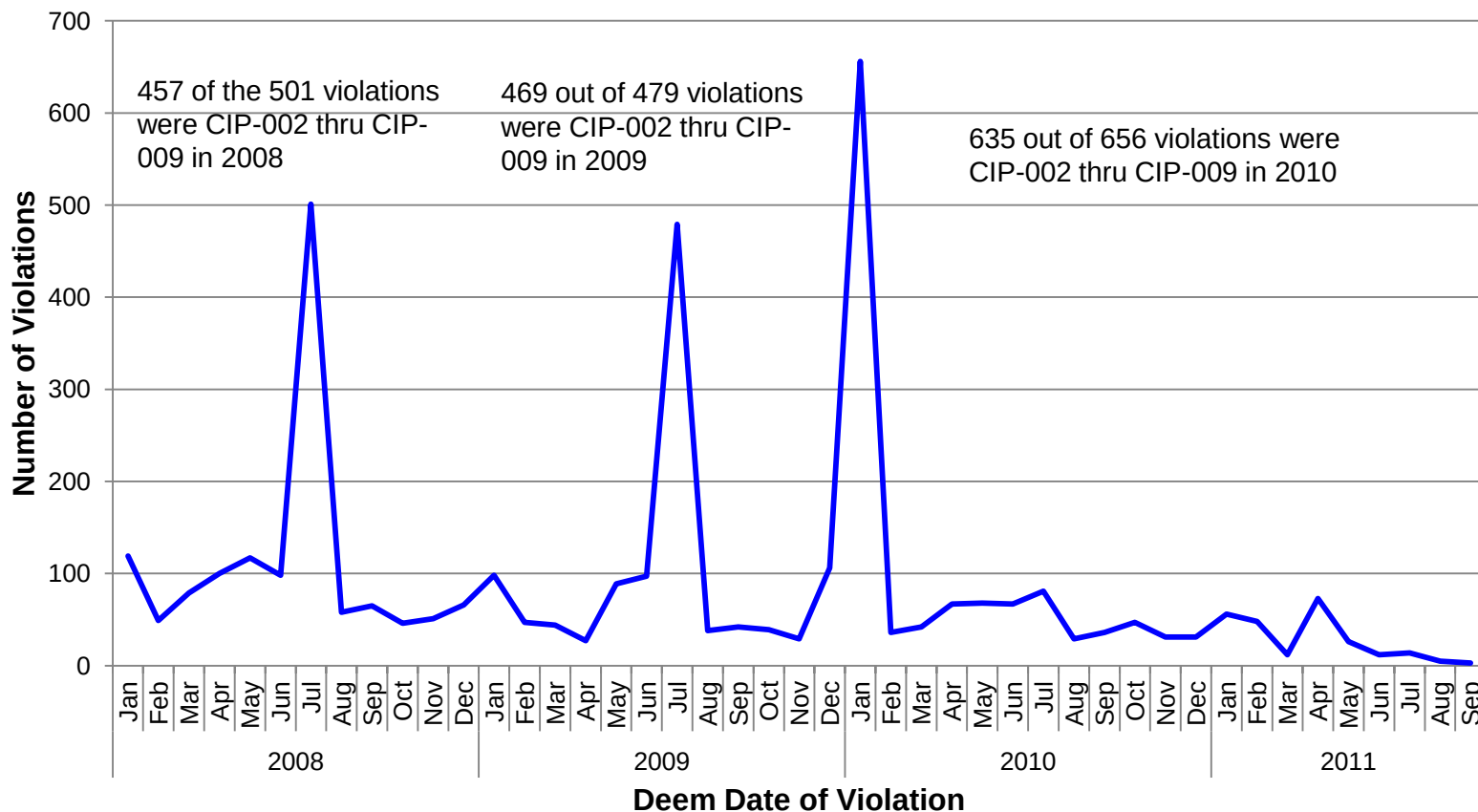


- The number of new violations received in September was 262; the highest since June
- September 30 FERC filing
 - 117 FFT violations
 - 102 violations (75 via Spreadsheet NOP and 27 via Full NOPs)
- The percentage of CIP to Non-CIP violations has risen to 63% in September; last month was 52%
- Six month violation receipt average (April 1, 2011 through September 30, 2011)— 277 violations/month (265 last month average)

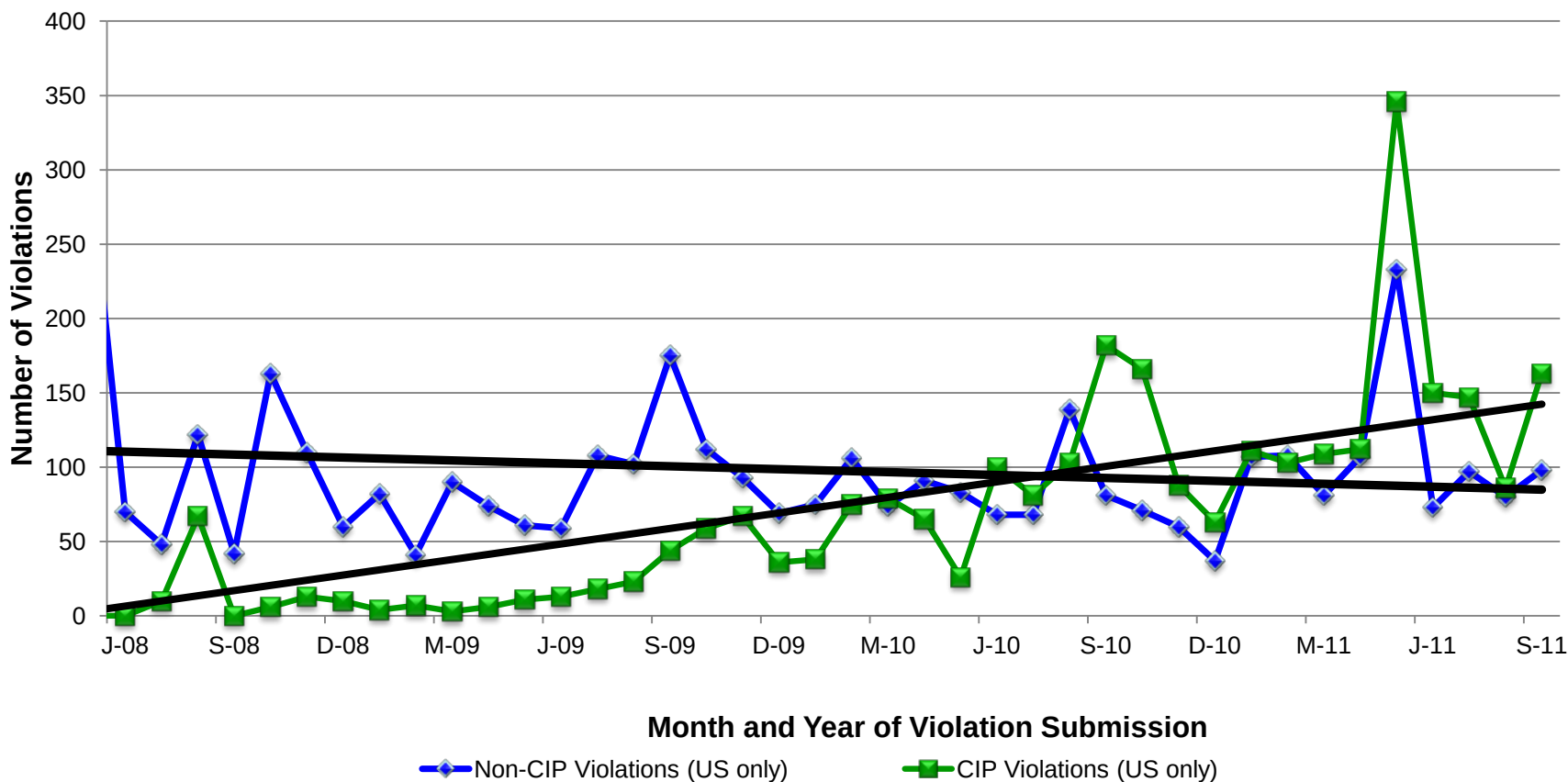
Violations Approved by BOTCC



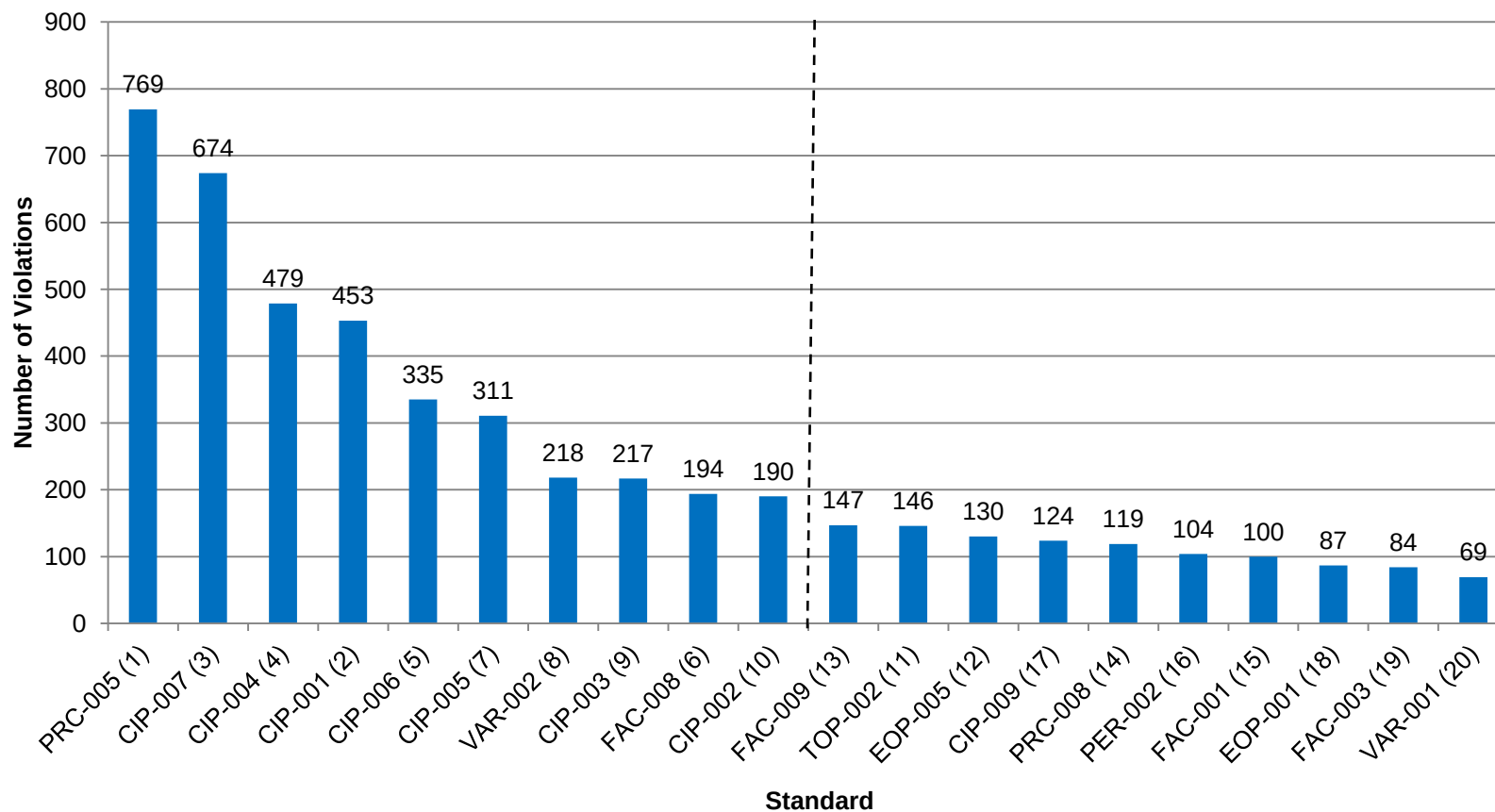
Deem Date Trend for Active and Closed Violations



CIP versus Non-CIP Violation Trend All Time

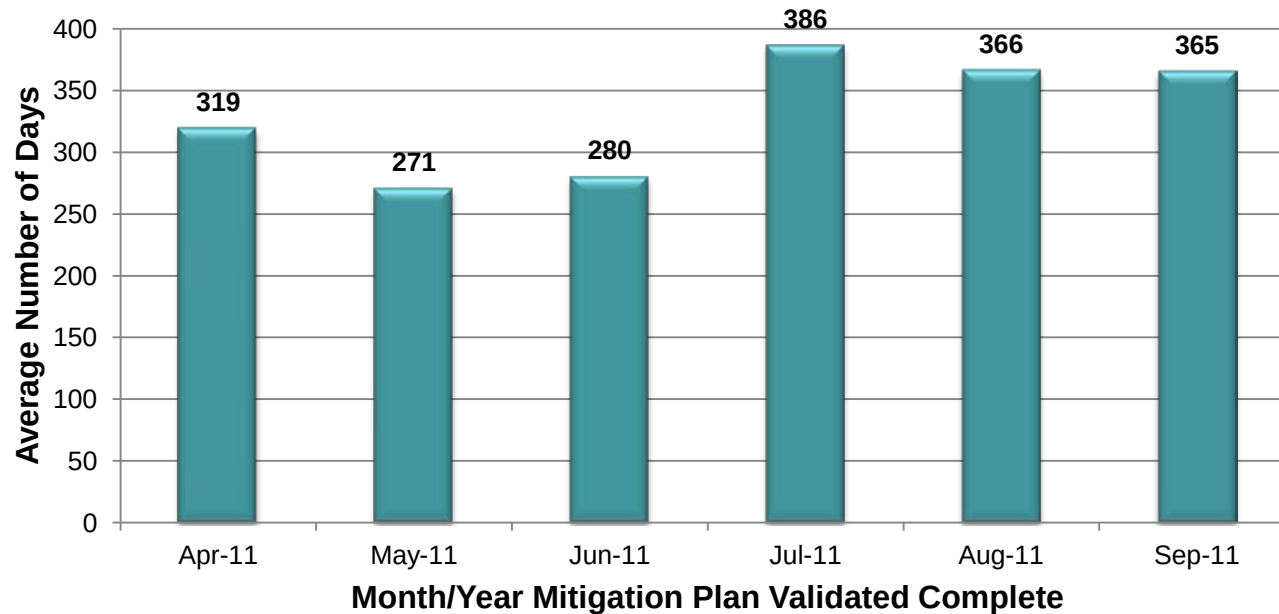


Top 20 Enforceable Standards – Violated Active and Closed Violations thru 9/30/11



Rolling Six Month MP Average days from Discovery to Validate April 1, 2011 thru September 30, 2011

Total of 575 violations with a 6 month average days to validate of 330



CEI Processing Statistics

	Approved NOP Violations	Approved FFTs	Total Filed with FERC
September	119	128	219
October	48	133	159
November	117*	44*	

*Anticipated

CEI Processing Statistics by Region

	September NOP/FFT	October NOP/FFT	November NOP/FFT
FRCC	12/30	0/25	0/2
MRO	0/24	1/9	0/11
NPCC	0/2	0/4	0/7
RFC	58/8	15/17	72/14
SERC	0/22	0/2	0/3
SPP RE	8/24	0/8	0/6
TRE	0/12	0/13	0/1
WECC	41/6	32/55	35/1

Violations “at NERC” as of October 19, 2011

- 152 are BOTCC-approved
 - 40 from pre-September—33 scheduled for filing on October 31, 2011, with balance awaiting mitigation-related activities (MRA)
 - 52 from September—awaiting execution or MRA
 - 60 from October
- 130 are scheduled for BOTCC action in November and December

September 8, 2011 Southwestern Outage

**Member Representatives Meeting
November 2, 2011
Dave Nevius, Senior Vice President**

RELIABILITY | ACCOUNTABILITY



- Extended over Southern CA, parts of AZ, and Northern Baja California Mexico
- Over two million customers affected
- Loss of ~7,800 MW of customer load and ~5,000 MW of generation
- FERC and NERC conducting joint inquiry into event

- Interviews conducted with four entities to date:
 - Arizona Public Service
 - California Independent System Operator
 - Imperial Irrigation District
 - WECC Reliability Coordinator
- Data/information gathering from impacted entities
 - SCADA/EMS
 - PMU/DFR
 - Voice recordings
 - Logs
 - Interview results
 - Etc.

- Sequence of events
- System simulation/modeling
- Root cause and human performance analysis
- Operations tools, SCADA/EMS, communications, operations planning
- System planning, design, and studies
- Frequency/ACE analysis
- Transmission and generation performance, system protection and control, maintenance, damage
- System restoration
- Lessons learned and recommendations

- Our experience with events of this magnitude is that it takes a number of months to complete the analysis and prepare appropriate recommendations
- Timing of this inquiry will depend on what we learn as we get deeper into the analysis.

February 2011 Cold Snap Report and Recommendations

**Member Representatives Meeting
November 2, 2011**

Earl Shockley, Director of Reliability Risk Management

RELIABILITY | ACCOUNTABILITY



- There were a total of 26 electric recommendations issued:
 - Planning and reserves (5)
 - Coordination with generator owners/operators (5)
 - Winterization (10)
 - Communications (4)
 - Load Shedding (2)
- There were also six gas recommendations

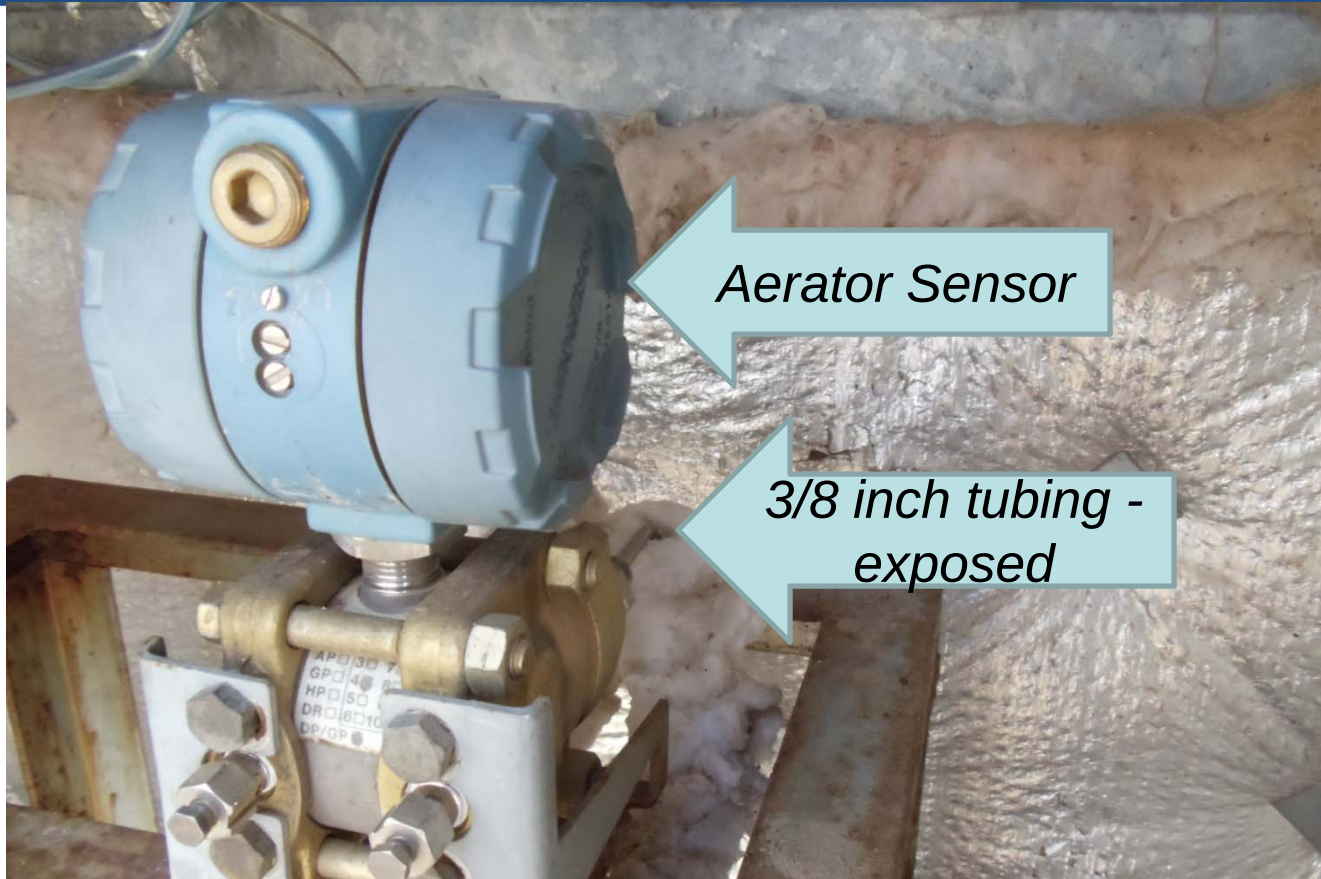
3 Key Findings - Summary

- Many generators failed to adequately apply and institutionalize knowledge and recommendations from previous severe winter weather events
- Generators failed to adequately prepare the plants for winter and were generally reactive as opposed to proactive
- Balancing Authorities, Reliability Coordinators and generators often lacked adequate knowledge of plant temperature design limits and the equipment most effected by freezing

Supporting Recommendations

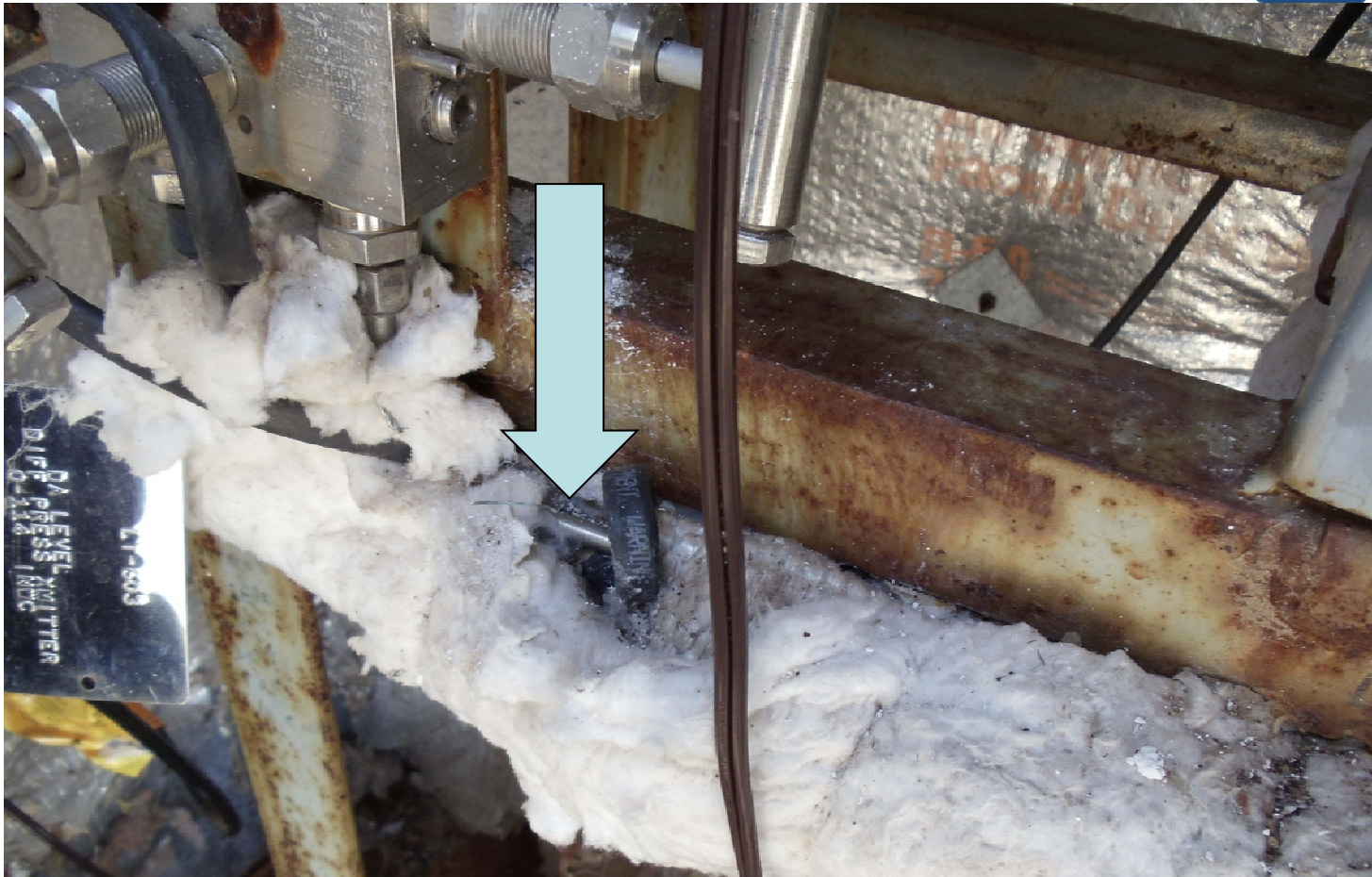
- R1 - BAs, RCs, and GO/GOPs – Consider winter peak season preparations as critical as summer peak season preparations
- R6 - TOs, BAs, and GO/GOPs – Verify that units that have fuel switching capabilities can periodically demonstrate those capabilities
- R8 - BAs, RCs and TOPs – Require GO/GOPs to provide accurate ambient temperature design specifications and keep current

Frozen Sensor



R 14 - GO/GOPs – Ensure that adequate maintenance and inspection of freeze protection elements is conducted on a timely and repetitive basis.

Inadequate Insulation

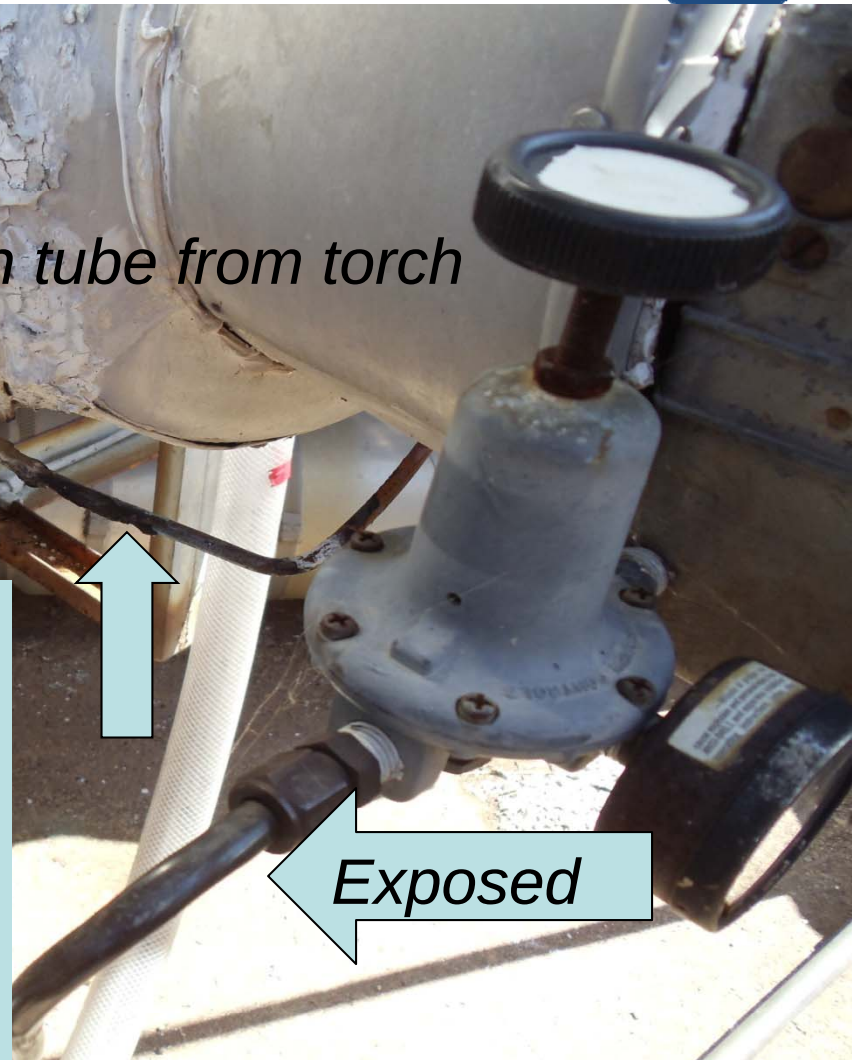


R – 16 GO/GOPs – Inspect and maintain thermal insulation on all units.

Lack of Insulation

Notice burn marks on tube from torch

*R – 18 GO/GOPs –
Develop and annually
conduct winter-specific
and plant-specific
operator awareness and
maintenance training.*



Wind Break Design

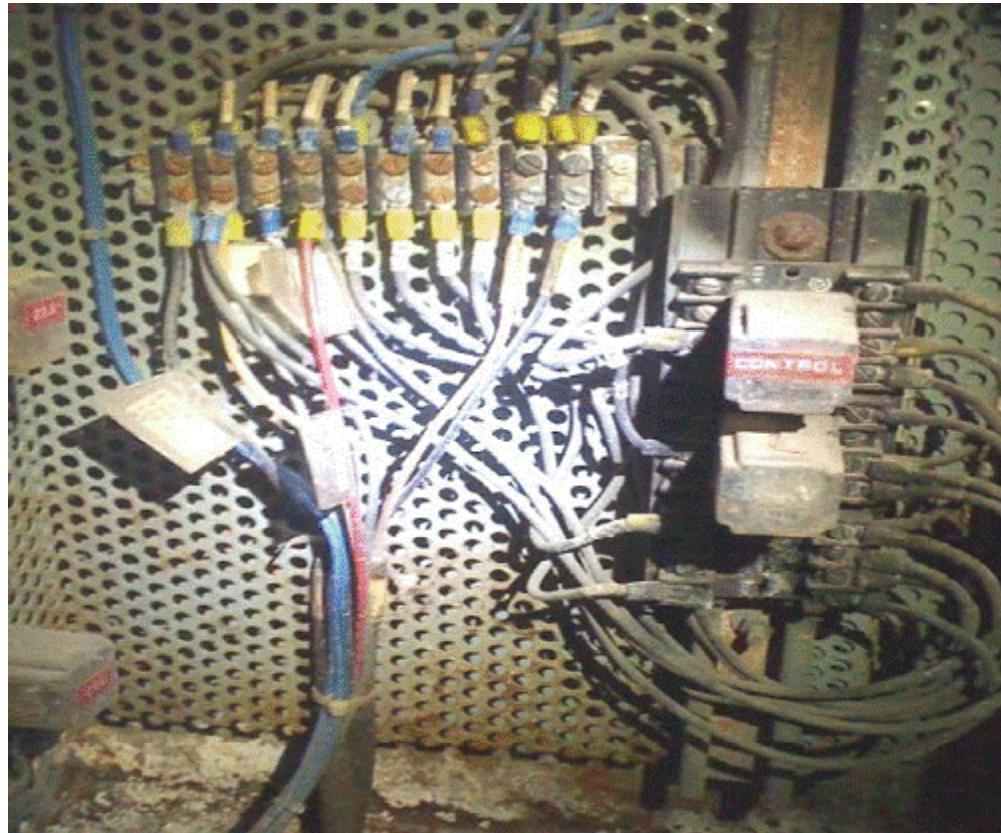
*Wind break Was
too Short*

*Feedwater Sensor
Froze*

*R – 17 GO/GOPs – Plan to
erect adequate wind breaks
and enclosures, where needed.*

Wind Break

Corroded Freeze Protection Panel



R – 15 GO/GOPs – Inspect and maintain heat tracing equipment on all generating units.

Oil Burning Wands



***R – 6** TOs, BAs, and
GO/GOPs – Verify that
units that have fuel
switching capabilities can
periodically demonstrate
those capabilities*

Fuel Transfer Valves



Compliance Application Notice (CAN) Update to MRC

Member Representatives Meeting

November 2, 2011

Michael Moon, Director Compliance Operations

RELIABILITY | ACCOUNTABILITY



- BOT guidance
- CAN Process
- CAN-0016 Sabotage Reporting Procedure
- Status of revisions to the remaining CANs currently posted as final

- Address CANs to Compliance Enforcement Authorities (auditors, investigators, enforcement staff, compliance enforcement authority staff)
- CANs are not to expand upon the standard or add requirements
- Avoid words such as “must”
- Provide a higher level of review for industry to access to contest a CAN
- Repost for industry comment

Industry Feedback on Process

- Provide more detail on the CAN development process to include vetting
- Post all industry comments for transparency
- Provide the feedback mechanism to Standards for issues not dealt with in the CAN
- Provide detail for the higher level review process, format and timelines
- Provide detail regarding the higher level reviewer(s) options

Industry Feedback on Process

- Create a systematic method for prioritizing CANs
 - Will solicit input from the Standards Committee and the Compliance and Certification Committee
- Track and provide requestor segment/source
- Provide more detail in responses to comment groups
- Provide appendix templates for industry use:
 - Appendix 1 – Can Template (currently provided on the NERC web site)
 - Appendix 2 – Industry Prioritization Recommendation Form
 - Appendix 3 – CAN Comments Template
 - Appendix 4 – Standards Issues Database Submittal Form
 - Appendix 5 – Higher Level of Review Submittal Form

- Ballot Compliance Application Notices
 - Comments are sought and will be considered in the drafting phase
- Respond to every CAN comment individually
 - Comments will be grouped and answered in more detail
- Webinars prior to CAN development
 - Prioritization Form, Appendix 2, provides for input prior to drafting
 - Solicit input on prioritization and issues refinement from the Standards and Compliance and Certification Committees

Revised CAN Process and appendices were approved by the BOTCC and reposted as final on October 14

- [CAN Process \(Clean\)](#)
- [CAN Process \(Redline\)](#)
- [CAN Process Appendix 1 - CAN Template](#)
- [CAN Process Appendix 2 - Industry Prioritization Form](#)
- [CAN Process Appendix 3 - CAN Comment Form](#)
- [CAN Process Appendix 4 - Standards Suggestion Form](#)
- [CAN Process Appendix 5 - CAN High-Level Review Request Form](#)

- Fundamental difference – documentation versus implementation of procedure
- Whether all employees must be aware of the entity's sabotage reporting procedure or only the operating personnel must be aware of the procedure
- Implementation would create an evidentiary burden
 - Documentation of events
 - Training
- Revised CAN did not answer the original question

- Implementation is required
- All employees must be aware of the entity's sabotage reporting procedure
- Implementation would create an evidentiary burden
 - Documentation of events – not looking for documentation of every potential sabotage event but examples of where/how the process was utilized
 - Training – changed to awareness
- Revised CAN did not answer the original question
 - A CEA is to verify that facilities that may affect the bulk power system are not excluded

- Completed Industry Review and are in Analysis
 - CAN-0005 CIP-002-3 R3 Critical Cyber Asset Designation for System Operator Laptops
 - CAN-0006 EOP-005-1 R7 Verification of Restoration
 - CAN-0007 CIP-004-2 R4.2 & CIP-004-3 R4.2 Revocation of Access to CCAs
 - CAN-0008 PRC-005-1 R2 Basis for First Maintenance and Testing Date
 - CAN-0018 FAC-008 R1.2.1 Terminal Equipment
 - CAN-0009 FAC-008 and FAC-009
 - CAN-0010 Definition of Annual
 - CAN-0011 PRC-005-1 R2 New Equipment
 - CAN-0012 Completion of Periodic Activity Requirements Prior to a Registered Entity's Effective Date for a Standard
 - CAN-0013 PRC-023-1 R1 and R2 Effective Dates for Switch-On-To-Fault Schemes
 - CAN-0015 Unavailability of NERC Software Tools
 - CAN-0022 VAR-002-1.1b R1 and R3 Generator Operation in Manual Mode
 - CAN-0026 TOP-006 R3 Protection Relays
 - CAN-0028 TOP-006 R1.2 Reporting

- Where compliance monitoring is not explicitly addressed by a standard:
 - Whether a range of acceptable compliance actions may be defined or
 - Whether compliance is to be monitored according to each entity's interpretation of the standard?
- What is the appropriate level of industry involvement in the determination of a range of acceptable compliance actions?
- Where a standard requires a procedure or process but does not specify implementation is implementation implied?

CANs with changes suggested by industry under consideration:

- CAN-0006 EOP-005-1 R7 Verification of Restoration
- CAN-0012 Completion of Periodic Activity Requirements Prior to a Registered Entity's Effective Date for a Standard
- CAN-0013 PRC-023 Switch on to Fault Schemes
- CAN-0016 CIP-001 R1 Sabotage Reporting Procedure
- CAN-0018 FAC-008 R1.2.1 Terminal Equipment
- CAN-0022 VAR-002-1.1b R1 and R3 Generator Operation in Manual Mode
- CAN-0024 CIP-002-1 R3.1 Routable Protocols and Data Diode Devices
- CAN-0030 Attestations
- CAN-0031 CIP-005, -006 Acceptable Opening Dimensions

- Have revised the Process per BOT guidance and Industry feedback
- Reposted CAN-0016 as final per BOT guidance and with consideration of industry feedback
- Anticipate reposting by the end of the year:
 - all CANs previously posted as final plus
 - 11 additional CANS currently in process
- Will implement posting all industry comments with CANs under development that were not previously posted as final
- Will implement all new process steps with new CANs



Questions?



Posted on September 1, 2011 with comments due September 21, 2011. Industry comments are currently being analyzed.

- CAN-0005 CIP-002 R3: Critical Cyber Asset Designation for System Operator Laptops
- CAN-0006 EOP-005: Verification of Restoration
- CAN-0007 CIP-004 R4: Revocation of Access to CCAs
- CAN-0008 PRC-005 R2: Pre-June 18, 2007 Evidence
- CAN-0018 FAC-008: Terminal Equipment

Posted on September 23, 2011 with comments due October 14, 2011.

- CAN-0009 FAC-008 and FAC-009: Facility Ratings and Design Specifications
- CAN-0017 CIP-007 R5: Technical and Procedural System Access and Password Controls
- CAN-0029 PRC-004 R1, R2 and Re: Protection System Misoperations
- CAN-0031 CIP-006 R1: Acceptable Opening Dimensions
- CAN-0039 EOP-004 Filing DOE Form OE-417 Event Reports

Approved by CAN Executive Approval Team

- CAN-0010 Multiple Standards: Definition of “Annual”
- CAN-0011 PRC-005-1 R2: New Equipment
- CAN-0012 CIP-002 through CIP-009: Completion of Periodic Activity by Effective Date
- CAN-0013 PRC-023 R1 and R2: Switch on to Fault Schemes
- CAN-0015 Multiple Standards: NERC Software Tools
- CAN-0022 VAR-002 R1: Generator Operation in Manual Mode
- CAN-0026 TOP-006 R3: Protection Relays
- CAN-0028 TOP-006 R1.2: Reporting

Project 2010-17 Definition of Bulk Electric System

Member Representatives Meeting
November 2, 2011

Peter Heidrich, FRCC – BES Definition Drafting Team Chair
Carter Edge, SERC – ROP Drafting Team Chair

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- Expanded project plan
- Bulk Electric System (BES) Definition
 - Initial ballot results
 - Clarifications
- Rules of Procedure exception process (Appendix 5C)
- Exception application form
 - Initial ballot results
 - Industry concerns
- Implementation plan
- Near-term project milestones

Project Plan - Phased Approach

- Phase 1 - Addresses directives from Orders No. 743 and 743-A
- Phase 2 - Addresses concerns identified through the Standards Development Process

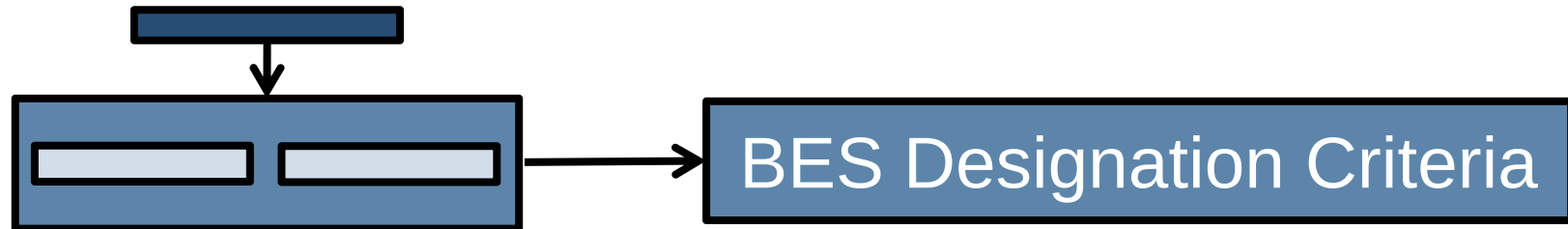
(DRAFT Standard Authorization Request and the *Bulk Electric System Definition Project - Fact Sheet* has been posted for informational purposes.)

- NERC Standards Committee
 - Approved the multi-phased approach
 - Committed to keeping this project on its “High Priority” project list
 - Committed to continuing development work with the current SDT through completion of Phase 2
 - Committed to supplying resources to complete technical research

- BES definition ballot results
 - Quorum: 92.97%
 - Approval: 71.68%
- Comments from 255 different people from 156 companies representing 10 of the 10 industry segments

- Transformer designations
- Generation threshold values
- Reactive resources
- Behind the meter generation
- Local networks

BES Designation Criteria Inclusions



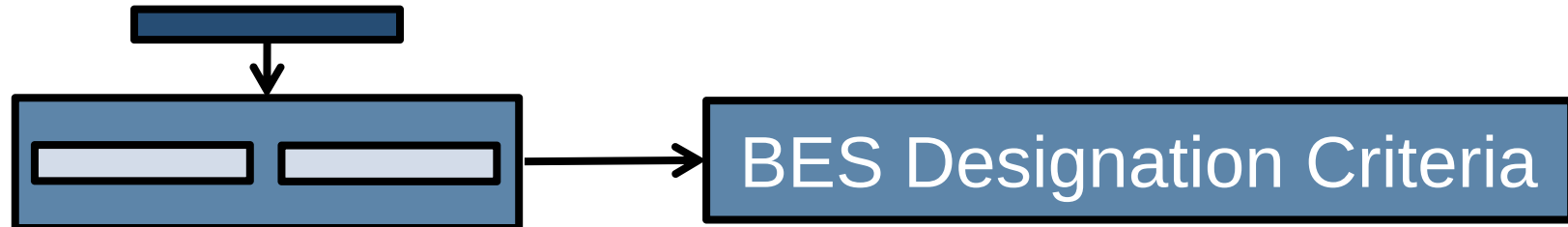
I1 - Transformers with **the** primary **terminal** and **at least one** secondary terminal operated at 100 kV or higher unless excluded under Exclusion E1 or E3.

BES Designation Criteria Inclusions



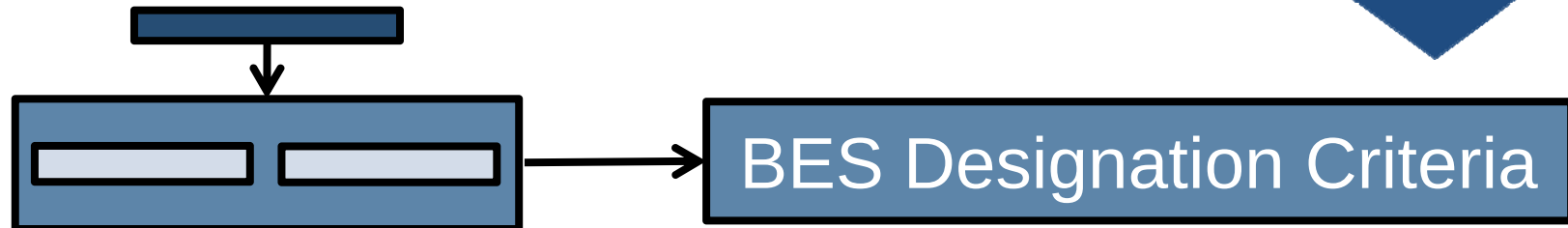
I2 - Generating resource(s) with gross individual **nameplate rating greater than 20 MVA** or gross **plant/facility** aggregate nameplate rating **greater than 75 MVA** including the generator terminals through the high-side of the step-up transformer(s) connected at a voltage of 100 kV or above.

BES Designation Criteria Inclusions

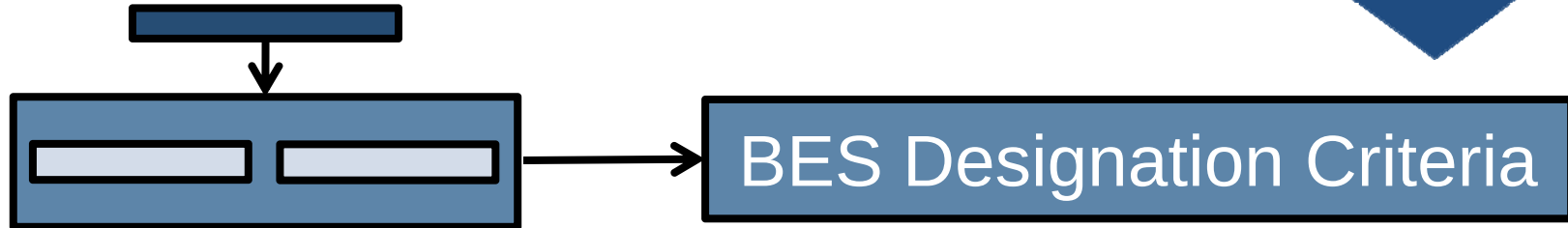


I5 –Static or dynamic devices **(excluding generators)** dedicated to supplying or absorbing Reactive Power that are connected at 100 kV or higher, or through a dedicated transformer with a high-side voltage of 100 kV or higher, or through a transformer that is designated in Inclusion I1.

BES Designation Criteria Exclusions



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.

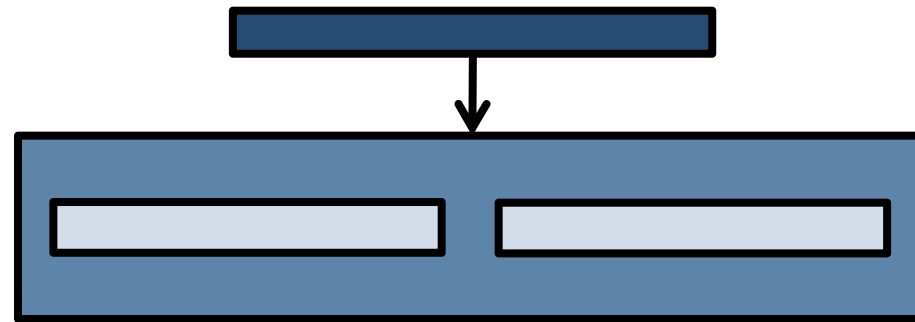


E3 – Local networks (LN):

The LN is characterized by all of the following:

- a) Limits on connected generation
- b) Power flows only into the LN **and** the LN does not transfer energy originating outside the LN for delivery through the LN
- c) Not part of a Flowgate or transfer path

Bulk Electric System Definition



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

- What's Posted (Through October 27, 2011)
 - For Comment
 - New Rule 509
 - New Rule 1703
 - New Appendix 5C
 - For information
 - Process flow diagrams
 - Exception Request Form (Sample)

- New Rule 509 - Exceptions to the Definition of the Bulk Electric System

“Appendix 5C sets forth the procedures by which (i) an entity may request a determination that an Element that falls within the definition of the Bulk Electric System should be exempted from being considered a part of the Bulk Electric System, or (ii) an entity may request that an Element that falls outside of the definition of the Bulk Electric System should be considered a part of the Bulk Electric System.”

- New Rule 1703 - Challenges to NERC Determinations of BES Exception Requests under ROP
 - Leverages existing (proposed) appeals process
 - NERC's decision to Approve, Disapprove, or Terminate
 - 30 days to appeal
 - 90 days for review panel to decide
 - May request BOTCC review panel decision

- New Appendix 5C
 - Entity determination of status is a prerequisite for requesting an exception
 - Section 4: Who's and What's
 - Who can submit and who to submit a request to
 - What to submit
 - Who “approves”
 - What happens if I disagree
 - Section 5: What to expect

- Initial screening
 - Region “accepts or rejects” the request for substantive review
 - Eligible submitter?
 - Request for exception?
 - Required information provided?

- Substantive review
 - Region recommends “approval or disapproval” of request to NERC based on:
 - “necessary for the reliable operation of the interconnected bulk power transmission system as evidenced by required information provided”.

- NERC decision
 - NERC receives the request record with a recommendation from the Regional Entity
 - States the basis for the recommendation
 - Includes information considered by the Regional Entity in arriving at its recommendation
 - Submitting Entity or Owner has opportunity to comment in support or opposition to the recommendation
 - NERC decision final if not appealed

- Implementation plans for requests
 - Status “as is” when going through the process
 - Some implementation may be necessary for:
 - New inclusion exceptions
 - Denials of exception requests for exclusion
 - Newly-constructed or installed element
 - Was not included in the bulk electric system under the bulk electric system definition in effect

- Comments from first formal posting
- Reliability benefits of an element cannot be determined by a single study or analysis of a single parameter
- Not feasible to establish continent-wide values and/or limits

- The Standard Drafting Team has adopted a new approach:
 - “Detailed Information to Support an Exception Request” application form
 - Targeted questions for transmission and generation addressing the facility characteristics with guidance on the type of supporting evidence to accompany request
 - No hard numbers to guide the evaluation
 - Engineering judgment will be utilized to perform the evaluation of the evidence in a consistent, repeatable, and verifiable process

- Detailed information to support an Exception Request application form ballot results:
 - Quorum: 89.53%
 - Approval: 64.03%
- Comments from 137 different people from 83 companies representing 10 of the 10 industry segments

- Industry concerns:
 - Desire “hard” and “fast” guidance
 - Limited role in process
 - Impact of “yes” or “no” response to questions
 - What is the benchmark for evaluation?
 - Will phase 2 examine process results?

- Standard Drafting Team response:
 - Individual variables, extenuating circumstances
 - Open and transparent exception process
 - Professional experience
 - No single answer will determine outcome
 - Necessary for the reliable operation of the grid
 - Phase 2 will examine process results

- Effective dates:
 - This definition shall become effective on the first day of the second calendar quarter after applicable regulatory approval or Board of Trustees adoption as applicable
- Compliance obligations:
 - For elements included by the definition – 24 months after the applicable effective date of the definition
 - Standard Drafting Team believes that the timeframe is needed to:
 - Effectively produce reasonable transition plans
 - Submit any necessary registration changes
 - File for exceptions
 - Provide training

Near-term Project Milestones

- Recirculation Ballot (November 14, 2011)
 - Revised bulk electric system definition with designations (inclusions and exclusions)
 - Implementation plan
 - “Detailed Information to Support an Exception Request” application form
- Post Phase 2 SAR (December 2011)
- File with the Commission (FERC) by January 25, 2012



Question and Answer

Website: http://www.nerc.com/filez/standards/Project2010-17_BES.html

Adequate Level of Reliability

MRC BES/ALR Policy Group

Member Representatives Committee
November 2011

RELIABILITY | ACCOUNTABILITY

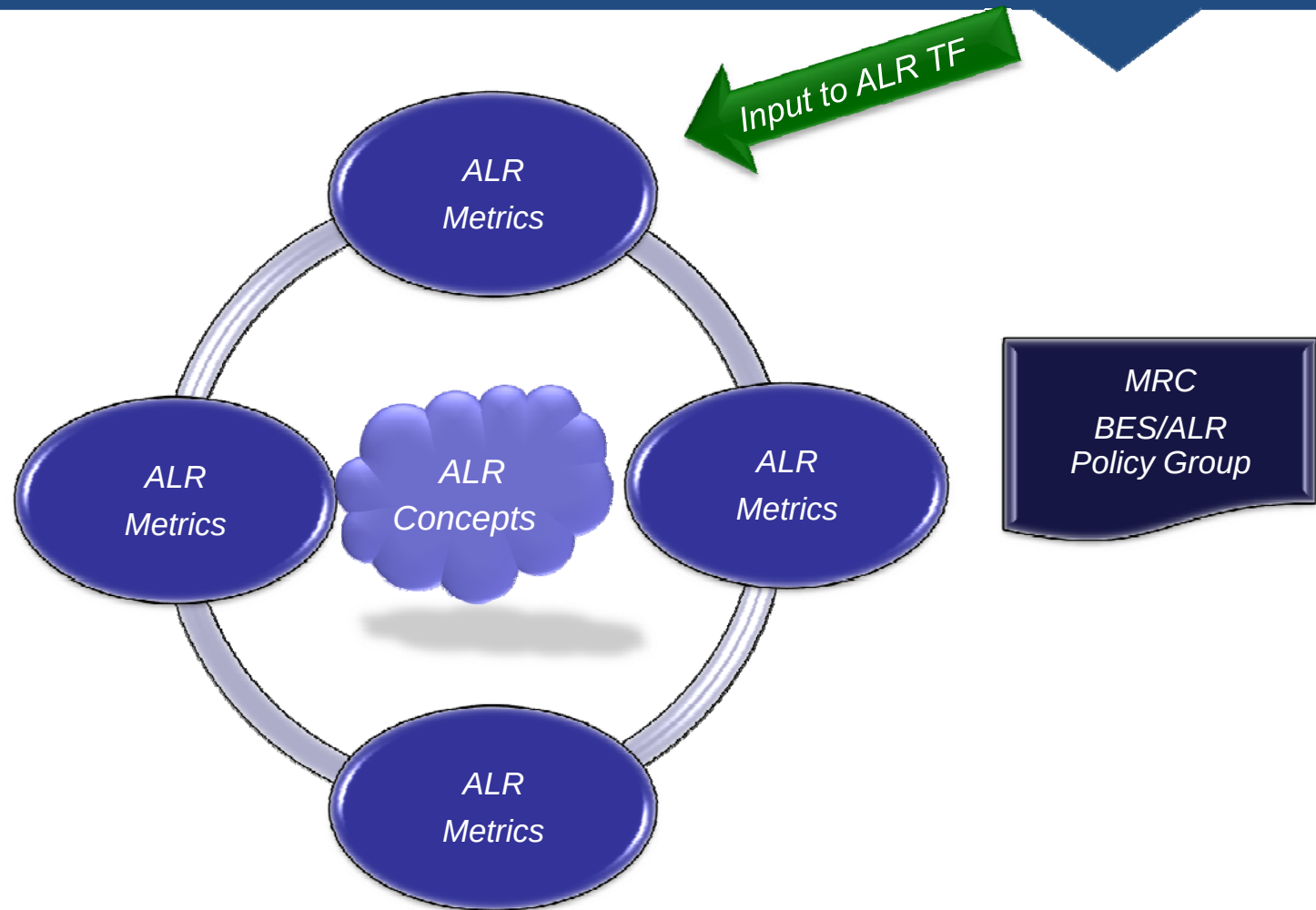


- Three policy questions addressed
- Ad hoc subgroup developed responses
- Followed specific format:
 - Issue Statement
 - Recommendations
 - Background
 - Options and analysis (*advantages and disadvantages*)

- How should cost/benefit be factored into ALR? How and by whom should those decisions be made? [jurisdictional issues]:
 - **Recommendation:** *Assess the reliability objectives of ALR criteria and provide an explicit recognition of high-level macro cost-effectiveness of requirements within a reliability standard to meet the reliability objectives.*
- How should “cascading” be defined?
 - **Recommendation:** *No change to the definition of Cascading.*

- Is the impact of all load loss equal? For example, is the impact of “X” MWs of load loss in a major metropolitan area the same as “X” MWs in a rural area?
 - **Recommendation:** *Revise ALR defining criteria to differentiate among the different characteristics of loss of supply, transmission and load loss as a function of planning design, operator preparations and ability to control outcomes from events; and refine the incorporation of resilience and recovery in the ALR elements.*

Policy Input from MRC on ALR



- ALR Task Force has met monthly since June 2011
- ALTF began with fundamental BES reliability objectives and target outcomes to achieve “ALR”
 - Occam’s Razor
 - Only now comparing ALRTF working definition with current ALR definition
- ALR Definition must be:
 - Concise, yet self-contained
 - Self-explanatory to BES planners and operators
 - Meaningful to policy-makers – placing a premium on translation in the ALRTF Report

- Discussions include:
 - System characteristics (performance objectives and target outcomes)
 - Prevent BES instability, uncontrolled separation, cascading, and voltage collapse when subjected to predefined initiating events
 - Maintain system frequency and voltage within parameters
 - Positive damping and stability after initiating events
 - Sufficient transfer capability and resources to serve load
 - Minimize scope and duration of disturbances and ensure rapid restoration (resiliency)

- Measurement of characteristics
 - Capability and resources to meet load obligations
 - Common mode failure - caused by related events
 - TADS: non-automatic/automatic outages
 - Uncontrolled versus unnecessary tripping



Questions?

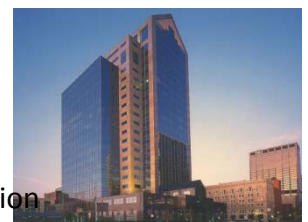


Compliance Excellence

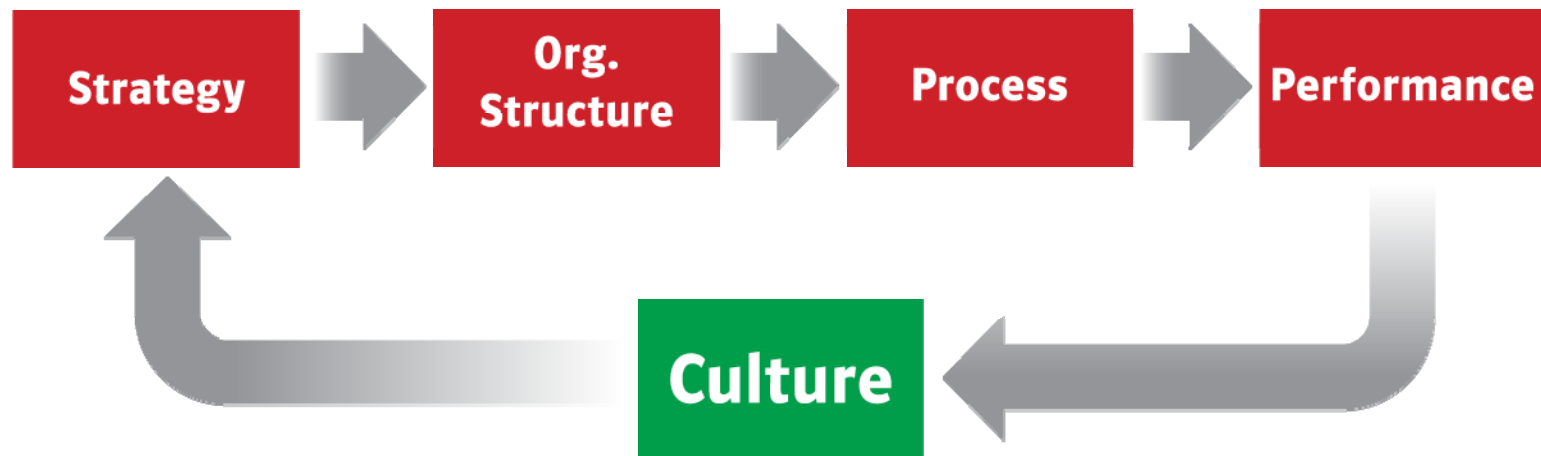
Ed Staton
Vice President, Transmission

November 2011

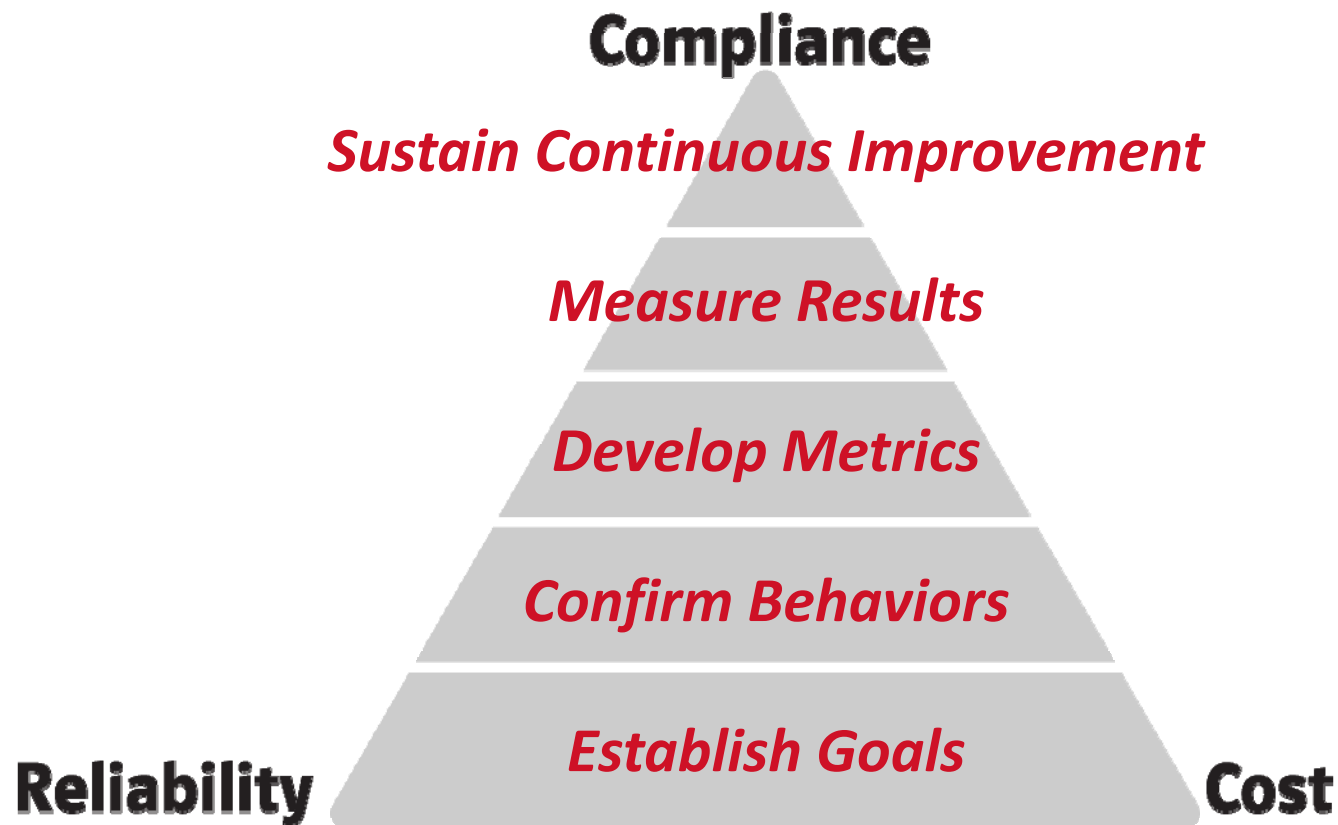
MRC Presentation
November 2, 2011



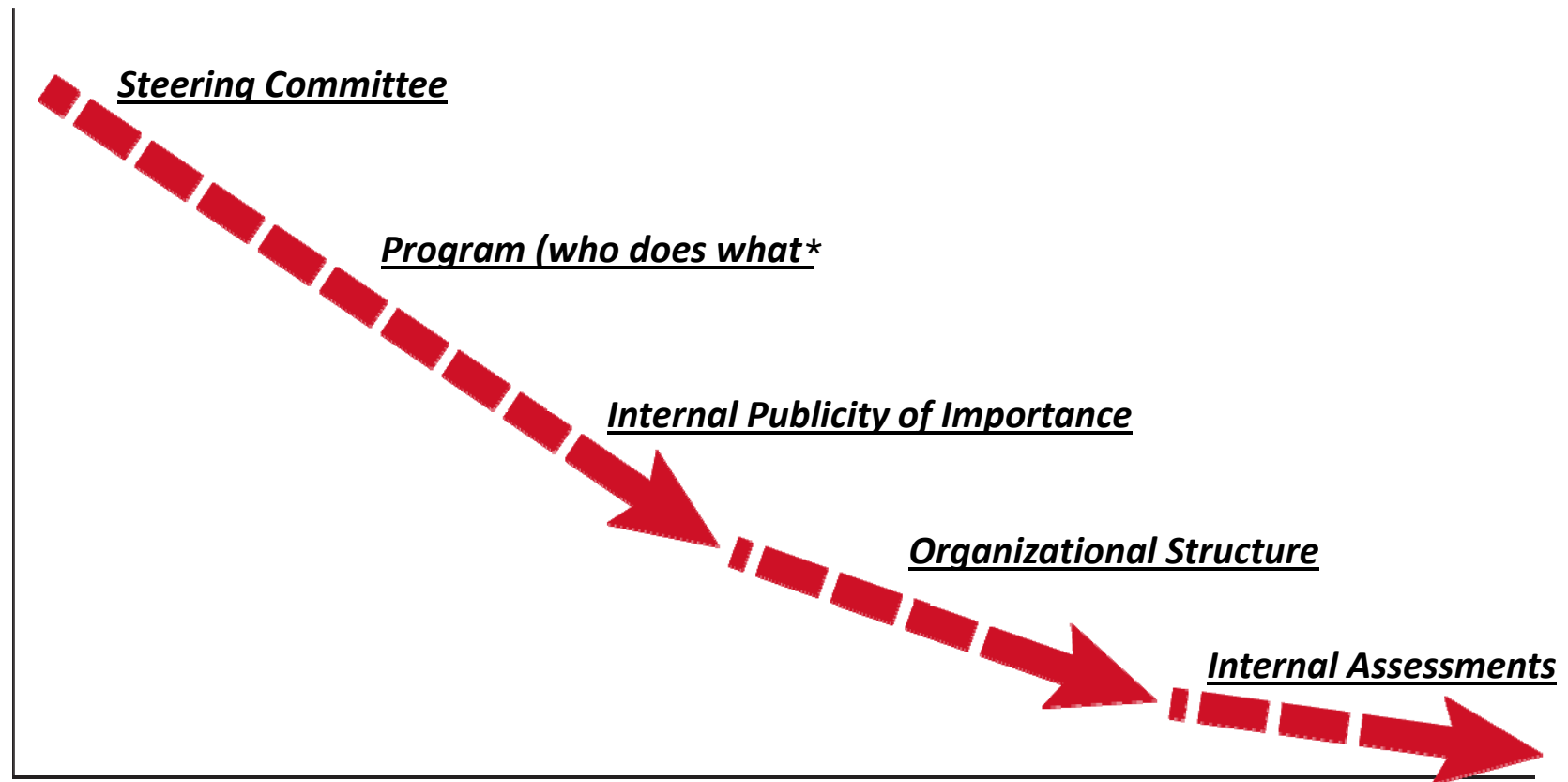
The Components of the Strategic Agenda



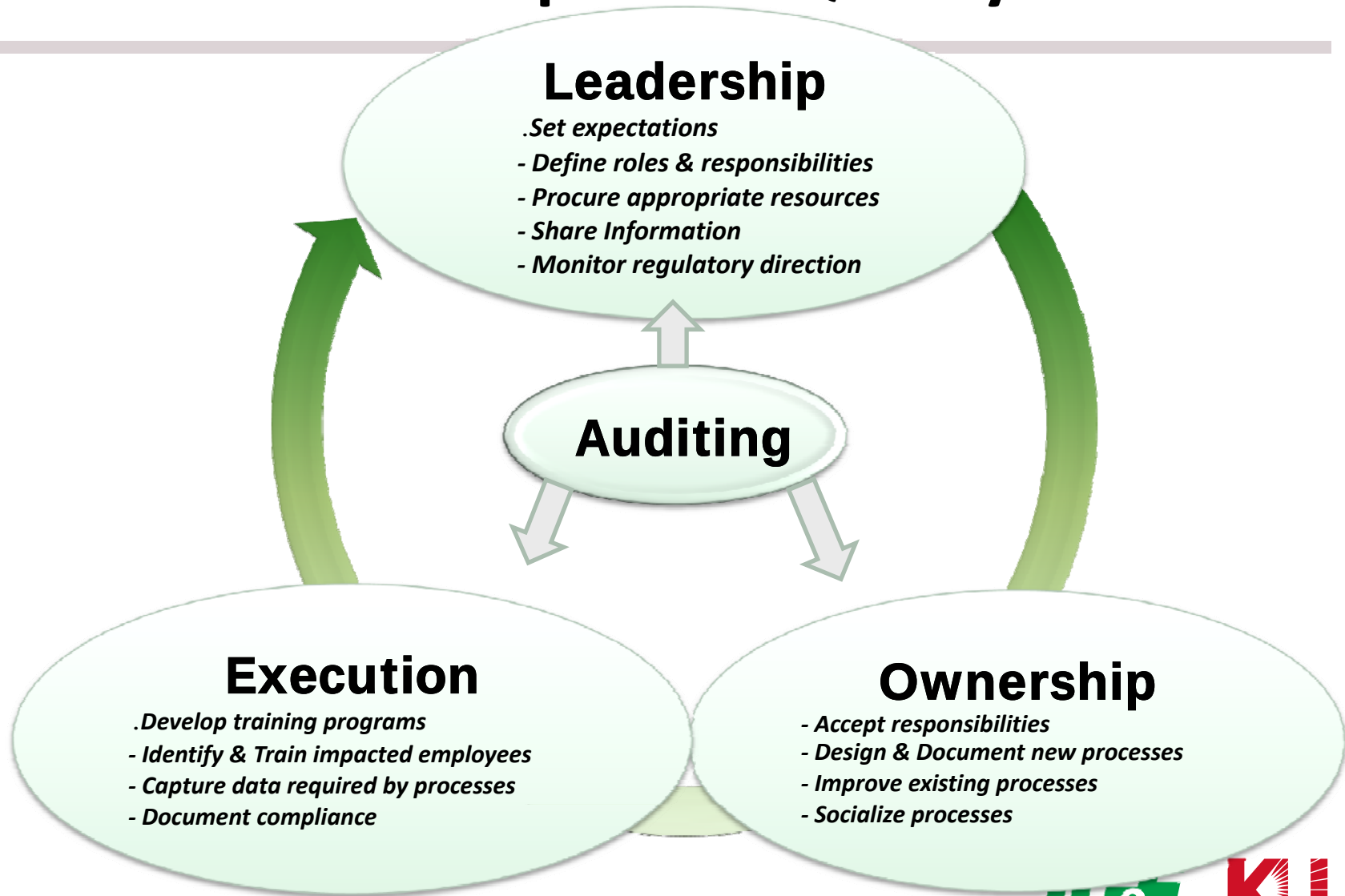
Compliance Pyramid



Building a Culture of Compliance Within LG&E and KU



Elements of Compliance Quality



Rules of Procedure Revisions

Member Representatives Committee Meeting
November 2, 2011
Rebecca Michael, Associate General Counsel

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Non-Substantive Revisions

- Capitalization and definition revisions to the Rules and Appendices
 - The proposed revisions are in the NERC Rules of Procedure and all existing Appendices to the Rules of Procedure (3A, 3B, 3C, 4A, 4B, 4C, 4D, 4E, 5A, 5B, 6 and 8), as well as proposed new Appendix 2, Definitions of Terms Used in the Rules of Procedure.
 - These revisions are being made in response to the RDA Order at PP 92-93
 - These are intended to be non-substantive revisions and the objectives are:
 - To place all definitions of defined terms used anywhere in the Rules of Procedure in a single, readily-accessible location (proposed Appendix 2)
 - To capitalize defined terms throughout the Rules of Procedure where they are intended to be used in their defined meanings (as well as proper nouns and similar terms normally capitalized)
 - To lower-case other terms that are currently capitalized in the Rules of Procedure but are not defined terms
 - Definitions from the NERC *Glossary of Terms* were used where appropriate

Non-Substantive Revisions

- The revisions were posted for public comment on September 2, 2011
- Public comments were submitted to NERC on October 17, 2011
- Further revisions have been made based on the comments
- These will be presented to the Board of Trustees for approval on November 3, 2011
- They will be filed with Applicable Governmental Authorities for approval thereafter

- Timeline for Board of Trustees approval
 - There are two sets of substantive revisions
 - On June 30, 2011, proposed revisions to Sections 100-1600 and Appendices 4B and 4C were posted for public comment
 - Comments were submitted on August 15, 2011
 - In November 2011, additional revisions will be posted
 - In addition to changes in response to comments, these will include, among other things, new revisions to Sections 1002, new Section 1800 on administrative fines (originally posted as Section 414), Sections 807/808 and Appendix 8 regarding Events Analysis, Appendix 6 deleted and material moved to Section 600 – a summary of all revisions is included in agenda materials

Substantive Revisions

- Following the November Board meeting, a revised, consolidated set of proposed revisions will be posted for a 45-day comment period
- They will be submitted for Board of Trustees approval at the February 2012 meeting

- A new administrative fine provision, Section 1800, will apply only to failure to provide information in response to Level 2 (Recommendations) and Level 3 (Essential Actions) notifications
- Two proposed hearing provisions have been eliminated
 - One would have allowed NERC to reach down to take a case
 - The other would have allowed the Hearing Body to increase a penalty due to frivolous filings, dilatory tactics, *etc.*

- Section 300, Reliability Standards Development
- Personnel Certification, Appendix 6 deleted, materials moved to Section 600
- Event Analysis, Section 800 and Appendix 8
- Procedure for Coordinating Reliability Standards Approvals, Remands, and Directives, Appendix 3C
- Compliance Monitoring and Enforcement Program, Appendix 4C, at new Section 5.11, Participation by RTO/ISO members in enforcement action
- Organization Registration and Certification, Section 500 and Appendix 5A

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Reliability Standards

Board of Trustees Meeting

November 3, 2011

Herb Schrayshuen, Vice President Standards and Training

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- Continent-wide Standards Program
 - Project 2007-07 – Vegetation Management – FAC-003-2
 - Reliability Standard Development Plan 2012-2014
- Regional Standards Programs
 - MOD-025-RFC-1: Reactive Power Capability
 - IRO-006-TRE-1: IROL and SOL Mitigation in the ERCOT Interconnection
 - PRC-006-SERC-1: Automatic Underfrequency Load Shedding (UFLS) Requirements
- CIP Implementation Plan Resolution

- FAC-003-2 – Transmission Vegetation Management
- Foundational standard for vegetation management
- Requirements include several significant improvements relative to existing standard
- Revised definitions for:
 - Right-of-Way (ROW)
 - Vegetation inspection
- Includes a new definition for:
 - Minimum Vegetation Clearance Distance (MVCD)
- Approval 86.25% - Quorum 87.17%

- Results-based additions:
 - Provides background, rationale, and guidelines to support implementation within standard
- Requirement improvements:
 - Expanded vegetation management to include all lands without regard to ownership
 - Subdivided requirement for inspections and communications of imminent threats for improved clarity
 - Retained obligation to report vegetation-related outages but moved out of requirements into compliance reporting
 - Added objective method for calculating vegetation clearances
 - Added time-bound vegetation inspection intervals

- Includes explicit requirements to manage vegetation:
 - Requires prevention of all vegetation encroachments inside the MVCD
- Uses Violation Risk Factors (VRFs) and Violation Severity Levels (VSLs) to focus work on lines posing greatest risk to reliability

- Uses objective method to define the MVCD which identifies the minimum flash-over distances but does not provide any margin
 - New standard obliges entities to maintain vegetation appropriately without using a one-size-fits-all approach
- Focuses on managing vegetation on ROWs that could lead to cascading outages, but not other outcomes of vegetation related outages beyond those that cause cascading, uncontrolled separation, and instability
 - SDT feels that the ERO's responsibility is limited to developing standards that prevent cascading, uncontrolled separation, and instability only

- Requirement for each Transmission Owner to complete 100 % of its annual vegetation work plan is not enforceable as written and also provides entities with reasons for not completing 100% of their work plan
 - New standard ensures that Transmission Owners are not penalized for a failure to complete their annual plan as long as the changes do not lead to any vegetation-related encroachments into the MVCD
- Requirement for vegetation management plan replaced with less detailed requirements and no obligation for document maintenance
 - New standard focuses on actual performance

- Moderate and High (rather than Severe) VSLs for sustained outages from fall-ins and blow-ins from within ROW “lower” expectations for prevention of these types of vegetation outages even on critical lines
 - VSLs linked to failure to comply with different aspects of management program – not all aspects of program are equal
- Continues to exclude all vegetation fall-ins and blow-ins from outside the ROW, the most significant contributor to vegetation caused sustained outages
 - Couldn’t write requirement applicable to all Transmission Owners when utilities have limited rights to manage vegetation outside ROW

- Exemptions in footnotes call into question enforcement discretion
 - Provisions prevent Transmission Owners from having to develop burdensome self-reports of violations for conditions that were outside their control. Explicitly noting these concerns should not have any impact on enforcement discretion.

- Update Milestones:
 - July 2011 – solicited suggestions for additional projects
 - August 2011 – Standards Committee reviewed and prioritized projects
 - September 2011 – posted draft plan for stakeholder comment
 - Received 15 sets of comments representing views from 63 people, 38 companies, and all 10 of the 10 industry segments.
 - October 2011 – Standards Committee approved the 2012-2014 RSDP

- Standards Committee considered three separate aspects for prioritization (reliability, time sensitivity, and practicality), and tested a fourth (cost considerations).
 - This allowed the Standards Committee to consider each of the key drivers separately, as well as in aggregate, to determine how best to allocate resources.

- Standards Committee allocated the throughput capability to three areas:
 - Reliability – 8 projects
 - Time-sensitive projects – 3 projects
 - Practicality projects – 2 projects

- Projects continuing/starting in 2012 address:
 - Protection systems and associated misoperations
 - Communications
 - Cyber security
 - Real-time operations
 - Frequency response
 - Definition of Bulk Electric System (BES)
- Process will continue to evaluate emerging issues: cold weather, GMD, ROW clearances, etc.
 - Plan is expected to be dynamic, and the Standards Committee may implement differently if needed to respond to emerging issues

- MOD-025-RFC-1 - Verification and Data Reporting of Gen Gross and Net Reactive Power Capability
 - Provides planning entities with accurate generator gross and net reactive power capability modeling data
 - Requires Generator Owner to verify operating range of reactive power capability every five years
 - Requires Generator Owner to provide verification data to its Transmission Planner, Transmission Operator, Reliability Coordinator or Planning Coordinator
 - Developed to supplement MOD-025-1 continent-wide standard (under development)

- No need for regional standard since continent-wide MOD-025-1 under development
 - ReliabilityFirst fulfilling its obligation under MOD-025-1 (approved by board, not by FERC)
 - When continent-wide MOD-025 approved, ReliabilityFirst standard will be reviewed for duplicative requirements
 - Replacement of legacy documents required in ReliabilityFirst's Bylaws
 - New standard addresses ambiguities, inconsistencies and deficiencies in legacy documents

- Attachment 1 Section 2.1 is too rigid; will hinder ability to obtain reactive power test results when plant conditions do not allow the real power to be at the level reported in MOD-024-RFC-01.
 - Reported capability equal to unit's continuous, sustainable output 24/7 without encountering equipment limits (may be different from unit's maximum capacity)

- IRO-006-TRE-1 - IROL and SOL Mitigation in the ERCOT Interconnection
 - Provides enforceable requirements associated with existing ERCOT congestion management procedures
 - Requires Reliability Coordinator to have and implement procedures for identification and mitigation of exceedances of identified IROLs and SOLs unresolved by automatic actions of ERCOT Nodal market operations system
 - Addresses directive in FERC Order 693 paragraph 964:
“...Modify ... ERCOT procedures to ensure consistency with the standard form of the Reliability Standards including Requirements, Measures and Levels of Non-Compliance.”

PRC-006-SERC-1 - Automatic Underfrequency Load Shedding Requirements

- Identifies Planning Coordinator as entity responsible for developing UFLS schemes
- Adds requirements for Planning Coordinators not contained in continent-wide standard PRC-006-1:
 - Include SERC subregion as identified island required by PRC-006-1
 - Select/develop automatic UFLS scheme meeting specified criteria
 - Conduct simulations of UFLS schemes for load and generation imbalances of 13%, 22%, and 25%

- Transmission Owners and distribution providers required to implement the UFLS schemes developed by Planning Coordinator and changes to those schemes within 18 months of notice
- Planning Coordinators required to provide specified information to SERC
- Generator Owners required to provide specified information to SERC to facilitate post-event analysis of frequency disturbances

- Clearly defines roles and responsibilities of responsible entities
 - Planning Coordinator responsible for developing UFLS schemes within its Planning Coordinator area
- Requires more granular studies of frequency response than continent-wide PRC-006-1 (three specified load/generation imbalance levels)
- Requires reporting to SERC to aid in post-event analysis

- Question correlation between Continent-wide and SERC standards and how the two standards work together
 - SERC standard provides regional detail for some of the NERC requirements
 - SERC standard is not stand-alone; works in conjunction with continent-wide UFLS standard

- No need for a regional standard – continent-wide standard sufficient
 - Regional requirements provide regional consistency and coordination
 - Regional standard more stringent than continent-wide standard

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Special Report: Spare Equipment Database System

Board of Trustees

November 3, 2011

Dale Burmester, SEDTF Chair

American Transmission Company

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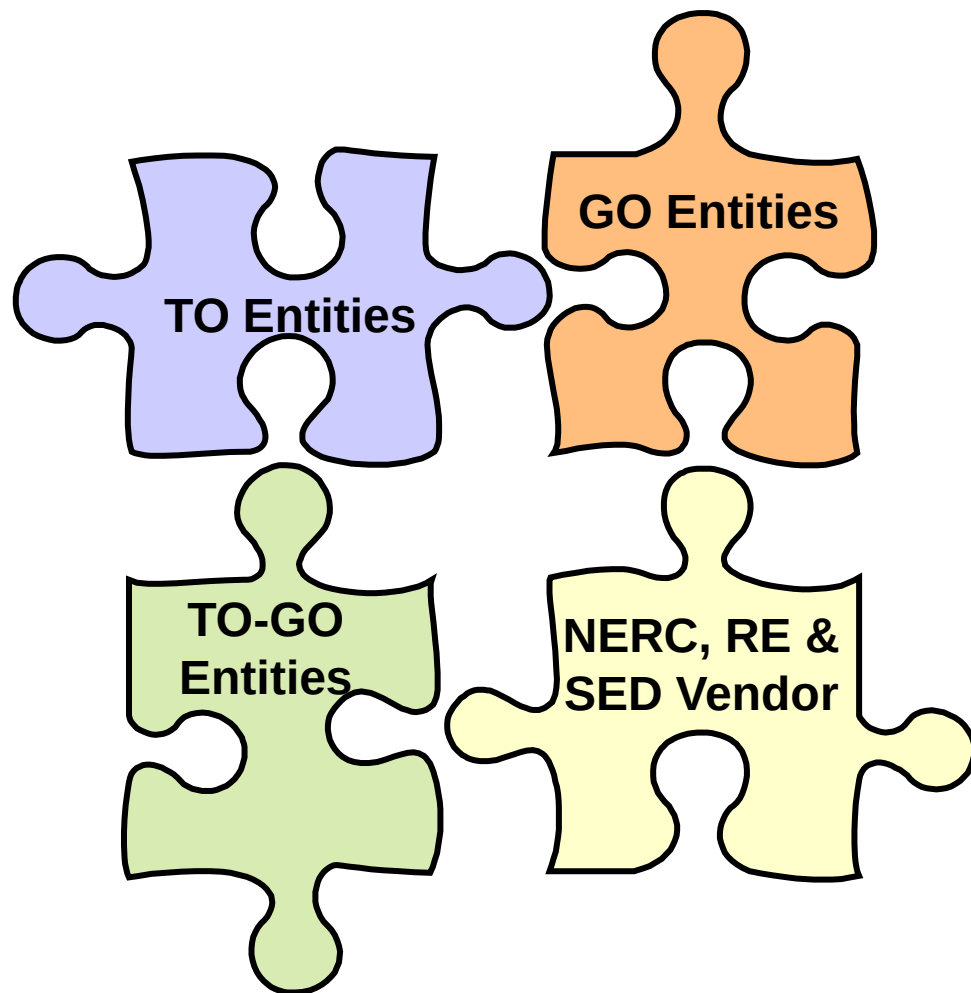


- Catalogs spare transformers
 - Voluntary system
- Catalogs long-lead time (6 months+)
 - Spare transmission transformers:
 - Spare Generator Step-Up (GSU) Transformers
- 24x7 Web-based operations
- Keeps entity information confidential

- Small event
 - Entity may need spare transformers
- High impact, Low frequency event (HILF)
 - Many entities may need spare transformers
- Could entity(ies) buy new transformers after event?
 - Yes, but manufacture time is six months+
 - Large events could extend time to one year+

- Allows entities to confidentially seek spares
 - Quicker to use someone else's than manufacturer
 - Faster restoration after event
- Provides for faster entity cooperation
 - Entities contact SED instead of everyone
- Balances risk mitigation and freedom
 - Voluntary participation
 - Double-blind requests
 - Entities not forced to commit spares

- Voluntary participation by up to:
 - ≈165 TO Entities
 - ≈670 GO Entities
 - ≈175 TO-GO Entities
- Minimal RE coordination
- Very low expected industry effort





- Special Report: Spare Equipment Database System Report
http://www.nerc.com/docs/pc/sedtf/SEDTF_Special_Report_October_2011.pdf
- DRAFT SED Mutual Confidentiality Agreement:
http://www.nerc.com/docs/pc/sedtf/Confidentiality_Agreement.pdf
- SEDTF website:
<http://www.nerc.com/filez/sedtf.html>

Questions and Answers





Background Information

- Spare Equipment Database Task Force (SEDTF)
 - Planning Committee (PC) Initiated (2010)
- BPS spare equipment uniform approach
- Not intended to replace:
 - Existing utility spare programs
 - Spare pooling agreements
- September 14, 2011
 - Report approved by PC
 - Report endorsed by Operating Committee (OC) and Critical Infrastructure Protection Committee (CIPC)

Contact Information to include:

- Name of TO or GO Functional Entity †
- Primary Contact Information †
- Secondary Contact Information
- SED Data Manager

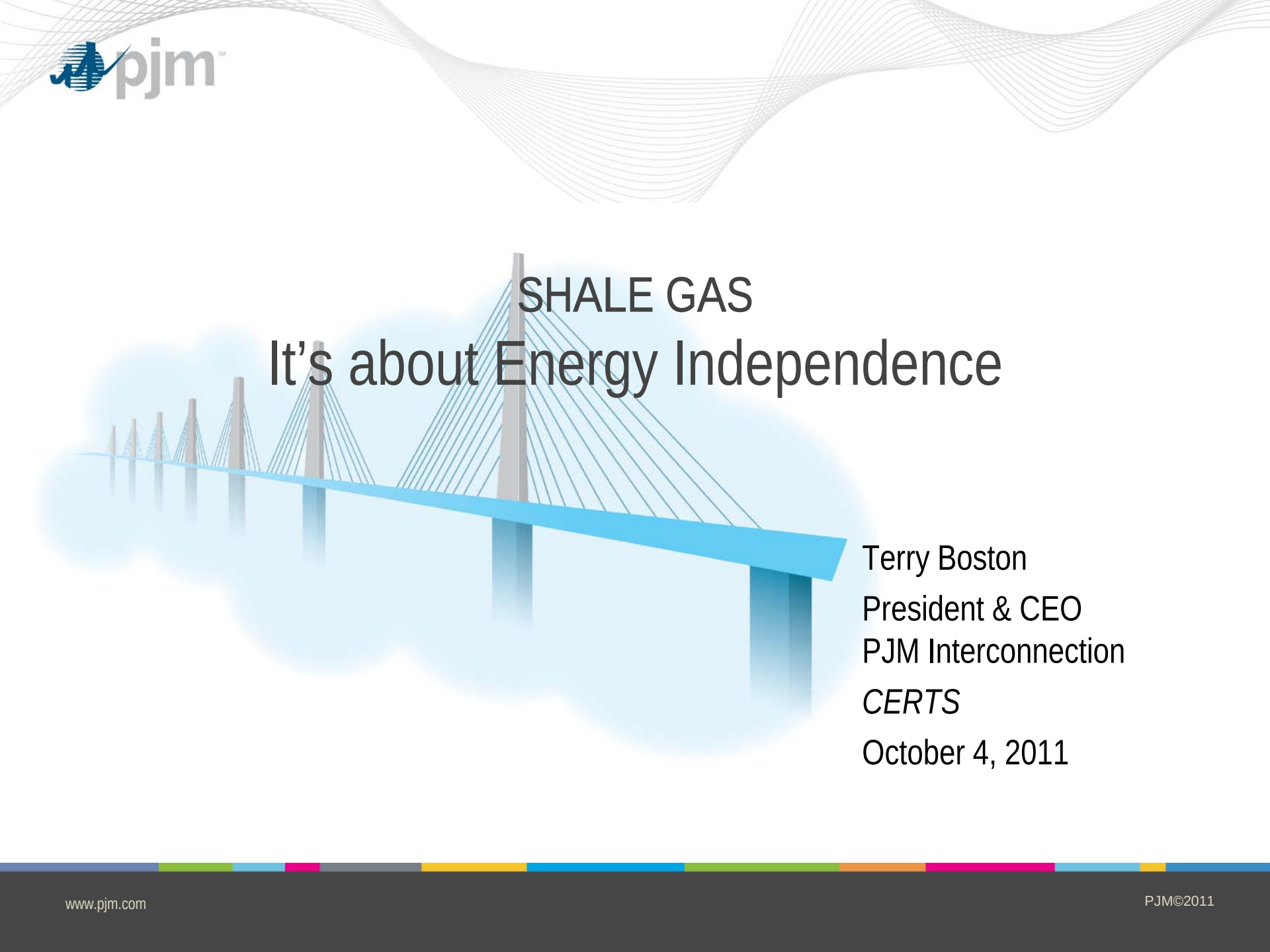
Note: SED reporting is voluntary; however, if a spare is reported the information marked with an † symbol is deemed mandatory.

SED Asset Information to include:

- Transformer Identifier †
- Transformer Type †
- Spare's Physical Location
- Number of Phases †
- Rated Voltage – High Voltage (HV) †
- Rated Voltage – Low Voltage (LV) †
- Maximum MVA rating †
- Percent Impedance & MVA base
- Tertiary Winding – Voltage and MVA
- Connection Type
- Spare Status Category
- Joint Ownership and Sharing Restrictions
- Open Comment Field
- Transformer Voltage Class

- All fields confidential
 - Five contact information fields
 - Primary/secondary contact information
 - Fourteen asset information fields
 - Transformer configuration and rating information

- SED Mutual Confidentiality Agreement limits to:
 - Number of participating:
 - Entities by Regional Entity
 - Transmission power transformer owners
 - GSU transformer owners
 - Transformers by high-side voltage
 - Total MVA amount MVA by high-side voltage
 - Number of eligible:
 - Entities in the aggregate
 - Entities by Regional Entity

The background features a stylized illustration of a cable-stayed bridge with multiple tall pylons and numerous stay cables. The bridge is rendered in shades of blue and grey, with a light blue mist or cloud layer at its base. The overall design is clean and modern, with wavy grey lines at the top of the slide.

SHALE GAS

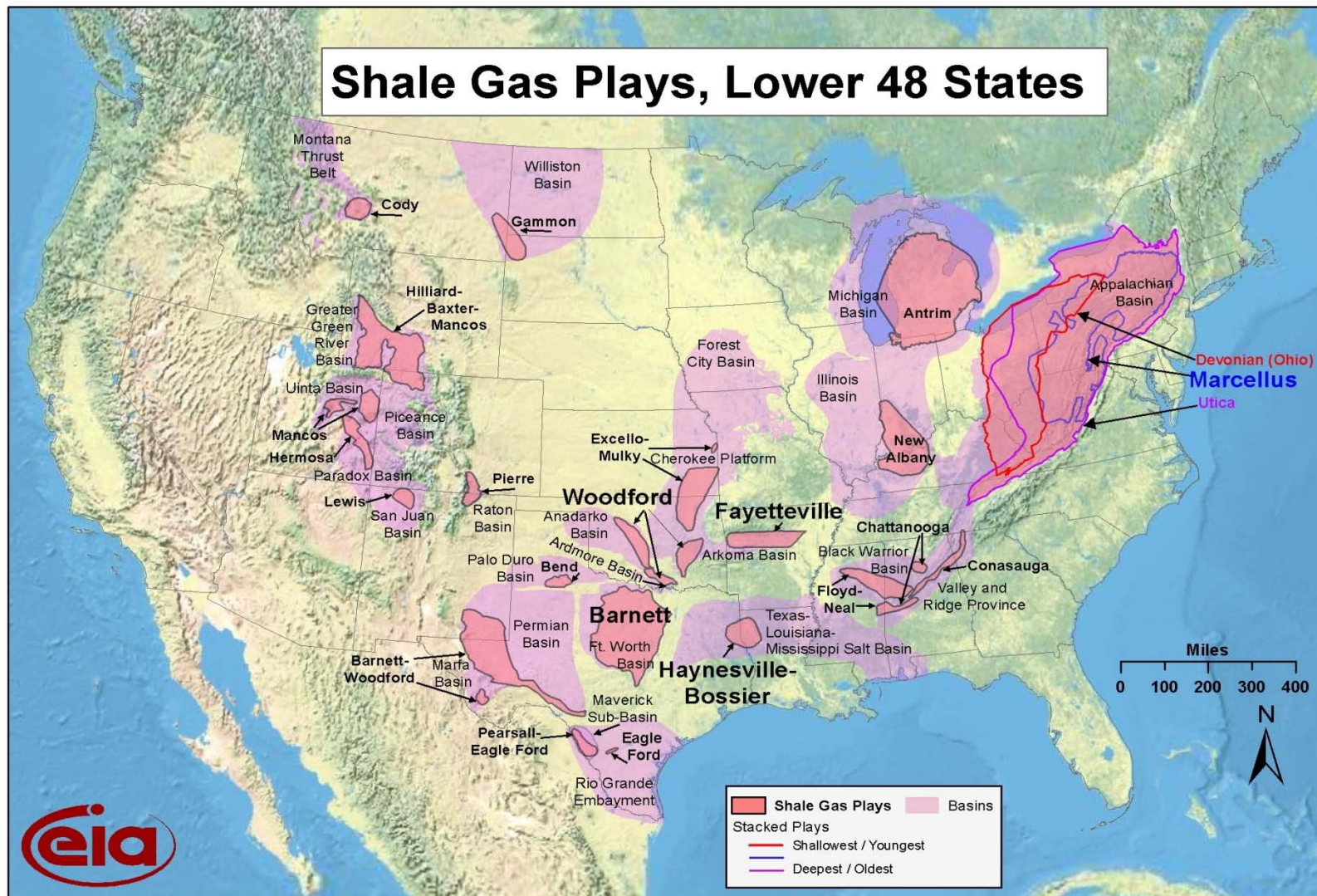
It's about Energy Independence

Terry Boston
President & CEO
PJM Interconnection
CERTS
October 4, 2011

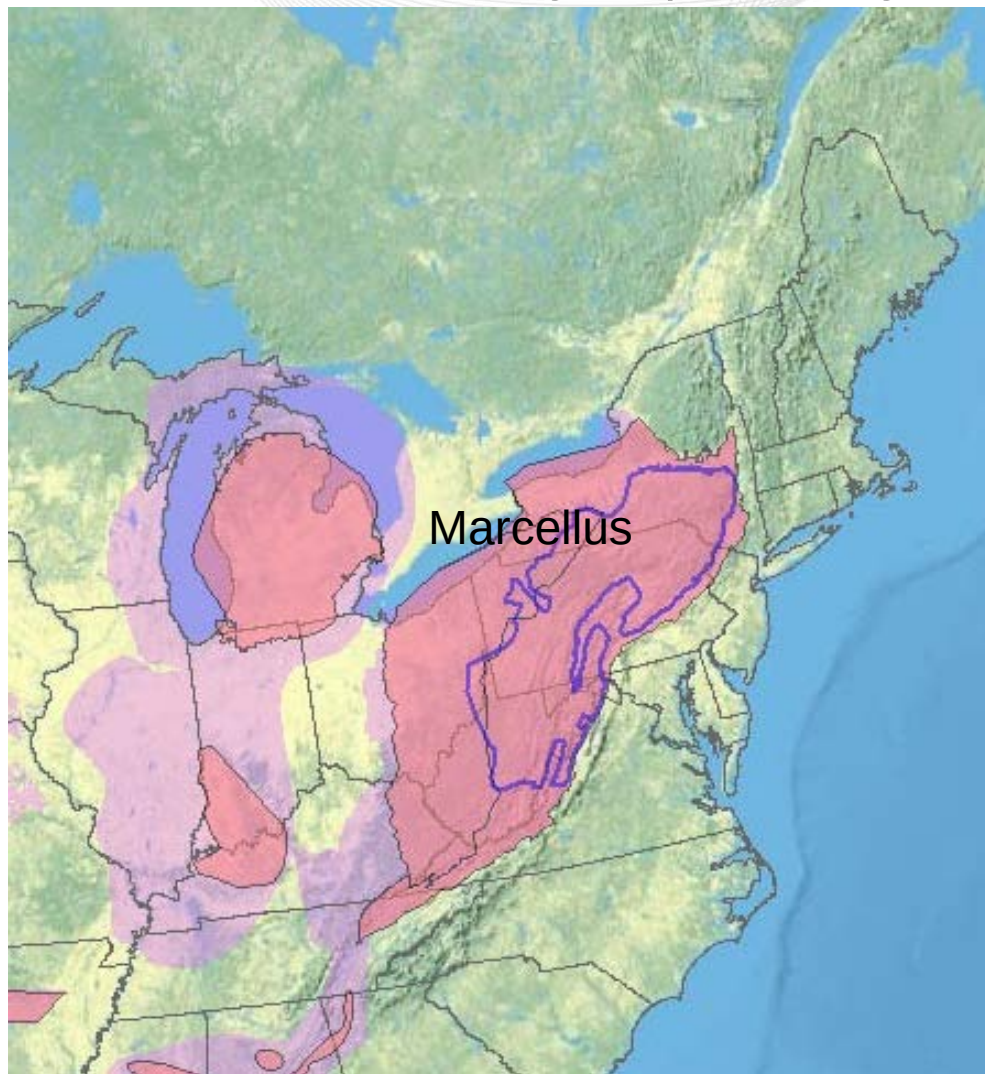


- Large, natural gas rich, shale formation spanning tens of million of acres
- Natural gas and hydrocarbons are trapped inside the solid shale

Source: Range Resources

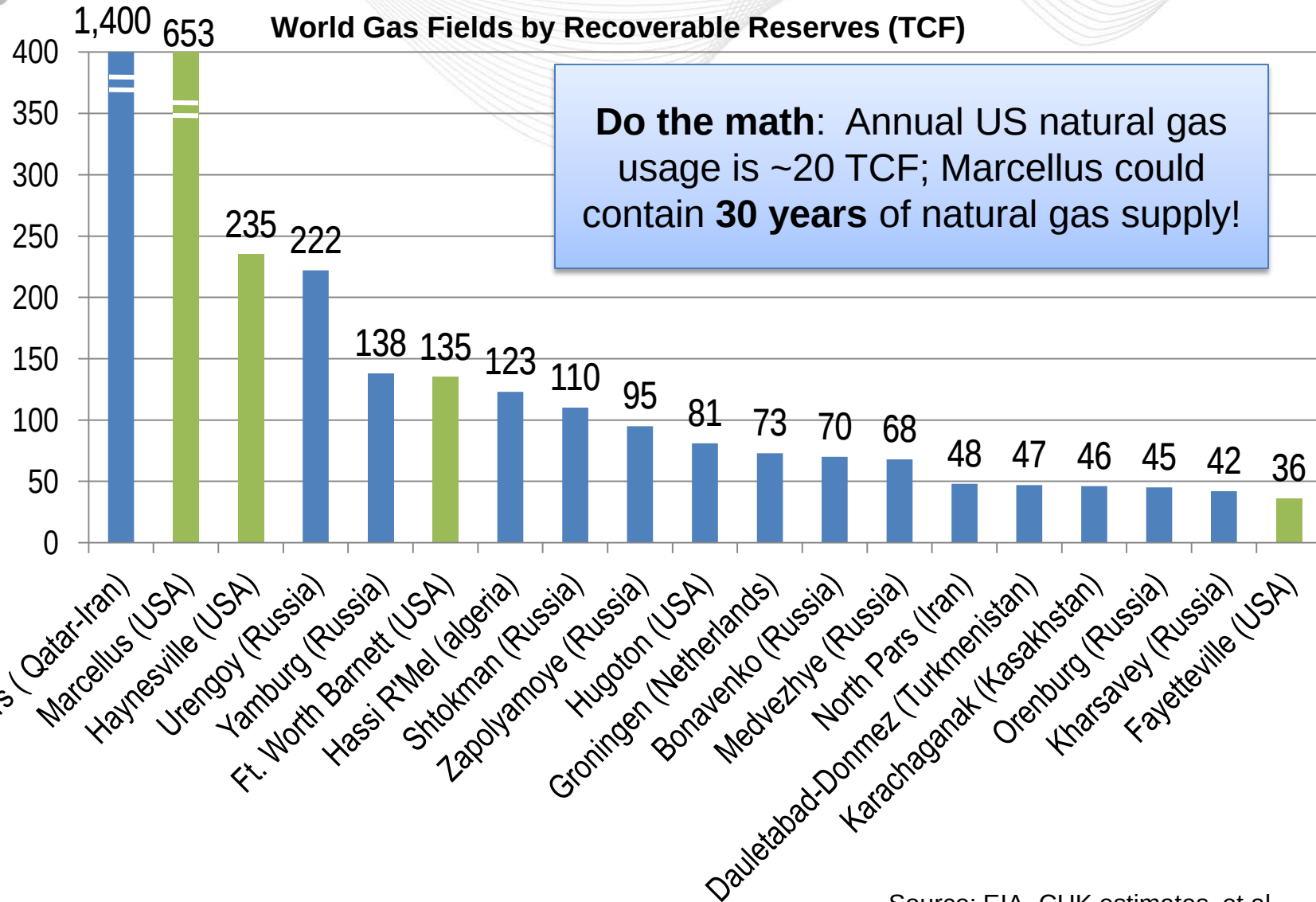


Source: Energy Information Administration based on data from various published studies.
Updated: March 10, 2010



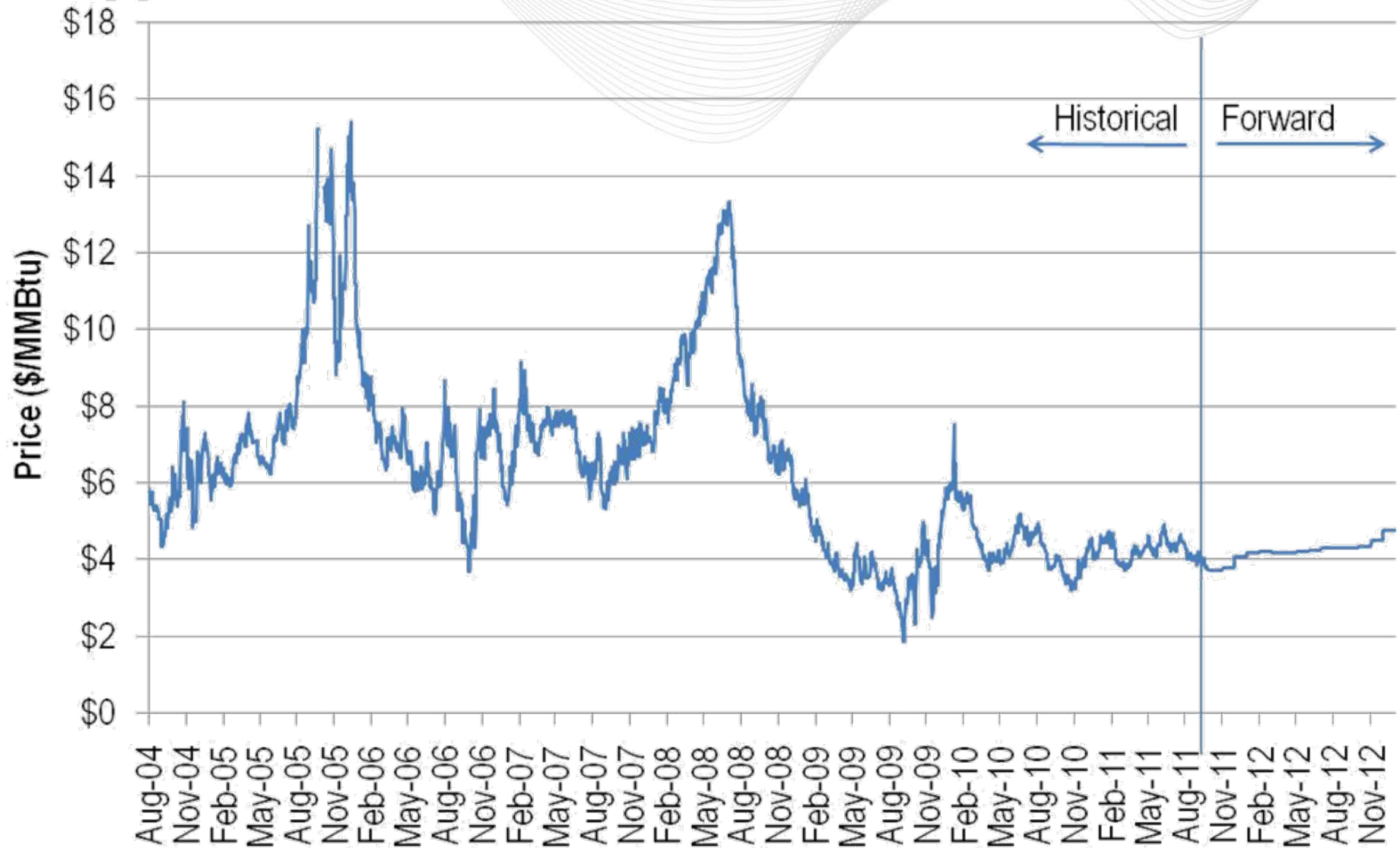
Source: Energy Information Administration based on data from various published studies.
Updated: March 10, 2010

Marcellus Shale Gas Is A Game Changer

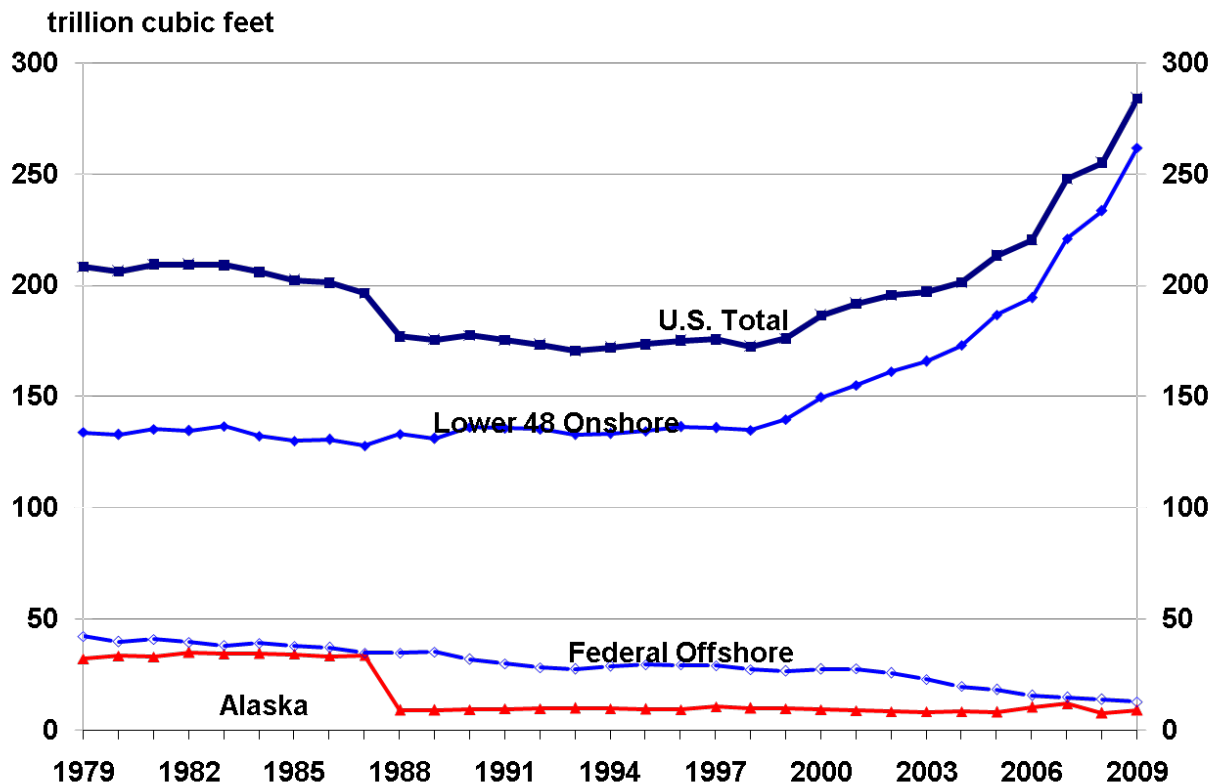


Source: EIA, CHK estimates, et al

Natural Gas Prices (Henry Hub)



U.S. proved reserves of natural gas at the end of 2009 were at their highest level since 1971



Source: Energy Information Administration



Howard Gruenspecht, U.S. – Canada ECM, Dec 2 2010

Marcellus Shale Development

State-of-the-Art Technology - Proven Approach - Industry Expertise



Preparation

Drilling

Completion
& Production

Reclamation

Source: Range Resources

- Small bend in drilling motor assembly
- roughly $1-2^{\circ}$
- drills the curve over the course of 900'
- at a rate of 10° per 100' to achieve a 90° turn horizontally

It's not abrupt, rather a gradual sweeping motion.



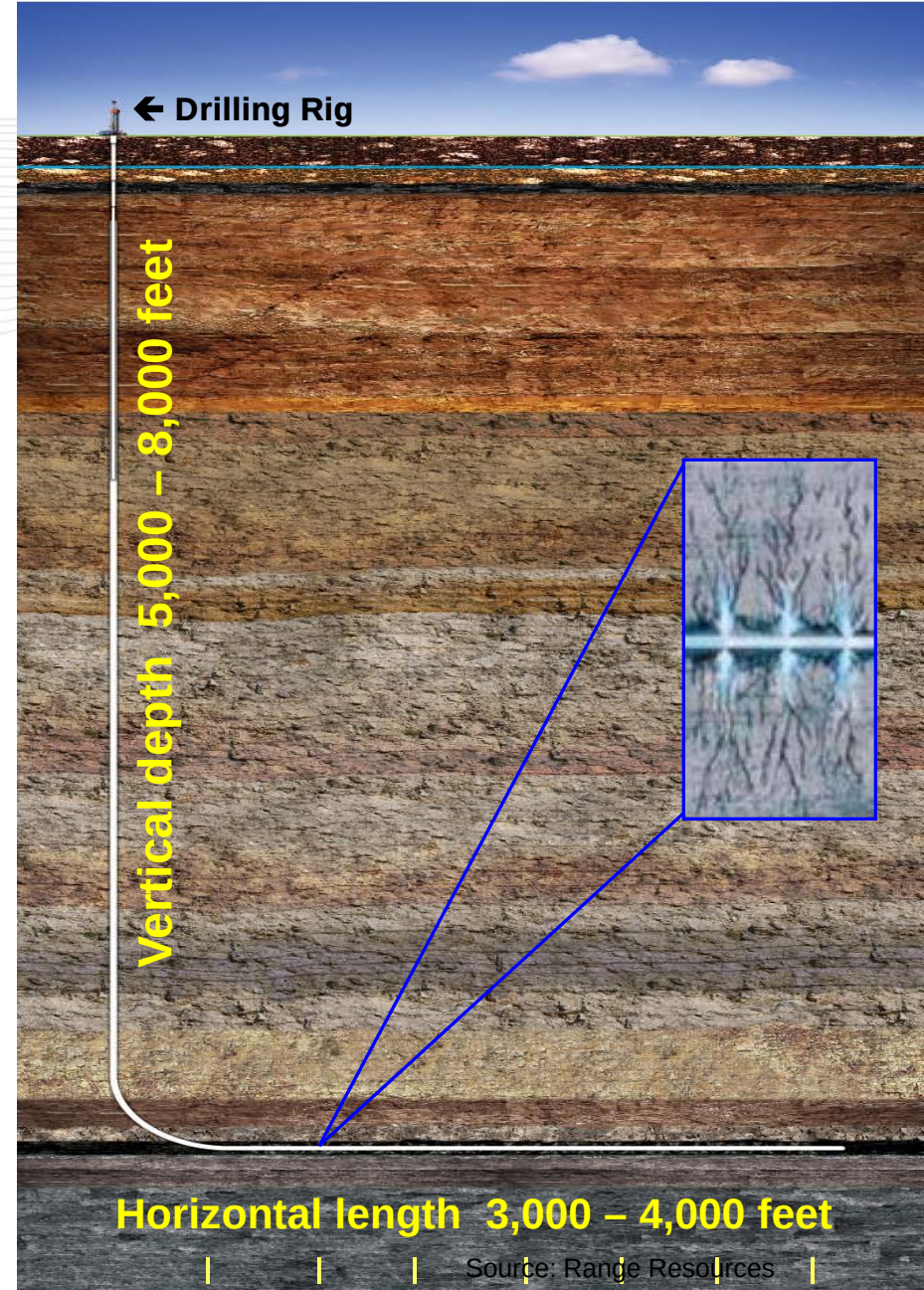
Weatherford drilling technology

Source: Range Resources

Fresh water aquifers - generally
less than 500 foot depth →

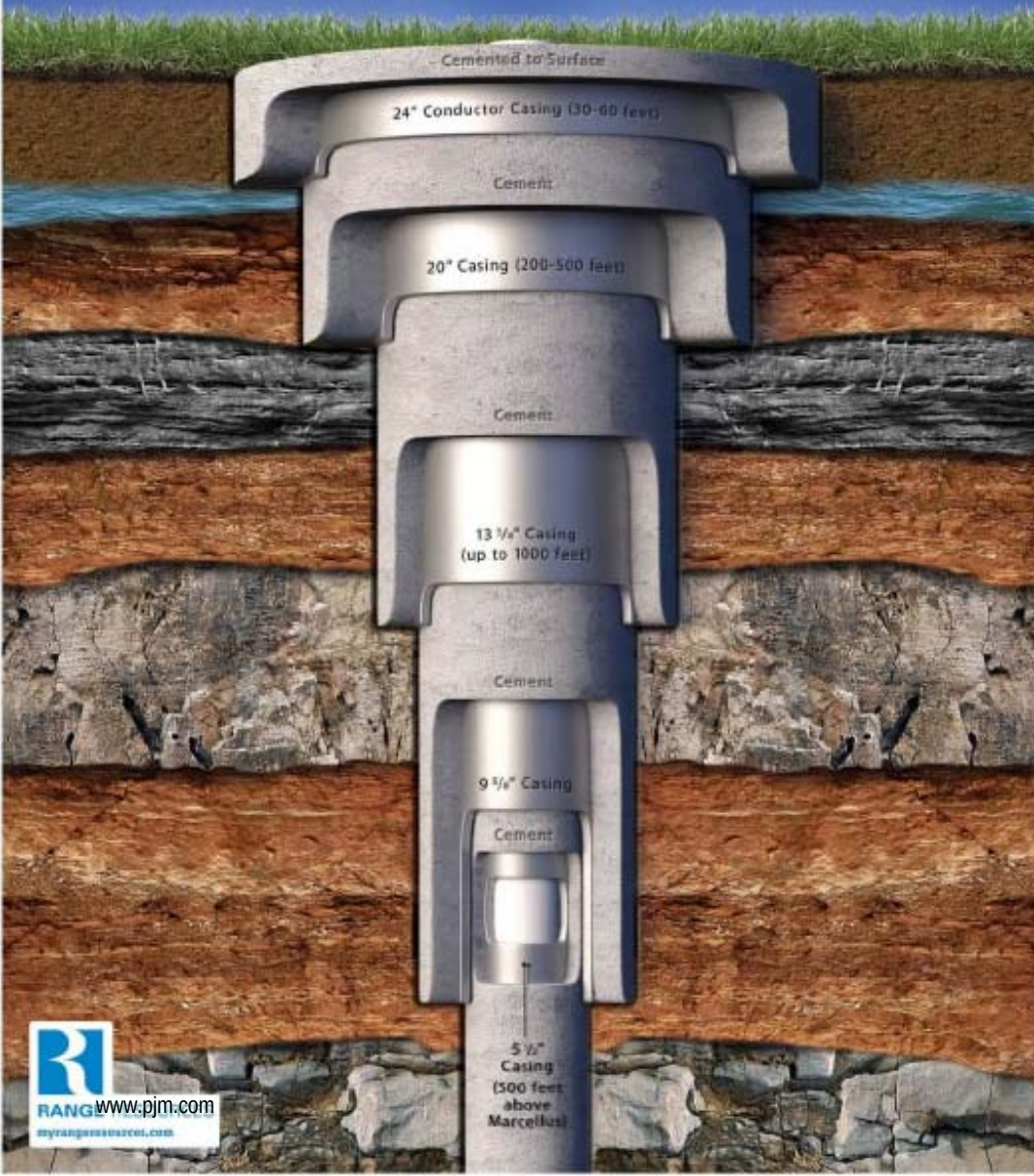
The same several
thousand of feet of
impermeable rock that
have kept oil and gas
in deeper rocks for
hundreds of millions of
years – also prevent
fracturing fluids from
contacting fresh
ground water aquifers

Marcellus Shale →
(100 – 300 feet thick)



General Casing Design for a Marcellus Shale Well

More than three million pounds of steel and concrete isolate the wellbore.
The Marcellus Shale is typically 6,500 feet below the Earth's surface and water table.

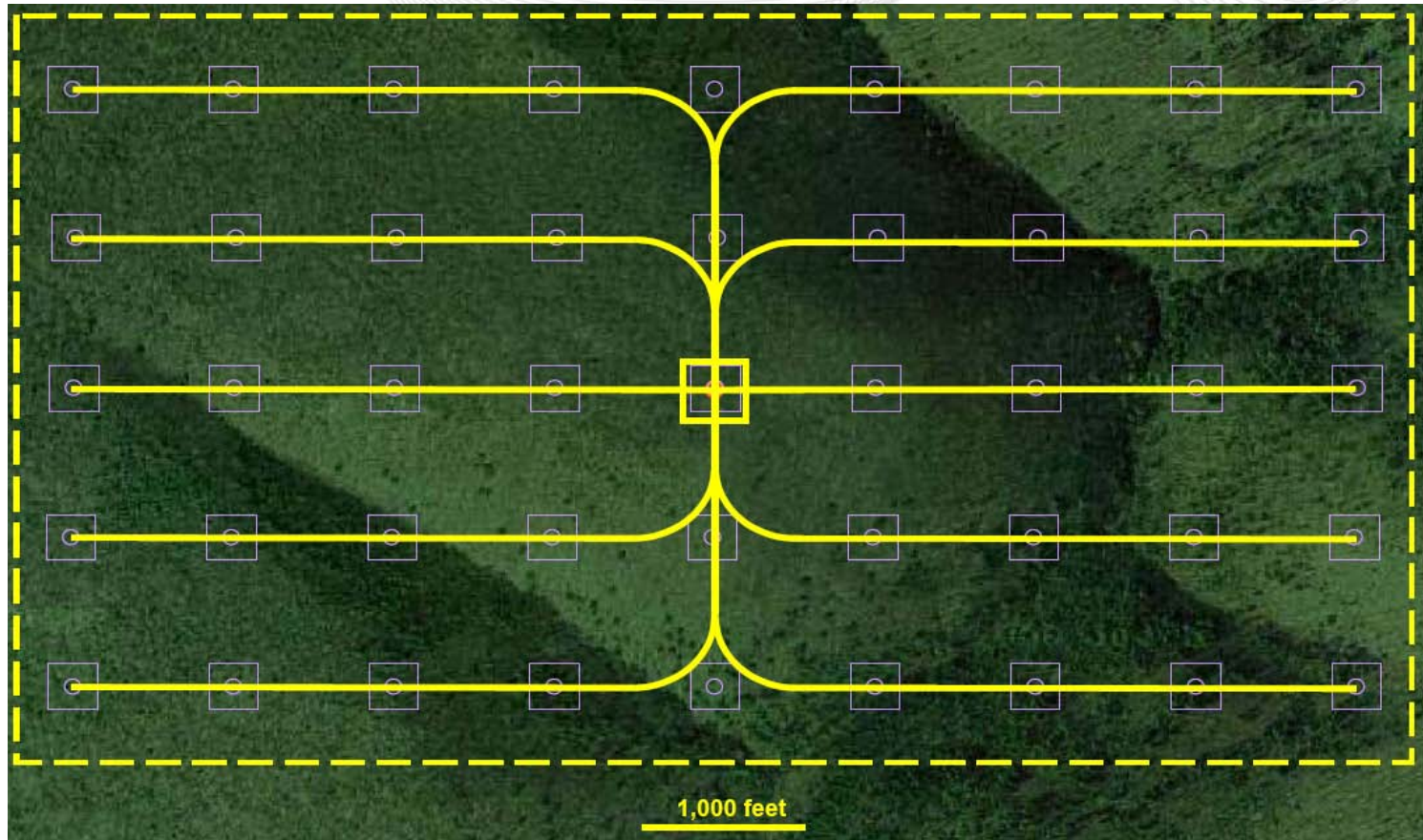


Water Protection

“The simple reality is that stimulation using this technique does not impact ground-water bearing zones.”

– **Robert W. Watson** PhD PE is Emeritus Associate Professor of Petroleum and Natural Gas Engineering and Environmental Systems Engineering at The Pennsylvania State University

Source: Range Resources



Total surface disturbance during drilling, including access road, drilling pad and required pipeline infrastructure:

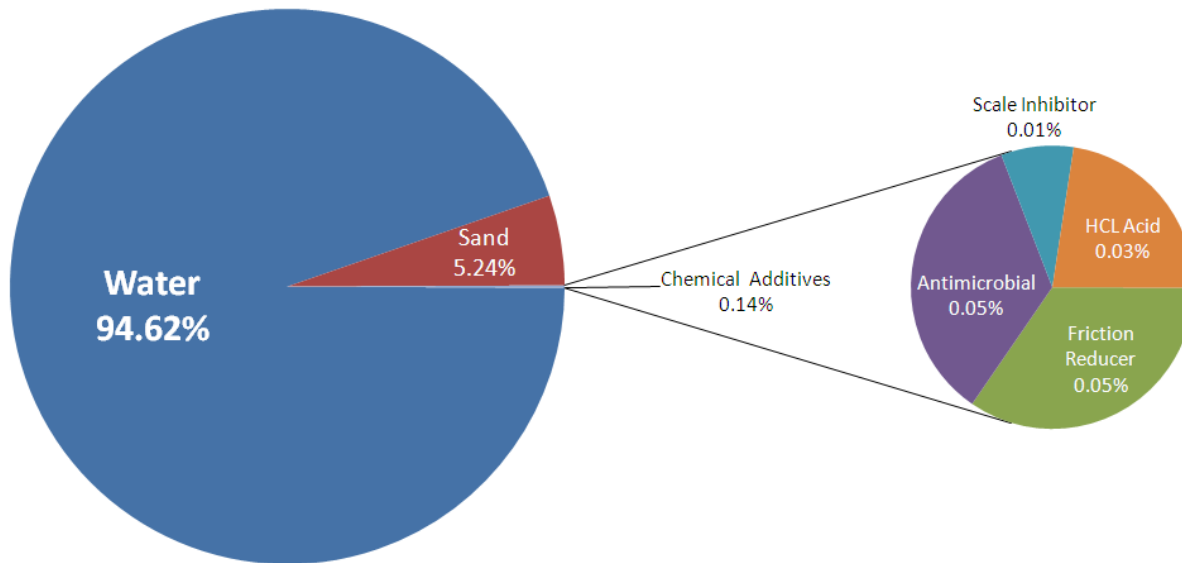
- Horizontal (yellow) develop 1,000 acres per pad with 1% surface disturbance
- Vertical (purple) on 1,000-foot spacing develop 23 acres per well with 19% total surface disturbance

Source: Range Resources

- Natural gas infiltration in Dimock, PA – 19 homes with contaminated water wells
- GasLand – presented natural gas drilling as a danger to water and human health
- NY Times Article on Feb. 27, 2011
- EPA letter of Mar. 7, 2011 to PA DEP requesting immediate testing of drinking water for radium
- Since 1941 over 1.2 million wells drilled using hydraulic fracturing with only two known failures

Frac Mixture - What goes into the well?

Composition of Hydraulic Fracture Fluid (by volume)



Primarily fresh water, with some sand, and a very small proportion of common chemicals, representing 0.14% of the mix. The chemicals are in very small quantities, low concentrations, used in highly supervised environments, and injected through multiple layers of cemented steel casings

Source: Range Resources

1. Environmental risks exist to shale gas drilling, but appear manageable
2. Everything is pointing to more gas-fired electric generation
3. Marcellus Shale gas will impact PJM and electricity markets in the years to come

- No N-1 criteria for pipeline network (ISO-New England 2004 had 7,000+ MW loss)
- Almost all generators are on non-firm NG contracts
- February 2 & 3, southwest rotating outages – some NG compressor stations were not on critical electric service list
- Some gas compressing stations are on interruptible electricity contracts
- Gas line pressure can be an issue when starting several generators (TVA lost 2,600 MW 2003 Δ Pressure > 100 PSI)
- Following PG&E explosion some pipelines have lowered maximum pressure by > 10%

- Local Distribution residential heating has first priority for gas (winter interruptions are more likely)
- Intrastate gathering pipelines (laterals) do not have the federal right of eminent domain
- Gas production and pipeline network is changing so fast that direction of flow is not known (Rockies Express 1323 Miles \$4.5 billion)
- Gas market day does not align with the electricity market day
- Some of the gas pipeline and NG market control centers are not staffed 24x7
- Gas storage is relatively small in geologic formations that are often far from load centers (East Coast and West Coast)
- DOE (CERTs) and FERC action needed on joint infrastructure planning and Gas/Electric market coordination



NORTHEAST POWER COORDINATING COUNCIL, INC.
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November 7, 2011

To: NPCC Board of Directors

From: Harvey J. Reed

**Re: NERC Meetings of the Member Representatives Committee
and Board of Trustees – November 2nd and 3rd**

Ladies and Gentlemen:

A review of the above referenced meetings is provided below for your information.

Member Representatives Committee – November 2nd

Remarks by Gerry Cauley, NERC President and CEO

1. NERC needs to start by focusing on the four pillars: Reliability, Accountability, Risk-based, and Learning Organization.
 - a. Reliability has real impacts and real consequences.
 - b. Risk-based – there is a need to focus on the effective controls and mechanisms that can have positive impacts on the risks to reliability of the system.
 - c. Accountability – We are all accountable to the public and need to address and be responsive to the events that occur (e.g. Southwest cold snap, Southern California event).
 - d. Learning Organization – we need to analyze the events, provide event reports and develop lessons learned.
2. NERC filed the Find, Fix and Track Compliance Enforcement Initiative and is thankful for the support.
3. Budget – expects efficiency to be obtained going forward and thus a flattening of the budget. Mike Walker has started the planning cycle.
4. Standards
 - a. BES definition is back on track
 - b. Priorities and projects for the Standards Committee
 - i. How do we include emerging issues?
 - ii. Where are we in the process and how effective are the standards?
 - iii. NERC would like to get together with the senior leadership of the industry (CEO level discussion) to discuss enhancements to the standards process, recognizing that the MRC should be involved as well.

5. Compliance Application Notices – at meeting in August NERC had a challenge to improve the CAN's development process. NERC committed to go back and check to confirm that CAN's did not expand on the requirements of standards and provided an appeal process to Gerry and the BOTCC. However, the application of the standard is a prerogative of the ERO and can not be seeded to the industry. NERC needs to call balls and strikes. The improvement since August is a more transparent process and provides a right to an appeal, but ultimately NERC will call the balls and strikes.
6. CIP- 4 and 5 – He suggested that NERC might ask for a delay in the effective date of CIP 4 to see if we can get 5 done and go directly from 3 to 5.
7. Rules of Procedure
 - a. NERC can do better in getting information out for comments
 - b. The penalties for violation of the Rules of Procedure are necessary to close a gap. That is, if NERC puts out an alert and it's an emergency to take action, NERC needs to be able to enforce.

Presentations

1. September 8th Southwestern Outage
2. Cold Snap Report
3. Compliance Application Notice Update
4. BES definition
5. Adequate Level of Reliability
6. Culture of Reliability (LG&E/KU)
7. Rules of Procedure

Comments

Most of the comments from observers were about the CAN's and CIP 4 and 5 issues. These comments were:

1. CAN's
 - a. There was a discussion of the proposed directive requiring the registration of generators that own transmission as TOPs. The directive as written would hold generators who are classified as TOPs to a set of standards that are not appropriately geared to their risk to the BES. Suggestions were made to have the standards limited to a smaller set of requirements.
 - b. Comments on posted CAN's seem to be ignored, since NERC doesn't explicitly respond. Mike Moon explained that when comments come in NERC will post and consider them, but does not reply to all of them. A possible way forward was suggested that NERC should explain why it chose the path it did with out explicitly responding to all comments.
 - c. CAN-0016 Sabotage reporting- Gerry Cauley explained that we should get to the nub of the issue and compliance enforcement should apply the plain language, working with a registered entity's procedures and not relying on the entity's knowledgeable personnel. With that as the approach auditors should be able to determine compliance.
 - d. There is a need for the standards to stand on their own feet and not rely on CAN's. The plain language of the standard should be all that is needed. If standard is not clear, it should be clarified.

2. CIP 4 and 5
 - a. The alternatives are to go forward with CIP 4 and implement on current schedule or ask FERC in response to the NOPR to delay the effective date of CIP-4 to see if CIP-5 can be completed and supersede CIP-4. The issues are how much will it cost to implement CIP 4 over and above what would be needed for CIP-5, how long will it take to finish CIP-5, and is there a CIP-6 that is likely to follow?

Board of Trustees Meeting – November 3rd

1. Remarks by FERC Commissioners
 - a. Commissioner LeFleur- There is a reliability cycle of setting standards, auditing registered entities and compliance enforcement. Discussion of ALR is worthwhile, since at their core reliability issues are about making choices and costs and reliability risks are part of the input to making those choices. She also discussed the upcoming Technical conference in November.
 - b. Commissioner Norris- ALR implicates reliability and costs and is something that we should have an open discussion about. He thinks that empowering people to make their own choices about reliability is appropriate as long as they don't affect the reliability of others. He also commented that the current backlog is unsustainable and that some process like the FFT and/or other types of process improvements are needed.
2. Presidents Report -Comments by Gerry Cauley- he repeated many of his comments from the MRC meeting and added a few additional comments as follows:
 - a. He would like to see the FERC Technical Conference on November 29th and 30th as a regular part of business on an annual cycle like the FERC State of the Markets Report.
 - b. Standards are a mixed story. We are making the transition to clear reliability focused standards, but we need to be able to solve problems and react expeditiously to emerging issues. Plans to work with MRC and other industry representatives.
 - c. Right of Way Alert- One year out industry is meeting expectations, but the issue going forward is how do maintain focus so that we manage the risk.
 - d. CAN's are a necessary part of ERO. We need to work at getting a better understanding. However, CAN's can not be a popular vote.
 - e. Reliability Assessments – NERC's role is to be an independent assessor of reliability. NERC will take criticism from all sides in order to meet its responsibility.
3. Reliability Standards
 - a. Project 2007-07 Vegetation Management - **Approved Unanimously**
 - i. Gerry – this is an important standard and this risk-based approach is an opportunity to make it better. However, there are a number of minority views including some concerns from FERC Staff
 - ii. Joe McClelland is concerned with removal of clearance 1 margin. The planned distances using the MCVD criteria represent the minimum distance for flashover so he is concerned about how far the standard requires the distance to be from the vegetation.

- iii. Gerry- is concerned about removing margin, but the standard is a performance standard, which is based on the failure to perform not on enforcing compliance with the margin.
 - iv. Paul Barber – need vegetation plans that work in different regions
 - v. Dave Goulding- concerned with fall-ins and blow-ins from outside the right of way.
 - vi. Gerry – the standard will not prevent all contact, but is designed to prevent systemic failure.
- b. Standard Development Plan 2012 -14 – **Approved Unanimously**
- c. MOD 25 – **Approved Unanimously**
- d. TRE – IRO-006-TRE-1 - **Approved Unanimously**
- e. PRC-006-SERC-1 – **Approved Unanimously**
- 4. Discussion of asking for a later effective date for CIP-4 in hope that CIP-5 will finish in time. The discussion generally evidenced little to no support for asking for a later effective date so board did not instruct NERC staff to ask for a later effective date.
- 5. Rules of Procedure
 - a. Non-substantive Rules changes – **Approved Unanimously**
 - b. Overhaul of rules, which would include a penalty mechanism for the failure to comply with a rule. Discussion evidenced that Board had concerns with a penalty mechanism.
- 6. Reinstatement of NERC Rules of Procedure Section 402.1.3.2 – NERC will deal with the issue on a regional basis as they carry forward there review of each region. – **Approved Unanimously.**
- 7. WECC By-Laws – **Approved Unanimously**
- 8. Reports and Presentations
 - a. Spare Equipment Data Base Report – **Accepted**
 - b. Three year ERO Performance Assessment Report
 - c. Shale Gas Presentation
 - d. Standing Committee Reports including Compliance and Certification Committee; Critical Infrastructure Committee; Member Representatives Committee; Operating Committee; Personnel Certification and Governance Committee; Planning Committee; Standards Committee; Electric Sub-Sector Coordinating committee
 - e. Forum and Group Reports including NAESB; Regional Entity Management Group; North American Transmission forum; North American Generator Forum
 - f. Board Committee Reports
 - i. Corporate governance and Human Resources
 - ii. Establish 457 (b) Plan – **Approved**
 - iii. Compliance
 - iv. Enforcement
 - v. Nominating
 - vi. Finance and Audit
 - vii. Review Statement of Activities: Year End Projection – **Accepted**
 - viii. Risk Management Framework – **Approved**
 - ix. Standards Oversight and Technology

From: [Tina McClellan](#)
To: [Tina McClellan](#)
Subject: NERC: POSTED: Presentations - November 2-3, 2011 Meetings
Date: Tuesday, November 01, 2011 3:31:57 PM

POSTED: Presentations for Board of Trustees, Member Representatives Committee, and Board Committees' Meetings *November 2-3, 2011 - Atlanta, GA*

[Standards Oversight and Technology Committee](#)

[Compliance Committee Open Session](#)

[Member Representatives Committee](#)

[Board of Trustees](#)

For more information or assistance, please contact [Tina McClellan](#).

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From: [Tina McClellan](#)
To: [Tina McClellan](#)
Subject: NERC: POSTED: Policy Input and Schedule of Events - November 2-3, 2011 Meetings
Date: Friday, October 28, 2011 4:42:20 PM

POSTED for
Board of Trustees, Member Representatives
Committee, and Board Committees' Meetings
November 2-3, 2011 - Atlanta, GA

[Policy Input](#)

[Schedule of Events](#)

For more information or assistance, please contact [Tina McClellan](#).

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Wednesday, November 2, 2011
NERC MRC Meeting

1. Minutes*

- a. October 5, 2011 Conference Call
- b. August 3, 2011 Meeting

2. Future Meetings*

Regular Agenda

3. Welcome to Atlanta

- Encouraged by Headquarter move to Atlanta
- Congratulations to NERC personnel moving to other positions (Tom Galloway, Mark Weatherford); welcome to new NERC management team members (Marvin IT VP), Matt Lasar, new CSO

4. Remarks By Gerry Cauley, NERC President and CEO

- Why does NERC do what it does? Four pillars:
 - 1. Reliability – not theoretical concept; these are real demands w/real impacts
 - 2. Risk-based – can't do everything; what can we do?
 - 3. Accountability
 - 4. Learning organization
- Since Vancouver meeting, filed FFTR proposal w/FERC; is an effective tool; preference is to keep the tool simple
- 2012 budget has been approved in a clean FERC Order; new efficiencies will be reflected in next budget cycle
- BES definition – results of first ballot exceeded my expectations
- Standards – interested to hear and develop better sense of where we are on improving process, clarifying objectives, developing quality standards, etc.; I would like to see senior industry leadership across sectors convene and discuss what works well and what doesn't
- Compliance operations – we had a challenge raised last meeting through CANs; our revised procedure ensures greater checks and balances, w/two avenues for appeal; apologize for inundation of CANs and revised CANs; we're striving for consistency; we cannot cede to the industry by popular vote to determine what standard means; we won't ever get rid of tension between registered entities and ERO; CANs actually pre-date my arrival at NERC, they just weren't transparent
- CIP V4/V5 – we would ask FERC to approve V4 and bright-line criteria; but can we move effective date of V4 back a few months to determine likely development of V5; that will be NERC's request to FERC
- ROP Changes – NERC can still improve in being transparently clear regarding problem ROP changes are intended to solve; intention of penalties is meant to be targeted at essential action; ERO has no backstop to issue an Essential Action in the event of an imminent threat (e.g. cyber); this closes a strategic gap regarding need for U.S. legislation; ensures an entity cannot blow off the Alert

5. September 8, 2011 Southwestern Outage*

- Remains under review through joint NERC/FERC proceeding (*see presentation slides*)
- Timing of inquiry will depend on what is learned as analysis deepens
- NERC & FERC appeared before joint committees of CA state legislature

6. February 2011 Cold Snap Report and Recommendations*

- Three (3) key findings:
 1. Many generators failed to adequately apply and institutionalize knowledge and recommendations from previous severe winter weather events (recommendations from 2009 are very similar to those from this report)
 2. Generators failed to adequately prepare the plants for winter and were generally reactive as opposed to proactive
 3. Balancing Authorities, Reliability Coordinators and generators often lacked adequate knowledge of plant temperature design limits and the equipment most effected by freezing
 - Three (3) key recommendations:
 1. R1 - BAs, RCs, and GO/GOPs – Consider winter peak season preparations as critical as summer peak season preparations
 2. R6 - TOs, BAs, and GO/GOPs – Verify that units that have fuel switching capabilities can periodically demonstrate those capabilities
 3. R8 - BAs, RCs and TOPs – Require GO/GOPs to provide accurate ambient temperature design specifications and keep current
- I. Predict
II. Plan
III. Preparation
- Generators were reactive, not proactive
 - Overall challenge is to not let these events slide into the rear-mirror; we can predict, plan for and prepare for cold weather
 - PJM: keep in mind that operators performed well

7. Election of Committee Officers for 2012*

- Motion to elect Scott Helyer & Carol Chinn approved by voice vote

8. Status of MRC Sector Nominations*

- Nominations close Nov. 11
- Election period opens Dec. 12

9. NERC Compliance Enforcement Initiative* – Status

- Report to BOTCC repeated
- Chair echoes support for initiative

10. Compliance Application Notices – Status*

GO/GOP Directive

- As opposed to registering GO/GOPs for full suite of TO/TOP requirements, looking to refine subset of applicable requirements that these entities must fulfill

- Directive adds 22 standards to those contemplated under Project 2010-07
- Stakeholder comments:
 - o How is it that a GO/GOP registered as a TO/TOP is not required to comply with full suite of TO/TOP requirements?
 - A: yes, that's true; but many have acknowledged, including FERC, that this is not appropriate in this context; interim solution is to work thru MOU to avoid full registration, in order to only focus on appropriate/applicable requirements
 - o Why wasn't directive provided to all stakeholders? It may have been thought that there was broad dissemination, but it didn't go to everyone
 - A: it was felt that it would be more appropriate to go through trade associations and NAGF
 - o Where is there evidence of reliability gap? Not reflected in any recent event analyses; view this as 2nd/3rd order reliability concern; are we setting up debates between GOPs and TOPs regarding management of potential impacts? Blackstart resources are also de-listing; this undermines TOPs' ability to prepare for system restoration
 - A: I don't think we want to deal w/an event to address this issue
 - o Will NERC ignore stakeholder comments?
 - We will post all comments received and redline any proposed changes
- Gerry Cauley: trying to understand the timing; what's the sense of urgency? Can we wait for the standard to be approved? There are potential reliability risks; question is what the urgency and priority levels are; is there a reliability issue the other way? A line is owned, but someone else has operational control over the line
 - o ELCON: gap needs to be defined more clearly; also need to ensure that solution doesn't simply sweep in other entities; for large industrials, costs are increasing
- Mike Moon: it is not the directive's intent to induce sweeping registration of GOs/GOPs
- Bill Gallagher: again, proof will be in the execution

CANs

- BOT guidance
 - o Looking to improve tone, wording, etc.
- CAN Process
 - o Pledge to improve feedback loop w/industry on comments submitted
- CAN-0016 Sabotage Reporting Procedure
 - o Concedes that NERC did not do a good job initially; NERC believes implementation is required
- Status of revisions to the remaining CANs currently posted as final
 - o Would like industry to provide specific examples of alternative compliance route
 - o Aiming to have CAN revisions concluded by end of 2011
 - o Will keep BOTCC and open forum with trade associations apprised of developments around CANs
- NRECA disappointed by progress since August; CAN-0016 does go beyond language in the standard; when comments are filed and ignored, we question the value of submitting comments; we can expect entities and perhaps joint trade association appeals going forward
- Paul Murphy: commend NERC on response since August; there remain CANs that go beyond scope of standard and we'll continue to provide comments; likely worth reflecting on engagement with stakeholders on CANs to date as part of NERC's learning organization mandate

- Sector 7 – repeat that we need justification from NERC for why certain CANs are prepared the way they are
- FRCC – applauds NERC for progress on CANs and transparency in process
- Tom Berry – my hope is that CANs ultimately sunset; eventually standard should be able to speak for itself and need for CAN is obviated
- Fred Gorbet – optimistic about progress that has been made
- Tim Gallagher – we’ve moved debate out of the field and into the MRC forum; that’s a good thing; NERC should treat CAN as FERC treats a NOPR; may not agree w/comment, but should at least consider and address it
- Ed Tymofichuk – need to think long-term about standards; standards should be able to stand on their own w/o need for CANs, interpretation, etc.
- Allen Mosher – should development of CAN be held to a development approach similar to standard or interpretation?
- Bill Gallagher: interpretations are time consuming! Re-writing standard is preferable; most CANs are good, let’s remember
- Gerry Cauley: let’s work more on resolving CAN-0016 and associated issues; let’s focus on better negotiation and hopefully not have to resolve this through the appeals process

11. Status of CIP Standards Version 4 and 5 and Implementation Plans*

- CIP SDT to post its implementation plan next week (Nov. 8)
- Gerry Cauley: the only thing NERC is requesting deferral on is effective date of V4, to see if we can get to a better place through V5; question for the BOT is permitting
- Discussion around need for stability in CIP standards; investments are a concern, as some required to comply w/V4 may not be necessary for V5
- NRECA: NERC and industry need to meet to discuss in advance of Nov. 21 deadline
- Paul Murphy: we will have fewer assets identified as critical under V4 than we will under V3; number of assets therefore not the best measure for assessing standard; the notion of not implementing V4 creates a bit of a credibility problem for industry; my expectation is that we’ll be asking eventually for delay in implementation of V5
- Gerry Cauley: we need input from industry on perceived investment requirements, and carrying forward investments over the course of standards adoption; question is not driven by NERC, but more by industry decisions; I’m not sure we have industry top-line of sight on what’s involved for moving towards V5; this is a big deal; need to be focused here; we should have senior industry leadership meet to discuss end-point for CIP standards; need a conference on strategy (Q1 2012?)
- SDT confirmed that Sep. 2012 filing date for V5 to FERC remains the target
- Bill Gallagher: bear in mind that this issue is near & dear to folks on Capitol Hill and at FERC; it’s also important for our pocketbooks to get this right

12. BES Definition and Rules of Procedure – Status*

- Phase II to address concerns identified over the course of process; draft SAR has been posted for informational purposes; clarifying revisions include
 - Transformer designations
 - Generation threshold values
 - Reactive resources
 - Behind the meter generation
 - Local networks

- SC has committed to maintaining BES project as “high priority” project
- Despite super-majority approval of first ballot, we’re still in a tentative spot; success of this project will reflect on whole ERO
- 73 comments received on ROP Exception Process; those comments to be evaluated by Project Team
- Concerns remain around confidentiality of data that is submitted in conjunction with an exception request
- Technical Principles for Exception Process has been a contentious matter; trying to ascertain the impact of an element on the system
- Principles fell just short of a super-majority; comments weren’t seeking substantive modifications; more about the use of information that will be submitted; once application is submitted, it falls into black box where there’s no signal about prospects for acceptance or rejection; fear that if submitter answers “yes” to one of many questions, this will result in automatic inclusion under BES definition
- Compliance obligations for new elements – 24 months after applicable effective date
- *See presentation slides for near-term milestones*
- Hoping to go to NERC Board for approval b/w Jan. 11-Jan. 18 2012

13. ALR Task Force Status Report*

See presentation slides

14. Culture of Reliability Excellence – LG&E/KU*

See presentation slides

15. Rules of Procedure Changes

- Some changes in non-substantive revisions will be considered alongside February 2011 filing
- **Nov. 7** scheduled date for posting of revised substantive revisions; will be submitted to Board for approval for Feb. 2011 meetings
- New provisions planned for event analysis (Sec. 800); represents substantial portion of changes; will likely draw many comments

Q&A

- Not expected that Sec. 1800 would be universally or frequently exercised; looking to address issue of recalcitrant entity
- Janice Case: I have concerns that we’re putting this out for comment and we haven’t discussed this at the Board (reminder that this is on the Board agenda for tomorrow)
- Carol Chinn: we need more transparency; summary is 40 pages long and difficult to follow; problematic that stakeholder comment regarding questions around NERC authority to do this has not been considered
- NRECA: has there been a dramatic failure to respond to Level 2 & Level 3 Alerts? My understanding is that reports back are high; what is basis for changing 10-50 the number of NERC members to request a ROP amendment?
 - A: Responses have not been 100%; also, according to S. 100 of ROP, members must comply with NERC ROP; we believe that fines is a reasonable addition to the ROP; 50 requestors is meant to conform w/by-laws
- Common theme is questions around NERC’s authority to do this

16. Looking Ahead to February 8, 2012 Meeting – Key Agenda Items

- ANSI accreditation issue ripe for discussion

17. Comments by Outgoing Chairman

- Remember, this ERO regime is an experiment; many on Capitol Hill think it should be done a different way
- Thanks Gerry Cauley, Dave Nevius and NERC staff for his support

18. Comments by Chairman Elect

- Thanks Bill Gallagher for service as Chair

Information Only – No Discussion

19. Update on Regulatory Matters*

Announcement

NERC Board Approves Vegetation Management Standard; Focuses on Four Pillars of Success

November 7, 2011

ATLANTA – The North American Electric Reliability Corporation (NERC) had its quarterly Board of Trustees meeting on November 3 in Atlanta. NERC President and Chief Executive Officer Gerry Cauley welcomed NERC board members; Federal Energy Regulatory Commissioners John Norris and Cheryl LaFleur; and industry stakeholders.

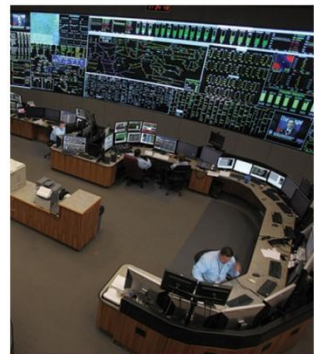
In its fifth year as the electric reliability organization, NERC strives to build upon four pillars for continued success. Those foundations are:

- **Reliability** – addressing real problems to improve the reliability of the grid.
- **Accountability** – being accountable to customers, the industry and government for the performance of the grid.
- **Learning** – enabling the industry to learn from experience to improve future reliability performance.
- **Risk-based model** – focusing actions and programs on issues most important to grid reliability.

“There must be a clear and compelling understanding about what we are trying to accomplish as the electric reliability organization,” Cauley said. “By focusing on these four pillars, our role is reliability and our objectives are clear.”

During this meeting, the board approved the Project 2007-07 Vegetation Management (FAC-003-2), which is a results-based, foundational standard that provides a defense in-depth approach to vegetation inspections and minimum clearance distances.

The board also approved the Reliability Standards Development Plan for 2012-2014, which addresses different aspects of standards prioritization; and two Rules of Procedure changes – *Rules of Procedure Non-substantive Capitalization and*



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Definition changes and Reinstatement of Section 402.1.3.2.

Three regional standards – Reactive Power Capability (MOD-025-RFC-1), Mitigation in the ERCOT Interconnection (IRO-006-TRE-1) and Automatic Underfrequency Load Shedding (PRC-006-SERC-1) – received approval as well.

In the Member Representative Committee meeting November 2, the committee elected its officers for 2012: Scott Helyer of Tenaska Corporation as chair and Carol Chinn of American Transmission Company as vice-chair.

NERC's next board meeting is February 9 in Phoenix.

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The North American Electric Reliability Corporation's mission is to ensure the reliability of the North American bulk power system. NERC is the electric reliability organization (ERO) certified by the Federal Energy Regulatory Commission in the United States to establish and enforce reliability standards for the bulk-power system. NERC has equivalent relationships with provincial and federal authorities in Canada. NERC develops and enforces reliability standards; assesses adequacy annually via a 10-year forecast, and summer and winter forecasts; monitors the bulk power system; and educates, trains and certifies industry personnel. Learn more at www.nerc.com

Agenda Board of Trustees Conference Call

November 22, 2011 | 2:00-4:00 p.m. Eastern
Dial-in: 800-954-0685

No Code Needed

Industry Participants – Listen Mode Only

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines

Agenda

1. **2011 Long-Term Reliability Assessment — Approve**
2. **2011/2012 Winter Reliability Assessment — Approve**
3. **Technical and Conforming Amendments to Rules of Procedure — Approve**

Antitrust Compliance Guidelines

I. General

It is NERC's policy and practice to obey the antitrust laws and to avoid all conduct that unreasonably restrains competition. This policy requires the avoidance of any conduct that violates, or that might appear to violate, the antitrust laws. Among other things, the antitrust laws forbid any agreement between or among competitors regarding prices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that unreasonably restrains competition.

It is the responsibility of every NERC participant and employee who may in any way affect NERC's compliance with the antitrust laws to carry out this commitment.

Antitrust laws are complex and subject to court interpretation that can vary over time and from one court to another. The purpose of these guidelines is to alert NERC participants and employees to potential antitrust problems and to set forth policies to be followed with respect to activities that may involve antitrust considerations. In some instances, the NERC policy contained in these guidelines is stricter than the applicable antitrust laws. Any NERC participant or employee who is uncertain about the legal ramifications of a particular course of conduct or who has doubts or concerns about whether NERC's antitrust compliance policy is implicated in any situation should consult NERC's General Counsel immediately.

II. Prohibited Activities

Participants in NERC activities (including those of its committees and subgroups) should refrain from the following when acting in their capacity as participants in NERC activities (e.g., at NERC meetings, conference calls and in informal discussions):

- Discussions involving pricing information, especially margin (profit) and internal cost information and participants' expectations as to their future prices or internal costs.
- Discussions of a participant's marketing strategies.
- Discussions regarding how customers and geographical areas are to be divided among competitors.
- Discussions concerning the exclusion of competitors from markets.
- Discussions concerning boycotting or group refusals to deal with competitors, vendors or suppliers.

- Any other matters that do not clearly fall within these guidelines should be reviewed with NERC's General Counsel before being discussed.

III. Activities That Are Permitted

From time to time decisions or actions of NERC (including those of its committees and subgroups) may have a negative impact on particular entities and thus in that sense adversely impact competition. Decisions and actions by NERC (including its committees and subgroups) should only be undertaken for the purpose of promoting and maintaining the reliability and adequacy of the bulk power system. If you do not have a legitimate purpose consistent with this objective for discussing a matter, please refrain from discussing the matter during NERC meetings and in other NERC-related communications.

You should also ensure that NERC procedures, including those set forth in NERC's Certificate of Incorporation, Bylaws, and Rules of Procedure are followed in conducting NERC business.

In addition, all discussions in NERC meetings and other NERC-related communications should be within the scope of the mandate for or assignment to the particular NERC committee or subgroup, as well as within the scope of the published agenda for the meeting.

No decisions should be made nor any actions taken in NERC activities for the purpose of giving an industry participant or group of participants a competitive advantage over other participants. In particular, decisions with respect to setting, revising, or assessing compliance with NERC reliability standards should not be influenced by anti-competitive motivations.

Subject to the foregoing restrictions, participants in NERC activities may discuss:

- Reliability matters relating to the bulk power system, including operation and planning matters such as establishing or revising reliability standards, special operating procedures, operating transfer capabilities, and plans for new facilities.
- Matters relating to the impact of reliability standards for the bulk power system on electricity markets, and the impact of electricity market operations on the reliability of the bulk power system.
- Proposed filings or other communications with state or federal regulatory authorities or other governmental entities.

Matters relating to the internal governance, management and operation of NERC, such as nominations for vacant committee positions, budgeting and assessments, and employment matters; and procedural matters such as planning and scheduling meetings.

Technical and Conforming Amendments to Rules of Procedure

Action

Approve proposed amendments to Rules of Procedure as shown in attached redline.

Background

At its November 3, 2011 meeting, the Board of Trustees (Board) approved non-substantive proposed amendments to NERC's Rules of Procedure that standardized the capitalization of defined terms and located all definitions used in the Rules in a new Appendix 2 (the "capitalization/definitions amendments"). On November 17, 2011, the Federal Energy Regulatory Commission (FERC) approved NERC's request to approve unrelated amendments to Appendices 3B and 3D to the Rules of Procedure. The capitalization/definitions amendments the Board approved on November 3 did not include the latest version of Appendices 3B and 3D.

Now that FERC has approved NERC's proposed amendments to Appendices 3B and 3D, it is appropriate to make technical and conforming changes to those documents and to Appendix 2, in order to maintain the capitalization and definitions structure that the Board approved on November 3. It is important to note that the board has already approved the substance of what is contained in Appendices 3B and 3D. The change to Appendix 2 is to add another definition to the list of definitions.

Attached to this item are the redlined changes to Appendices 2, 3B, and 3D needed to conform the capitalization and definitions to the approach the Board approved on November 3. Following Board approval, the changes will be incorporated in the overall package of rule changes that we file with FERC.

10-20-2011

**NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION**

DEFINITIONS USED IN THE RULES OF PROCEDURE

APPENDIX 2 TO THE RULES OF PROCEDURE

Effective: [DATE], 2012

General

For purposes of the NERC Rules of Procedure, including all Appendices, the terms defined in this Appendix shall have the meanings set forth herein. For convenience of reference to the user, definitions of terms that are used in a particular Appendix may be repeated in that Appendix.

Where used in the Rules of Procedure, a defined term will be capitalized. Where a term defined in this Appendix appears in the Rules of Procedure but is not capitalized, the term is there being used in its ordinary and commonly understood meaning and not as defined in this Appendix (if different). Other terms that are not defined terms, such as the names of entities, organizations, committees, or programs; position titles; titles of documents or forms; section headings; geographic locations; and other terms commonly presented as proper nouns, may also be capitalized in the Rules of Procedure without being defined in this Appendix.

Definitions of terms in this Appendix that are marked with asterisks (**) are taken from the NERC *Glossary of Terms Used in Reliability Standards*. Definitions of terms in this Appendix that are marked with “pluses” (++) are taken from Section 215 of the Federal Power Act or the Commission’s regulations at 18 C.F.R. Part 39 or Part 388.

Other terms used in the Rules of Procedure but not defined in this Appendix that have commonly understood and used technical meanings in the electric power industry, including applicable codes and standards, shall be construed in accordance with such commonly understood and used technical meanings.

Specific Definitions

“Adjacent Balancing Authority” means a Balancing Authority Area that is interconnected to another Balancing Authority Area either directly or via a multi-party agreement or transmission tariff.**

“Adjusted Penalty Amount” means the proposed Penalty for a violation of a Reliability Standard as determined based on application of the adjustment factors identified in Section 4.3 of the *Sanction Guidelines* to the Base Penalty Amount.

“Advisories” or “Level 1 (Advisories)” is a notification issued by NERC in accordance with Section 810.3.1 of the Rules of Procedure.

“Alleged Violation” means a Possible Violation for which the Compliance Enforcement Authority has determined, based on an assessment of the facts and circumstances surrounding the Possible Violation, that evidence exists to indicate a Registered Entity has violated a Reliability Standard.

“Annual Audit Plan” means a plan developed annually by the Compliance Enforcement Authority that includes the Reliability Standards and Registered Entities to be audited, the schedule of Compliance Audits, and Compliance Audit Participant requirements for the calendar year.

“Annual Report” means the annual report to be filed by NERC with FERC and other Applicable Governmental Authorities in accordance with Section 13.0 of Appendix 4D.

“Applicable Governmental Authority” means the FERC within the United States and the appropriate governmental authority with subject matter jurisdiction over reliability in Canada and Mexico.

“Applicable Requirement” means a Requirement of a CIP Standard that (i) expressly provides either (A) that compliance with the terms of the Requirement is required where or as technically feasible, or (B) that technical limitations may preclude compliance with the terms of the Requirement; or (ii) is subject to Appendix 4D by FERC directive.

“Balancing Authority” means the responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports Interconnection frequency in real time.**

“Balancing Authority Area” means the collection of generation, transmission, and loads within the metered boundaries of the Balancing Authority. The Balancing Authority maintains load-resource balance within this area.**

“Base Penalty Amount” means the proposed Penalty for a violation of a Reliability Standard as initially determined pursuant to Sections 4.1 and 4.2 of the NERC *Sanction Guidelines*, before application of any adjustment factors.

“Blackstart Resource” means a generating unit(s) and its associated set of equipment which has the ability to be started without support from the System or is designed to remain energized without connection to the remainder of the System, with the ability to energize a bus, meeting the Transmission Operator’s restoration plan needs for real and reactive power capability, frequency and voltage control, and that has been included in the Transmission Operator’s restoration plan.**

“Board” or “Board of Trustees” means the Board of Trustees of NERC.

“Board of Trustees Compliance Committee,” “BOTCC” or “Compliance Committee” means the Compliance Committee of the NERC Board of Trustees.

“Bulk Electric System” means, as defined by the Regional Entity, the electrical generation resources, transmission lines, interconnections with neighboring systems, and associated equipment, generally operated at voltages of 100 kV or higher. Radial transmission facilities serving only load with one transmission source are generally not included in this definition.**

“Bulk Power System” means, depending on the context: (i) Facilities and control systems necessary for operating an interconnected electric energy supply and transmission network (or any portion thereof), and electric energy from generating facilities needed to maintain

transmission system reliability. The term does not include facilities used in the local distribution of electric energy [++]. (ii) Solely for purposes of Appendix 4E, Bulk Electric System.

“Canadian” means one of the following: (a) a company or association incorporated or organized under the laws of Canada, or its designated representative(s) irrespective of nationality; (b) an agency of a federal, provincial, or local government in Canada, or its designated representative(s) irrespective of nationality; or (c) a self-representing individual who is a Canadian citizen residing in Canada.

“Canadian Entity” means a Responsible Entity that is organized under Canadian federal or provincial law.

“Cascading” means the uncontrolled successive loss of System Elements triggered by an incident at any location. Cascading results in widespread electric service interruption that cannot be restrained from sequentially spreading beyond an area predetermined by studies.**

“CCC” means the NERC Compliance and Certification Committee.

“Certification” means, depending on the context, (i) the process undertaken by NERC and a Regional Entity to verify that an entity is capable of responsibilities for tasks associated with a particular function such as a Balancing Authority, Transmission Operator and/or Reliability Coordinator; such Certification activities are further described in Section 500 and Appendix 5A of the NERC Rules of Procedure; or (ii) for purposes of Appendix 6, an official recognition that indicates the recipient has passed a NERC exam or completed a specified number of Continuing Education Hours.

“Certification Staff” means individuals employed or contracted by NERC who have the authority to make initial determinations of Certification of entities performing reliability functions.

“Certification Team” means a team assembled by a Regional Entity that will be responsible for performing the activities included in the Certification process for an entity pursuant to Appendix 5A.

“Classified National Security Information” means Required Information that has been determined to be protected from unauthorized disclosure pursuant to Executive Order No. 12958, as amended, and/or the regulations of the NRC at 10 C.F.R. §95.35; or pursuant to any comparable provision of Canadian federal or provincial law.

“Clerk” means an individual as assigned by the Compliance Enforcement Authority to perform duties described in Attachment 2, Hearing Procedures, to Appendix 4C.

“Commission” means the Federal Energy Regulatory Commission or FERC.

“Complaint” means an allegation that a Registered Entity violated a Reliability Standard.

“Compliance and Certification Manager” means individual/individuals within the Regional Entity that is/are responsible for monitoring compliance of entities with applicable NERC Reliability Standards.

“Compliance Audit” means a systematic, objective review and examination of records and activities to determine whether a Registered Entity meets the Requirements of applicable Reliability Standards.

“Compliance Audit Participants” means Registered Entities scheduled to be audited and the audit team members.

“Compliance Enforcement Authority” means NERC or the Regional Entity in their respective roles of monitoring and enforcing compliance with the NERC Reliability Standards.

“Compliance Enforcement Authority’s Area of Responsibility” means the Compliance Enforcement Authority’s Region. If a Regional Entity is the Compliance Enforcement Authority, the Compliance Enforcement Authority’s Area of Responsibility is shown in Exhibit A to the delegation agreement between the Regional Entity and NERC.

“Compliance Investigation” means a comprehensive investigation, which may include an on-site visit with interviews of the appropriate personnel, to determine if a violation of a Reliability Standard has occurred.

“Compliance Monitoring and Enforcement Program” or “CMEP” means, depending on the context (1) the NERC *Uniform Compliance Monitoring and Enforcement Program* (Appendix 4C to the NERC Rules of Procedure) or the Commission-approved program of a Regional Entity, as applicable, or (2) the program, department or organization within NERC or a Regional Entity that is responsible for performing compliance monitoring and enforcement activities with respect to Registered Entities’ compliance with Reliability Standards.

“Compliant Date” means the date by which a Responsible Entity is required to be in compliance with an Applicable Requirement of a CIP Standard.

“Confidential Business and Market Information” means any information that pertains to the interests of any entity, that was developed or acquired by that entity, and that is proprietary or competitively sensitive.

“Confidential Information” means (i) Confidential Business and Market Information; (ii) Critical Energy Infrastructure Information; (iii) personnel information that identifies or could be used to identify a specific individual, or reveals personnel, financial, medical, or other personal information; (iv) work papers, including any records produced for or created in the course of an evaluation or audit; (v) investigative files, including any records produced for or created in the course of an investigation; or (vi) Cyber Security Incident Information; provided, that public information developed or acquired by an entity shall be excluded from this definition; or (vii) for purposes of Appendix 4D, any other information that is designated as Confidential Information in Section 11.0 of Appendix 4D.

“Confirmed Violation” means an Alleged Violation for which an entity has: (1) accepted the finding of the violation by a Regional Entity or NERC and will not seek an appeal, or (2) completed the hearing and appeals process within NERC, or (3) allowed the time for requesting a hearing or submitting an appeal to expire, or (4) admitted to the violation in a settlement agreement.

“Continuing Education Hour” or “CE Hour” means sixty minutes of participation in a group, independent study, or self-study learning activity as approved by the NERC Continuing Education Program.

“Continuing Education Program Provider” or “Provider” means the individual or organization offering a learning activity to participants and maintaining documentation required by Appendix 6.

“Coordinated Functional Registration” means where two or more entities (parties) agree in writing upon a division of compliance responsibility among the parties for one or more Reliability Standard(s) applicable to a particular function, and/or for one or more Requirement(s)/sub-Requirement(s) within particular Reliability Standard(s).

“Covered Asset” means a Cyber Asset or Critical Cyber Asset that is subject to an Applicable Requirement.

“Credential” means a NERC designation that indicates the level of qualification achieved (i.e., reliability operator; balancing, interchange, and transmission operator; balancing and interchange operator; and transmission operator).

“Credential Maintenance” means to meet NERC CE Hours’ requirements to maintain a valid NERC-issued system operator Credential.

“Critical Assets” means Facilities, systems, and equipment which, if destroyed, degraded, or otherwise rendered unavailable, would affect the reliability or operability of the Bulk Electric System.**

“Critical Cyber Assets” means Cyber Assets critical to the reliable operation of Critical Assets.**

“Critical Energy Infrastructure Information” means specific engineering, vulnerability, or detailed design information about proposed or existing Critical Infrastructure that (i) relates details about the production, generation, transportation, transmission, or distribution of energy; (ii) could be useful to a person in planning an attack on Critical Infrastructure; and (iii) does not simply give the location of the Critical Infrastructure.++

“Critical Infrastructure” means existing and proposed systems and assets, whether physical or virtual, the incapacity or destruction of which would negatively affect security, economic security, public health or safety, or any combination of those matters.++

“Critical Infrastructure Protection Standard” or “CIP Standard” means any of NERC Reliability Standards CIP-002 through CIP-009.

“Cross-Border Regional Entity” means a Regional Entity that encompasses a part of the United States and a part of Canada or Mexico.++

“Cyber Assets” means programmable electronic devices and communication networks including hardware, software, and data.**

“Cyber Security Incident” means any malicious or suspicious event that disrupts, or was an attempt to disrupt, the operation of those programmable electronic devices and communications networks including hardware, software and data that are essential to the Reliable Operation of the Bulk Power System.++

“Cyber Security Incident Information” means any information related to, describing, or which could be used to plan or cause a Cyber Security Incident.

“Days”, as used in Appendix 5A with respect to the Registration and Certification processes, means calendar days.

“Delegate” means a person to whom the Senior Manager of a Responsible Entity has delegated authority pursuant to Requirement R2.3 of CIP Standard CIP-003-1 (or any successor provision).

“Director of Compliance” means the Director of Compliance of NERC or of the Compliance Enforcement Authority, as applicable, who is responsible for the management and supervision of Compliance Staff, or his or her designee.

“Distribution Provider” means the entity that provides and operates the “wires” between the transmission system and the end-use customer. For those end-use customers who are served at transmission voltages, the Transmission Owner also serves as the Distribution Provider. Thus, the Distribution Provider is not defined by a specific voltage, but rather as performing the distribution function at any voltage.**

“Document” means, in addition to the commonly understood meaning of the term as information written or printed on paper, any electronically stored information, including writings, drawings, graphs, charts, photographs, sound recordings, images and other data or data compilations stored in any medium from which information can be obtained, and shall be translated by the producing party into reasonably usable form.

“Effective Date” means the date, as specified in a notice rejecting or disapproving a TFE Request or terminating an approved TFE, on which the rejection, disapproval or termination becomes effective.

“Electric Reliability Organization” or “ERO” means the organization that is certified by the Commission under Section 39.3 of its regulations, the purpose of which is to establish and

enforce Reliability Standards for the Bulk Power System in the United States, subject to Commission review. The organization may also have received recognition by Applicable Governmental Authorities in Canada and Mexico to establish and enforce Reliability Standards for the Bulk Power Systems of the respective countries.

“Element” means any electrical device with terminals that may be connected to other electrical devices such as a generator, transformer, circuit breaker, bus section, or transmission line. An Element may be comprised of one or more components.**

“Eligible Reviewer” means a person who has the required security clearances or other qualifications, or who otherwise meets the applicable criteria, to have access to Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information, as applicable to the particular information to be reviewed.

“End Date” means the last date of the period to be covered in a Compliance Audit.

“Essential Actions” or “Level 3 (Essential Actions)” is a notification issued by NERC in accordance with Section 810.3.1 of the Rules of Procedure.

“Exception Reporting” means information provided to the Compliance Enforcement Authority by a Registered Entity indicating that a violation of a Reliability Standard has occurred (e.g., a System Operating Limit has been exceeded) or enabling the Compliance Enforcement Authority to ascertain the Registered Entity’s compliance.

“Expiration Date” means the date on which an approved TFE expires.

“Facility” means a set of electrical equipment that operates as a single Bulk Electric System Element (e.g., a line, a generator, a shunt compensator, transformer, etc.)**

“FERC” means the United States Federal Energy Regulatory Commission.

“Final Penalty Amount” means the final, proposed penalty for violation of a Reliability Standard, determined in accordance with the *Sanction Guidelines*.

“FOIA” means the U.S. Freedom of Information Act, 5 U.S.C. §552.

“Footprint” means the geographical or electric area served by an entity.

“Functional Entity” means an entity responsible for a function that is required to ensure the Reliable Operation of the electric grid as identified in the NERC Reliability Standards.

“Generator Operator” means the entity that operates generating unit(s) and performs the functions of supplying energy and Interconnected Operations Services.**

“Generator Owner” means an entity that owns and maintains generating units.**

“Hearing Body” or “Regional Entity Hearing Body” means the body established by a Regional Entity to conduct hearings pursuant to the Hearing Procedures.

“Hearing Officer” means, depending on the context, (i) an individual employed or contracted by the Compliance Enforcement Authority and designated by the Compliance Enforcement Authority to preside over hearings conducted pursuant to Attachment 2, Hearing Procedures, of Appendix 4C, or (ii) solely for hearings conducted pursuant to Appendix 4E, (A) a CCC member or (B) an individual employed or contracted by NERC, as designated and approved by the CCC to preside over hearings conducted pursuant to the Hearing Procedures in Appendix E; the Hearing Officer shall not be a member of the Hearing Panel.

“Hearing Panel” means the five person hearing body established as set forth in the CCC Charter on a case by case basis and that is responsible for adjudicating a matter as set forth in Appendix 4E.

“Hearing Procedures” means, depending on the context, (i) Attachment 2 to the NERC or a Regional Entity CMEP, as applicable, or (ii) the hearing procedures of the NERC Compliance and Certification Committee in Appendix 4E.

“Interchange” means energy transfers that cross Balancing Authority boundaries.**

“Interchange Authority” means the responsible entity that authorizes the implementation of valid and balanced Interchange Schedules between Balancing Authority Areas, and ensures communications of Interchange information for reliability assessment purposes.**

“Interchange Schedule” means an agreed-upon Interchange Transaction size (megawatts), start and end time, beginning and ending ramp times and rate, and type required for delivery and receipt of power and energy between the Source and Sink Balancing Authorities involved in the transaction.**

“Interchange Transaction” means an agreement to transfer energy from a seller to a buyer that crosses one or more Balancing Authority Area boundaries.**

“Interconnected Operations Service” means a service (exclusive of basic energy and Transmission Services) that is required to support the Reliable Operation of interconnected Bulk Electric Systems.**

“Interconnection” means a geographic area in which the operation of Bulk Power System components is synchronized such that the failure of one or more of such components may adversely affect the ability of the operators of other components within the system to maintain Reliable Operation of the Facilities within their control.++

“Interconnection Reliability Operating Limit” means a System Operating Limit that, if violated, could lead to instability, uncontrolled separation, or Cascading outages that adversely impact the reliability of the Bulk Electric System.**

“Interpretation” means an addendum to a Reliability Standard, developed in accordance with the NERC *Standard Processes Manual* and approved by the Applicable Governmental Authority(ies), that provides additional clarity about one or more Requirements in the Reliability Standard.

“Joint Registration Organization” means an entity that registers in the Compliance Registry to perform reliability functions for itself and on behalf of one or more of its members or related entities for which such members or related entities would otherwise be required to register.

“Lead Mediator” means a member of a mediation team formed pursuant to Appendix 4E who is selected by the members to coordinate the mediation process and serve as the mediation team’s primary contact with the Parties.

“Load-Serving Entity” means an entity that secures energy and Transmission Service (and related Interconnected Operations Services) to serve the electrical demand and energy requirements of its end-use customers.**

“Mapping” means the process of determining whether a Regional Entity’s Footprint is being served by Registered Entities.

“Mediation Settlement Agreement” means a written agreement entered into by the Parties to a mediation pursuant to Appendix 4E that resolves the dispute.

“Member” means a member of NERC pursuant to Article II of its Bylaws.

“Member Representatives Committee” or “MRC” means the body established pursuant to Article VIII of the NERC Bylaws.

“Mitigation Plan” means an action plan, required when a Registered Entity violates a Reliability Standard as determined by any means including Compliance Enforcement Authority decision, settlement agreement, or otherwise, that is developed by the Registered Entity to (1) correct a violation of a Reliability Standard and (2) prevent re-occurrence of the violation.

“NERC-Approved Learning Activity” means training that maintains or improves professional competence and has been approved by NERC for use in its Continuing Education Program.

“NERC Compliance Monitoring and Enforcement Program Implementation Plan” or “NERC Implementation Plan” means the annual NERC Compliance Monitoring and Enforcement Program Implementation Plan that specifies the Reliability Standards that are subject to reporting by Registered Entities to the Compliance Enforcement Authority in order to verify compliance and identifies the appropriate monitoring procedures and reporting schedules for each such Reliability Standard.

“NERC Compliance Registry,” “Compliance Registry” or “NCR” means a list, maintained by NERC pursuant to Section 500 of the NERC Rules of Procedure and Appendix 5B, the NERC *Statement of Compliance Registry Criteria*, of the owners, operators and users of the Bulk Power

System, and the entities registered as their designees, that perform one or more functions in support of reliability of the Bulk Power System and are required to comply with one or more Requirements of Reliability Standards.

“NERC Identification Number” or “NERC ID” means a number given to NERC Registered Entities that will be used to identify the entity for certain NERC activities. Corporate entities may have multiple NERC IDs to show different corporate involvement in NERC activities.

“NERC Organization Certification” or “Organization Certification” means the process undertaken by NERC and a Regional Entity to verify that a new entity is capable of responsibilities for tasks associated with a particular function such as a Balancing Authority, Transmission Operator, and/or Reliability Coordinator; such certification activities are further described in Section 500 and Appendix 5A of the NERC Rules of Procedure.

“Net Energy for Load” or “NEL” means net generation of an electric system plus energy received from others less energy delivered to others through interchange. It includes system losses but excludes energy required for the storage of energy at energy storage facilities.

“Notice of Alleged Violation” means a notice issued by the Compliance Enforcement Authority to a Registered Entity pursuant to Section 5.3 of Appendix 4C.

“Notice of Completion of Enforcement Action” means a notice issued by the Compliance Enforcement Authority to a Registered Entity, pursuant to Section 5.10 of Appendix 4C, stating that an enforcement action is closed.

“Notice of Confirmed Violation” means a notice issued by the Compliance Enforcement Authority to a Registered Entity confirming the violation of one or more Reliability Standards, as a result of (1) the Registered Entity accepting a Notice of Alleged Violation and the proposed Penalty or sanction, or (2) the finding of a violation through a hearing and appeal, or (3) the expiration of the period for requesting a hearing or an appeal, or (4) the Registered Entity admitting the violation as part of an executed settlement agreement.

“Notice of Penalty” means a notice prepared by NERC and filed with FERC, following approval by NERC of a Notice of Confirmed Violation or a settlement agreement, stating the Penalty or sanction imposed or agreed to for the Confirmed Violation or as part of the settlement.

“Notice of Possible Violation” means a notice issued by the Compliance Enforcement Authority to a Registered Entity that (1) states a Possible Violation has been identified, (2) provides a brief description of the Possible Violation, including the Reliability Standard Requirement(s) and the date(s) involved, and (3) instructs the Registered Entity to retain and preserve all data and records relating to the Possible Violation.

“NRC” means the United States Nuclear Regulatory Commission.

“NRC Safeguards Information” means Required Information that is subject to restrictions on disclosure pursuant to 42 U.S.C. §2167 and the regulations of the NRC at 10 C.F.R. §73.21-73.23; or pursuant to comparable provisions of Canadian federal or provincial law.

“Open Access Transmission Tariff” means an electronic transmission tariff accepted by the U.S. Federal Energy Regulatory Commission requiring the Transmission Service Provider to furnish to all shippers with non-discriminating service comparable to that provided by Transmission Owners to themselves.**

“Part A Required Information” means Required Information that is to be provided in Part A of a Responsible Entity’s TFE Request.

“Part B Required Information” means Required Information that is to be provided in Part B of a Responsible Entity’s TFE Request.

“Participant” means a Respondent and any other Person who is allowed or required by FERC to participate as an intervenor in a proceeding conducted pursuant to the Hearing Procedures, and as used in the Hearing Procedures shall include, depending on the context, the members of the Compliance Staff that participate in a proceeding or the members of the Certification Staff that participate in a proceeding pursuant to Appendix 4E.

“Party” or “Parties” means a Person or the Persons participating in a mediation pursuant to Appendix 4E.

“Penalty” means and includes all penalties and sanctions, including but not limited to a monetary or non-monetary penalty; a limitation on an activity, function, operation or other appropriate sanction; or the addition of the Registered Entity or Respondent to a reliability watch list composed of major violators. Penalties must be within the range set forth in the NERC *Sanction Guidelines* approved by FERC pursuant to 18 C.F.R. Section 39.7(g)(2), and shall bear a reasonable relation to the seriousness of a Registered Entity’s or Respondent’s violation and take into consideration any timely efforts made by the Registered Entity or Respondent to remedy the violation.

“Periodic Data Submittals” means modeling, studies, analyses, documents, procedures, methodologies, operating data, process information or other information to demonstrate compliance with Reliability Standards and provided by Registered Entities to the Compliance Enforcement Authority on a time frame required by a Reliability Standard or an ad hoc basis.

“Person” means any individual, partnership, corporation, limited liability company, governmental body, association, joint stock company, public trust, organized group of persons, whether incorporated or not, or any other legal entity.

“Planning Authority” means the responsible entity that coordinates and integrates transmission Facilities and service plans, resource plans, and Protection Systems.**

“Point of Delivery” means a location that a Transmission Service Provider specifies on its transmission system where an Interchange Transaction leaves or a Load-Serving Entity receives its energy.**

“Point of Receipt” means a location that the Transmission Service Provider specifies on its transmission system where an Interchange Transaction enters or a generator delivers its output.

“Possible Violation” means the identification, by the Compliance Enforcement Authority, using one of the compliance monitoring and enforcement processes in Section 3.0 of Appendix 4C, of a possible failure by a Registered Entity to comply with a Reliability Standard that is applicable to the Registered Entity.

“Preliminary Screen” means an initial evaluation of evidence indicating potential noncompliance with a Reliability Standard has occurred or is occurring, conducted by the Compliance Enforcement Authority for the purpose of determining whether a Possible Violation exists, and consisting of an evaluation of whether (1) the entity allegedly involved in the potential noncompliance is registered, and (2) the Reliability Standard Requirement to which the evidence of potential noncompliance relates is applicable to a reliability function for which the entity is registered.

“Probation” means a step in the disciplinary process pursuant to Appendix 6 during which the certificate is still valid. During the probationary period, a subsequent offense of misconduct, as determined through the same process as described above, may be cause for more serious consequences.

“Protected FOIA Information” means Required Information, held by a governmental entity, that is subject to an exemption from disclosure under FOIA (5 U.S.C. §552(e)), under any similar state or local statutory provision, or under any comparable provision of Canadian federal or provincial law, which would be lost were the Required Information to be placed into the public domain.

“Protection System” means protective relays which respond to electrical quantities, communications systems necessary for correct operation of protective functions, voltage and current sensing devices providing inputs to protective relays, station dc supply associated with protective functions (including batteries, battery chargers, and non-battery-based dc supply), and control circuitry associated with protective functions through the trip coil(s) of the circuit breakers or other interrupting devices.**

“Purchasing-Selling Entity” means the entity that purchases, or sells, and takes title to, energy, capacity, and Interconnected Operations Services. Purchasing-Selling Entities may be affiliated or unaffiliated merchants and may or may not own generating facilities.**

“Receiving Entity” means NERC or a Regional Entity receiving Confidential Information from an owner, operator, or user of the Bulk Power System or from any other party.

“Recommendations” or “Level 2 (Recommendations)” is a notification issued by NERC in accordance with Section 810.3.1 of the Rules of Procedure.

“Region” means the geographic area, as specified in a Regional Entity’s delegation agreement with NERC, within which the Regional Entity is responsible for performing delegated functions.

“Regional Criteria” means reliability requirements developed by a Regional Entity that are necessary to implement, to augment, or to comply with Reliability Standards, but which are not Reliability Standards. Such Regional Criteria may be necessary to account for physical differences in the Bulk Power System but are not inconsistent with Reliability Standards nor do they result in lesser reliability. Such Regional Criteria are not enforceable pursuant to NERC-delegated authorities, but may be enforced through other available mechanisms. Regional Criteria may include specific acceptable operating or planning parameters, guides, agreements, protocols or other documents.

“Regional Entity” means an entity having enforcement authority pursuant to 18 C.F.R. § 39.8.++

“Regional Entity Compliance Monitoring and Enforcement Program Implementation Plan” or “Regional Implementation Plan” means an annual plan, submitted by November 1 of each year to NERC for approval that, in accordance with NERC Rule of Procedure Section 401.6 and the NERC Compliance Monitoring and Enforcement Program Implementation Plan, identifies (1) all Reliability Standards identified by NERC to be actively monitored during each year, (2) other Reliability Standards proposed for active monitoring by the Regional Entity, (3) the methods to be used by the Regional Entity for reporting, monitoring, evaluation, and assessment of performance criteria with each Reliability Standard, and (4) the Regional Entity’s Annual Audit Plan.

“Regional Reliability Standard” means a type of Reliability Standard that is applicable only within a particular Regional Entity or group of Regional Entities. A Regional Reliability Standard may augment, add detail to, or implement another Reliability Standard or cover matters not addressed by other Reliability Standards. Regional Reliability Standards, upon adoption by NERC and approval by the Applicable Governmental Authority(ies), shall be Reliability Standards and shall be enforced within the applicable Regional Entity or Regional Entities pursuant to delegated authorities or to procedures prescribed by the Applicable Governmental Authority.

“Registered Ballot Body” means that aggregation of all entities or individuals that qualify for one of the Segments approved by the Board of Trustees, and are registered with NERC as potential ballot participants in the voting on proposed Reliability Standards.

“Registered Entity” means an owner, operator, or user of the Bulk Power System, or the entity registered as its designee for the purpose of compliance, that is included in the NERC Compliance Registry.

“Registration” or “Organization Registration” means the processes undertaken by NERC and Regional Entities to identify which entities are responsible for reliability functions within the Regional Entity’s Region.

“Reliability Coordinator” means the entity that is the highest level of authority who is responsible for the Reliable Operation of the Bulk Electric System, has the Wide Area view of the Bulk Electric System, and has the operating tools, processes and procedures, including the authority to prevent or mitigate emergency operating situations in both next-day analysis and real-time operations. The Reliability Coordinator has the purview that is broad enough to enable the calculation of Interconnection Reliability Operating Limits, which may be based on the operating parameters of transmission systems beyond any Transmission Operator’s vision.**

“Reliability Coordinator Area” means the collection of generation, transmission and loads within the boundaries of the Reliability Coordinator. Its boundary coincides with one or more Balancing Authority Areas.**

“Reliability Standard” means a requirement to provide for Reliable Operation of the Bulk Power System, including without limiting the foregoing, requirements for the operation of existing Bulk Power System Facilities, including cyber security protection, and including the design of planned additions or modifications to such Facilities to the extent necessary for Reliable Operation of the Bulk Power System, but the term does not include any requirement to enlarge Bulk Power System Facilities or to construct new transmission capacity or generation capacity. A Reliability Standard shall not be effective in the United States until approved by the Federal Energy Regulatory Commission and shall not be effective in other jurisdictions until made or allowed to become effective by the Applicable Governmental Authority.

“Reliability Standards Development Plan” means the forward-looking plan developed by NERC on an annual basis setting forth the Reliability Standards development projects that are scheduled to be worked on during the ensuing three-year period, as specified in Section 310 of the Rules of Procedure.

“Reliable Operation” means operating the Elements of the Bulk Power System within equipment and electric system thermal, voltage, and stability limits so that instability, uncontrolled separation, or Cascading failures of such system will not occur as a result of a sudden disturbance, including a Cyber Security Incident, or unanticipated failure of system Elements.++

“Remedial Action Directive” means an action (other than a Penalty or sanction) required by a Compliance Enforcement Authority that (1) is to bring a Registered Entity into compliance with a Reliability Standard or to avoid a Reliability Standard violation, and (2) is immediately necessary to protect the reliability of the Bulk Power System from an imminent threat.

“Reporting Entity” means an entity required to provide data or information requested by NERC or a Regional Entity in a request for data or information pursuant to Section 1600 of the Rules of Procedure.

“Requirement” means an explicit statement in a Reliability Standard that identifies the functional entity responsible, the action or outcome that must be achieved, any conditions achieving the action or outcome, and the reliability-related benefit of the action or outcome. Each Requirement shall be a statement with which compliance is mandatory.

“Required Date” means the date given a Registered Entity in a notice from the Compliance Enforcement Authority by which some action by the Registered Entity is required.

“Required Information” means the information required to be provided in a TFE Request, as specified in Section 4.0 of Appendix 4D.

“Reserve Sharing Group” means a group whose members consist of two or more Balancing Authorities that collectively maintain, allocate, and supply operating reserves required for each Balancing Authority’s use in recovering from contingencies within the group. Scheduling energy from an Adjacent Balancing Authority to aid recovery need not constitute reserve sharing provided the transaction is ramped in over a period the supplying party could reasonably be expected to load generation in (e.g. ten minutes). If the transaction is ramped in quicker, (e.g., between zero and ten minutes), then, for the purposes of disturbance control performance, the areas become a Reserve Sharing Group.**

“Resource Planner” means the entity that develops a long-term (generally one year and beyond) plan for the resource adequacy of specific loads (customer demand and energy requirements) within a Planning Authority area.**

“Respondent” means, depending on the context, the Registered Entity, who is the subject of the Notice of Alleged Violation, contested Mitigation Plan or contested Remedial Action Directive that is the basis for the proceeding, whichever is applicable, or the Registered Entity that is the subject of the Certification decision that is the basis for a proceeding under Appendix 4E.

“Responsible Entity” means an entity that is registered for a reliability function in the NERC Compliance Registry and is responsible for complying with an Applicable Requirement, as specified in the “Applicability” section of the CIP Standard.

“Revoked” means a NERC certificate that has been suspended for more than twelve months. While in this state, a certificate holder can not perform any task that requires an operator to be NERC-certified. The certificate holder will be required to pass an exam to be certified again. Any CE Hours accumulated prior to or during the revocation period will not be counted towards Credential Maintenance.

“Revoke for Cause” means a step in the disciplinary process pursuant to Appendix 6 during which the certificate is no longer valid and requiring successfully passing an exam to become certified. However, an exam will not be authorized until the revocation period expires. CE Hours earned before or during this revocation period will not be counted for maintaining a Credential.

“Sector” means a group of Members of NERC that are Bulk Power System owners, operators, or users or other persons and entities with substantially similar interests, including governmental entities, as pertinent to the purposes and operations of NERC and the operation of the Bulk Power System, as defined in Article II, Section 4 of the NERC Bylaws. Each Sector shall constitute a class of Members for purposes of the New Jersey Nonprofit Corporation Act.

“Segment” means one of the subsets of the Registered Ballot Body whose members meet the qualification criteria for the subset.

“Self-Certification” means attestation by a Registered Entity of compliance or non-compliance with a Reliability Standard for which Self-Certification is required by the Compliance Enforcement Authority and that is included for monitoring in the Regional Implementation Plan.

“Self-Reporting” means a report by a Registered Entity stating (1) that the Registered Entity believes it has violated a Reliability Standard, and (2) the actions that have been taken or will be taken to resolve the violation.

“Senior Manager” means the person assigned by the Responsible Entity, in accordance with CIP Standard CIP-003-1 Requirement R2 (or subsequent versions), to have overall responsibility for leading and managing the Responsible Entity’s implementation of, and adherence to, the CIP Standards.

“Sink Balancing Authority” means the Balancing Authority in which the load (sink) is located for an Interchange Transaction.**

“Source Balancing Authority” means the Balancing Authority in which the generation (source) is located for an Interchange Transaction.**

“Special Protection System” means an automatic protection system designed to detect abnormal or predetermined system conditions, and take corrective actions other than and/or in addition to the isolation of faulted components to maintain system reliability. Such action may include changes in demand, generation (MW and Mvar), or system configuration to maintain system stability, acceptable voltage, or power flows. A Special Protection System does not include (a) underfrequency or undervoltage load shedding or (b) fault conditions that must be isolated, or (c) out-of-step relaying (not designed as an integral part of a Special Protection System).**

“Spot Checking” means a process in which the Compliance Enforcement Authority requests a Registered Entity to provide information (1) to support the Registered Entity’s Self-Certification, Self-Reporting, or Periodic Data Submittal and to assess whether the Registered Entity complies with Reliability Standards, or (2) as a random check, or (3) in response to events, as described in the Reliability Standards or based on operating problems or system events.

“Staff” or “Compliance Staff” means individuals employed or contracted by NERC or the Compliance Enforcement Authority who have the authority to make initial determinations of compliance or violation with Reliability Standards by Registered Entities and associated Penalties and Mitigation Plans.

“Strict Compliance” means compliance with the terms of an Applicable Requirement without reliance on a Technical Feasibility Exception.

“Submitting Entity” means an owner, operator, or user of the Bulk Power System or any other party that submits information to NERC or a Regional Entity that it reasonably believes contains Confidential Information.

“Suspended” means certificate status due to an insufficient number of CE Hours being submitted prior to the expiration of a certificate. While in this state, a certificate holder can not perform any task that requires an operator to be NERC-certified.

“System” means a combination of generation, transmission and distribution components.**

“System Operating Limit” means the value (such as MW, Mvar, amperes, frequency or volts) that satisfies the most limiting of the prescribed operating criteria for a specified system configuration to ensure operation within acceptable reliability criteria.**

“Technical Advisor” means any Staff member, third-party contractor, or industry stakeholder who satisfies NERC’s or the Compliance Enforcement Authority’s (as applicable) conflict of interest policy and is selected to assist in a proceeding by providing technical advice to the Hearing Officer and/or the Hearing Body or Hearing Panel.

“Technical Feasibility Exception” or “TFE” means an exception from Strict Compliance with the terms of an Applicable Requirement on grounds of technical feasibility or technical limitations in accordance with one or more of the criteria in section 3.0 of Appendix 4D.

“Termination of Credential” means a step in the disciplinary process pursuant to Appendix 6 whereby a Credential is permanently Revoked.

“TFE Request” means a request submitted by a Responsible Entity in accordance with Appendix 4D for an exception from Strict Compliance with an Applicable Requirement.

“Transmission Customer” means 1. any eligible customer (or its designated agent) that can or does execute a Transmission Service agreement or can and does receive Transmission Service. 2. Any of the following responsible entities: Generator Owner, Load-Serving Entity, or Purchasing-Selling Entity.**

“Transmission Operator” means the entity responsible for the reliability of its “local” transmission system, and that operates or directs the operations of the transmission Facilities.**

“Transmission Owner” means the entity that owns and maintains transmission Facilities.**

“Transmission Planner” means the entity that develops a long-term (generally one year and beyond) plan for the reliability (adequacy) of the interconnected bulk electric transmission systems within its portion of the Planning Authority area.**

“Transmission Service” means services provided to the Transmission Customer by the Transmission Service Provider to move energy from a Point of Receipt to a Point of Delivery.**

“Transmission Service Provider” means the entity that administers the transmission tariff and provides Transmission Service to Transmission Customers under applicable Transmission Service agreements.**

“Type of CE Hours” means NERC-Approved Learning Activity covering topics from Appendix A to Appendix 6, NERC Reliability Standards and/or simulations for which there is a minimum requirement for Credential Maintenance.

“Variance” means an aspect or element of a Reliability Standard that applies only within a particular Regional Entity or group of Regional Entities, or to a particular entity or class of entities. A Variance allows an alternative approach to meeting the same reliability objective as the Reliability Standard, and is typically necessitated by a physical difference. A Variance is embodied within a Reliability Standard and as such, if adopted by NERC and approved by the Applicable Governmental Authority(ies), shall be enforced within the applicable Regional Entity or Regional Entities pursuant to delegated authorities or to procedures prescribed by the Applicable Governmental Authority.

“Violation Risk Factor” or “VRF” means a factor (lower, medium or high) assigned to each Requirement of a Reliability Standard to identify the potential reliability significance of noncompliance with the Requirement.

“Violation Severity Level” or “VSL” means a measure (lower, moderate, high or severe) of the degree to which compliance with a Requirement was not achieved.

“Wide Area” means the entire Reliability Coordinator Area as well as the critical flow and status information from adjacent Reliability Coordinator Areas as determined by detailed system studies to allow the calculation of Interconnected Reliability Operating Limits.**

Appendix 3B

Procedures for Election of Members of the Standards Committee

Effective: November 17, 2011

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Purpose

This procedure is provided for use by the NERC Standards Registered Ballot Body to facilitate the election of industry stakeholder Segment (Segment)¹ representatives to the NERC Standards Committee. This procedure is a default process that is available, on a voluntary basis, for the benefit of all Segments of the Registered Ballot Body. The use of alternative procedures is described in a later section.

Responsibilities for This Procedure

The NERC Board of Trustees provides oversight of the election of Standards Committee members. The Board provides the authority for approval of this procedure and any revisions thereto, and monitors any Segment-specific procedures that may be developed to ensure they are consistent with established principles.

The Standards Committee shall be responsible for advising the Board regarding the use of this procedure or any revisions to the procedure.

Each Registered Ballot Body entity shall be responsible for actively participating in the nomination and election of Standards Committee representatives for each Segment in which the entity is a member.

The Standards Process Manager (SPM) shall administer the implementation and maintenance of this procedure.

Guiding Principles

This procedure supports a Reliability Standards development process that is open, inclusive, balanced, and fair. This procedure shall be interpreted in a manner that is consistent with NERC's mission of promoting the reliability of the North American Bulk Electric Systems, NERC Standard Processes Manual, NERC's Reliability and Market Interface Principles, and maintaining good standing as a standards developer accredited by the American National Standards Institute.

Standards Committee Membership

Each valid² Segment shall be eligible to elect two voting members to represent the Segment on the Standards Committee. A Registered Entity may provide only one Standards Committee member, irrespective of the number of Segments in which the entity is registered. Each representative that is elected by a Segment to fill one of those positions shall serve on behalf of the Registered Ballot Body entities in that Segment. An eligible position on the Standards Committee that is not filled by a Segment shall be shown as vacant and shall not be counted in the determination of a quorum. Each elected member of the Standards Committee (except for the officers who do not vote) shall carry one vote.

¹ Industry stakeholder Segment criteria and a list of entities in the NERC Standards Registered Ballot Body are provided on the NERC web site. In this procedure, the term "Segment" shall mean one of the currently defined industry stakeholder Segments.

² Validity is determined by established Segment criteria, including the minimum number of entities in a Segment.

Standards Committee Membership Term

The Standards Committee reports to the NERC Board of Trustees and is responsible for managing the NERC Standard Processes Manual and other duties as assigned by the Board.

The Standards Committee also serves for the benefit of the members of the Registered Ballot Body and is accountable to them through election by the Segment representatives. Standards Committee membership shall be for a term of two years, with members' terms staggered such that half of the member positions (one per Segment) are refilled each year by Segment election. Prior to the end of each term, nominations will be received and an election held in accordance with this procedure, or a qualified Segment procedure, to elect Standards Committee representatives for the next term. There is no limit on the number of two-year terms that a member of the Standards Committee may serve, although the setting of limits in the future is not precluded.

Standards Committee Officers

Approximately 90 days prior to the end of each term, the Standards Committee shall elect a chairman and vice chairman (from among its members by majority vote of the members of the Standards Committee) to serve as officers and preside over the business of the [Standards eCommittee](#) for the following two years. The officers shall serve a term of two years, starting in January of the following year, without limit on the number of terms an officer may serve, although the setting of limits in the future is not precluded. The chairman and vice chairman shall serve as non-voting members of the Standards Committee. The SPM serves as a non-voting member and secretary of the Standards Committee.

The vacancies in the [Industry](#) Segments and/or Canadian representation created by the selection of the chair and vice chair shall be filled at the annual election of representatives to the Standards Committee that is next held following the election of the chairman and vice chairman. When a representative is elected to serve as the chairman or vice chairman during the second year of a two year term, the representative elected to fill the vacancy shall serve a one year term.

Standards Committee Scope and Conduct of Business

The Standards Committee conducts its business in accordance with a separate scope document, the Standard Processes Manual, other applicable NERC procedures, and procedures that the [Standards eCommittee](#) itself may develop. This procedure addresses the nomination and election of members of the [Standards eCommittee](#) and is not intended to otherwise establish or limit the scope, authorities, or procedures of the [Standards eCommittee](#).

Segment Representative Nominations

Approximately 90 days prior to the start of each term and after the election of officers, the SPM shall request nominations to fill Standards Committee positions that will become open with the expiration of the current term.

Notice of the nominations process shall be announced to the Registered Ballot Body and to others that may be interested in standards for the reliability of North American [Bulk eElectric sSystems](#). The SPM shall post the announcement on the NERC web page and distribute the

announcement to applicable NERC e-mail lists. The announcement shall include a brief description of the responsibilities of the Standards Committee and estimates of the work effort and travel expected of Standards Committee members.

Any person or entity may submit a nomination. Self-nominations are encouraged.

To be eligible for nomination, a nominee shall be an employee or agent of an entity registered in the applicable Segment. To allow verification of affiliation, a nominee shall be a registered user in the NERC Registered Ballot Body. It is not required that the nominee be the same person as the entity's Registered Ballot Body representative for that Segment.

The SPM shall provide a method for the submittal of nominations, preferably an on-line nominations form using Internet protocols. The nomination form shall request the following information and other information that the SPM deems necessary to completing the election process:

Nomination Information

1. Segment for which the nomination is made.
2. Nominee name (selected from list of registrants).
3. Nominee job title.³
4. Nominee organization (must be an entity registered in the designated Segment).³
5. Nominee contact information: telephone, fax, e-mail, and mailing address.³
6. Nominee brief summary of qualifications related to serving on the Standards Committee (limited to a 3,000-character text box — approximately 500 words or one-page, single-spaced).
7. Indication (check box) that the nominee has been contacted and is willing to serve on the Standards Committee for a two-year term.
8. Person or entity making the nomination.
9. Contact information for person or entity making nomination: contact name, organization, telephone, fax, e-mail, and mailing address.

The SPM shall verify that each nomination received is complete and valid. The SPM may follow up with nominees to collect additional information.

In the event that multiple nominations are received for persons from a single entity within a Segment, that entity's representative shall determine which person will be the nominee from that entity.

The SPM shall post each nomination that is complete and valid. Each nomination shall be posted as soon as practical after it has been verified.

³ Information items 3–5 are provided automatically from the nominee during registration.

The nomination period shall remain open for 21 calendar days from the announced opening of the nominations, at which time the nominations shall be closed.

Segment Representative Elections

The SPM shall prepare a slate of nominees for each Segment. The Segment slate shall consist of all valid nominations received for that Segment, without prejudice in the method of listing the slate.

The SPM shall provide an electronic ballot form for each Segment, listing the slate of nominees. Each Registered Ballot Body entity in a Segment may cast one vote per Standards Committee member position being filled (i.e. one vote if one position is being filled and two votes if two positions are being filled). In the case that an entity casts two votes within a Segment, each vote must be for a different candidate in that Segment (i.e. an entity cannot vote twice for a nominee within a Segment).

This ballot procedure is repeated for each Segment in which an entity is a member of the Registered Ballot Body. The ballot for each Segment is conducted independently from the ballots of other Segments. Only the entities in the Registered Ballot Body for a Segment may vote in that Segment.

The ballot period shall be announced to the Registered Ballot Body and to others that may be interested in standards for the reliability of North American Bulk Electric Systems. The SPM shall post the announcement on the NERC web page and distribute the announcement to applicable NERC e-mail lists.

The ballot period shall remain open for ten calendar days from the announced opening of the ballot period, at which time the ballot period shall be closed.

Votes may be cast by the Registered Ballot Body Representative for each entity, or a proxy designated by the representative. An entity may vote in each Segment in which it is registered.

Ballot results shall remain confidential during the ballot period. As soon as practical after the close of the ballot period, the SPM shall publicly post the election results for each Segment; (i.e. the names of elected members and slates for any run-off elections that may be required).

Election Formula

The elected Standards Committee member for each Segment shall be the nominee receiving the highest total number of votes, with the condition that the nominee must receive a vote from a simple majority of the entities casting a vote in that Segment. If the election is being held for two positions in a Segment, the nominees receiving the highest and second highest number of votes shall be elected, with the condition that each nominee must receive a vote from a simple

majority of the entities casting a vote in that Segment⁴. In this case, if only one of the two nominees meets these criteria, then that nominee shall be deemed elected.

In the event that the election is incomplete in a Segment's first ballot (no candidate or only one candidate meets the criteria), then a second ballot will be conducted in that Segment, using a process similar to that previously described. If two positions are remaining to be filled in the second ballot, the slate of candidates shall consist of the four candidates receiving the highest number of votes in the first ballot. If one position is remaining to be filled in the second ballot, the slate shall consist of the two candidates receiving the highest number of votes. A candidate who was elected in the first ballot is considered elected and is excluded from the second ballot. In the event of a tie that precludes choosing the top four (or two) candidates, the slate will be expanded to include those candidates that are tied.

After the second ballot in the Segment, the candidate(s) receiving the highest number of votes shall be elected to fill the remaining position(s) in that Segment.

In the event of a tie between two or more candidates after a second ballot, a run-off ballot may be used to break the tie. The position shall remain vacant until the tie is broken by the Segment.

Representation from Canada

To achieve balance of representation between the United States and Canada on the basis of [aNet](#) [eEnergy](#) for [Load](#) (NEL), the following special procedure shall apply:

1. If any regular election of Standards Committee members does not result in at least two Canadian members being elected, the Canadian nominees receiving the next highest percentage of votes within their respective Segment(s) will be designated as members, as needed to achieve a total of two Canadian members;
2. Each such specially designated Canadian member of the Standards Committee shall have a one year term, as the Standards Committee holds elections each year and special designation of members should not interfere with the regular election process;
3. If any [sSegment](#) ~~as defined in Rule of Procedure Appendix 3D~~ has an unfilled position following the annual Standards Committee election, the first preference is to assign each specially designated Canadian representative to an unfilled [sSegment](#) for which he or she qualifies;
4. Any such specially designated members of the Standards Committee shall have the same rights and obligations as all other members of the Standards Committee;
5. For the purpose of the Standards Committee election process, Canadian representation shall be defined as: any company or association incorporated in Canada, any agency of a federal, provincial, or local government in Canada, or any person with Canadian citizenship who is residing in Canada.

⁴ Each entity in the Segment is allowed to cast two votes. This criterion means that more than fifty percent (>50%) of the entities cast one of their votes for that nominee.

Special Elections

The Standards Committee's officers shall determine the need for a special election to fill a vacant Standards Committee position between regular elections considering, among other things, the timing of the last and the next regular election. If a need is determined, the Standards Committee officers shall communicate a request to the ~~dd~~Director of ~~Ss~~Standards, who shall initiate a process to conduct the election. The SPM shall post a request for nominations on the NERC web page and distribute the announcement to applicable NERC e-mail lists, e.g., the ~~Registered~~ ~~bb~~Ballot ~~bb~~Body of the Segment(s) involved. The election will be held 30 days after the announcement and shall use the same election process and formula employed in regular elections. The Board of Trustees shall be notified of the election results.

Alternative Procedures

This procedure is provided as the default method for Segments to elect representatives to the Standards Committee. Alternative procedures may be used by a Segment, or jointly by several Segments. Such a procedure shall be consistent with the principles noted in this document. Such a procedure shall be ratified by at least two-thirds of the ~~r~~Registered ~~e~~Entities in each Segment in which it will be applied, and is subject to review by the NERC Board.

Appendix 3D

Registered Ballot Body Criteria

Effective: November 17, 2011

Appendix 3D — Development of the Registered Ballot Body¹

Registration Procedures

The Registered Ballot Body comprises all organizations, entities, and individuals that:

1. Qualify for one of the [S](#)segments, and
2. Are registered with NERC as potential ballot participants in the voting on [Reliability S](#)standards, and
3. Are current with any designated fees.

Each participant, when initially registering to join the Registered Ballot Body, and annually thereafter, shall self-select to belong to one of the [S](#)segments described below.

NERC general counsel will review all applications for joining the Registered Ballot Body, and make a determination of whether the self-selection satisfies at least one of the guidelines to belong to that [s](#)Segment. The entity or individual will then be “credentialed” to participate as a voting member of that [s](#)Segment. The Standards Committee will decide disputes, with an appeal to the Board of Trustees.

All registrations will be done electronically.

Segment Qualification Guidelines

1. Except as set forth below, the [s](#)Segment qualification guidelines are inclusive; i.e., any entity or individual with a legitimate interest in the reliability of the [b](#)Bulk [p](#)Power [s](#)System that can meet any one of the guidelines for a [s](#)Segment is entitled to belong to and vote in that [S](#)segment.
2. Corporations or organizations with integrated operations or with affiliates that qualify to belong to more than one [S](#)segment (e.g., transmission owners and [L](#)oad [S](#)erving [E](#)ntities) may belong to each of the [S](#)segments in which they qualify, provided that each [s](#)Segment constitutes a separate membership and is represented by a different representative. Individuals or entities that elect to participate in Segment 8 are not eligible to participate in multiple [s](#)Segments.
3. At any given time, affiliated entities may collectively be registered only once within a [s](#)Segment.
4. Any individual or entity, such as a consultant or vendor, providing products or services related to [b](#)Bulk [p](#)Power [s](#)System reliability within the previous 12 months to another entity eligible to join Segments 1 through 7 shall be qualified to join any one [S](#)segment for which one of the entities receiving those products or services is qualified to join.
5. Corporations, organizations, entities, and individuals may participate freely in all subgroups.
6. After their initial selection, registered participants may apply to change [S](#)segments annually, on a schedule determined by the Standards Committee.

¹ The [s](#)Segment qualification guidelines were proposed in the final report of the NERC Standing Committees Representation Task Force on February 7, 2002. The Board of Trustees endorsed the industry [s](#)Segments and weighted [S](#)segment voting model on February 20, 2002 and may change the model from time to time.

7. The qualification guidelines and rules for joining [S](#)segments will be reviewed periodically to ensure that the process continues to be fair, open, balanced, and inclusive. Public input will be solicited in the review of these guidelines.
8. Since all balloting of [Reliability s](#)Standards will be done electronically, any registered participant may designate a proxy to vote on its behalf. There are no limits on how many proxies a person may hold. However, NERC must have in its possession, either in writing or by email, documentation that the voting right by proxy has been transferred.

Segments

Segment 1. Transmission Owners

- a. Any entity that owns or controls at least 200 circuit miles of integrated transmission facilities, or has an Open Access Transmission Tariff or equivalent on file with a regulatory authority.
- b. Transmission owners that have placed their transmission under the operational control of an RTO or ISO.
- c. Independent transmission companies or organizations, merchant transmission developers, and transcos that are not RTOs or ISOs.
- d. Excludes RTOs and ISOs that are eligible to join to Segment 2.

Segment 2. Regional Transmission Organizations (RTOs) and Independent System Operators (ISOs)

- a. Any entity authorized by appropriate governmental authority to operate as an RTO or ISO.

Segment 3. Load-Serving Entities (LSEs)

- a. Entities serving end-use customers under a regulated tariff, a contract governed by a regulatory tariff, or other legal obligation to serve.
- b. A member of a generation and transmission (G&T) cooperative or a joint-action agency is permitted to designate the G&T or joint-action agency to represent it in this [s](#)Segment; such designation does not preclude the G&T or joint-action agency from participation and voting in another [S](#)segment representing its direct interests.
- c. Agents or associations can represent groups of LSEs

Segment 4. Transmission Dependent Utilities (TDUs)

- a. Entities with a regulatory, contractual, or other legal obligation to serve wholesale aggregators or customers or end-use customers and that depend primarily on the transmission systems of third parties to provide this service.
- b. Agents or associations can represent groups of TDUs.

Segment 5. Electric Generators

- a. Affiliated and independent generators, including variable and other renewable resources.
- b. A corporation that sets up separate corporate entities for each one or more generating plants in which it is involved may only have one vote in this [s](#)Segment regardless of how many single-plant or multiple-plant corporations the parent corporation has established or is involved in.
- c. Agents or associations can represent groups of electrical generators.

Segment 6. Electricity Brokers, Aggregators, and Marketers

- a. Entities serving end-use customers under a power marketing agreement or other authorization not classified as a regulated tariff.
- b. An entity that buys, sells, or brokers energy and related services for resale in wholesale or retail markets, whether a non-jurisdictional entity operating within its charter or an entity licensed by a jurisdictional regulator.
- c. G&T cooperatives and joint-action agencies that perform an electricity broker, aggregator, or marketer function are permitted to belong to this [sSegment](#).
- d. Agents or associations can represent groups of electricity brokers, aggregators, or marketers.
- e. This [Ssegment](#) also includes demand-side management providers.

Segment 7. Large Electricity End Users

- a. At least one service delivery taken at 50 kV (radial supply or facilities dedicated to serve customers) that is not purchased for resale.
- b. A single customer with an average aggregated service load (not purchased for resale) of at least 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility.
- c. Agents or associations can represent groups of large end users.

Segment 8. Small Electricity Users

- a. Service taken at below 50 kV.
- b. A single customer with an average aggregated service load (not purchased for resale) of less than 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility.
- c. Agents, state consumer advocates, or other advocate groups can represent groups of small customers.
- d. Any entity or individual currently employed by an entity that is eligible to join one or more of the other nine [S-segments](#), shall not be qualified to join Segment 8.
- e. Any individual or entity, such as a consultant, employee or vendor, providing products or services related to [bBulk](#) [pPower](#) [sSystem](#) reliability within the previous 12 months to another entity eligible to join Segments 1 through 7, including trade associations representing such Segments, shall be qualified to join any one [sSegment](#) for which one of the entities receiving those products or services is qualified to join and shall not be eligible to join [sSegment](#) 8.

Segment 9. Federal, State, and Provincial Regulatory or other Government Entities

- a. Does not include federal power management agencies or the Tennessee Valley Authority.
- b. May include public utility commissions.

Segment 10. Regional Entities

- a. Any entity that is a ~~R~~regional ~~e~~Entity, ~~as defined in NERC's Bylaws~~. It is recognized that there may be instances in which an entity is both an RTO or ISO and a ~~R~~regional ~~e~~Entity. In such a case, the two functions must be sufficiently independent to meet NERC's Rules of Procedure and applicable regulatory requirements, as evidenced by the approval of a ~~R~~regional ~~e~~Entity delegation agreement. Without such an approval, the entity shall be limited to choosing to enter one ~~S~~segment or the other, but not both.