



September 20, 2012

News Media Contact

Mary O'Driscoll | 202-502-8680

FEDERAL ENERGY REGULATORY COMMISSION

NEWS

New FERC Office to Focus on Cyber Security

Federal Energy Regulatory Commission Chairman Jon Wellinghoff today announced the creation of a new FERC office that will help the Commission focus on potential cyber and physical security risks to energy facilities under its jurisdiction.

The new Office of Energy Infrastructure Security (OEIS) will provide leadership, expertise and assistance to the Commission to identify, communicate and seek comprehensive solutions to potential risks to FERC-jurisdictional facilities from cyber attacks and such physical threats as electromagnetic pulses.

"Creating this office allows FERC to leverage its existing resources with those of other government agencies and private industry in a coordinated, focused manner," Wellinghoff said. "Effective mitigation of cyber and other physical attacks requires rapid interactions among regulators, industry and federal and state agencies."

OEIS will focus on:

- Developing recommendations for identifying, communicating and mitigating potential cyber and physical security threats and vulnerabilities to FERC-jurisdictional energy facilities using the Commission's existing statutory authority;
- Providing assistance, expertise and advice to other federal and state agencies, jurisdictional utilities and Congress in identifying, communicating and mitigating potential cyber and physical threats and vulnerabilities to FERC-jurisdictional energy facilities;
- Participating in interagency and intelligence-related coordination and collaboration efforts with appropriate federal and state agencies and industry representatives on cyber and physical security matters related to FERC-jurisdictional energy facilities including, but not limited to, participating in conferences, workshops and classified briefings; and
- Conducting outreach with private sector owners, users and operators of energy delivery systems regarding identification, communication and mitigation of cyber and physical threats to FERC-jurisdictional energy facilities.

To continue the Commission's oversight of reliability of the nation's bulk power system, FERC will continue to work closely with the North American Electric Reliability Corporation (NERC), the national electric reliability organization certified by FERC, through this reorganization.

OEIS will be led by Joseph McClelland, who has been Director of the Office of Electric Reliability since its formation in 2006. The Office of Electric Reliability will be led by Ted Franks, who will serve as Acting Director.

R-12-28

(30)

From: [Kimberly Mielcarek](#)
To: [Kimberly Mielcarek](#)
Subject: NERC Statement - Cauley Statement in Response to Creation of FERC's New Cyber Office
Date: Thursday, September 20, 2012 11:05:02 AM

Statement

Cauley Response to Creation of FERC's New Cyber Office

Click for [FERC announcement](#), [Wellinghoff statement](#)

"The North American Electric Reliability Corporation (NERC) welcomes Chairman Wellinghoff's announcement of a new office within the Federal Energy Regulatory Commission (FERC) devoted to cyber and physical security issues. The creation of the Office of Energy Infrastructure Security reflects the importance FERC places on ensuring the security of our nation's bulk power system, and NERC looks forward to coordinating our critical infrastructure program with this new office. NERC has worked with Joe McClelland on issues related to reliability for many years and we look forward to continuing this productive relationship."

-- **Gerry Cauley, President and Chief Executive Officer**

For more information or assistance, please contact [Kimberly Mielcarek](#).

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FEDERAL ENERGY REGULATORY COMMISSION

September 20, 2012

Chairman Jon Wellinghoff

STATEMENT

Statement of Chairman Jon Wellinghoff on New FERC Office to Focus on Cyber Security

"I am pleased to announce the establishment of a new office that is designed to provide leadership, expertise, and assistance to the Commission in identifying, communicating, and seeking comprehensive solutions to significant potential cyber and physical security risks to the energy infrastructure under the Commission's jurisdiction. This new office will be called the Office of Energy Infrastructure Security, or as everything in FERC has to have shorthand, OEIS.

"Specifically, the Office will concentrate its efforts and resources in four areas. First, OEIS is charged with developing recommendations for identifying, communicating and mitigating potential cyber and physical security threats to Commission jurisdictional energy infrastructure using our existing statutory authorities. Second, OEIS will offer assistance, expertise and advice to other federal and state agencies, jurisdictional utilities, and Congress for identifying, communicating and mitigating cyber and physical security threats to Commission jurisdictional energy infrastructure. Third, the Office will participate in interagency and intelligence-related coordination and collaboration efforts with appropriate federal, state agencies and industry representatives on cyber and physical security matters related to Commission jurisdictional energy infrastructure. Fourth, OEIS will conduct outreach with private sector owners, users and operators of the energy delivery systems, regarding identification, communication and mitigation of cyber and physical threats to Commission jurisdictional energy infrastructure.

"OEIS is an outgrowth of the growing potential for cyber security attacks and physical security risks such as an electromagnetic pulse event that necessitate a significantly more agile approach. Because of the widespread effects and serious consequences that a successful cyber or physical security event may bring, it is important that swift, consistent, and effective action be taken by entities to prevent such attacks. Effective mitigation will require rapid interactions among regulators, industry and federal and state agencies. The key benefit of a stand-alone office focused on energy infrastructure security is that it leverages the existing resources of the Commission with the resources of other government agencies and private industry in a coordinated, focused manner. I want to emphasize, however, that OEIS' work will be complementary to, not a replacement of, FERC's existing regulatory processes for reliability. Thus, OEIS is intended to enhance our ability to ensure the reliability of the bulk power system.

"Joe McClelland has agreed to be the Director for the new Office. I want to thank Joe for his leadership and accomplishments as the architect of FERC's success in assuring the reliability of the bulk power system since Congress gave us this mission seven years ago. Initially, Joe built the Reliability Division from the ground up within OEMR. Five years ago when OER was established as a stand-alone office, Joe took a new organization, created a vision, implemented an action plan and OER became a model organization. It's directly due to the dedication and good work of Joe and his staff that we now have reached the point where a separate stand-alone office dedicated to energy infrastructure security is possible.

"I have all the confidence that Joe will be able to replicate his past success with OEIS.



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"I am also happy to announce that Ted Franks will be acting Director of OER. Under Ted's direction, OER will continue all of its important work on reliability standards, compliance, engineering, planning and operations. Finally, I want to emphasize that OER, as well as OEIS, will continue to work closely and cooperatively with NERC."

From: [Guy V. Zito](#)
To: [grpStaff](#)
Subject: Wellinghoff's statement on a new FERC Office- OEIS
Date: Friday, September 28, 2012 10:00:48 PM
Attachments: [20120920100816-wellinghoff.pdf](#)

To All,

The attached came out about a week ago. I am catching up on some of my emails and noticed that at the end of Commissioner Wellinghoff's statement he notes that Joe McClelland will be heading up this new office at the FERC called the Office of Energy Infrastructure Security (OEIS) and Ted Franks will now assume Joe's old role as the Director of the Office of Electric Reliability (OER). Very distinct changes in leadership styles will be soon noted.

Thanks,

Guy V. Zito
Assistant Vice President-Standards
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FEDERAL ENERGY REGULATORY COMMISSION

Docket Nos.: ER10-253-001, EL10-14-001, EL10-52-001, ER12-69-000, & ER12-24-000

Item Nos.: E-11, E-12, E-13 & E-14

July 19, 2012 Chairman Jon
Wellinghoff

STATEMENT

Statement of Chairman Jon Wellinghoff on Right of First Refusal (ROFR) Orders

"Today's agenda includes several cases related to whether a regional planning process has a right of first refusal, and its impact on transmission development projects.

In E-11 and E-12, the Commission denies requests for rehearing in the complaints filed by Primary Power and Central Transmission, respectively, against PJM. In those cases, we find that PJM's Transmission Owners Agreement does not establish a ROFR as to economic projects and that non-incumbent providers can seek cost recovery under PJM's tariff for those projects.

In contrast, in E-14, *Pioneer v. NIPSCO*, and E-15, *Xcel v. American Transmission Company*, the Commission finds that MISO's Transmission Owners Agreement currently includes a ROFR, and that a proposed transmission line that connects the facilities of two transmission owners will be shared equally by those owners under MISO's TO Agreement, regardless of who initially proposed the line. Although the complainants argued that application of a ROFR in MISO's planning process would be inconsistent with the Commission's findings in Order No. 1000 that it is not just and reasonable, we note that Order No. 1000 applies prospectively, upon acceptance of the parties' compliance filings, which are due in October of this year.

Additionally, in E-13, we deny a complaint brought by Primary Power against PJM for selecting competing projects proposed by incumbent transmission providers. In that case, PJM selected the proposals to construct static var compensators in existing substations by incumbent transmission providers, due to the lower cost.

These orders highlight the very situation that Order No. 1000 is designed to remedy. In Order No. 1000, the Commission stated that it is unjust and unreasonable to grant incumbent transmission providers a federal right of first refusal with respect to certain transmission projects because doing so may result in the failure to consider more efficient or cost-effective solutions to regional needs and, in turn, result in the inclusion of higher-cost solutions in the regional plan. In Order No. 1000-A, the Commission further stated that "expanding the universe of transmission developers offering potential solutions can lead to the identification and evaluation of potential solutions to regional needs that are more efficient or cost-effective." The Commission therefore directed elimination of provisions that establish a federal right of first refusal for an incumbent transmission provider with respect to transmission facilities selected in a regional transmission plan for purposes of cost allocation.

The Commission also provided further guidance in the development of regional transmission planning processes. We note that in Order No. 1000, the Commission required each public utility transmission provider to revise its open access transmission tariff to identify the information that must be submitted by a prospective transmission developer in support of a transmission project that it proposes in the regional transmission planning process. The public utility transmission provider must also provide the date by which such information must be submitted to be considered in a given planning cycle. Each region may determine for itself what deadline is appropriate, including rolling or flexible dates to reflect the iterative nature of its transmission planning process.

The Commission also provided flexibility to regions by stating in Order No. 1000 that the public utility transmission providers may, but are not required to, use competitive solicitation to solicit project or project developers to meet



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regional needs. The Commission declined to adopt suggestions to mandate a competitive bidding process. The Commission explained that while it agrees that a competitive process can provide benefits to consumers, it continues to allow public utility transmission providers within each region to determine for themselves, in consultation with stakeholders, what mechanisms are most appropriate to evaluate and select potential transmission solutions to regional needs.

Order No. 1000 further requires public utility transmission providers to implement a planning process that evaluates competing projects in a way that is sufficiently detailed for stakeholders to understand why a particular transmission project was selected or not selected in the regional transmission plan for purposes of cost allocation. By requiring an open and transparent transmission planning process that produces a regional transmission plan, "Order No. 1000 will provide the Commission and interested parties with a record that we believe will be able to highlight whether public utility transmission providers are engaging in undue discrimination against others."

The deadline for filing Order No. 1000 compliance filings is October 11, 2012. We will scrutinize those and related implementation to ensure that Commission-jurisdictional tariffs and agreements are just and reasonable and not unduly discriminatory."

Document Content(s)

E-11-WELLINGHOFF.DOCX.....1-2

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

SUNSHINE ACT MEETING NOTICE

October 11, 2012

The following notice of meeting is published pursuant to section 3(a) of the government in the Sunshine Act (Pub. L. No. 94-409), 5 U.S.C. 552b:

AGENCY HOLDING MEETING: FEDERAL ENERGY REGULATORY COMMISSION

DATE AND TIME: October 18, 2012
 9:00 A.M.
 * **NOTE** - There has been a time change for
 this meeting only.

PLACE: Room 2C
 888 First Street, N.E.
 Washington, D.C. 20426

STATUS: OPEN

MATTERS TO BE CONSIDERED: Agenda
 * **NOTE** - Items listed on the agenda may
 be deleted without further notice.

CONTACT PERSON FOR
MORE INFORMATION: Kimberly D. Bose
 Secretary
 Telephone (202) 502-8400

 For a recorded message listing items
 struck from or added to the meeting,
 call (202) 502-8627.

This is a list of matters to be considered by the Commission. It does not include a listing of all documents relevant to the items on the agenda. All public documents, however, may be viewed on line at the Commission's website at <http://www.ferc.gov> using the eLibrary link, or may be examined in the Commission's Public Reference Room.

985TH - MEETING

REGULAR MEETING

October 18, 2012

9:00 AM

Item No	Docket No.	Company
ADMINISTRATIVE		
A-1	AD02-1-000	Agency Business Matters
A-2	AD02-7-000	Customer Matters, Reliability, Security and Market Operations
ELECTRIC		
E-1	RM10-23-002	Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities
E-2	RM12-22-000	Reliability Standards for Geomagnetic Disturbances
E-3	RM12-4-000	Revisions to Reliability Standard for Transmission Vegetation Management
E-4	ER12-1179-000 ER12-1179-001	Southwest Power Pool, Inc.
E-5	ER12-550-000	Southwest Power Pool, Inc.
E-6	OMITTED	
E-7	ER12-2506-000	Southern California Edison Company
E-8	EL12-100-000	Benjamin Riggs v. Rhode Island Public Utilities Commission
E-9	OMITTED	
E-10	OMITTED	
E-11	EL12-75-000	Pepco Holdings, Inc.
E-12	OMITTED	

E-13	EC11-60-004	Duke Energy Corporation
	ER12-1339-001	Progress Energy, Inc.
	ER12-1340-001	Carolina Power & Light Company
	ER12-1341-001	
	ER12-1342-001	Duke Energy Carolinas, LLC
E-14	ER11-3839-000	Nevada Power Company
	ER11-3839-001	

MISCELLANEOUS

M-1	RM12-2-000	Filing of Privileged Materials and Answers to Motions

GAS

G-1	OMITTED	
G-2	RM12-14-000	Annual Charge Filing Procedures for Natural Gas Pipelines
G-3	RM12-15-000	Filing, Indexing and Service Requirements for Oil Pipelines
G-4	RM12-17-000	Revisions to Procedural Regulations Governing Transportation by Intrastate Pipelines

HYDRO

H-1	P-13944-002	Valley Affordable Housing Corporation
H-2	P-82-026	Alabama Power Company
H-3	DI11-13-001	Cottonwood Hydro, LLC

CERTIFICATES

C-1	CP11-56-001	Texas Eastern Transmission, LP and Algonquin Gas Transmission, LLC
C-2	CP12-11-000	Elba Express Company, L.L.C.
	CP12-11-001	

Kimberly D. Bose,
Secretary.

A free webcast of this event is available through www.ferc.gov. Anyone with Internet access who desires to view this event can do so by navigating to www.ferc.gov/s Calendar of Events and locating this event in the Calendar. The event will contain a link to its webcast. The Capitol Connection provides technical support for the free webcasts. It also offers access to this event via television in the DC area and via phone bridge for a fee. If you have any questions, visit www.CapitolConnection.org or contact Danelle Springer or David Reininger at 703-993-3100.

Immediately following the conclusion of the Commission Meeting, a press briefing will be held in the Commission Meeting Room. Members of the public may view this briefing in the designated overflow room. This statement is intended to notify the public that the press briefings that follow Commission meetings may now be viewed remotely at Commission headquarters, but will not be telecast through the Capitol Connection service.



October 18, 2012

News Media Contact

Craig Cano | 202-502-8680

Docket Nos. RM12-22-000, RM12-4-000

FERC Proposes Enhancements to Reliability of Bulk Power System

The Federal Energy Regulatory Commission (FERC) today took steps to ensure continued reliable operation of the nation's bulk power system by proposing to approve a revised vegetation management standard and to require new standards addressing the impacts of a geomagnetic disturbance (GMD).

GMDs, which result in distortions to the earth's magnetic field, may cause severe problems with grid reliability, including blackouts as well as damage to critical or vulnerable equipment. Although strong disturbances are infrequent, current mandatory reliability standards do not adequately address vulnerabilities.

To address this reliability gap, today's Notice of Proposed Rulemaking (NOPR) proposes to direct the North American Electric Reliability Corporation (NERC), the FERC-approved Electric Reliability Organization, to develop and submit new GMD standards in a two-stage process.

First, within 90 days of the effective date of a final rule in the proceeding, NERC would file one or more standards requiring owners and operators of the bulk power system to develop and implement operational procedures to mitigate GMD effects. That such procedures already are in place in some areas should allow for faster development and implementation of these standards, the NOPR says.

In the second stage, FERC proposes that NERC file, within six months of a final rule, standards that require grid owners and operators to conduct initial and continuing assessments of the potential impacts of GMDs and, based on those assessments, implement strategies to protect the bulk power system, including automatic blocking of geomagnetically induced currents, instituting specification requirements for new equipment, inventory management, or isolating certain equipment that is not cost effective to retrofit. Stage two would be implemented in phases, focusing first on the most critical and vulnerable assets.

The NOPR does not propose specific requirements, but offers guidance regarding the assessments of the grid's vulnerability to GMDs, the mechanisms for protecting critical or vulnerable components and an implementation schedule. FERC seeks comments on all aspects of the proposal.

In a separate NOPR on vegetation management, FERC proposes to approve revisions submitted by NERC that would:

- Expand the applicability of the standard to include lines operated below 200 kilovolts that are part of an Interconnection Reliability Operating Limit or a Major Western Electricity Coordinating Council Transfer Path.
- Set a new minimum annual inspection requirement.
- Incorporate new minimum clearance distances into the text of the standard.

Comments on both proposals are due 60 days after publication in the *Federal Register*.



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Commissioner Cheryl A. LaFleur

STATEMENT

FEDERAL ENERGY REGULATORY COMMISSION

Docket Nos. RM12-22-000 and RM12-4-000

Item Nos. E-2 and E-3

Statement of Commissioner Cheryl A. LaFleur on Proposed Enhancements to Reliability of Bulk Power System

"Protecting the reliability of the nation's bulk electric system requires both day-to-day blocking and tackling to make sure that the lights stay on, and preparing for emerging issues including high-impact low-frequency events. Today, we are voting out Notices of Proposed Rulemaking that speak to both these components of reliability.

Vegetation Management Standard

"No issue is more central to reliability than timely and effective tree trimming to keep the transmission system operational. Indeed, a tree contact was a key contributing cause of the 2003 blackout that gave rise to this Commission's jurisdiction over reliability.

"I believe the vegetation management standard (FAC-003-2) that we propose to approve today represents an important step forward in addressing this basic reliability issue. In particular, I note that the new standard includes a requirement to maintain a defined Minimum Vegetation Clearing Distance (MVCD) for all transmission lines above 200 kv and lines below 200 KV that are part of an Interconnection Reliability Operating Limit or WECC Transfer Path, and, for the first time, a requirement to annually inspect 100 percent of the lines subject to the standard. These requirements are both clear and concrete.

"The standard we propose to approve today is one of the first results-based standards put forward by NERC. As I understand the concept of a results-based standard, it includes a clearly defined result – avoidance of outages caused by vegetation within a MVCD—on the basis of which to judge compliance with the standard. Because the standard is judged by results, it proposes to give more flexibility to transmission owners about how to meet those results, as long as they are met. This is an important concept, and the successful implementation of this standard may be a model for further results-based standards.

"I also appreciate the commitment by NERC and the industry, working with EPRI, to fund further empirical research on the proposed MVCD, since that is such a critical element of the proposed standard. I recognize that years of hard work went into this proposed standard, and appreciate the efforts of the NERC standards team as well as everyone here at FERC that worked on the standard.

Geomagnetic Disturbances

"The second Notice of Proposed Rulemaking relates to a very different issue, preventing or mitigating damage to the bulk electric system caused by geomagnetic disturbances resulting from solar storms. Solar storms are an acute example of "High Impact Low Frequency" events, which I believe are among the most difficult, but also the most necessary, to address through standards. Just as our society has over the centuries developed standards to protect elements of our infrastructure from high impact low frequency events like earthquakes and fires, I believe we must begin to address the challenge of making our electric grid resilient to geomagnetic disturbances. This is an issue in which I have taken a strong personal interest. As I have observed, the threat of geomagnetic disturbances damaging the power grid sounds like science fiction, but is in fact based on scientific fact. However, while the fact that geomagnetic disturbances can cause substantial harm to the electric grid is undisputed, the way in



which that harm would occur is not without controversy. The technical community has debated whether geomagnetic disturbances caused by solar events would cause the bulk electric system to break apart due to excessive reactive power consumption, cause damage to high-voltage transformers and other key elements of the system due to inductive currents, or some combination of the two. Any of these results is unacceptable, and is exactly the sort of cascading disturbance to the bulk power system that section 215 of the Federal Power Act requires us to address. I believe that, while continuing to explore the technical issues, we can and should adopt “No Regrets” actions to prevent and mitigate grid damage from geomagnetic disturbances. The Notice of Proposed Rulemaking we are voting on today includes two such No Regrets actions, both of which are consistent with NERC’s assessment report on GmD issued earlier this year.

“First, we would require NERC to develop and propose a standard that requires transmission owners to take operational steps, to prepare for geomagnetic disturbances. This is one of the first actions proposed in NERC’s assessment and action plan. Because we are approaching a periodic solar maximum in 2013, increasing the threat of damaging solar storms, we are proposing to seek fast action on an operational standard.

“Second, we would require NERC to develop and propose a standard that would require transmission owners to undertake an assessment of the most vulnerable elements of the bulk electric system, and propose steps to prevent or mitigate damage to those elements from geomagnetic disturbances. As indicated in the Notice of Proposed Rulemaking, those steps could include installation of automatic blocking in certain vulnerable and critical transformers, requirement of withstand capability in transformers, inventory management strategies, operational plans to address critical elements of the system, and/or other steps that the industry and NERC may propose. Importantly, the proposed rule gives industry and NERC considerable flexibility of how to address this issue, but not the flexibility to ignore it.

“As with any other program to address pieces of the electric grid—and I have lived through quite a few—the appropriate action steps would likely vary based on how critical an asset was, where it was located, when it was scheduled to be replaced, whether it could be protected by islanding or operating protocols, or whether it needed to be retrofitted with protective equipment. Our collective understanding of these options would likely grow once we started the process.

“I know that the challenge of preparing our bulk electric system for geomagnetic disturbances is very complicated, and complicated challenges require complicated solutions. In the past, the electric grid has undergone many large-scale efforts to refurbish or replace electrical equipment to improve reliability, safety or environmental performance. Because of the size, diversity and continuous operation of the electric grid, these efforts are inevitably more complicated and take longer than expected. To me, that argues for getting started sooner rather than later.

“Finally, I believe it is appropriate to tackle this challenge now because the US is facing considerable investment in our transmission grid, driven by a change in power supply and replacement of aging infrastructure. We have a big opportunity to make sure the next generation of transmission equipment is built to withstand geomagnetic disturbances.

“I hope we will receive a broad range of comments on both Notice of Proposed Rulemaking. I would like to thank the FERC teams that worked on these proposed rules, and on the technical conference on GmD last spring on this issue. Thank you.”



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October 18, 2012

Commissioner John R. Norris

FEDERAL ENERGY REGULATORY COMMISSION

STATEMENT

Docket Nos. RM12-22-000 and RM12-4-000

Item Nos. E-2 and E-3

Statement of Commissioner John R. Norris on Proposed Enhancements to Reliability of Bulk Power System

"These two reliability orders address two distinctly different challenges, and represent two different approaches to maintaining reliability. E-3, concerning Reliability Standard FAC-003-2 on Transmission Vegetation Management (FAC-003), to me is about executing the fundamentals necessary to keep the lights on. We know that, without continuous care of transmission rights of way, vegetation growth will, without question, grow into power lines and impact reliability. This second version of FAC-003 recognizes the inevitability of outages if vegetation management is not in a continual state of maintenance, and also recognizes that this maintenance must be preformed on all transmission facilities that have an impact on reliability. The inclusion of Interconnection Operating Limit (IROL) elements and Major Western Electricity Coordinating Council (WECC) Transfer Path elements is a good step in recognizing that the applicability of FAC-003 should include sub-200 kV facilities that are critical to grid reliability.

"The threat of geomagnetic disturbances (GMD) addressed in the proposed rule in E-2 is a different but equally important reliability challenge. A poster child for a Low Frequency-High Impact threat, GMD involves a judgment call that requires us to assess the likelihood of occurrence, how severe the impact could be, and the options to guard against that impact. Like a cyber attack, the potential size and duration of an outage that could result from a GMD demands that we take the precautions necessary to prevent, limit, or contain the potential impact. While I do not believe there is a reasonable option that will guarantee that GMDs will never impact the grid, there are shorter and longer-term steps that we can take to guard against their potential impacts. Recognizing that taking these steps will come with costs, we have to find a "sweet spot", if you will, where the cost of implementing reasonable reliability measures to guard against GMD impacts is appropriately balanced against the potential costs of a GMD event.

"Given the magnitude of the potential damage, I believe we are taking the right approach in this order by proposing to require that in stage two, there must be more extensive standards developed than just those that address operational and enhanced training procedures (the subject of stage one). The evidence before us today suggests that some or all vulnerable elements of the system will need further hardening to withstand a GMD. I think we appropriately give deference to NERC to make a needs assessment and design the additional measures necessary (through the development of the stage two standards) to meet the reliability needs identified in those assessments. But, as the proposed rule indicates, timing is of the essence. With the prediction of high solar flare activity on the very near time horizon, NERC will need to develop standards and industry to implement them much more rapidly than has previously been required. Again, this is another judgment call where we must decide what is reasonable and what is necessary. I ask NERC and the industry to accept this challenge and work as expeditiously as possible to meet it.

"In summary I think we have approached vegetation management like you would approach changing the oil in your car. You know that, if you do not do it, at some point your car will breakdown. And, preparing for GMDs is like buying insurance for you car. You hope that you will never need it - and in fact, you might not - but, it would be irresponsible to not determine what level of coverage you do need and to make the necessary investment to protect yourself and others from the risk and potential severity of an occurrence."

From: [Philip A. Fedora](#)
To: [grpStaff](#)
Subject: October FERC Open Meeting Summary
Date: Thursday, October 18, 2012 9:33:48 AM
Attachments: [20121018091241-summaries.pdf](#)
[20121018091732-E-2-NEWS.pdf](#)
[20121018091837-E-2-3-LAFLEUR.pdf](#)
[20121018091910-E-2-3-NORRIS.pdf](#)
Importance: High

Of interest:

Mike Bardee named Director of the Office of Electric Reliability

Approved a revised vegetation management standard and issued draft NOPR to require new standards addressing the impacts of a geomagnetic disturbance (GMD) – two stages – direct NERC to develop 1 or more Standards to require owners and operators to develop operational procedures to mitigate GMD – stage 2 – direct NERC to develop 1 or more Standards to require owners and operators to conduct assessments to identify the potential impacts of GMD on the reliability of the interconnected system.

In a separate NOPR on vegetation management, FERC approved revisions submitted by NERC (FAC-003-2) that would:

- Expand the applicability of the standard to include lines operated below 200 kilovolts that are part of an Interconnection Reliability Operating Limit or a Major Western Electricity Coordinating Council Transfer Path.
- Set a new minimum annual inspection requirement.
- Incorporate new minimum clearance distances into the text of the standard.

October 2012 Meeting Summaries

These are summaries of orders voted by the Federal Energy Regulatory Commission at its October 18, 2012 public meeting. The summaries are produced by FERC's Office of External Affairs and are intended to provide only a general synopsis of the orders. These summaries are not intended as a substitute for the Commission's official orders. To determine the specific actions and the Commission's reasoning, please consult the individual orders when they are posted to FERC's eLibrary found at www.ferc.gov.

E-2, E-3, Press Release

G-2, G-3, G-4, Press Release

FERC affirms, with clarifications, Order No. 1000 transmission planning reforms

E-1, *Transmission Planning and Cost Allocation by Transmission Owning and Operating Utilities Rehearing*, Docket No. RM10-23-002. The order affirms, with clarifications, the Order No. 1000 transmission planning reforms that (1) require that each public utility transmission provider participate in a regional transmission planning process that produces a regional transmission plan; (2) provide that local and regional transmission planning processes must provide an opportunity to identify and evaluate transmission needs driven by public policy requirements established by state or federal laws or regulations; (3) improve coordination between neighboring transmission planning regions for new interregional transmission facilities; and (4) remove from Commission-approved tariffs and agreements a federal right of first refusal. The order also affirms the Order No. 1000 requirements that each public utility transmission provider must participate in a regional transmission planning process that has (1) a regional cost allocation method for the cost of new transmission facilities selected in a regional transmission plan for purposes of cost allocation and (2) an interregional cost allocation method for the cost of new transmission facilities that are located in two neighboring transmission planning regions and are jointly evaluated by the two regions in the interregional transmission coordination process required by this Final Rule. Additionally, the order affirms the Order No. 1000 requirement that each cost allocation method must satisfy six cost allocation principles.

FERC conditionally accepts Southwest Power Pool Inc.'s proposal to implement an Integrated Marketplace

E-4, *Southwest Power Pool, Inc.*, Docket Nos. ER12-1179-000 and ER12-1179-001.

The order conditionally accepts Southwest Power Pool Inc.'s (SPP) proposal to revise its Open Access Transmission Tariff to implement an Integrated Marketplace. Features of the Integrated Marketplace include a market-based congestion management program and energy markets, including day-ahead and real-time energy and operating reserve markets with locational marginal pricing; allocation of auction revenue rights and a market for the auction of transmission congestion rights; virtual transactions; and a revised market mitigation plan. The order finds SPP's proposal to be just and reasonable, as modified, subject to conditions established in the order. The order requires SPP to make compliance filings to revise the Tariff or provide additional information as necessary. The order also requires SPP to submit plans, including readiness and reversion plans, before market start-up to ensure a timely start to the new market. The order also directs SPP to make an informational filing 15 months after the start of the Integrated Marketplace.

E-5, *Southwest Power Pool, Inc.*, Docket No. ER12-550-000. The order addresses an SPP compliance filing in response to the directives in an October 4, 2011 Commission order. This order is part of SPP's compliance with the requirements of Order Nos. 719 and 719-A on demand response and pricing during periods of operating reserve shortages, in particular the requirements involving ARC aggregation and demand response measurement and verification standards. The order conditionally accepts SPP's compliance filing, but directs SPP to make a further compliance filing to correct remaining deficiencies.

FERC conditionally accepts an executed Small Generator Interconnection Agreement between Southern California Edison Company and TA-Acacia, LLC

E-7, *Southern California Edison Company*, Docket No. ER12-2506-000. The order conditionally accepts an executed Small Generator Interconnection Agreement between Southern California Edison Company (SoCal Edison) and TA-Acacia, LLC (a 20 MW solar generating facility) effective August 24, 2012 subject to revisions on compliance that would remove: (1) duplicative text and (2) a non-conforming provision that describes what would happen should certain facilities be reclassified from transmission network upgrades to distribution upgrades.

FERC declines to initiate an enforcement action

E-8, *Benjamin Riggs v. Rhode Island Public Utilities Commission*, Docket No. EL12-100-000. The order declines to initiate an enforcement action against the Rhode Island Public Utilities Commission under section 210(h)(2) of the Public Utility Regulatory

Policies Act of 1978. The decision means that Mr. Riggs may bring his own enforcement action against the Rhode Island Commission in the appropriate court.

FERC grants petition for waiver of affiliate pricing rules under Order Nos. 707 and 707-A

E-11, *Pepco Holdings, Inc.*, Docket No. EL12-75-000. The order grants a petition for waiver of the Commission's affiliate pricing rules under Order Nos. 707 and 707-A. The petition asks the Commission to waive the requirement in Order Nos. 707 and 707-A that franchised public utilities price non-power services sold to market-regulated power sales affiliates and non-utility affiliates at the higher of cost or market price. The petition seeks permission to price three different categories of such transactions at cost rather than the higher of cost or market price. The order finds that pricing these transactions at cost rather than the higher of cost or market price would not lead to inappropriate cross-subsidization and grants the requested waiver.

FERC adopts revised regulations for filing privileged documents

M-1, *Filing of Privileged Materials and Answers to Motions*, Docket No. RM12-2-000. The Final Rule adopts, in section 388.112 of the Commission's regulations, revised regulations governing the filing of privileged documents. The revised regulations are modeled after the treatment of privileged documents filed with complaints. The revised regulations also permit electronic filing of privileged material and CEII and, in proceedings subject to a right to intervene, permit access to privileged material via a protective agreement. In addition, the Final Rule revises Rule 213(d) of the Commission's Rules of Practice and Procedure (governing answers) to provide that answers to motions requesting an extension of time or a shortened time for action be filed in 5 days (instead of 15 days as previously allowed), unless otherwise ordered.

FERC denies rehearing

H-1, *Valley Affordable Housing Corporation*, Project No. P-13944-002. The order denies a rehearing request of a July 18, 2012 Commission notice rejecting the Upper Blackstone Water Pollution Abatement District's (District) late motion to intervene and request to reopen the proceeding involving Valley Affordable Housing Corporation's (Valley) preliminary permit application for its proposed Manville Hydroelectric Project No. 13944. The order notes that the District filed its motion 14 months after the preliminary permit was issued, when the proceeding was final and unreviewable, and explains that the District will have ample opportunity to participate in Valley's preparation of any development application.

FERC denies rehearing

H-2, *Alabama Power Company*, Project No. P-82-026. The order denies Pat Kelleher's request for rehearing of an August 10, 2012 Secretary's notice dismissing his motion to intervene and rejecting his request for rehearing of a July 16, 2012 order modifying and approving Alabama Power's compliance plan. The order finds that there was no material change to the license terms that would permit intervention and rehearing in a post-licensing proceeding. Additionally, the order finds that Mr. Kelleher did not show why his participation would be in the public interest.

FERC grants rehearing and dismisses motion for stay

H-3, *Cottonwood Hydro, LLC*, Docket No. DI11-13-001. The order grants Cottonwood Hydro's request for rehearing of a staff order and finds that licensing is not required for a hydropower project on Little Cottonwood Creek in Salt Lake County, Utah, because the project does not occupy federal lands.

FERC denies requests for rehearing, reconsideration, stay and late intervention

C-1, *Texas Eastern Transmission, LP and Algonquin Gas Transmission, LLC*, Docket No. CP11-56-001. The order on rehearing denies requests for rehearing as well as requests for reconsideration, stay, and late intervention. The Commission denies allegations that its original order in the proceeding failed to give adequate consideration to (1) the cumulative effects of developing shale gas reserves, (2) the impact on end users of burning Marcellus gas with elevated levels of radon, (3) risks associated with a deliberate attack on the project's facilities, (4) economic and health impacts on affected communities, (5) the disposal of PCB-contaminated pipe, (6) contingency plans in the event a horizontal directional drill fails, and (7) the environmental impacts of project-related nonjurisdictional facilities. The order also denies allegations that alleged affected landowners did not receive proper notice, that the order authorizing the project was improperly issued prior to receipt of a Clean Water Act section 401 water quality certificate, and that the Commission cannot serve as a neutral arbiter because of the manner in which it is funded.

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

OFFICE OF ENERGY MARKET REGULATION

North American Electric Reliability Corporation
Docket No. RR12-10-000

November 8, 2012

Schiff Hardin LLP
1666 K Street, NW, Suite 3100
Washington, DC 20036-4390

Attention: Owen E. MacBride
Attorney for North American Electric Reliability Corporation

Reference: Renewals of Compliance Monitoring and Enforcement Agreements and
Related Amendments to Delegation Agreements

Dear Mr. MacBride:

On May 24, 2012, the North American Electric Reliability Corporation (NERC) submitted a filing seeking Commission approval for the renewal of the Compliance Monitoring and Enforcement Agreements (CEA) between SERC Reliability Corporation and Florida Reliability Coordinating Council Inc. (FRCC) and Southwest Power Pool Regional Entity (SPP). In addition, NERC requests the Commission approve changes to the FRCC and SPP delegation agreements relating to the revised CEA agreements.

Notice of this filing was issued on May 25, 2012, with protests and interventions due on or before June 14, 2012.

Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to the operation of Rule 214 of the Commission's Rules of Practice and Procedure. 18 C.F.R. § 385.214. Any opposed or untimely filed motion to intervene is governed by the provisions of Rule 214. *Id.* No protests were filed.

NERC's uncontested filing is accepted pursuant to the relevant authority delegated to the Director, Office of Energy Market Regulation, under 18 C.F.R. § 375.307 effective January 1, 2013.

This action shall not be construed as approving any other application, including proposed revisions of Electric Reliability Organization or Regional Entity rules or procedures pursuant to 18 C.F.R. § 375.307(a)(2)(vi). This action does not constitute approval of any service, rate, charge, classification, or any rule, regulation, contract, or practice affecting such rate or service provided for in the filed documents. Such action shall not be deemed as recognition of any claimed right or obligation associated therewith and such action is without prejudice to any findings or orders that have been or may hereafter be made by the Commission in any proceeding now pending or hereafter instituted by or against the Electric Reliability Organization or any Regional Entity.

This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order pursuant to 18 C.F.R. § 385.713.

Sincerely,

Penny S. Murrell, Director
Division of Electric Power Regulation-Central

Document Content(s)

RR12-10-000.DOC.....1-2

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NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Industry Webinar: Revisions to Outstanding Violation Risk Factors and Violation Severity Levels

September 17, 2012

Mallory Huggins, NERC

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Background

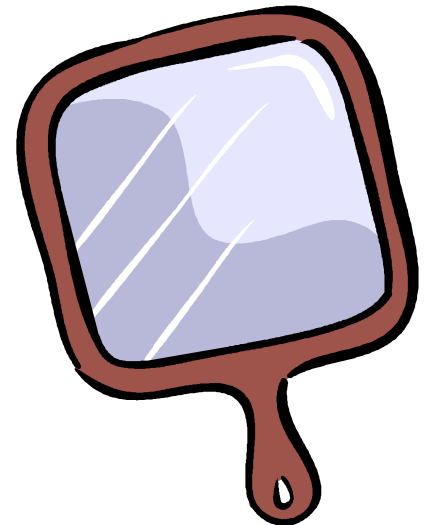
- NERC standards, legal, and enforcement staffs working with FERC staff to review Violation Risk Factors (VRFs) and Violation Severity Levels (VSLs) from two sets of VRF and VSL assignments
 - Deferred VRFs and VSLs
 - “Filing 2” VSLs

- From orders issued during roll-up process
- FERC deferred approval of VRFs and VSLs until new process was formally approved and implemented
- NERC and stakeholders have the opportunity to review and correct/further justify before Commission issues a final order

- During roll-up process, NERC staff identified VSLs that needed modification to conform with roll-up or new guidelines
- Filed modifications in two big batches: Filing 1 (March 5, 2010) and Filing 2 (December 1, 2010)
- FERC identified VSL assignments that needed further modification or justification
- NERC and stakeholders have the opportunity to review and correct/further justify before Commission issues a final order

Goal of Review Process

- Approximates the usual stakeholder review that would occur alongside the review of a standard
- Limits burden on stakeholders





VRF and VSL Guidelines

- NERC and standard drafting teams are required to comply with FERC and NERC guidelines for VRF and VSL assignments
- All modifications or justifications should be tied to one or more guideline



- Consistency with Conclusions of Final Blackout Report
- Consistency within a Reliability Standard
- Consistency among Reliability Standards
- Consistency with NERC's Definition of the VRF Level
- Treatment of Requirements that Co-mingle More Than One Obligation (can't water down to reflect lower risk level of less important objective)

***From May 18, 2007 Order on Violation Risk Factors**

- VSL Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance
- VSL Assignments Should Ensure Uniformity and Consistency in the Determination of Penalties
- VSL Assignments Should Be Consistent with the Corresponding Requirement
- VSL Assignments Should Be Based on a Single Violation, Not a Cumulative Number of Violations

***From June 19, 2009 Order on Violation Severity Levels**



Conducting the Reviews

Reliability Standards Development Plan

[Issues Database - Directive Report](#) | [Issues Database - Issues List](#)

[Failed, Rejected, and Withdrawn SARs and Projects](#) | [Inactive Standards](#)

[Status of Outstanding Interpretations](#) | [Failed, Rejected, and Curtailed Interpretations](#) | [CIP Interpretation Drafting Team](#)

[Standard Drafting Team Rosters](#) | [Standard Drafting Team Vacancies](#) | [Standard and Project Cross References](#)

[Standards Progress Report](#) | [Standard Processes Manual](#)

[Weekly Standards Bulletin](#)

From this page you can keep track of and link to all proposed reliability standards under development.

If you would like to propose a new reliability standard, please download and fill out a [Standard Authorization Request \(SAR\) Form](#).



The RBS logo indicates the associated project is producing one or more Results-Based Standards.

Reliability Standards Under Development			
Project	Action	Start Date	End Date
Current and Pending Ballots (Sorted by End Date)			
Project 2006-06 — Reliability Coordination — COM-001	Recirculation Ballot	09/06/12	09/17/12
Project 2007-02 — Operating Personnel Communications Protocols — COM-003	Successive Ballot and Non-binding Poll	09/11/12	09/20/12
Interpretation 2010-INT-01 — Rapid Revision of TOP-006-2 in Response to FMPP's Request for Interpretation	Recirculation Ballot	09/12/12	09/21/12
 Project 2009-01 — Disturbance and Sabotage Reporting — CIP-001 and EOP-004	Successive Ballot and Non-binding Poll	09/18/12	09/27/12
 Project 2008-06 — Cyber Security — Order 706 — CIP-002-5 through CIP-009-5, CIP-010-1, and CIP-011-1 (Version 5 CIP Standards)	Successive Ballot	10/01/12	10/10/12
Standard Processes Manual Revisions to Implement SPIG Recommendations	Initial Ballot	10/03/12	10/12/12
Revisions to Outstanding VRFs and VSLs	Non-binding Poll	10/10/12	10/19/12
Join Ballot Pools (Ballot Pool Windows Close at 8 a.m. Eastern)			
Standard Processes Manual Revisions to Implement SPIG Recommendations	Join Ballot Pool	08/29/12	09/28/12
Revisions to Outstanding VRFs and VSLs	Join Ballot Pool	09/05/12	10/04/12



Revisions to Outstanding Violation Risk Factors (VRFs) and Violation Severity Levels (VSLs)

Status:

A set of outstanding VRFs and VSLs in need of revision have been posted for a 45-day industry review and comment period and 10-day non-binding poll, including a 30-day window to join the ballot pool. Unless substantive modifications are required after the comment period and non-binding poll, the VRFs and VSLs will be presented to the NERC Board of Trustees for approval and filed with FERC. FERC has requested a filing no later than February 2013.

Purpose:

NERC standards, legal, and enforcement staffs have been working in coordination with FERC staff to review a set of VRF and VSL assignments for possible revision or further justification. In general, the VRFs and VSLs require revision in order to reflect the NERC and FERC VRF and VSL guidelines finalized between 2007 and 2009. FERC staff identified VRFs and VSLs in need of modification or further justification and presented them to NERC staff, offering a chance for review and modification before the Commission issues a final order.

Both VRFs and VSLs are typically posted with standards and subject to review periods and non-binding polls. Because these VRF and VSL changes are not associated with active standards projects, there is no built-in mechanism for ensuring their review by stakeholders, but NERC staff wants to ensure that the proposed revisions or justifications for the outstanding VRFs and VSLs undergo the same industry review as other VRFs and VSLs.

For more background information on this project, please refer to the [Background Document](#).

Draft	Action	Dates	Results	Consideration of Comments
General Reference Documents Detailed Background Info>>	Submit Comments>>	09/05/12 - 10/19/12		
VRF Guidelines: In its May 18, 2007 Order on Violation Risk Factors (VRFs), FERC identified five guidelines it uses to determine whether to approve VRFs submitted for approval. These guidelines, applied in concert with criteria that NERC has filed with FERC as part of the ERO's Sanctions Guidelines, must be used to determine a VRF for each requirement. Both FERC's guidelines				

in concert with criteria that NERC has filed with FERC's parent, the Federal Energy Regulatory Commission, must be used to determine a VRF for each requirement. Both FERC's guidelines and NERC's criteria are documented in the "VRF Guidelines" link above.

VSL Guidelines:

In its June 19, 2009 Order on Violation Severity Levels (VSLs), FERC approved VSLs for 83 standards, directed certain modifications to VSL assignments, and described four guidelines that FERC developed to guide its evaluation of VSLs. These guidelines, applied in concert with NERC's own requirements for drafting VSLs, form the basis for the development of VSLs. All VSLs should comport with the NERC and FERC guidelines documented in the "VSL Guidelines" link above.

VSL Filing 1 | VSL Filing 2:

The VRFs and VSLs in need of review could have one of two origins: "Deferred" VRFs and VSLs were deferred by FERC in a number of different orders, all of which are referenced in individual review worksheets. "Filing 2" VSLs came from a larger VSL revision process that NERC initiated in 2010 to modify VSLs in accordance with the NERC and FERC VSL guidelines that were finalized in 2009. NERC filed this large set of revisions in two parts: Filing 1, which was filed on March 5, 2010 and updated in a supplemental information filing on March 21, 2011, and Filing 2, which was originally filed on December 1, 2010. The links to Filing 1 and Filing 2 above are provided for general reference here and again in many of the review worksheets.

[Comment Form \(Word\)](#)

[Non-binding Poll>>](#)

10/10/12 - 10/19/12

[Join Ballot Pool>>](#)

09/05/12 - 10/04/12

Project Page Navigation (Continued)

which was originally filed on December 1, 2010. The links to Filing 1 and Filing 2 above are provided for general reference here and again in many of the review worksheets.

[Comment Form \(Word\)](#)

Non-Substantive Revisions for EOP and FAC VSLs

Non-Substantive Revisions Review Worksheet

Resource and Demand Balancing (BAL)

[BAL-003-0.1b: VSL Review Worksheet](#)

[BAL-005-0.1b: VSL Review Worksheet](#)

Emergency Preparedness and Operations (EOP)

[EOP-005-2: VRF/VSL Review Worksheet \(Revised 09/06/12 at 4:05 p.m.\)](#)

[EOP-006-2: VRF/VSL Review Worksheet](#)

[EOP-008-1: VRF/VSL Review Worksheet](#)

Facilities Design, Connections, and Maintenance (FAC)

[FAC-010-2.1: VSL Review Worksheet](#)

[FAC-011-2: VSL Review Worksheet](#)

[FAC-501-WECC-1: VSL Review Worksheet](#)

Interconnection Reliability, Operations and Coordination (IRO)

[IRO-001-1.1: VSL Review Worksheet](#)

[IRO-002-2: VSL Review Worksheet](#)

[IRO-005-3a: VSL Review Worksheet \(Revised 09/07/12 at 12:15 p.m.\)](#)

[IRO-008-1: VRF/VSL Review Worksheet](#)

[IRO-009-1: VRF/VSL Review Worksheet](#)

[IRO-010-1a: VSL Review Worksheet](#)

TOP-001-1a

Review of TOP-001-1a—Reliability Responsibilities and Authorities (Filing 2)

<http://www.nerc.com/files/TOP-001-1a.pdf>

VSLs for Requirement R1:

Standard, Requirement	Requirement Language	Lower	Moderate	High	Severe	Comments
TOP-001-1, R1	Each Transmission Operator shall have the responsibility and clear decision-making authority to take whatever actions are needed to ensure the reliability of its area and shall exercise specific authority to alleviate operating emergencies.	N/A	N/A	The Transmission Operator ~~has~~ ~~does not have~~ <u>the responsibility</u> and clear decision-making authority to <u>take whatever actions are needed to</u> ensure reliability ~~in~~ <u>of</u> its area.	The Transmission Operator failed to exercise specific authority to alleviate operating emergencies ~~in~~ <u>its area</u> .	Citing a Guideline 3 violation, FERC pointed out that responsibility is not specifically referenced in the VSL language and should be incorporated. NERC staff agreed that the VSL language should better match the requirement language and modified the VSLs accordingly.

Original R1 Guideline Explanation in the [December 1, 2010 VSL Filing](#):

In accordance with Guidelines 2 and 3, the VSLs were modified for clarity and consistency with other standards and VSLs and to more closely match the language in the requirement.

- *Guideline 1:* See P. 1011-1013 of the [Guideline 1 Analysis Filing](#).

						modified the VSLs accordingly.
Original R1 Guideline Explanation in the December 1, 2010 VSL Filing: In accordance with Guidelines 2 and 3, the VSLs were modified for clarity and consistency with other standards and VSLs and to more closely match the language in the requirement. Guideline 1: See P. 1011-1013 of the Guideline 1 Analysis Filing. 1						
TOP-001-1a - Guideline 2: The VSLs comply with Guideline 2. The requirement has gradated VSLs; therefore, Guideline 2a is not applicable. The prior assignment of a binary VSL was revised to provide a level of gradation. The gradated VSLs ensure uniformity and consistency among all approved Reliability Standards in the determination of penalties. Additionally, the VSL DT has reviewed the VSL text and has determined that, as revised, the VSL text is clear, specific and objective and does not contain general, relative or subjective language, satisfying Guideline 2b. Therefore, the text is not subject to the possibility of multiple interpretations of the VSLs and provides the clarity needed to permit the consistent and objective application of the VSLs in the determination of penalties by the Compliance Enforcement Authority. - Guideline 3: In accordance with Guideline 3, the VSL DT has revised the VSL assignments as noted in the redline text to be more consistent with the language of the requirement. As revised, the VSL assignments are consistent with the requirement and the degree of compliance can be determined objectively and with certainty. - Guideline 4: The VSL Assignments comply with Guideline 4, because they are based on a single violation of a Reliability Standard and are not based on a cumulative number of violations of the same requirement over a period of time.						



Next Steps

- **September 5 – October 19, 2012:** Comment Period
 - Just one question, one comment form
- **September 5 – October 4, 2012:** Join Ballot Pool
- **October 10-19, 2012:** Non-binding Poll
 - VRF and VSL assignments will be balloted by standard family
- **February 7, 2013:** Presentation to NERC Board of Trustees for approval
- **February 15, 2013:** Goal for filing with FERC

- Please submit your questions via the ReadyTalk chat window
- The slides and recording of this webinar will be posted to the NERC website within three business days
<http://www.nerc.com/page.php?cid=1|83>

Mallory Huggins
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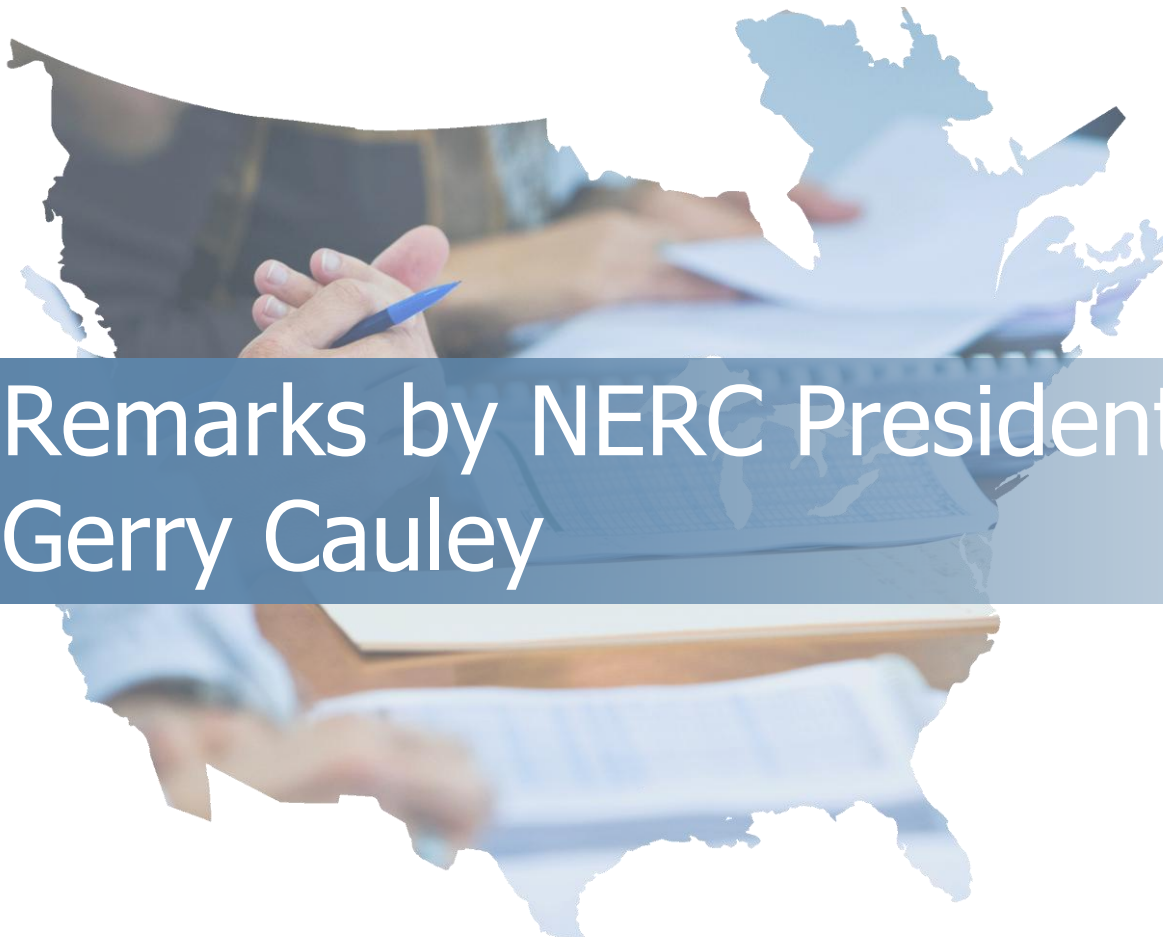
Industry Webinar (1 of 2) for Version 5 CIP Standards: A Focus on "Correcting Deficiencies"

Project 2008-06 Cyber Security Order 706
September 11, 2012

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- Opening Remarks by NERC President and CEO, Gerry Cauley
- Perspectives for Endorsement
- Risk-Based Compliance Monitoring
- CIP V5 Development Timeline
- Focus on Correcting Deficiencies in Certain Requirements
- Approach to Development
- An Example and Supporting Material
- Preview of September 21, 2012 Technical Webinar Topics
- Question and Answer Session



Remarks by NERC President and CEO, Gerry Cauley

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A Perspective for Endorsement

A message submitted from Bob Hoopes, PPL Corporation
Sr. Director, FERC/NERC Compliance
Sr. CIP Manager

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A Perspective for Endorsement

Tom Bove, PJM

Executive Director, Reliability and Compliance

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What May be the Value Add for CIP V5?

Current Paradigm	Paradigm of Version 5
Expectation for perfection	Importance of processes to correct deficiencies
Perception that energies devoted to compliance detracted from security	Greater alignment of security and compliance
Large amounts of time filing and processing self reports of trivial import	Use process breakdowns and metrics to drive organization change and enhanced security
Little reward for tough programs	Reward in programs effectiveness
Compliance concerns limit sharing of ideas and programs in public venues	Potential for far more open sharing between entities and regulators
	Greater zero day agility

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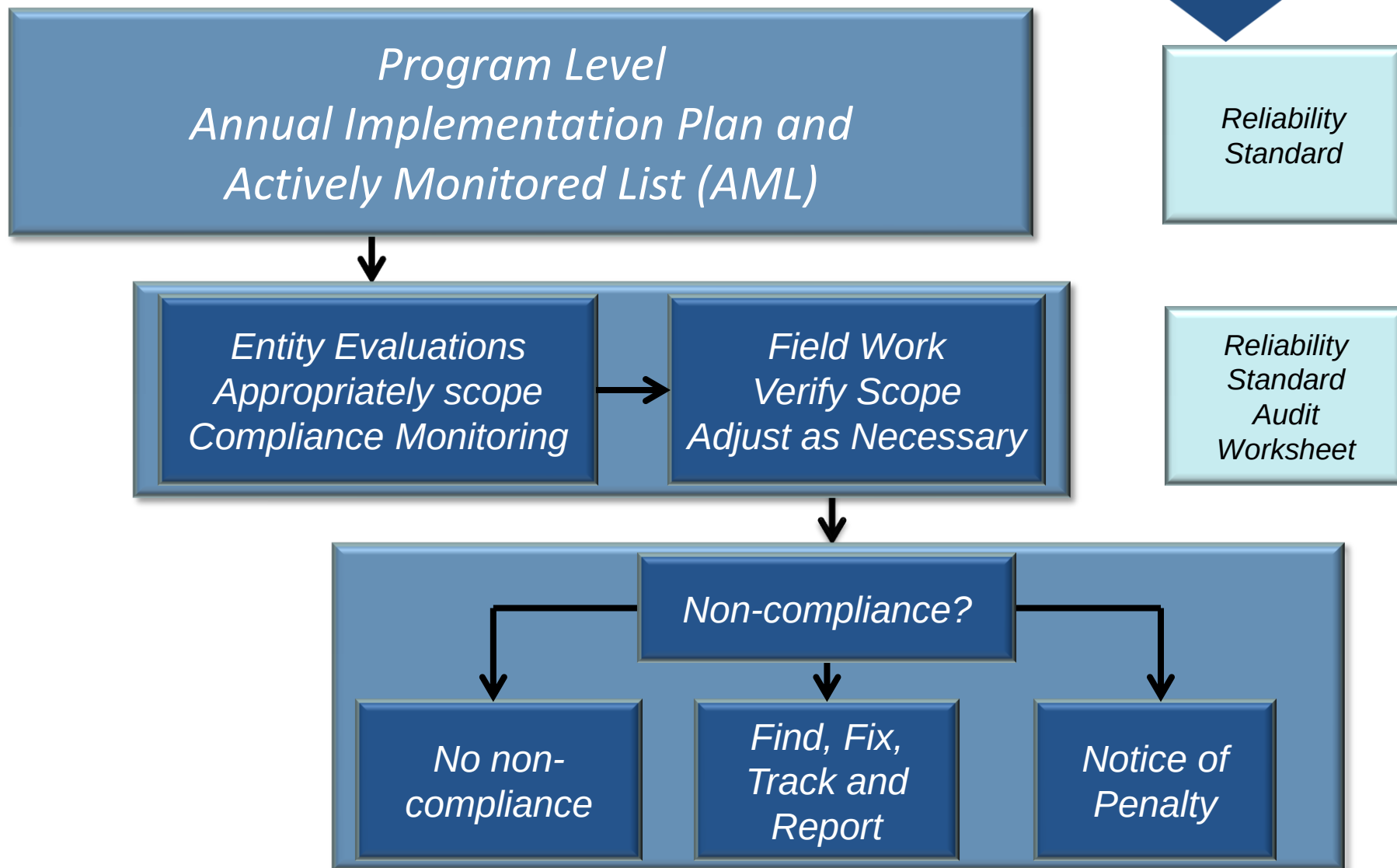
Risk-Based Compliance Monitoring

Mike Moon, Senior Director of Reliability Risk Management
Jerry Hedrick, Associate Director of Compliance Operations

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Risk-Based Compliance Monitoring



Entity level

- AML Tier 1 provides base
- Entity assessment
- Field work
 - Consider the control environment
 - Test and assess the entities procedures
 - Identify, assess and correct deficiencies
- Self and continuous improvement
- Look at program and system

- In the program implementation between regions and between individual auditors/Compliance Enforcement Authority (CEA) staff
 - Enhancing Staff
 - Improved training and education for Auditors and Industry
 - Recruitment of credentialed auditors with blended skill sets in operations, security, and auditing

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CIP Version 5 Approach to Correcting Deficiencies

Steven Noess, Standards Development Advisor

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- 30-day comment period September 11 – October 10, 2012
- Parallel Successive Ballot October 1 – October 10, 2012
- Recirculation Ballot – 4Q 2012 (October/November)
- Presentation to NERC Board of Trustees – 4Q 2012 (November/December)
- During implementation window:
 - Webinars and conferences for Industry/Electric Reliability Organization/Regions
 - Venue to collaborate and share ideas for ensuring strong programs and consistency in assessment of programs

- “Each Responsible Entity shall implement, **in a manner that identifies, assesses, and corrects deficiencies**, one or more documented processes that collectively include each of the applicable items in *[the specified table]*.”*

*Proposed approach, September 11, 2012

Instances of Identify, Assess, and Correct Deficiencies Language in CIP Version 5	
Standard	Requirement
CIP-003-5	R2, R4
CIP-004-5	R2, R3, R4, R5
CIP-006-5	R1, R2
CIP-007-5	R1, R2, R3, R4, R5
CIP-009-5	R2
CIP-010-1	R1, R2
CIP-011-1	R1

- Empowers industry
 - Shifts focus from *whether* deficiencies occur to *correcting* deficiencies
 - Continuous Improvement
 - **From:** backward-looking, individual violations
 - **To:** forward-looking, holistic focus
- Reliability and security emphasis that promotes the identification and correction of deficiencies

- Corrected deficiency is a component of satisfying the requirement
- **Does not *require* “internal controls” or additional process**
- *Standards* approach of correcting deficiencies complements the *compliance* concept of internal controls
- Reliability Standard Authorization Worksheets (RSAWs) and Violation Severity Levels (VSLs) must support approach
 - Does not expand obligations
 - Clarifies that *method* of identifying, assessing, and correcting deficiencies is not evaluated

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Approach to Development

John Lim, Consolidated Edison Co. of New York
Chair, CSO 706 Standard Drafting Team

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- Specific comments by many entities and stakeholder groups on draft 2 posting
- Presentations and discussion of concepts, framework and inclusion of language at July 2012 SDT meeting
 - Timely opportunity to facilitate through enabling standards requirement language
- SDT members participated informally with many stakeholder groups in discussions on concept and proposal
- SDT further discussed alternative language proposals at its August 2012 meeting and adopted current language

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An Example and Supporting Material

Philip Huff, Arkansas Electric Cooperative Corporation
Vice Chair, CSO 706 Standard Drafting Team

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CIP-006-5 R1, Part 1.6

- Each Responsible Entity shall implement one or more documented physical security plans that includes:

CIP-006-5 Table R1 – Physical Security Plan			
Part	Applicable BES Cyber Systems and associated Cyber Assets	Requirements	Measures
1.6	Physical Access Control Systems Associated with: - High Impact BES Cyber Systems - Medium Impact BES Cyber Systems with External Routable Connectivity	Have controls that monitor each Physical Access Control System twenty four hours a day, seven days a week (with 99.9% availability), for unauthorized physical access to a Physical Access Control System.	Measures may include, but is not limited to, documentation of controls to monitor the Physical Security Meter for unauthorized detection of a physical access control into a Physical Security Meter.
Reference to prior version:		Change Description and Justification: Addresses the prior CIP-006-4c,	

CIP-006-5 R1, Part 1.4

- Each Responsible Entity shall implement, **in a manner that identifies, assesses and corrects deficiencies**, one or more documented physical security plans that includes:

CIP-006-5 Table R1- Physical Security Plan			
Part	Applicable Systems	Requirements	Measures
1.4	High Impact BES Cyber Systems and their associated: 1. EACMS; and 2. PCA Medium Impact BES Cyber Systems with External Routable Connectivity and their associated: 1. EACMS; and 2. PCA	Monitor for unauthorized circumvention through a physical access point into a Physical Security Perimeter.	Example of evidence may include, but is not limited to, documentation of controls that monitor the Physical Security Perimeter for unauthorized circumvention through a physical access control into a Physical Security Perimeter.
Reference to prior version:		Change Description and Justification: Examples of monitoring methods have	

VSLs	
Old Language	New Language
The Responsible Entity does not have a process to monitor the Physical Security Perimeter twenty four hours a day, seven days a week for unauthorized circumvention of a physical access control into a Physical Security Perimeter.	The Responsible Entity has a process to monitor for unauthorized access through a physical access point into a Physical Security Perimeter and identified deficiencies but did not assess or correct the deficiencies

- **Deficiencies** refer to possible non-compliances with the standard; **not all deficiencies would become issues of non-compliance**
- Entities are not required to self-report deficiencies if they are identifying, assessing and correcting them
- CEA samples identified, assessed and corrected deficiencies
 - CEA considers impact of correction in determining the sample size

- Plan **does not exist**
- Plan **has not been implemented**
- Did **not assess or correct** identified deficiencies
- Deficiencies that create **high risk** to the Bulk Electric System

- Summary and Rationale of Changes (broadly)
 - Version 5 background
 - VSLs and RSAWs
- Section 4 (applicability)
- CIP-002-5: Asset Based Approach to Identification of Bulk Electric Systems Cyber Systems
- Implementation Plan
- CIP-008-5 reporting from Disturbance Sabotage and Reporting project
- Applicable Systems Column and Clarification of “Associated”

- CIP-004-5: Termination Actions
- High-Watermarking and Protected Cyber Assets
- FERC Order 761 and CIP-003-5 (ESP “of some form”)
- External Routable Connectivity
- Patch Management/Malware
- CIP-004 and CIP-011: Individual access v. access to information
- Technical Feasible Exemption v. per Cyber Asset Capability
- CIP-010 and CIP-011

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Q & A

(Slides and recording of Webinar will be posted to the NERC website, usually within 3 business days)

Moderator: Steven Noess, NERC

RELIABILITY | ACCOUNTABILITY



From: [Brian Hogue](#)
To: [grpStaff](#)
Subject: webinar notes
Date: Friday, September 21, 2012 5:00:33 PM

This afternoon NERC held the second of two webinars on CIP version 5. Below are my notes.

If you are not aware, the first webinar was mostly on the new Standards & Compliance processes with this draft Standard as one of the first to use these new processes. That audio is more enlightening than the slides. If you are interested, I suggest listening to at least the first 60 minutes of the 90 minutes. The first webinar has very little CIP or version 5. Its link should be on the NERC web site.

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Definitions

Significant changes to

- CIP-002
 - Control Center definition updated – moved “associated data centers” from the CIP-002 High Impact Bright Lines to this definition
 - Low Impact requires listing those BES Assets not the related BES Cyber Systems
- CIP-003
- CIP-006
 - Highest number of negative votes
 - Industry did not like 99.9% uptime – which led the SDT to the new (Standards & Compliance) direction
- CIP-007
 - Patch management
 - Heard the industry feedback that this was overly burdensome, administrative
 - Changed to monthly from per-patch
 - Malware
 - Received many comments that the 35 day signature update
 - Reverted to the version 1-4 language which requires a process for testing/installing
- CIP-008
 - Received most affirmative votes
 - Some changes since EOP-004-2 was a parallel project
 - ES-ISAC report back in CIP-008
 - Order 706 directs one hour cyber security notification
- CIP-010
 - Addresses some remaining Order 706 directives
 - Added language for correction of deficiencies
- CIP-011
 - Addresses some remaining Order 706 directives
 - Added language for correction of deficiencies to Information Protection

Applicability column

- Lot of redline but really cosmetics

- More closely follows NIST
- Applicability matrix under “Related Files” on web site

TFE or not

- New language eliminates some TFEs
- Where a vendor’s product does support a feature that the Requirement depends upon, a TFE is not needed
- Order 706, paragraphs 460 and 461 direct “immediate revocation”

ESPs and PCAs

- In prior version ESPs defined the “compliance boundary”
- Version 5 protects all BES Assets, so the ESP reverts back to a network security topic
- ESPs only required on routable protocol network
- PCAs are an ideal network attack – which means they should be protected

High Watermarking

- New concept in tiered model
- Highest impact BES System in ESP determines impact level of all BES Cyber Systems in the ESP

External Routable Connectivity

- Many comments this is a property
- Ability to access a BES Cyber System from outside the ESP via a bi-directional routable protocol
 - Supports data diodes
- Prior versions protected only inbound communication
 - Version 5 also protect outbound communication – contrary to some comments

Implementation Plan

- Good ballot results
- 2 years for CIP-002 and High/Medium Impact BES Cyber Systems
- 3 years for Low Impact BES Cyber Systems
- Bypass version 4? – If Regulator approves version 5 prior to April 1, 2014

Key Dates

- October 10, 2014 – end of third posting
- November 2012 – recirculation ballot
- December 2012 – presentation to NERC BOT
- During implementation window
 - Webinars/conferences
 - Venue to collaborate and share ideas

Q&A

- Is the SDT’s intent that all TOP CC’s are High/Medium Impact BES Cyber Systems? YES
- CIP-004 R4 (authorizing access to protected information) – when stored on a cloud server? Becoming a more common approach because of lower cost and DR. Providers should be segmenting your data from other clients. You should be protecting your company and its information
- Implementation Plan (changing BES Impact) – would existing Cyber System be afforded time? YES, starting on page 4 of the Implementation Plan, see “unplanned changes.” Planned changes??
- CIP-006 R1 (physical access control systems)?

EAP (serial connections)? not talking routable connection. A dedicated serial connection as an EAP is outside the scope of the Standards.

- ESP (data diodes)? device behind the data diode does not have external connectivity which means it does NOT meet the definition of External Routable Connectivity
- ICCP over dedicated serial communications? communications do not determine scope / functionality determines scope / if you are running a routable protocol that is in scope (serial refers to the wire)
- Bright Lines – 2.1 refers to all Generation at a location and 2.3 refers to Generation Facility – please clarify? 2.3 is intended for RMR for Reliability not for Market, but RMR raises concerns because it is a market term. Should be the same as version 4.
- CIP-005 – Intermediate Device must be outside the ESP and encryption ends at the Intermediate Device? Entities want to inspect that traffic before it gets to the BES Cyber System. There were a lot of concerns about encryption affecting logging
- Control Centers – please explain the TOP difference between High and Medium? If the CC controls at least one Medium Impact BES Cyber System then the CC is High, otherwise Medium

Ending Comments – please provide specific feedback since we need to file 1Q2013

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-brian

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RELIABILITY CORPORATION

Industry Webinar (2 of 2) for Version 5 CIP Standards: Successive Ballot Update

Project 2008-06 Cyber Security Order 706
September 21, 2012

RELIABILITY | ACCOUNTABILITY



- Introductions
- Details for September 11, 2012 Webinar
- Summary and Rationale of Changes
- Implementation Plan
- Question and Answer Session



Introductions

Steven Noess

- Introductions
 - John Lim, Standard Drafting Team (SDT) Chair
 - Philip Huff, SDT Vice Chair (Arkansas Electric Cooperative Corporation)
 - Jay Cribb, SDT Member (Southern Company)
 - Christine Hasha, SDT Member (ERCOT)
 - Steven Noess, NERC Standards Development Advisor



Details for September 11, 2012 Webinar

Steven Noess



The North American Electric Reliability Corporation's (NERC) 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 to establish and enforce reliability standards for the bulk power system. 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. ERO activities in Canada related to the reliability of the bulk power system are recognized and overseen by the appropriate governmental authorities in that country.

Cauley's Statement in Response to FERC's Creation of New Cyber Office

"The North American Electric Reliability Corporation (NERC) welcomes Chairman Wellinghoff's announcement of a new office within the Federal Energy Regulatory Commission (FERC) devoted to cyber and physical security issues. The creation of the Office of Energy Infrastructure Security reflects the importance FERC places on ensuring the security of our nation's bulk power system, and NERC looks forward to coordinating our critical infrastructure program with this new office. NERC has worked with Joe McClelland on issues related to reliability for many years and we look forward to continuing this productive relationship."

-- NERC President and Chief Executive Officer Gerry Cauley

[\[FERC announcement\]](#) [\[Wellinghoff statement\]](#)

CRITICAL
INFRASTRUCTURE



WEBINARS



CAREER
OPPORTUNITIES



NERC NEWS

09.20.2012
NERC Begins Hiring Search for Two Leadership Positions

09.06.2012
Cauley Speaks to WECC Board on Anniversary of September 2011 Outage

08.28.2012
NERC Realigns Management Team to Better Fit Changing Needs of ERO

08.17.2012
NERC Board Approves Reliability Issues Steering Committee Charter; Adopts Two Standards

06.28.2012
Make Plans to Attend NERC's Second Grid Security Conference in October

06.11.2012
Make Plans to Attend NERC's Cause Analysis and Data Workshop in Atlanta in July

[Link to NERC Newsroom](#)

About NERC: Resource Center

NERC's Resource Center makes educational products available to Regional Entities, industry participants, and regulators. These products are designed from a participant perspective, to improve reliability performance, as well as assist in the development of their own, internal programs.

Currently, you will find information on upcoming Webinars, past Webinars, Lessons Learned, and past NERC presentations. To register for an upcoming webinar, click on the "Upcoming Webinars" link.

2012 Webinars

Number	Title/Summary

	Revisions to Outstanding Violation Risk Factors and Violation Severity Levels Webinar Streaming Webinar

	Version 5 CIP Standards: A Focus on "Correcting Deficiencies" Streaming Webinar

	Risk-Based Compliance Monitoring and SOM-005 Webinar Streaming Webinar

	Project 2013-02: Paragraph 81 Streaming Webinar

	Protection System Misoperations Reporting and Trending Webinar Streaming Webinar

	Project 2009-01 - Disturbance and Sabotage Reporting (Event Reporting) Webinar Streaming Webinar

	State of Standards Webinar Streaming Webinar

	CEI Update Webinar July 11, 2012 Streaming Webinar



Summary and Rationale of Changes

John Lim

CIP Standards – Version History

Urgent Action 1200

- BOT Approved 07/2003
- Renewed 2005

CIP Version 1

- BOT Approval 5/2006
- FERC Approval 1/2008 (Order 706)

CIP Version 2

- BOT Approval 5/2009
- FERC Approval 9/2009

CIP Version 3 Currently Effective

- BOT Approval 12/2009
- FERC Approval 3/2010

CIP Version 4 Effective 4/1/2014

- BOT Approval 1/2011
- FERC Approval 4/2012 (approval effective 6/25/2012)

- Draft 1 – January 2012
- Draft 2 – May 2012
- Draft 3:
 - 30-day comment period September 11 – October 10, 2012
 - Parallel Successive Ballot October 1 – October 10, 2012
 - Recirculation Ballot – 4Q 2012 (October/November 2012)
 - Presentation to NERC Board of Trustees – 4Q 2012 (November/December 2012)

Comparative Table

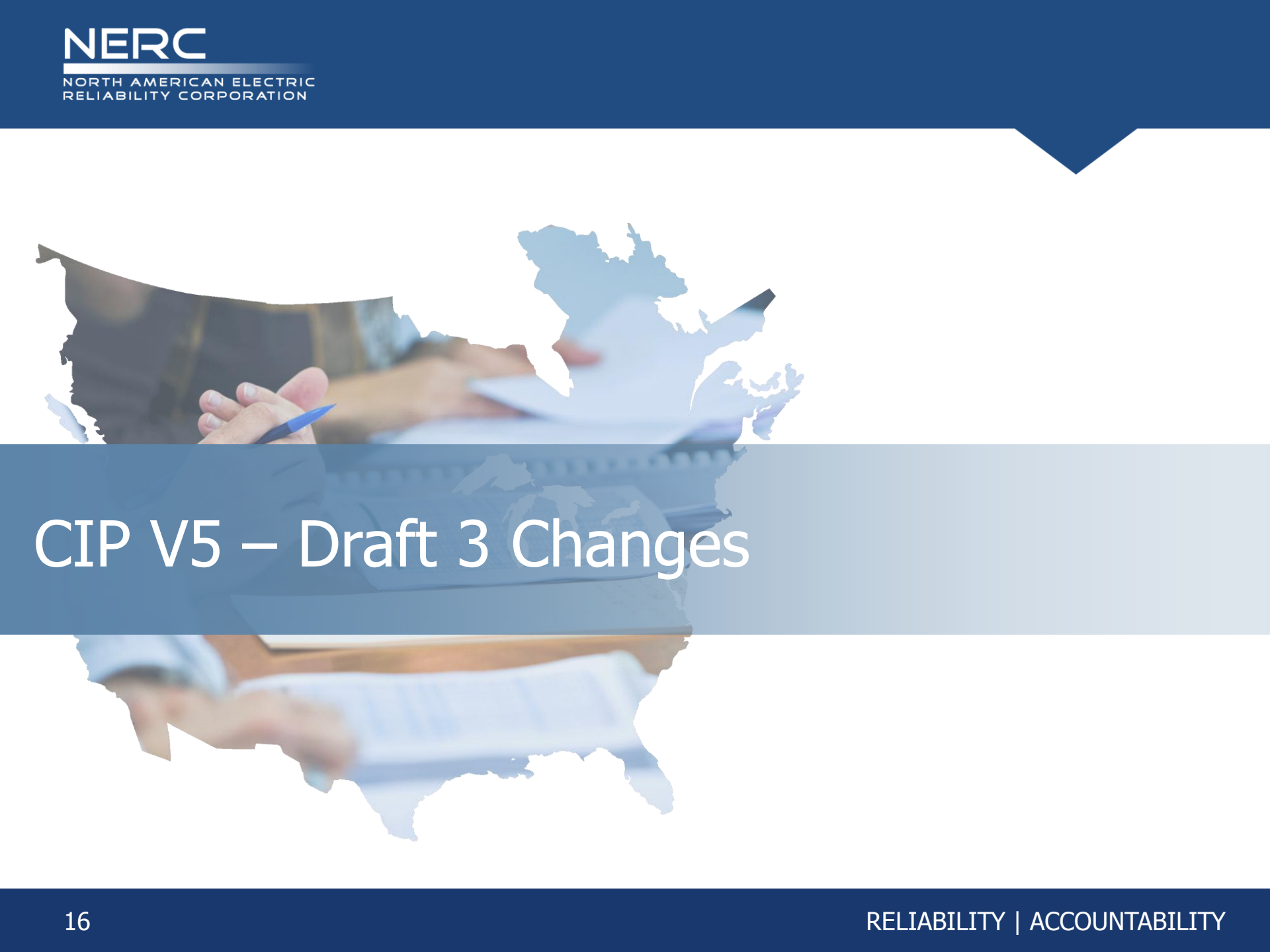
Version 4	Version 5
42 requirements; 113 parts	32 requirements; 110 Parts
No contextual information	Includes background, rationale, and guidelines and technical Basis
Many documentary compliance requirements	Many requirements include consideration for self correcting process improvement
Measures on high level requirement only	Measures for each requirement, including parts
14 requirements with Technical Feasibility Exception (TFE) triggering language	10 requirements with TFE triggering language
Undefined periodic terms	Clear periodic requirements: initial requirements in Implementation Plan
Many binary Violation Severity Levels (VSLs)	More gradated VSLs

- Addresses the remainder of 60 directives in FERC Order No. 706
- Focuses on the reliability and security result
- Eliminates unnecessary documentation requirements
- Identifies examples of evidence
- Provides guidance and context alongside each requirement
- Informed by and responsive to implementation and audit lessons from Versions 1 through 3

- Consideration of comments from Draft 2
- Incorporation of language to enable risk-based compliance monitoring
- Phase 1 of Paragraph 81 Project
- Consideration of Order 761 comments and directives related to CIP V5

- VSLs
 - Gradated approach where appropriate
 - Includes consideration of identify, assess, and correct language
- Sample Reliability Standard Audit Worksheet (RSAW)
 - Reflect risk-based compliance monitoring process
 - SDT input in development
- Posted with Draft 3 package

- Applicability – Section 4
 - Distribution Provider
 - UVLS/UFLS
 - Cranking Path Elements
 - Protection Systems for the BES
 - Load-Serving Entity removed
 - Interchange Coordinator or Interchange Authority



CIP V5 – Draft 3 Changes

- Asset-based approach
 - List of types of assets to be considered
 - Similar to CIP-002-3 R1.2 list
 - Identify and categorize High and Medium Impact Bulk Electric System (BES) Cyber Systems, if any, at each asset
 - Identify assets that contain Low Impact BES Cyber Systems
- Update upon BES change
 - Not a separate requirement
 - Part of annual review at a minimum

- 3000 MW threshold for High Balancing Authority (BA) Control Center
 - 1500 MW threshold for Medium BA Control Center
- 1500 MW threshold for Medium Generator Operator Control Center
- Generator Interconnection Facility
 - Criteria 2.4, 2.5, 2.8
 - *“Sole-use facility for the purpose of connecting the generating unit(s) to the transmission grid. In this regard, the sole-use facility only transmits power associated with the interconnecting generator, whether delivered to the grid or delivered to the generator for station service or auxiliary load, or delivered to meet cogeneration load requirements.”*
- Low Impact Category
 - Reiterates list of types of assets in scope

- **BES Cyber Asset**

- “A Cyber Asset is not a BES Cyber Asset if, for 30 consecutive calendar days or less, it is directly connected to a network within an ESP, a Cyber Asset within an ESP, or to a BES Cyber Asset, “...

- **Control Center**

- “One or more facilities hosting operating personnel that monitor and control the Bulk Electric System (BES) in real-time to perform the reliability tasks, including their associated data centers, of: 1) a Reliability Coordinator, 2) a Balancing Authority, 3) a Transmission Operator for transmission Facilities at two or more locations, or 4) a Generation Operator for generation Facilities at two or more locations.”

- Policy for Low Impact (R2)
 - All requirements for Low Impact consolidated into CIP-003-5 R2
 - Applies to “assets identified in CIP-002-5, Requirement 1, Part 1.3”
 - These are not Cyber Assets, but rather the Control Centers, transmission substations, generation assets, etc. where the Low Impact BES Cyber Systems are located
 - R2, Part 2.3 is responsive to FERC Order 761, paragraph 87 which supported the inclusion of ESPs “of some form” for all BES Cyber Systems

- Policy for High and Medium BES Cyber Systems
 - Clarified topics to be covered are correlated with CIP-004 through CIP-011
 - Removed obligation to “implement”
 - Implementation covered by demonstration of compliance with CIP-004 through CIP-011
- Review and approval
 - Combined requirement for review and approval with the policy requirements themselves (R1 and R2)
- Updates to CIP Senior Manager and Delegations
 - Combined requirement for update of documentation with the requirements to designate (R3 and R4)

- Clarified the association of EACMS, PACS and PCA
- System-based protection can still apply to the associated Cyber Assets
- An applicability matrix is available under “Related Files” on the team page

High Impact BES Cyber Systems and their associated:

1. EACMS;
2. PACS; and
3. PCA

Medium Impact BES Cyber Systems and their associated:

~~Associated Physical Access Control Systems~~

~~Associated Electronic Access Control or Monitoring Systems~~

- ~~1. Associated Protected Cyber Assets~~ EACMS;
2. PACS; and
3. PCA

- Medium Impact BES Cyber System with External Routable Connectivity
 - Used 102 times
- Medium Impact BES Cyber Systems at Control Centers
 - Used 28 times
- Medium Impact BES Cyber Systems with Dial-up Connectivity
 - Used one time in CIP-005-5
- Locally mounted hardware or devices at the Physical Security Perimeter associated with High/Medium
 - Used one time in CIP-006-5
- Electronic Access Points (EAPs) associated with High/Medium

- Per Cyber System/Asset Capability
 - CIP-007-5 Requirement Parts 4.1, 5.4, 4.2
 - CIP-009-5 Requirement Part 1.5
- Maximum supported by the Cyber Asset
 - CIP-007-5 Requirement Part 5.5
- TFE
 - CIP-005-5 Requirement Part 1.4, R2
 - CIP-006-5 Requirement Part 1.3
 - CIP-007-5 Requirement Parts 1.1, 4.3, 5.1, 5.6, 5.7
 - CIP-010-5 Requirement Parts 1.5, 3.2

- **FERC Order No. 706**

¶ 460: The Commission adopts the CIP NOPR proposal to direct the ERO to develop modifications to CIP-004-1 to require ***immediate revocation*** of access privileges when an employee, contractor or vendor no longer performs a function that requires physical or electronic access to a Critical Cyber Asset for any reason (including disciplinary action, transfer, retirement, or termination).

¶ 461: As a general matter, the Commission believes that revoking access when an employee no longer needs it, either because of a change in job or the end of employment, ***must be immediate***.

Notification of Termination of Employment or Contract

- Involuntary termination
- Voluntary termination
- Retirement
- Death

Electronic & Physical Access

- Initiate documented process immediately upon notification
- Revoke ***ability to access*** within 24 hours
- Clean up accounts within 30 days

Information Access

- Revoke access at end of next business day following notification of termination

Shared Account Access

- Revoke access within 30 days of notification of termination

Change in Job Responsibilities

- Transfer
- Reassignment

All Access

- Review access at time of change in responsibilities
- Revoke access at end of next business day when determined no longer needed

- Confusion in Version 1-4 Access Requirements
 - CIP-003 R5
 - CIP-005 R1.5, R2.5.3
 - CIP-006 R1.5, R2.2
 - CIP-007 R5.1.1, R5.1.3

- Permit deficiency correction to focus on the end state of physical security.
 - “Monitor for unauthorized access” vs. “Monitor 24x7”
- “Monitor for unauthorized access **through a physical access point**” vs. “**circumvention** of a physical access control”

Requirements
~~Have controls that monitor the Physical Security Perimeter twenty four hours a day, seven days a week (with 99.9% availability), for unauthorized circumvention of a physical access control into a Physical Security Perimeter.~~



Requirements
Monitor for unauthorized access through a physical access point into a Physical Security Perimeter.

- Electronic Security Perimeters (ESPs)
 - Network security, not “compliance boundary” focus
 - Only required on routable protocol networks
- Protected Cyber Assets (PCAs)
 - Historically known as “non critical Cyber Assets”

- High Water Marking
 - A new concept from our tiered impact model
 - Highest impact BES Cyber System in a network determines impact level of all Cyber Assets in the ESP

- External Routable Connectivity
 - Ability to access a BES Cyber System from outside the ESP via a bi-directional routable protocol
 - Require inbound and outbound permissions on EAPs

- Patch Management
 - Changed to a monthly process instead of per-patch process
 - No mitigation plans needed if patch installed
 - Existing mitigation plans may be modified with approval
- Malware
 - 35-day signature update requirement replaced
 - Have a process for updating that includes testing and installing

- A large number of comments directed at CIP-008-5 and EOP-004-2 requesting Cyber Security Incident reporting be handled in CIP-008-5
 - One-hour threshold in FERC Order No. 706, Paragraphs 673 and 676
- Reporting threshold is relative to the **incident identification** and **NOT the actual occurrence**, which may be different
- Entities may still have a **single reporting process** covering both CIP-008-5 and EOP-004-2

Reference to prior version: <i>CIP-008, R1.1</i>		Change Description and Justification: <i>"Characterize" has been changed to "identify" for clarity. "Response actions" has been changed to "respond to" for clarity.</i>	
1.2	High Impact BES Cyber Systems Medium Impact BES Cyber Systems	~~A process~~ <u>One or more processes</u> to determine if an identified Cyber Security Incident is a Reportable Cyber Security Incident <u>and notify the Electricity Sector Information Sharing and Analysis Center (ES-ISAC). Initial notification to the ES-ISAC, which may be only a preliminary notice, shall not exceed one hour from identification.</u>	~~Evidence~~ <u>Examples of evidence</u> may include, but ~~is~~ <u>are</u> not limited to, dated documentation of Cyber Security Incident response plan(s) that provide guidance or thresholds for determining which Cyber Security Incidents are also Reportable Cyber Security Incidents. ~~and~~ <u>documentation of initial notices to the Electricity Sector Information Sharing and Analysis Center (ES-ISAC).</u>

- Added the correction of deficiencies to the configuration change management process
- Cleaned up references to other standards throughout CIP-010
 - Update of documentation for CIP-005 – CIP-007 part of expected compliance program instead of being explicitly called out as part of the change process
 - Removed references to other standards as part of the vulnerability assessment
- Correction of deficiencies not included for vulnerability assessments
 - However, the vulnerability assessment may be a part of the identification of deficiencies for other requirements (e.g. CIP-007-5 R1)

- Added the correction of deficiencies to the information protection program
 - Removed the requirement to annually assess the program
 - Covered by the concept of identification, assessment, and correction of deficiencies

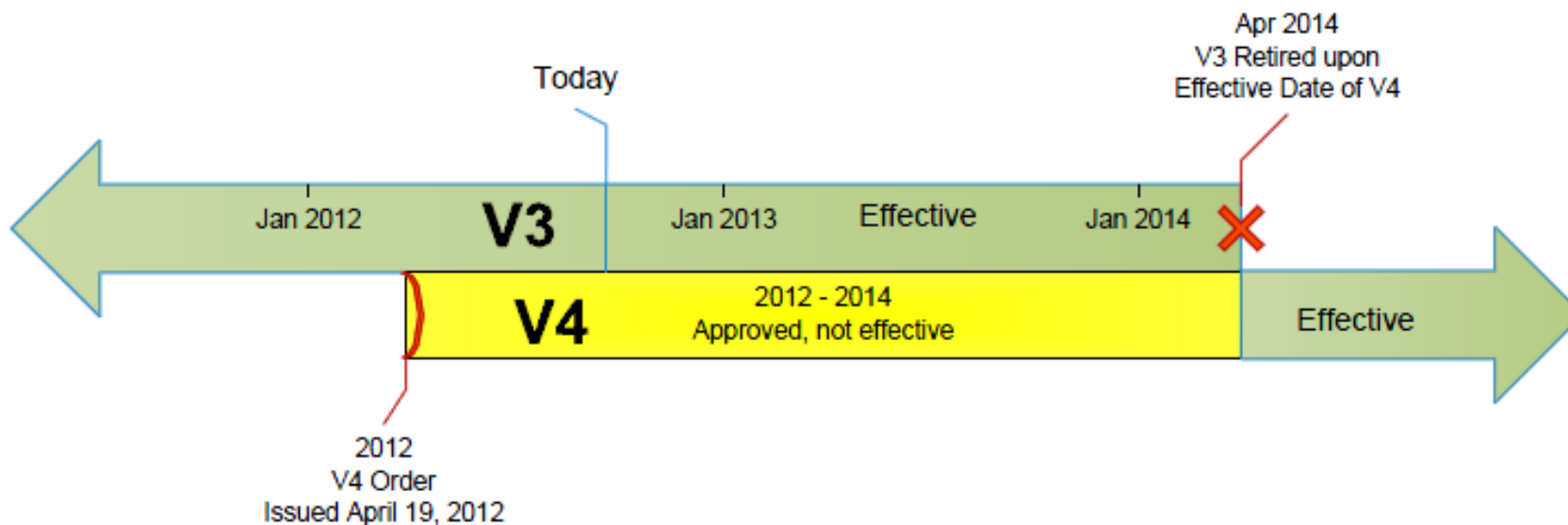


Implementation Plan

Philip Huff

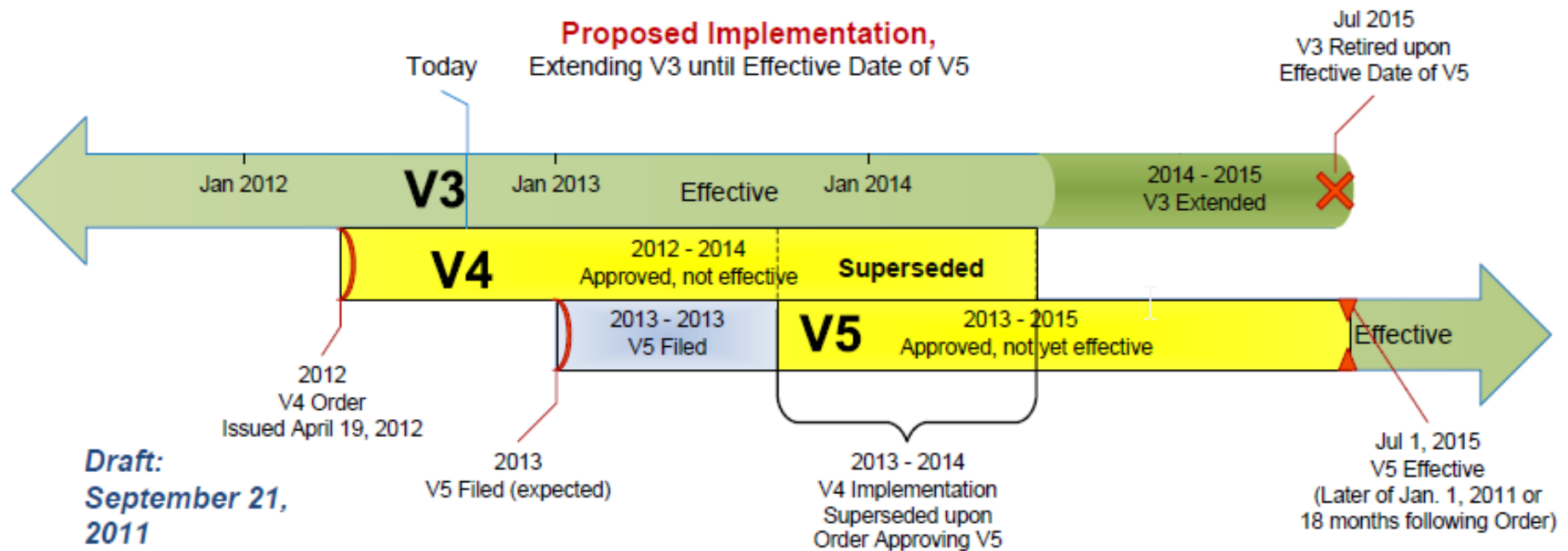
- Effective after FERC Approval
 - Two years for CIP-002-5 Categorization and Complying for High and Medium BES Cyber Systems
 - Three years for Low Impact BES Cyber Systems

Implementation Plan for Version 4 of CIP Cyber Security Standards



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)



- 30-day comment period September 11 – October 10, 2012
- Parallel Successive Ballot October 1 – October 10, 2012
- Recirculation Ballot – 4Q 2012 (October/November 2012)
- Presentation to NERC Board of Trustees – 4Q 2012 (November/December 2012)
- During implementation window:
 - Webinars and conferences for Industry/Electric Reliability Organization/Regions
 - Venue to collaborate and share ideas for ensuring strong programs and consistency in assessment of programs

- Please submit your questions via the ReadyTalk chat window
- The slides and recording of this webinar will be posted to the NERC website within three business days
<http://www.nerc.com/page.php?cid=1|83>

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NORTH AMERICAN ELECTRIC
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Industry Webinar: Risk-Based Compliance Monitoring and COM-003

Project 2007-02 Operating Personnel Communications Protocols
Standard Drafting Team

September 6, 2012

RELIABILITY | ACCOUNTABILITY



It is NERC's policy and practice to obey antitrust laws.

Prohibited Activities:

- Discussions involving pricing information, margin, internal cost, future prices or internal costs.
- Discussions of a participant's marketing strategies.
- Discussions on how customers and areas are to be divided among competitors and the exclusion of any competitors, vendors and suppliers from markets.

- Participants are reminded that this Webinar is public. The access number was posted on the NERC website and widely distributed.
- Speakers on the call should keep in mind that the listening audience may include members of the press and representatives of various governmental authorities, in addition to the expected participation by industry stakeholders.

- Remarks by NERC President and CEO, Gerry Cauley
- Remarks by the Operating Personnel Communications Protocols Standard Drafting Team (OPCPSDT) Chair, Lloyd Snyder
- Risk-Based Compliance Monitoring by Mike Moon, Senior Director of Reliability Risk Management
- Draft Reliability Standard COM-003
- Draft Reliability Standard Audit Worksheet (RSAW)
- Next steps
- Summary

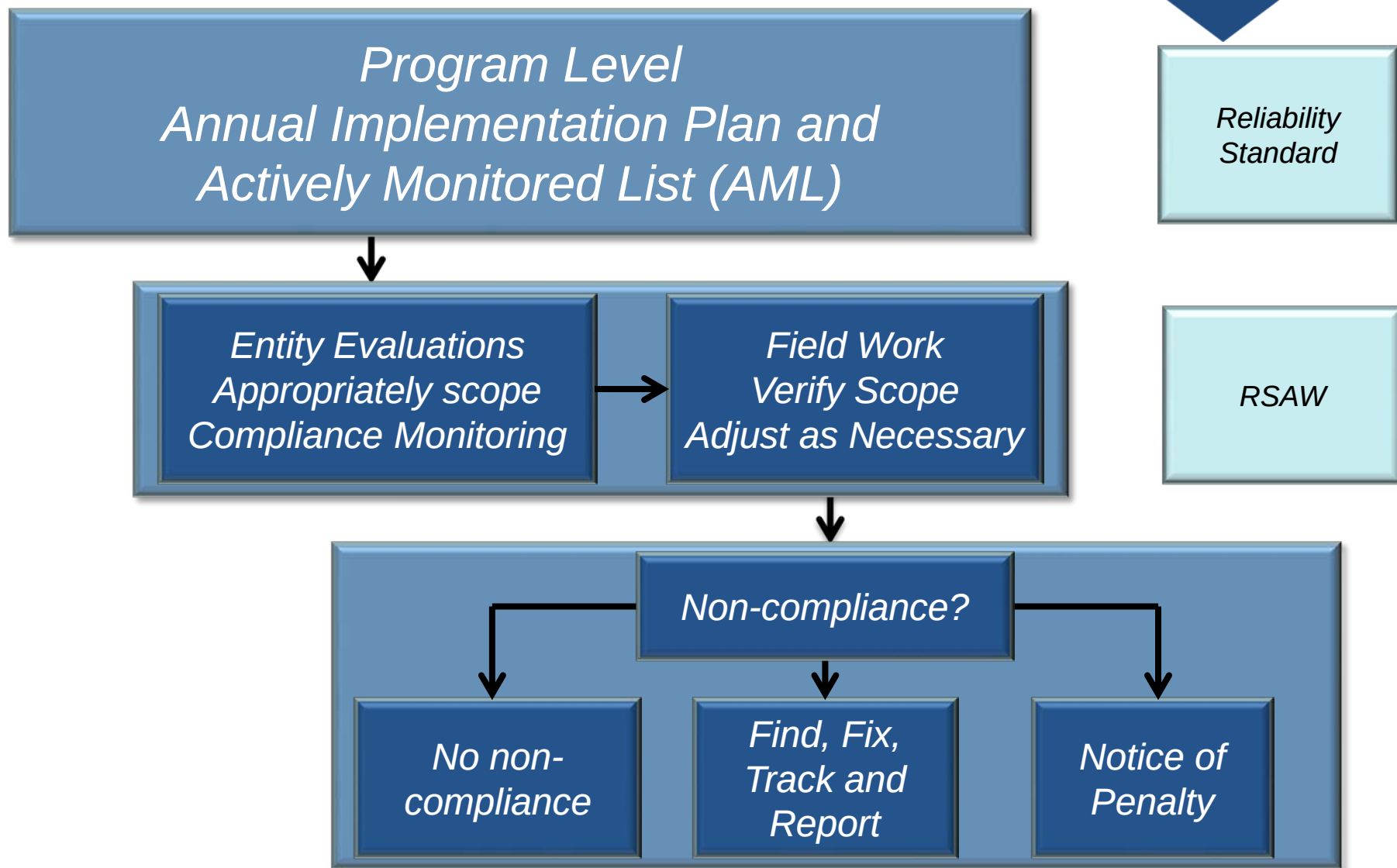


Remarks by NERC President and CEO, Gerry Cauley



Risk-Based Compliance Monitoring

Risk-Based Compliance Monitoring



Entity level

- AML Tier 1 provides base
- Entity assessment
- Field work
 - Consider the control environment
 - Test and assess the entities procedures
 - Identify, assess and correct deficiencies
- Self and continuous improvement
- Look at program and system



COM-003-1 Overview

- Today's important takeaways:
 - **New!!** -- Draft 3 of COM-003-1 represents a new paradigm for reliability standards
 - **New!!** -- COM-003-1 RSAW was developed in concert with the standard
 - Standard COM-003-1 addresses an important reliability gap

COM-003-1 Draft 3 Addresses:

- The 2003 Blackout Report
 - “Ineffective communications contributed to a lack of situational awareness and precluded effective actions to prevent the cascade. Consistent application of effective communications protocols, particularly during alerts and emergencies, is essential to reliability.”
 - Report also recommended that industry “...tighten communications protocols, especially for communications during alerts and emergencies.”

- FERC Order 693, P.532
 - Directs the Electric Reliability Organization and the industry to develop communication protocols based on a set of guidelines
- The 2007 COM-003-1 Standard Authorization Request
 - Requires the development of communications protocols for use by real-time system operators “during normal and emergency operations to improve situational awareness and shorten response time.”
- One of the eight high priority issues identified in the NERC President’s Top Priority Issues for Bulk Power System Reliability Issued January 7, 2011

- Confusion in transitioning from normal conversation to formal communications can result in:
 - Unclear instructions
 - Whether an instruction is a suggestion or a directive
 - Whether specific action is required or a set of alternative actions are permissible
 - What elements of the system are being addressed



Highlights of COM-003-1 Draft 3 Changes

Definition changes

Operating Instruction — Command from a System Operator to change or preserve the state, status, output, or input of an Element of the Bulk Electric System or Facility of the Bulk Electric System.

Completely changed:

Requirement Section

Measure Section

Violation Risk Factor (VRF) and Violation Severity
Level (VSL) Section

Made Changes to:

Compliance Section to address comments

Requirement R1

Entities that both issue and receive Operating Instructions shall have documented communication protocols.

Requirement R2

Entities that (only) receive Operating Instructions shall have documented communication protocols.

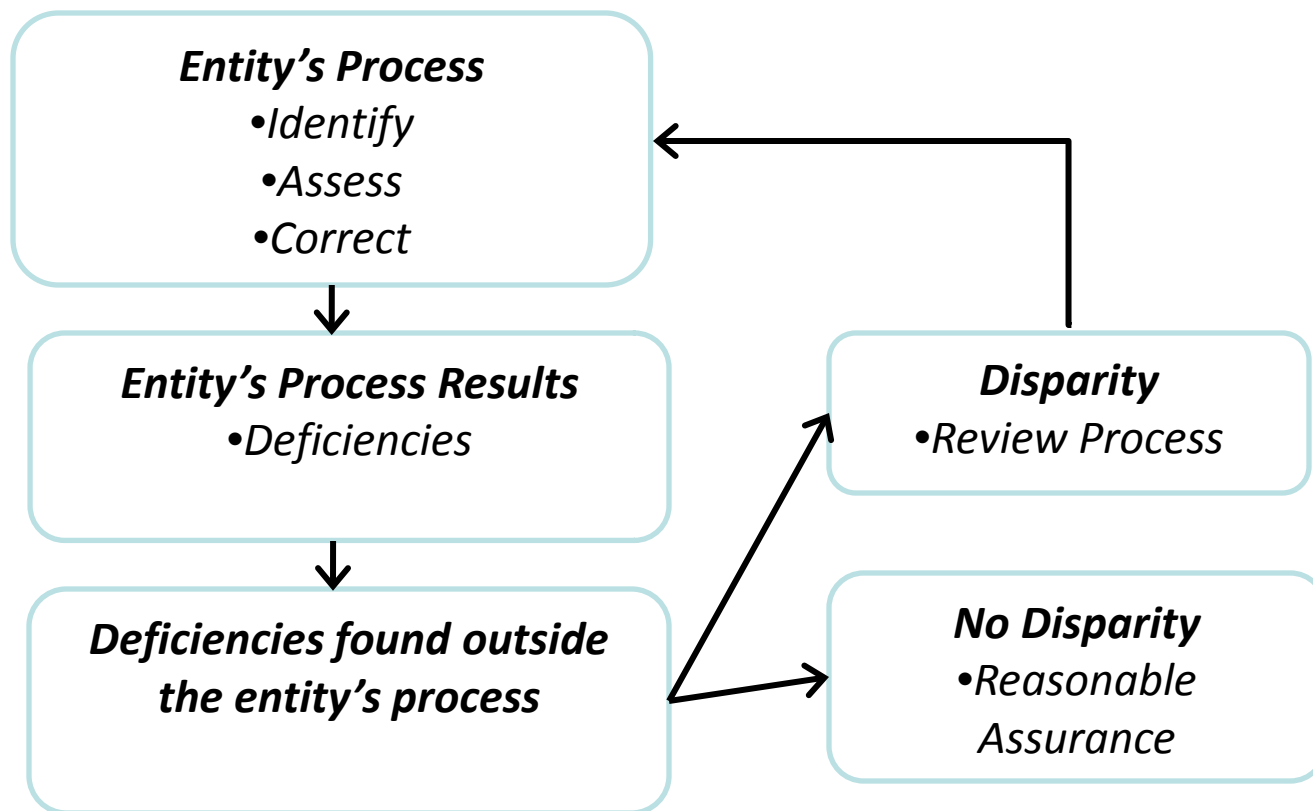
Requirement R3 and R4

Entities shall implement a process for identifying deficiencies with adherence to the documented communication protocols specified in Requirement R1 and R2 that:

- Identifies potential deficiencies,
- Assesses the deficiencies found,
- Corrects the deficiencies, and
- Evaluates the process based on deficiencies found external to Part.1

- R1 and R2
- Each entity must have documented communication protocols for Operating Instructions that incorporate the certain elements

Feedback diagram (R3 Part 3.4 and R4 Part 4.4)



R3 and R4:

- Identifies, assesses and corrects deficiencies
 - Generally not a finding of non-compliance
 - Evaluate deficiencies found outside the Entity's implemented process
 - Modify the process when necessary; or
 - Demonstrate that no modification is necessary
- More Compliance Enforcement Authority (CEA) guidance in RSAW section



COM-003-1 Draft RSAW

- The OPCPSDT and NERC compliance staff worked together
- Goal: Compliance expectations aligned between the standard and RSAW

Excerpt from R3 from COM-003-1 RSAW Note 1:

The entity has implemented its internal process to identify, assess and correct deficiencies in the entity's execution of its communication protocols.

- Verify that the entity is identifying, assessing, and correcting deficiencies in its execution of its process:
 - Obtain a copy of the entity's process
 - Understand the entity's process
 - Deviation from process is not necessarily a possible non-compliance

- CEA to review a sample of the entity's communication activities based on the auditor's confidence in the entity's ability to identify, assess, and correct its deficiencies
- Where the auditor can verify that the entity is identifying, assessing, and correcting its own deficiencies, the auditor will not have a finding of non-compliance

- If an entity is not adequately identifying, assessing, and correcting its own deficiencies due to limitations in its process, the auditor will not necessarily have a finding of non-compliance. The auditor will provide the entity with recommendations as necessary .
- Deficiencies self-identified and addressed through identification, assessing and correction activities should not be noted as possible non-compliance.
- Based on the results of the compliance monitoring, the CEA is to determine whether any follow up compliance monitoring is necessary.

Excerpt form R3 from COM-003-1 RSAW Note 2:

The entity has implemented its method for evaluating the process based on deficiencies found external to Part 3.1 and determining whether modification of the process is necessary.

- Where same or similar deficiencies continue to occur after the entity was provided the feedback by the CEA, the CEA will seek to understand what changes the entity made to their process based on prior recommendations.
- If changes to the entity's process are not implemented to identify, assess and correct deficiencies, the auditors may make a determination of possible non-compliance with Requirement 3, Part 3.4.



COM-002-3 and COM-003-1

Operating Instructions

Command by a System Operator to change or preserve the state, status, output, or input of an Element of the Bulk Electric System or Facility of the Bulk Electric System.

English, 24-hour clock, time-zone, owner's identifier, and alpha-numeric identifiers

COM-003-1

COM-002-3

Normal Communication

**Reliability
Directives**

3-Part

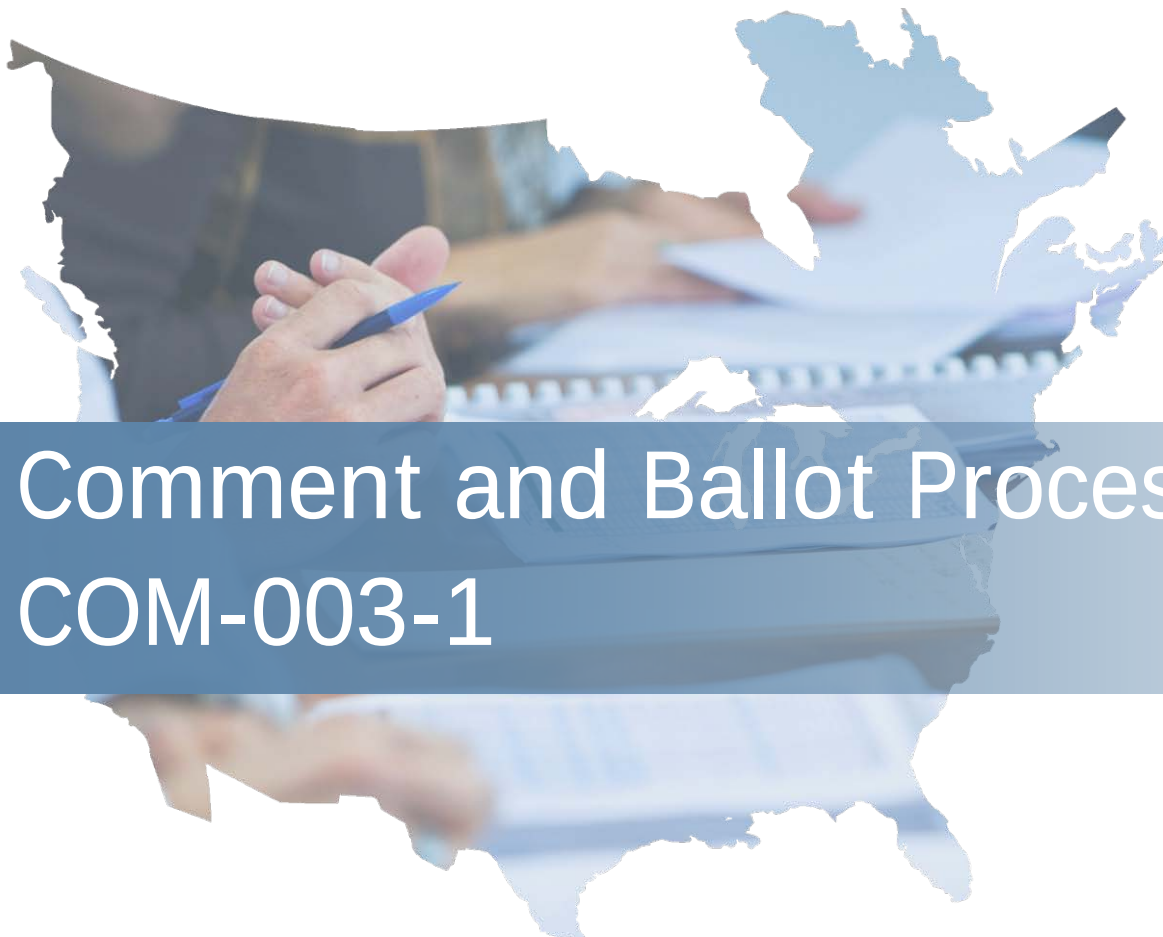
3-Part

R #	Time Horizon	VRF	Violation Severity Levels			
			Lower VSL	Moderate VSL	High VSL	Severe VSL
R1	Long Term Planning	Low	The responsible entity did not include one (1) of the nine (9) parts of Requirement R1, Parts 1.1 to 1.9 in their documented communication protocols	The responsible entity did not include two (2) of the nine (9) parts of Requirement R1, Parts 1.1 to 1.9 in their documented communication protocols	The responsible entity did not include three (3) of the nine (9) parts of Requirement R1, Parts 1.1 to 1.9 in their documented communication protocols	The responsible entity did not include four (4) or more of the nine (9) parts of Requirement R1, Parts 1.1 to 1.9 in their documented communication protocols OR The responsible entity did not have documented communication protocols as required in Requirement R1.

R #	Time Horizon	VRF	Violation Severity Levels			
			Lower VSL	Moderate VSL	High VSL	Severe VSL
R2	Long Term Planning	Low	N/A	N/A	The responsible entity did not include one (1) of the two (2) parts of Requirement R2, Parts 2.1 to 2.2 in their documented communication protocols	The responsible entity did not include Parts 2.1 to 2.3 (3) of Requirement R2, in their documented communication protocols OR The responsible entity did not have documented communication protocols as required in Requirement R2.

- R3 and R4
 - Time Horizons - Operations Planning
 - Medium VRFs
 - Binary VSL

- Today's important takeaways:
 - **New!!** -- Draft 3 of COM-003-1 represents a new paradigm for reliability standards
 - **New!!** -- COM-003-1 RSAW was developed in concert with the standard
 - Standard COM-003-1 addresses an important reliability gap



Comment and Ballot Process for COM-003-1

Stakeholder Consensus Process

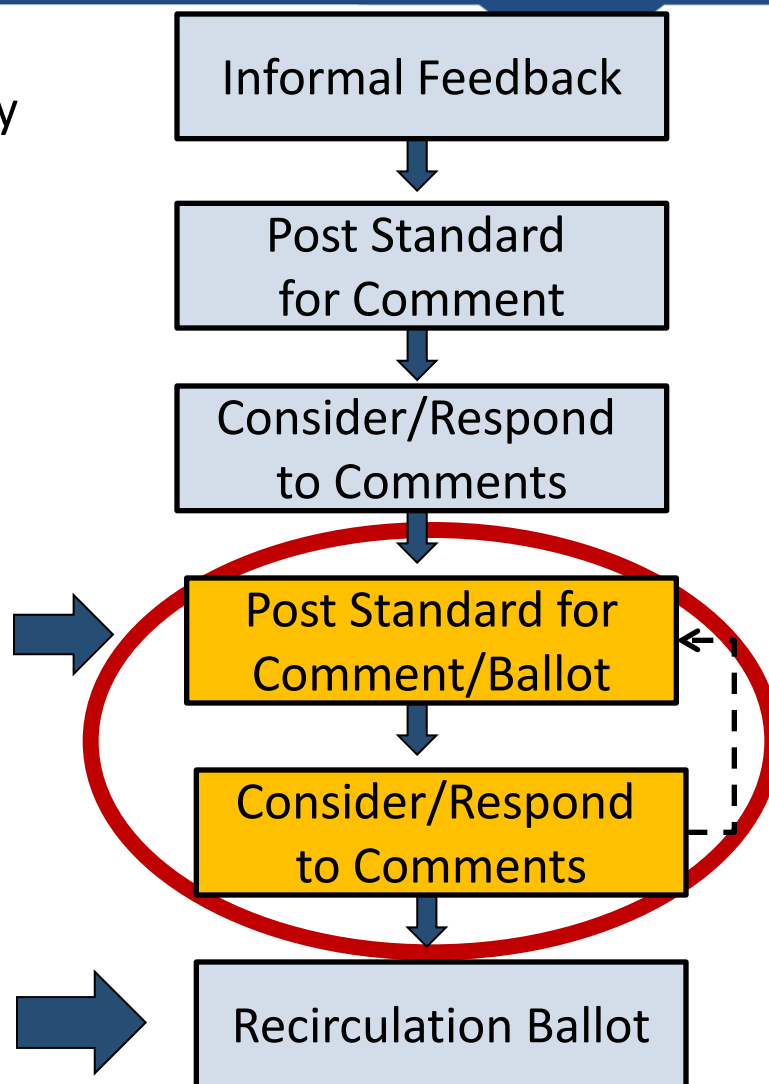
Posted for 30-day Formal Comment and 10-day
Successive Ballot

New/Successive Ballot:

At this step, the standard is either “new” or significantly changed from the last version posted for comment/ballot. The ballot record starts with no votes and no comments.

Recirculation Ballot:

At this step, there have been no significant changes to the standard from the last ballot. The ballot record starts with all votes and comments from the previous ballot.



- August 22, 2012 through September 20, 2012
 - Formal 30-day comment period
- September 11, 2012 through September 20, 2012
 - Initial Ballot and Non-binding Poll open
 - Definition
 - Implementation Plan
 - VSLs and VRFs



Navigating Stakeholder Input Toward Consensus

- Stakeholder feedback is essential
- Almost 270 pages of comments and responses
- Very comprehensive comments from last posting
- Drafting team considered all viewpoints



- Ballot comments
 - Submit through “checkbox form” – not within ballot
 - No need to submit same comment more than once
- Comments on proposed standards
 - Submit through electronic form
 - Be brief
 - Focus on question asked
 - Indicating agreement with others is preferred over copying the comments (e.g., “ABC agrees with XYZ’s comments...” or “ABC agrees with XYZ’s comments except for ...”)

- Unofficial comment form
 - Provided to assist comment development
 - Formatting will not transfer from unofficial form to official form (web-based)
- Warning included on comment form:



VERY IMPORTANT:

Please note that **the official comment form does not retain formatting** (even if it appears to transfer formatting when you copy from the unofficial Word version of the form into the official electronic comment form). If you enter extra carriage returns, bullets, automated numbering, symbols, bolding, italics, or any other formatting, that formatting will not be retained when you submit your comments. Therefore, if you would like to separate portions of your comment by idea, e.g., the drafting team requests that each distinct idea in the same comment block be prefaced with (1), (2), etc., instead of using formatting such as extra carriage returns, bullets, automated numbering, bolding, or italics.

Sample Comment Form

1. The SDT modified the requirement for use of the R1 Part 1.2 NATO phonetic alphabet to allow use of another correct alpha numeric clarifier. Do you agree with this modification?

☐ Yes

☐ No

2. The SDT modified the requirement R1 Part 1.1.4 for use of identifiers for interface Elements/Facilities only. The identifiers will be assigned by the transmission owner of the Elements/Facilities. Do you agree with this modification?

☐ Yes

☐ No

3. Do you agree with the VRFs and VSLs for Requirements R1, R2 and R3?

☐ Yes

☐ No

4. Do you have any other comments or suggestions to improve the draft standard?

☐ Comments:

- Issues and responses for each individual requirement
- Effective feedback:
 - Specific to question
 - Provide proposed change/rationale
- Less effective feedback:
 - Repeating comment multiple times/responses to entire standard in every question
 - No reference to where suggested change should occur
 - Non-specific concerns, e.g. “I do not like this standard.”



COM-003-1 Schedule

- **September 2012:** Successive Ballot
- **October 2012:** Recirculation Ballot
- **November 2012:** Present Standard to the NERC BOT

- Please submit your questions via the ReadyTalk chat window (referencing the slide number if possible)
- Moderator and point of contact – Joseph Krisiak, NERC
 - Joseph.krisiak@nerc.net
- Key dates:
 - August 22, 2012 through September 20, 2012 – Formal Comment Period
 - September 11, 2012 through September 20, 2012 – Ballots Open
- Slides and recording of this webinar will be posted to the NERC website (usually within three business days)

From: [Jordan Mallory](#)
To: [Jordan Mallory](#)
Subject: NERC Webinar Announcement: FAC Alert Recommendation Update
Date: Monday, September 24, 2012 4:37:43 PM

Webinar Announcement

Facility Ratings (FAC) Alert Recommendation Update

October 3, 2012 | 1:00–2:00 p.m. EDT

Click here for: [Webinar Registration](#)

Click here for: [Facility Ratings Alert Webpage](#)

Topic: NERC is conducting a webinar to provide “medium” priority Transmission Owner assessment information received in response to the July 17, 2012 update for the FAC Alert Recommendation. Background information is posted for your convenience on the Facility Ratings Alert page of the NERC website. NERC encourages participants to submit questions prior to the webinar to the email address provided below.

Invited Audience: NERC Members and Industry Stakeholders.

Access: Registration information will be provided to those who register at the link above. Pre-registration is required for the FAC Alert Recommendation Update webinar. This webinar will be broadcast using broadcast audio and a webinar. A conference dial-in number is also provided for those who need it.

For more information or assistance, please contact [Jordan Mallory](#) (via email).

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Suite 600, North Tower
Atlanta, GA 30326
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NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

FAC Recommendation Update

Medium Priority Assessments

Roman Carter, Manager – Reliability Assurance
October 3, 2012

RELIABILITY | ACCOUNTABILITY



Background on Alert:

- A vegetation contact by a Transmission Owner identified actual field conditions that varied significantly from design assumptions – to the point where some facility ratings were considered inaccurate or in question.
- Follow-up resulted in the conclusion that this situation was not restricted to one entity or region.
- As a result, NERC issued an Alert Recommendation to proactively identify other such conditions and promote corrective actions.

FAC Alert Milestones:

- October 7, 2010 – Original Alert issued
- October 28, 2010 and November 29, 2010 – Informational webinars
- November 30, 2010 – Revised Alert and Gerry Cauley Letter
- January 14, 2011 – Q&A document issued
- April 26, 2011 – Assessment Plan Review Criteria issued
- May 12, 2011 – Webinar: Discussed Assessment Plan Review Criteria and reporting by owners
- June 16, 2011 – Published webinar participant Q&A

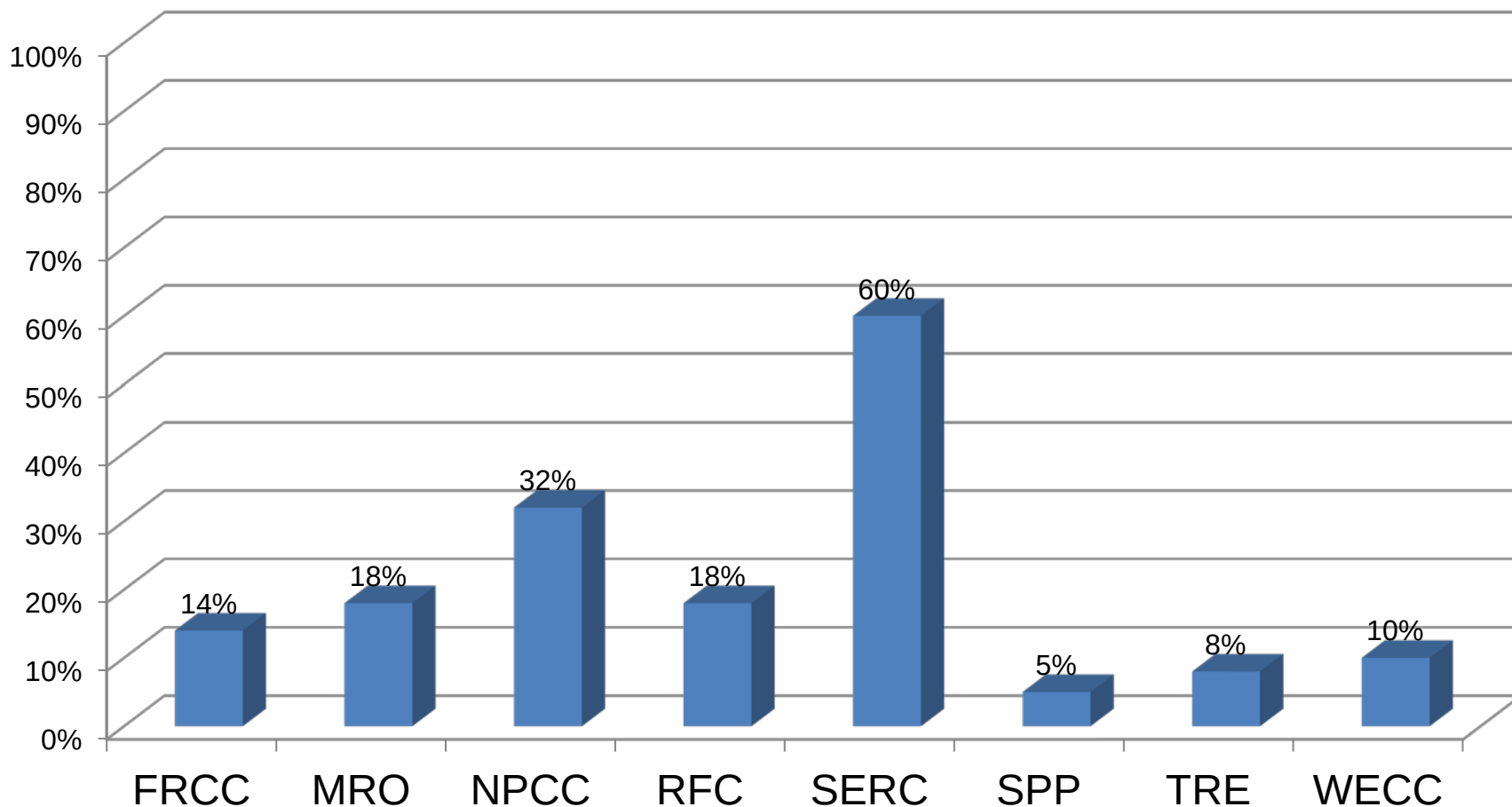
FAC Alert Milestones:

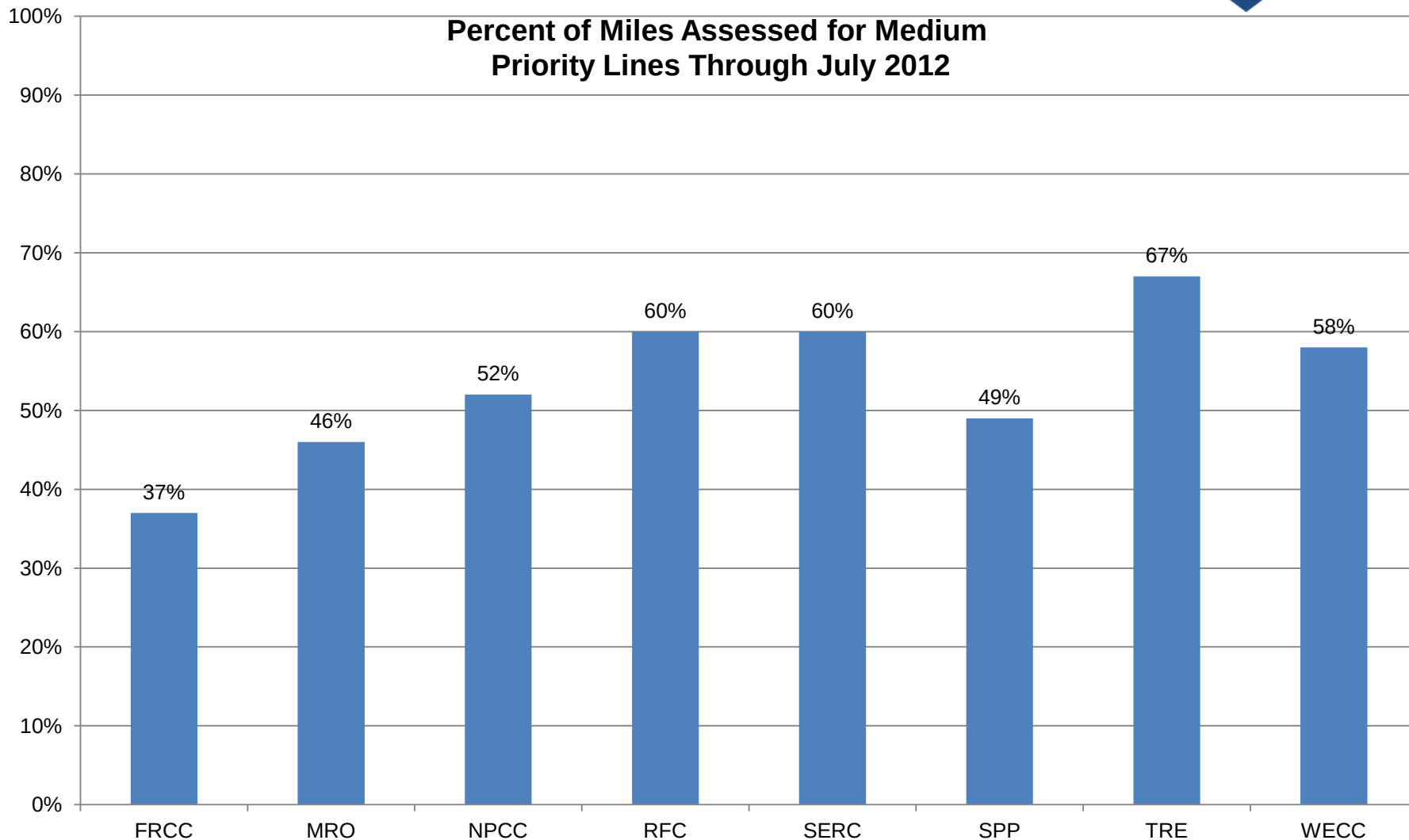
- July 15, 2011 – First “high” priority assessment due date
- September 22, 2011 webinar- results from July 2011 report
- January 15, 2012- Second assessment report on high priority transmission lines submitted by transmission owners.
- March 20, 2012- Update webinar provided to industry for the second “high priority” owner assessments performed.
- October 3, 2012 – First of two medium update webinars provided to Industry.

High Priority Assessment Responses:

- All High Priority Lines have been assessed
- Approximately 6,900 circuits were assessed
- Approximately 84,000 miles of line were assessed
- Approximately 10,000 discrepancies were discovered
- Approximately 52 percent have been mitigated as of July 17, 2012

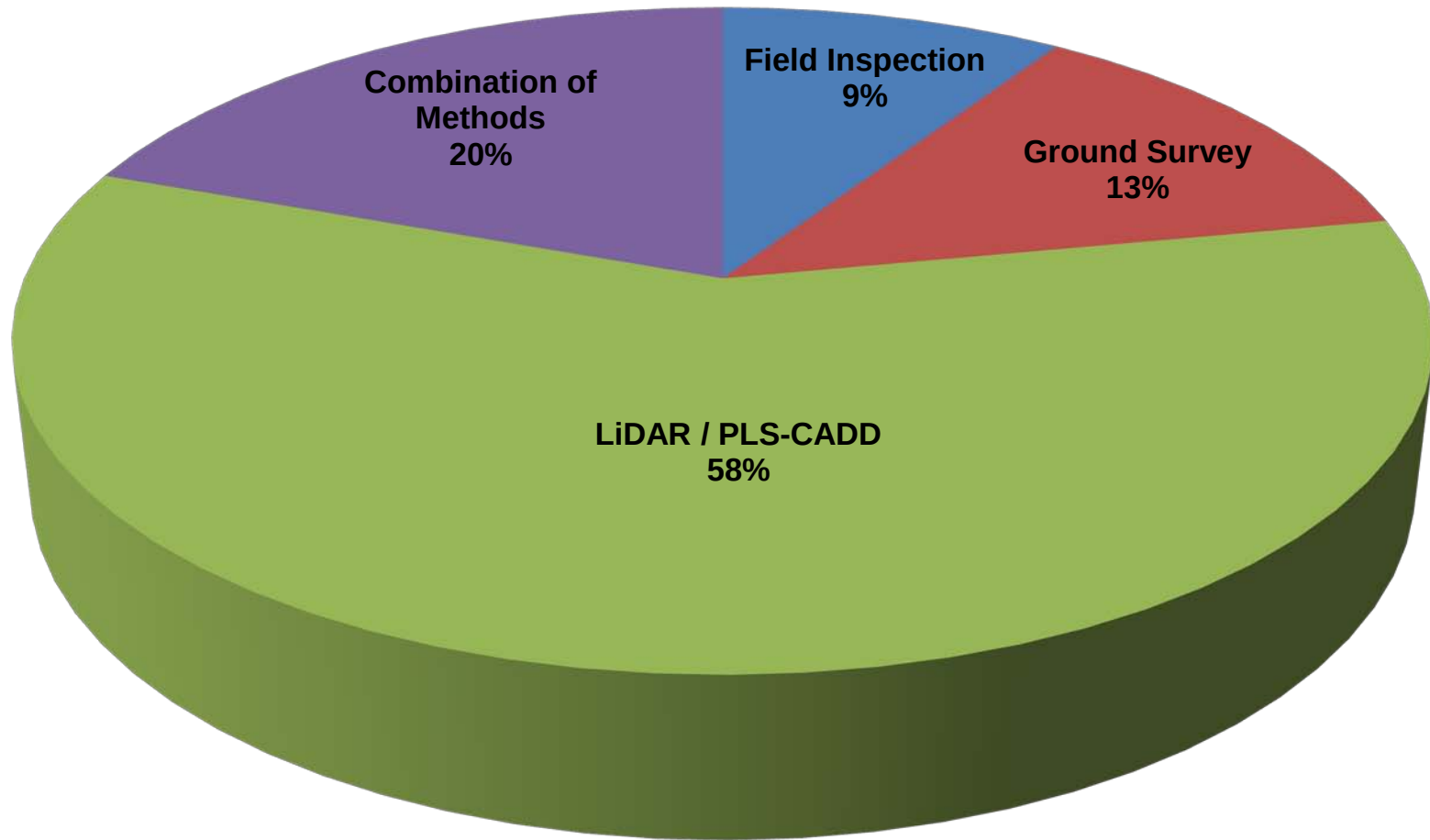
Percent of Assessed Medium Circuits with Discrepancies Through July, 2012





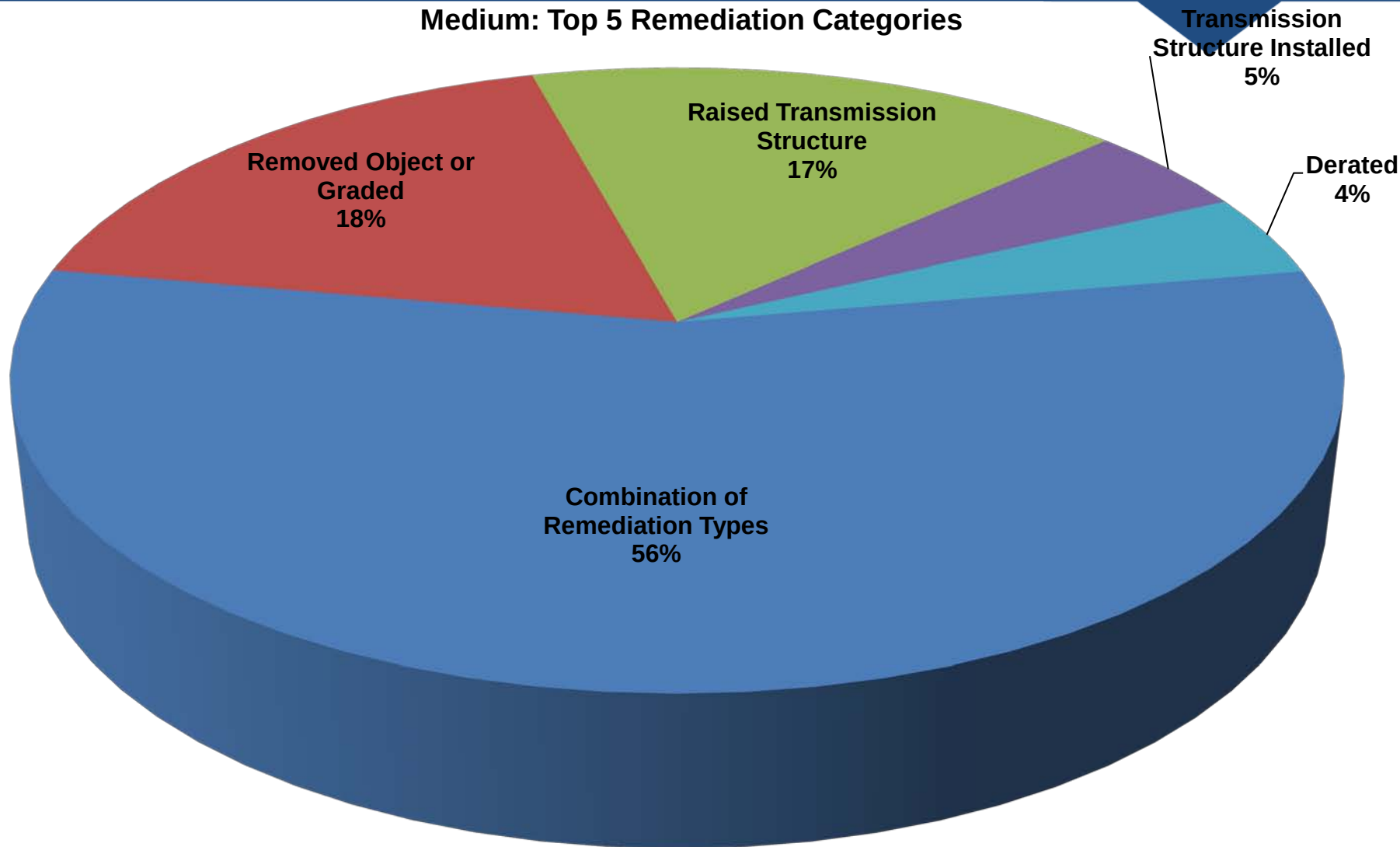
FAC Recommendation Update

Medium: Top Inspection Types



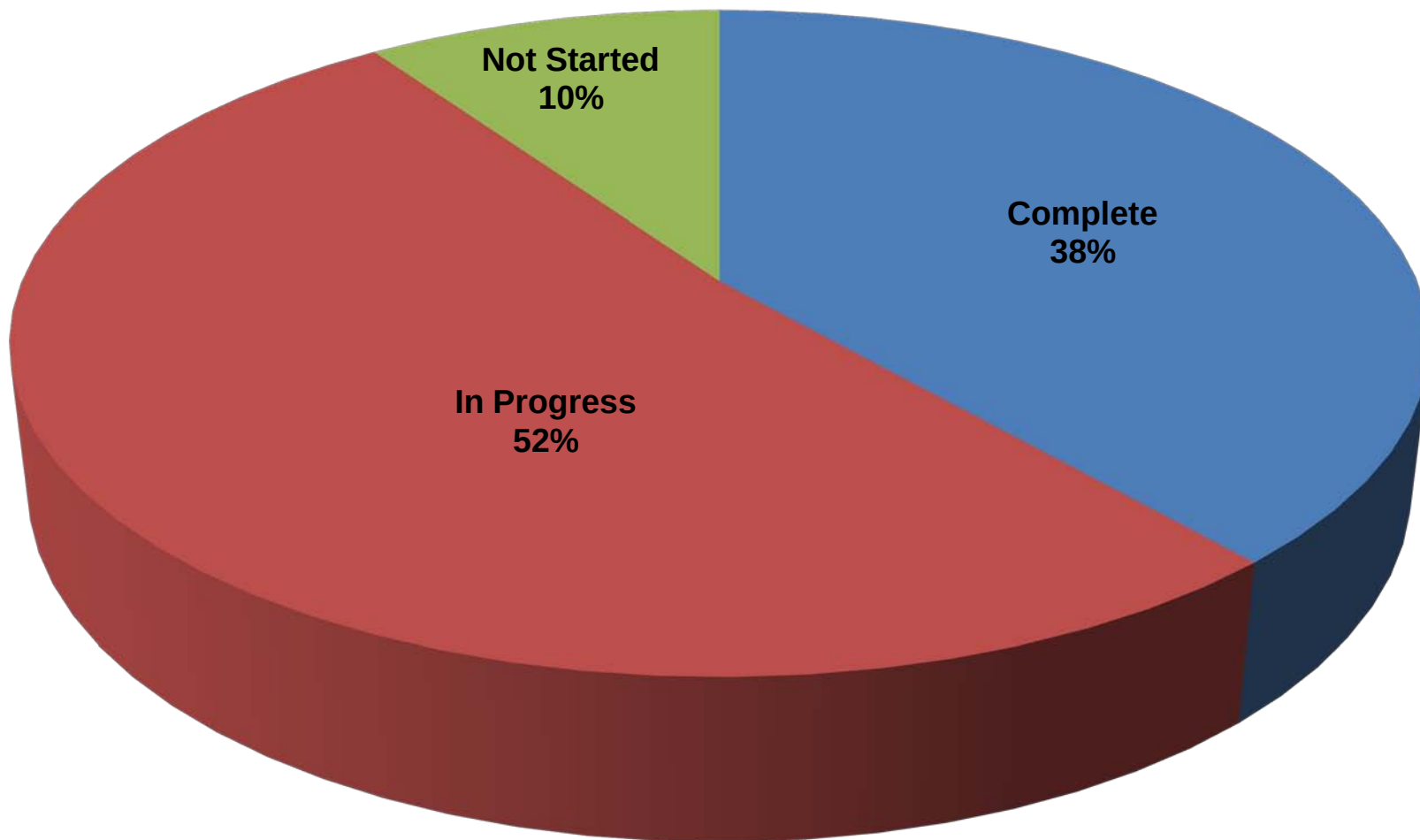
FAC Recommendation Update

Medium: Top 5 Remediation Categories



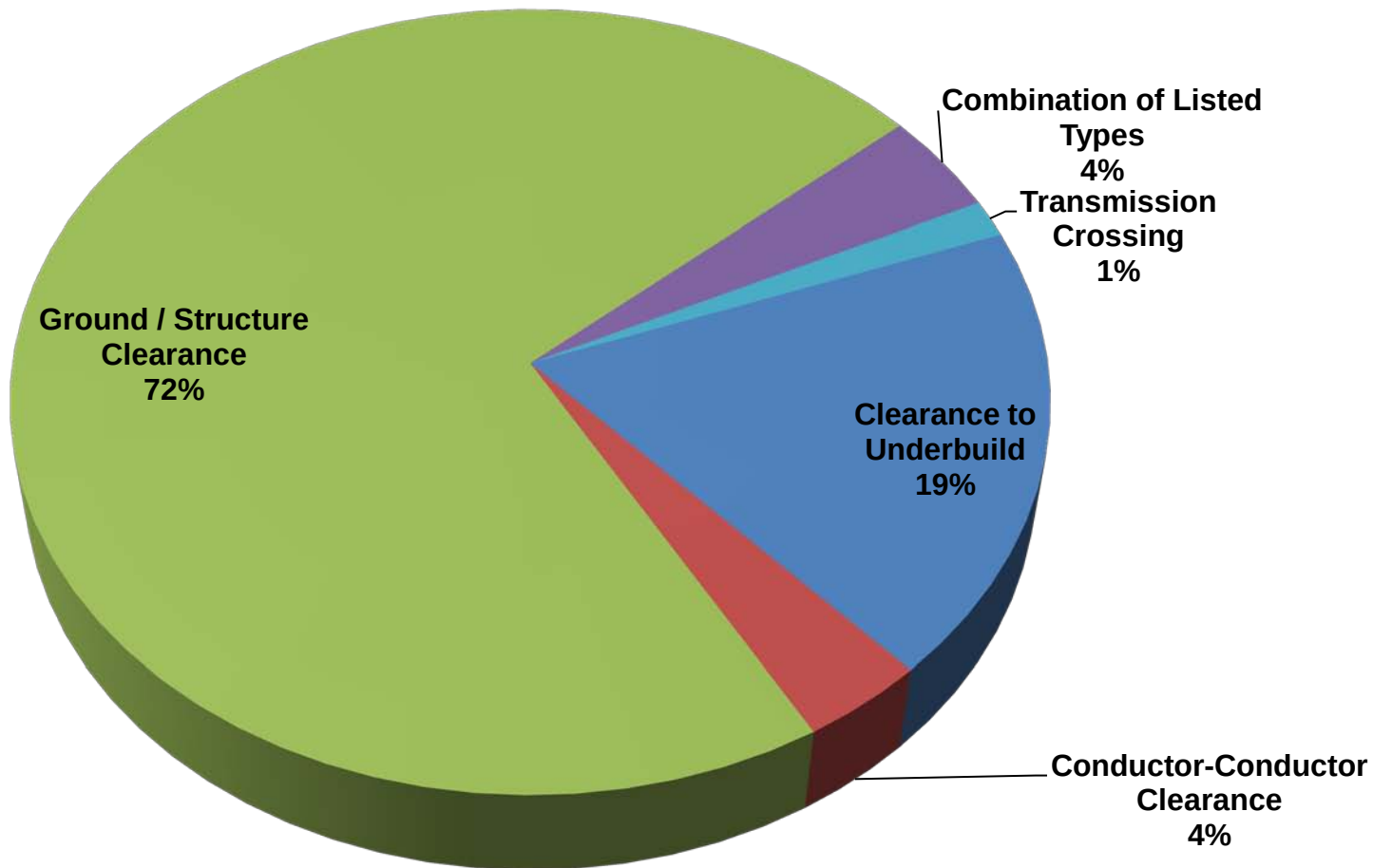
FAC Recommendation Update

Medium: Remediation Status Breakdown



FAC Recommendation Update

**Medium:
Top 5 Discrepancy Categories**



- 83 percent response rate in providing summaries of their first medium priority assessment.
- Approximately 28 percent of the total medium priority transmission circuits were assessed
- Completed assessments account for slightly more than 56 percent of the total of medium priority miles
- Nearly 5,700 discrepancies discovered
- Approximately 38 percent of the registered entities who have assessed their medium transmission facilities have completed their mitigation plans.

Questions



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Project 2009-01

Disturbance and Sabotage Reporting
Industry Webinar

October 22, 2012

RELIABILITY | ACCOUNTABILITY



- EOP-004-2 failed the second successive ballot with 63.40 percent support.
- The Standard Drafting Team (SDT) met in early October 2012 to review comments and prepare for the next round.
- The team has made some clarifications to the Guidelines and Technical Basis section of the standard to address the main concerns raised in the comments.

- Distribution Provider Applicability
- Duplicative Reporting
- Paragraph 81
- Reporting Burden
- Attachment 1 Comments

- Concern: Some concerns were raised with respect to applicability of the standard to all Distribution Providers (DPs). The concerns relate to DPs that do not own Bulk Electric System (BES) Facilities. While these entities would not have any events to report under R2, they would still be applicable under R1 and R3. The team discussed this issue and has addressed this concern with additional language in the Guidelines and Technical Basis Section of the standard.

- Language included in Guidelines and Technical Basis Section:

Distribution Provider Applicability Discussion

The Disturbance and Sabotage Reporting (DSR) SDT has included DPs as an applicable entity under this standard. The team realizes that not all DPs will own BES Facilities and will not meet the “Threshold for Reporting” for any event listed in Attachment 1. These DPs will not have any reports to submit under Requirement R2. However, these DPs will be responsible for meeting Requirements R1 and R3. (continued on next slide)

The DSR SDT does not intend for these entities to have a detailed Operating Plan to address events that are not applicable to them. In this instance, the DSR SDT intends for the DP to have a very simple Operating Plan that includes a statement that there are no applicable events in Attachment 1 (to meet R1) and that the DP will review the list of events in Attachment 1 each year (to meet R3).
(continued on next slide)

The team does not think this will be a burden on any entity as the development and annual validation of the Operating Plan should not take more than 30 minutes on an annual basis. If a DP discovers applicable events during the annual review, it is expected that the DP will develop a more detailed Operating Plan to comply with the requirements of the standard.

- Concern: If an entity is registered as an Reliability Coordinator, Balancing Authority and Transmission Operator, they should only have to submit a single report. The team discussed and has addressed this concern with additional language in the Guidelines and Technical Basis Section of the standard. With regards to the concern regarding multiple entities submitting a report for the same event, the team does not see this as being an issue for industry and will not make any further revisions to address this.

- Language included in Guidelines and Technical Basis Section:

Multiple Reports for a Single Organization

For entities that have multiple registrations, the DSR SDT intends that these entities will only have to submit one report for any individual event. For example, if an entity is registered as a Reliability Coordinator, Balancing Authority and Transmission Operator, the entity would only submit one report for a particular event rather submitting three reports as each individual registered entity.

- Concern: As a general matter, this standard imposes an ex-post reporting obligation. Consistent with the ongoing Paragraph 81 (P81) standard review/elimination effort, this standard is arguably a candidate for elimination under the principles guiding that effort. The obligation proposed in the standards are better suited for inclusion in the Rules of Procedure or as a guideline because they are strictly administrative in nature.

Paragraph 81 (Continued)

- On March 15, 2012, FERC issued an order on NERC's Find, Fix and Track process and in P81 invited NERC and other entities to propose to remove from Commission-approved Reliability Standards unnecessary or redundant requirements. In response to P81 and the Commission's request for comments to be coordinated, during June and July 2012, various industry stakeholders, Trade Associations, staff from NERC and staff from the NERC Regions jointly discussed consensus criteria and an initial list of Reliability Standard requirements that appeared to easily satisfy the criteria, and, thus, could be retired.
(continued on next slide)

- In Phase 1 of the P81 effort, only two of the requirements (in total) from CIP-001 and EOP-004 **met the initial threshold for being included in the P81 Project.** Both of these requirements will also be retired by EOP-004-2.
- Phase 2 of the P81 Project will evaluate all NERC Reliability Standards, including any modifications to EOP-004-2. Until such time, CIP-001-2a and EOP-004-1 are mandatory and enforceable NERC Reliability Standards. If EOP-004-2 is not approved by the industry, those standards will remain as is and subject to the Compliance Monitoring and Enforcement Program.

- Concern: Some comments were submitted regarding the reporting burden of this standard.
- The revised standard combines two standards into one and removes the analysis portion of the current mandatory and enforceable standards (EOP-004-1 and CIP-001-2a). The analysis provisions will be addressed in the NERC Events Analysis Program upon approval of EOP-004-2. This revised standard involves notification only and does not require any investigation or analysis.

- Concern: Many suggestions were made regarding the events listed in Attachment 1.
- The team has reviewed all of these comments and determined that they would be substantive changes by definition. The team has elected to move forward to recirculation ballot (which precludes substantive revisions to the standard) therefore these suggestions cannot be incorporated at this time.
- These comments will be entered into the NERC Issues data base for consideration when the standard is reviewed during the required periodic review cycle.



Questions?



Thank you!

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Transmission Planning Standards

Industry Webinar: Footnote 'b'

October 18, 2012

John Odom, FRCC, Standard Drafting Team Chair

RELIABILITY | ACCOUNTABILITY



- Brief History
- Overview of Data Request and Results
- Approach to address concerns
- Overview of “as posted” draft standard
- Changes since last posting
- Summary of needs addressed in proposal
- Posting and balloting dates
- Question and Answer

What is Footnote ‘b’?

Table I. Transmission System Standards — Normal and Emergency Conditions

- b) Planned or controlled interruption of electric supply to **radial customers or some local Network customers**, connected to or supplied by the Faulted element or by the affected area, may occur in certain areas without impacting the overall reliability of the interconnected transmission systems. To prepare for the next contingency, system adjustments are permitted, including curtailments of contracted Firm (non-recallable reserved) electric power Transfers.

- Issue first raised by FERC in Order No. 693 issued in March 2007:
 - Created the term Consequential Load Loss
 - Directed NERC to clarify the Reliability Standard
- Issue covered in TPL-001-2 as footnote 12
- In its March 18, 2010 Order, FERC directed NERC to clarify footnote 'b' by March 31, 2011
- Revisions to footnote 'b' in the existing TPL standards were filed on March 31, 2011

- Order No. 672 was issued in April 2012 that:
 - Remanded the TPL Standards (with footnote 'b' revision) to NERC
 - Urged NERC to develop an appropriate modification in a timely manner
 - Provided guidance on acceptable approaches that addressed their concerns
 - Directed NERC to issue a Section 1600 Data Request to collect information about current utilization of footnote 'b'

- Notice of Proposed Rulemaking (NOPR) was issued in April 2012 that:
 - Proposed to remand TPL-001-2 (new TPL standard)
 - Similar objections for footnote 12
 - NOPR indicates a rapid resolution of this one matter will allow consideration of other TPL improvements

- NERC issued Section 1600 Data Request on July 31, 2012
- 100% participation (189 respondents)
 - 171 respondents (90%) reported no instances where they utilized footnote 'b' in their planning process
 - 18 respondents (10%) reported instances where they utilized footnote 'b'
- 78 instances were reported
- Maximum value reported – 75 MW
- Average value – 19.5 MW

- To meet the Commission's directives contained in Order 762, the Standard Drafting Team (SDT) wanted to:
 - Establish meaningful substantive parameters governing the stakeholder process
 - Establish quantitative and/or qualitative criteria for use of footnote 'b'
 - Establish a further review by the Regional Entity or NERC

Comparison to industry and NERC Board of Trustees approved standard

- Two major changes:
 - Added Attachment 1
 - Limited use of footnote 'b' to 75 MW max

- Attachment 1:
 - Stakeholder Process
 - Information for inclusion in process
 - Instances where regulatory review is required

- Stakeholder Process (Attachment 1 – Section I)
 - Defines conditions for open and transparent
 - Meetings must be open to affected parties
 - Notice must be provided in advance of meetings
 - Information about proposed utilization of footnote ‘b’ must be made available

- Information for inclusion in the process (Attachment 1 – Section II)
 - Defines parameters where footnote ‘b’ is utilized in planning process
 - Allows stakeholders to evaluate the proposed use

- Information for inclusion in the process (Attachment 1 – Section II)
 - Key parameters include:
 - Data to evaluate likelihood, including contingency description, ratings, & MW expected to be interrupted
 - Future plans to mitigate the need
 - Alternatives considered by the planner
 - Assessment of potential overlapping uses

- Instances where regulatory review is required
(Attachment 1 – Section III)
 - Voltage level of Contingency > 300kV
 - Planned interruption of $\geq$ 25MW

- Instances where regulatory review is required
(Attachment 1 – Section III)
 - Verification that the applicable regulatory authority responsible for retail electric service issues does not object before it is allowed as part of a Corrective Action Plan in Year One of the Planning Assessment
 - Must submit information from Section II to the ERO for determination of Adverse Reliability Impacts

- Footnote ‘b’ changes
 - Clarified that footnote ‘b’ may be utilized “throughout the planning horizon”
 - Clarified that review through the stakeholder process was only required for the Near-Term Transmission Planning Horizon
 - Limited the use of footnote ‘b’ to a maximum of 75 MW

- Stakeholder Process (Attachment 1, Section I)
 - Clarified that a “new” stakeholder process was not required
 - Clarified that an entity does not need to go through the stakeholder process each year if there is not a material change in the information

- Information for inclusion in the process (Attachment 1, Section II)
 - Clarified that the assessment was on the effect of the interruption on the health, safety, and welfare of the community
 - Clarified that the planner must perform an assessment of potential overlapping uses within their footprint and with adjacent planners

- Instances where regulatory review is required (Attachment 1 – Section III)
 - Changed language from “approval” to “assure that” regulatory body “does not object”
 - Changes language so that the planner must submit the information to the ERO rather than the Regional Entity
 - Removed language that the Regional Entity must “verify”

- With this draft standard, the SDT has:
 - Clearly defined the parameters of the stakeholder process
 - Established a quantitative criteria by limiting the maximum amount of Load that can planned to be interrupted using footnote 'b' to 75 MW

Summary of Needs Addressed (Continued)

- With this draft standard, the SDT has:
 - Established a qualitative criteria by requiring the stakeholder process with extensive information sharing for each use of footnote 'b'
 - Established a qualitative criteria by requiring regulatory review for each instance where more than 25 MW of Load is planned to be interrupted or the Contingency is >300 kV
 - Created a requirement where the pertinent information is submitted to the ERO

- Revised TPL-002-1c (footnote 'b') and TPL-001-2a (footnote 12) were posted for a combined 45-day comment and ballot period on October 5, 2012
- 30-day comment period concludes on November 5, 2012
 - Coincides with ability to join ballot pool
- 10-day ballot period runs November 9, 2012 through November 19, 2012
- Only need to submit one set of comments – you do not need to enter comments for both the comment period and the ballot



Question and Answer

Website: http://www.nerc.com/filez/standards/Project2010-11_TPL_Table-1_Order.html

Regional Standards Group 2012 Action Items

Action Item #	Meeting Date	Description	Owner	Next Step	Due Date	Comments	Status
05.14.2012.44	05/14/2012	Legal and Compliance Status on Regional Criteria Embedded in Standards	Herb/Holly	[1] [FOR NERC] Consider the need for a public, NERC legal opinion on the enforceability of regional criteria, protocols, and procedures that supplement FERC-approved, NERC standards. 2) [FOR REGIONS] Determine what each Regional Entities' position is on the need for such a NERC legal opinion.	08/13/2012		Closed for RSG
05.14.2012.45	05/14/2012	Share Regional Criteria Assessment with RSG	Pete	Will complete and share by next meeting	08/13/2012	Pete Heidrich to provide report to Holly Hawkins for inclusion in 4.2012.44 action item	Closed for RSG
07.12.2012.46	07/12/2012	Sharing Work Product of Various Regional Standards Development Teams and Willingness to Share Voting Positions	All RSG members to consider	Update at next meeting	08/13/2012	Individual regions to coordinate directly with each other as their interests dictate.	Closed for RSG

Regional Standards Group 2012 Action Items

Action Item #	Meeting Date	Description	Owner	Next Step	Due Date	Comments	Status
07.12.2012.47	07/12/2012	White Paper on Regional Standards Collaboration	Guy Zito	Will develop and share with RSG at next meeting.	08/13/2012	Cancel effort per originator request	Closed for RSG
07.12.2012.48	07/12/2012	RSDP – Determine if additional explanation is needed on status changes to NERC and Regional Standards projects	Howard	Will report at next meeting	08/13/2012	Standards staff to consider this issue when developing the next RSDP	Closed for RSG
07.12.2012.49	07/12/2012	Follow up on Outcome of the Regional Enforcement managers meeting relative to the enforcement matrix straw man	Herb	Will report at next meeting	08/13/2012	Enforcement matrix was rejected by the industry through comments on SPM changes (SPIG recommendations 1, 4, 5)	Closed for RSG

Draft Agenda Standards Committee

September 13, 2012 | 1:00 p.m. – 5:00 p.m. ET

Phone Number: 1-866-740-1260

Meeting Code: 9834121

Security Code: 1234321

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines *

Public Announcement *

SC Expectations *

Agenda

1. Review of Agenda (Approve)

Added item 7b on testimony of Joseph McClelland before the Committee on Homeland Security Subcommittee on Emerging Threats, Cybersecurity, and Science and Technology

2. Waiver of 5-day Rule (Approve)

Approved

3. Consent Agenda (Approve)

a. August 9, 2012 Standards Committee Meeting Minutes* **(Approve)**

b. July 11-12, 2012 Standards Committee Meeting Minutes* **(Approve)**

Approved

4. Projects under Active Development (Review) (V. Agnew)

a. Status of Projects Under Active Development*

- *Project 2006-06 Reliability Coordination*

First set of standards: The industry approved IRO-002, IRO-005, and IRO-014 on July 25, 2011. The Board of Trustees (BoT) approved the standards at the August 4, 2011 meeting. The BoT

approved IRO-001-3 on August 16, 2012 and it will be included with the filing for the previously approved standards. The filing for the IRO standards will be made concurrently with the filing for the TOP standards approved under Project 2007-03 – Realtime Operations r0.

Currently, the standard COM-001-2 is in recirculation ballot. Several non-substantive clarifying changes were made, except for the Data Retention section which could potentially be considered substantive. The data retention section did not account for a shorter period for voice recordings. In response, the RCSDT appended a data retention period of 90 calendar days for voice recordings to the existing 12 calendar months for document retention. The standard COM-001-2 is currently posted the recirculation ballot (September 6 - 17).

The two communication standards, COM-001 and COM-002 have been passed by stakeholders and is scheduled to be presented to the BoT concurrently with COM-003 at the November meeting.

There remaining standard for this project, IRO-003, which the drafting team tabled in early January 2012 to focus on the other more pressing standards, needs to move forward. In doing so, NERC staff is evaluating whether to have the RCSDT continue with its revision or reassign to another or new team.

- *Project 2007-03: Real-time Operations r0*

NERC Legal is working on the draft filing document but the filing is being held pending resolution of other projects (Project 2006-06).

A pre-filing meeting was held with FERC staff on July 3, 2012.

- *Project 2007-09 Generator Verification*

MOD-025, MOD-027 and PRC-019: The standards were posted for a 45-day formal comment period and concurrent initial ballot period from February 29 through April 16. The team met May 15-17 and developed responses to comments and revisions to the standards. The team worked with QR to respond to their comments and re-submitted the documents July 26. The posting schedule was determined during the August 9, 2012 SC meeting for this project. Posting of the standards is scheduled for the week of October 1st.

MOD-026 and PRC-024: The standards were posted for a 30 day formal comment period and successive ballot between February 29th and March 29th. The successive ballot began on March 19 and ended on March 29th. The team is responding to comments and making conforming revisions to the standards. The team met May 15-17 and developed responses to comments and revisions to the standards. The team worked with QR to respond to their comments and re-submitted the documents July 26. The posting schedule was determined during the August 9, 2012 SC meeting for this project. Posting of the standards is scheduled for the week of October 1st.

A coordination issue with RFC standards MOD-024 and MOD-025 is being addressed. RFC is withholding filing of their MOD-024 and MOD-025 standards until the continent-wide standard MOD-025 is approved. They will then evaluate whether the continent-wide standard meets their needs.

- *Project 2010-07: Generator Requirements at the Transmission Interface*

FAC-001-1 and PRC-004-2.1a were adopted by the BOT on February 9, 2012. PRC-005-1.1b and FAC-003-3 were adopted by the BOT on May 9, 2012. The legal petition, which incorporated all of the standards, was filed with FERC on July 30, 2012.

- *Project 2010-13.2 Generator Relay Loadability*

The GENRLOSDT met August 21-23 to continue drafting the standard PRC-025-1. The team was able to complete its work which reduced the standard from three requirements to one. There was one exception; the team needs to determine if one of the two available loading set points could be eliminated from Attachment 1, Table 1. Phil Tatrow, NERC staff and several team members were tasked with reviewing the configurations discussed at the meeting to determine if there is a measurable difference between the two loading points (i.e., 40% and 100%) that should be accounted for in the standard. The members discussed the findings on their August 30 call and concluded that one load point (100%) was sufficient and conservative.

The advisor completed a thorough review of the standard's Guidelines and Technical Basis and provided revisions to the team leadership for review on September 5 prior to sharing with the full team by September 7. The standard and other related documents should be released for quality review and the standard's first formal comment period by middle September. The project is currently 12-13 weeks behind; however, the team has made substantive changes that would have most likely been revealed by industry stakeholders and results in unnecessary schedule setbacks. The team is working diligently to compress the schedule as much as possible.

- *Project 2010-17 Definition of BES Phase 2*

Phase 2 is well underway. The Planning Committee is taking the lead on investigating threshold limits while the SDT works on a guidance document based on the Phase 1 filing as well as clarification items. The PC has been given a deadline of December 20, 2012 for the completion of its work.

FERC issued a NOPR on Phase 1 on June 21, 2012. The intent is to approve Phase 1 when the final ruling is made but a number of questions have been asked. The SDT has delivered its technical responses to the questions to NERC Legal which are due to be filed on September 4, 2012.

- *Project 2010-INT-01 Interpretation of TOP-006-2 for FMPP*

The SDT has submitted the consideration of comments for the initial posting along with clarifying changes of the standard to QR and is requesting that the project be moved to a recirculation ballot.

- *Project 2011-INT-01 Interpretation of MOD-028 for Florida Power & Light Company*

Rapid Revision Pilot

Approved at the February Board of Trustees meeting. Filed with FERC on 8/24/2012.

- *Project 2011-INT-02 Interpretation of VAR-002 for Constellation Power Gen*

This Interpretation Request was approved by the SC for Rapid Revision on Jan 12, 2012. The team held two conference calls the week of April 9-13 to discuss comments received and determine the

next step for the standard. The team has completed developing responses to comments and made conforming revisions to the standard for QR on April 26. The documents were submitted to QR on April 30. The team received feedback from QR and made appropriate revisions to the documents and resubmitted them for posting on May 15.

The draft standard was posted for a 30-day successive ballot and comment period on May 22; and due to a technical issue the posting was extended to June 27. The standard achieved a quorum and passed the successive ballot.

The team held a conference call on July 2 to discuss the comments received on the ballot and prepare for the recirculation ballot. The team developed responses to comments and revised the VSLs for Requirement R2. The Consideration of Comments and revised standard were submitted July 9 for posting. The standard was posted for recirculation from July 18 to July 27 and received enough support to pass the ballot. The proposed standard was presented to the NERC BOT at the August 16th meeting and approved. The project coordinator is working with NERC Legal on regulatory filing documents.

- *Project 2012-08.1 Glossary Updates Phase 1: Statutory Definitions*

The SAR for adding the definitions for Bulk Power System, Reliable Operation, and Reliability Standard to the Glossary of Terms Used in Reliability Standards was posted for a 45-day formal comment period from June 19 through August 2, 2012. An initial ballot was conducted July 24 through August 2, 2012.

The initial ballot achieved a weighted sector vote of 54.16 %. Responses will be developed for the comments received and the preparations will be made for a successive ballot.

- *Project 2013-02: Paragraph 81*

On July 11, 2012, the Standards Committee approved the draft SAR to be posted for comment. The draft SAR was posted for an informal comment period from August 3, 2012 through September 4, 2012. The SDT met September 12-13, 2012 to finalize the SAR and consideration of comments. A schedule will be set once the SAR is finalized and approved.

- *Project 2007-02 Operating Personnel Communication Protocols*

Draft 3 of COM-003 - 1, the RSAW and the Response to Industry Comments on the same) were posted on August 22. The comment period and successive ballot will end on September 20, 2012.

An Industry Webinar was held on September 6, 2012 to highlight the changes to COM-003-1, draft 3.

- *Project 2007-06 System Protection Coordination*

The drafting team met at NERC HQ in Atlanta September 4 -7, 2012. The team progressed in developing responses to comments and modifying the draft standard. Val Agnew addressed the drafting team regarding Risk Based Compliance Monitoring and the team is considering moving this standard in that direction. The drafting team's next meeting is scheduled for October 16 -18 at Ameren in St. Louis.

NOTE: The SC agreed the delay associated with the QR and results-based feedback is acceptable, but did not want to reforecast completion. The project will continue to be reported as behind schedule, with the understanding that this is an acceptable delay.

- *Project 2007-12 Frequency Response*

NERC filed for an extension of time to complete the proposed standard. FERC responded granting an extension of one year (filing deadline - May 31, 2013). NERC held two technical conferences on Frequency Response and collected technical comments and opinions multiple relevant issues. The SDT is preparing a draft schedule for completing the revised standard and is also reviewing comments from the Technical Conference(s) on a complex and technical subject. The SDT met on June 21 - 22 and August 2 – 3, 2012. NERC filed a progress report at FERC on this standard on July 31, 2012.

- *Project 2007-17 Protection System Maintenance and Testing*

The most recent draft of PRC-005-2 passed a successive ballot [80.31%] on August 27, 2012. The team will consider all comments received and make revisions to the standard, if necessary. If the comments do not show the need for significant revisions, the standard will proceed to a recirculation ballot in October.

NERC has already initiated the process of gathering data pertinent to reclosing and auxiliary relays necessary to develop will be revised over the course of the requirements for the maintenance of those relays. PRC-005 as well as the definition of Protection Systems next few years in accordance with the timetables filed with FERC. Looking more closely at process here, PRC-005-2 progressed through the normal standards development process including four postings (all formal) for stakeholder comment over a 24 month period, beginning with an initial ballot in July 2009, and a failed recirculation ballot in June 2011. The Standards Committee authorized re-initiating the project with a posting of the SAR and revised standard (Draft 1) for a formal comment period and an initial ballot of the standard in August 2011. Draft 4 was posted for comment with a successive ballot in July/August 2012.

FERC issued Order 758 (February 3, 2012) approving a NERC Interpretation on PRC-005-1 and further directed NERC to include reclosing relays as well as auxiliary and non-electrical sensing relays (including sudden pressure relays).

NERC believes it is on track to meet all outstanding directives associated with PRC-005, including those emanating from Order 758.

NERC submitted two informational filings to FERC in response to Order 758.

NERC drafted a SAR to add the maintenance and testing of reclosing relays in version PRC-005-3 which will begin immediately after PRC-005-2 is BOT approved.

NERC submitted a schedule to include sudden pressure relays (used in taking transformers out of service) and other auxiliary relays in PRC-005-4 beginning in 2014.

- *Project 2008-06 Cyber Security Order 706*

The SDT continues its work on developing Version 5 of CIP-002 through CIP-011 in response to FERC Order 706. Formal comment and parallel successive ballot ended May 21, 2012, with

several ballots receiving significant improvement. The team is reviewing comments and is preparing for another successive ballot.

On April 19, 2012, FERC approved CIP Version 4, which directs a filing deadline of March 31, 2012, to file Version 5.

The SDT expects to post the standards for successive ballot during the week of September 10, 2012, for a 30 day comment period and successive ballot.

- *Project 2009-01 Disturbance and Sabotage Reporting*

The standard was posted for a 30-day comment period and successive ballot which ended on May 24, 2012. The team met June 6-8 and began to respond to comments and revise the standard. The team conducted stakeholder outreach to help the standard achieve a successful ballot. The team held an industry webinar July 30, 2012 and then a team meeting to finalize all documents for posting and successive ballot. The team submitted the documents for QR on August 3, 2012 and received the results on August 15th. The team responded to the comments received from QR on August 23. The standard was posted for successive ballot on August 29th.

- *Project 2010-05.1 Phase 1 of Protection Systems: Misoperations*

The standard and all associated documents were posted for a 45-day formal comment posting July 25 - September 7 with an initial ballot and non-binding poll beginning August 29 and ending September 7. The initial ballot results were as follows: Quorum 86.71% and Weighted Segment Approval: 37.68 %. The non-binding poll for VRFs and VSLs reached a quorum of 84.17 % and a Weighted Segment Approval of 40.93 %. The drafting team will meet twice in October.

- *Project 2010-14.1 Balancing Authority Reliability-based Controls - Reserves*

The four draft Standards were posted on June 4, 2012 for a 30 day formal comment period. The SDT is meeting on August 7 through August 9 to address comments received from the first posting.

b. Status of Outstanding Interpretations*

- *Project 2010-INT-05 CIP-002-1 for Duke Energy*

Approved by stakeholders (Recirculation ballot: 94.61% approval). Adopted by BOT at May 2012 meeting. Filed with FERC 8/1/2012.

- *Project 2012-INT-05 CIP-002-3 for OGE*

Assigned to CIP IDT. A project team has been formed, and the team is has finished ts first formal comment period (30 day formal comment period was from June 27, 2012, to July 27, 2012). Next steps are for the team to review and respond to comments, make changes as necessary in the interpretation, and prepare to post the interpretation for formal comment and parallel initial ballot.

The Request for Interpretation requests clarity on whether a company's SmartGrid Advanced Meter Infrastructure ("AMI") functionality, which may be able to disconnect more than 300 MW

of load, is considered a system or facility critical to automatic load shedding under a common control system capable of shedding 300 MW or more under CIP-002-3, Requirement 1.2.5.

- *Project 2009-26 Interpretation of CIP-004-1 for WECC*

Approved by stakeholders (Recirculation ballot: 80.08% approval). Adopted by BOT on May 24, 2012. Filed with FERC 8/1/2012.

- *Project 2012-INT-03 CIP-007 for TECO*

Interpretation requests clarification on CIP-007-3, Requirement R5. Specifically, the questions relate to the use of “technical and procedural controls” in Requirement R5, and whether each sub-requirement requires both technical and procedural controls. A project team from the Interpretation Drafting Team has begun to review the request for interpretation to prepare an initial draft for formal comment.

The IDT expects to post for first formal comment in Q4 2012.

- *Project 2009-22 Interpretation of COM-002-2 for the IRC*

The filing for the project 2009-22, COM-002-2a, R2 Interpretation will coincide with the filing of and project 2006-06, COM-002-3 and project 2007-02, COM-003-1. The target for filing will depend on the November 2012 BOT meeting results.

- *Project 2012-INT-04 CIP-007 for ITC*

Assigned to CIP IDT, to be processed when earlier requests have been moved through the process.

- *Project 2012-INT-02 TPL-003-0a & TPL-004-0 for SPCS*

The interpretation response 30-day formal comment period ended July 20. The team responded to most comments submitted by stakeholders at the August 9 meeting; however, the team decided to break into two sub teams to complete the responses via conference call. Sub team 1 met on August 21 and sub team 2 cancelled the August 29 meeting due to needing more time to address comments. The full team conducted a call on September 5 to complete its revision to the interpretation response; however, were not able to complete their discussion by the end of the meeting. The advisor and chair were tasked with cleaning up the responses and distribute the product to the team for feedback via email. Also, the advisor will be polling members about a call between September 14 and 21 in case the team needs to hold a live discussion about the response to comments or interpretation response. The next steps will be to deliver the revised interpretation for quality review and a 45-day formal comment period and 10-day initial ballot.

- *Project 2010-INT-03 TOP-002-2a for FMPP*

Possible candidate for Rapid Revision.

- *Project 2009-19 Interpretation of BAL-002-0 R4 and R5 by NWPP Reserve Sharing Group*

Project restarted based on BOT Action re: the scope of this interpretation and the team’s ability to rely on language other than solely the requirements. New chair Al DiCaprio assigned.

The interpretation was posted for comment and ballot. The ballot ended on September 4, 2012. The interpretation passed with an 87.78% approval rating. The SDT is addressing comments received.

- *Project 2012-INT-07 CIP-005 for AEP*

Assigned to CIP IDT, to be processed when earlier requests have been moved through the process.

- *TBD RFI received on 7/22/11 from EEI and NRECA on CIP-001-1*

In August the SC voted to move forward with this interpretation. Drafting team appointment on hold pending finalization of CAN-0016 to see if the revision of the CAN provides clarification. In September, the SC reaffirmed this decision. In October, EEI indicated their intent (in policy input to the Board of Trustees) to pursue an appeal of CAN-0016.

- *Project 2012-INT-06 CIP-003 for Consumers Energy*

Assigned to CIP IDT, to be processed when earlier requests have been moved through the process.

c. Posting Projections Through December 2012*

Projected Postings

To be posted during the week of September 24:

- *VRF/VSL Revisions (initial comment period and ballot)*
- *Project 2008-08 (10 CIP Standards) (successive comment period and ballot)*
- *Project 2010-17 DBES Guidance Document (initial comment period and ballot)*
- *Project 2010-INT-01, TOP-006 (recirculation ballot or possible recirculation ballot depending on previous ballot results)*

To be posted during the week of October 1:

- *Project 2009-19 BAL-002 Interpretation (recirculation ballot or possible recirculation ballot depending on previous ballot results)*
- *Project 2010-11 TPL FN "b" (initial comment period and ballot)*
- *Project 2013-02 P81 (initial comment period and ballot)*
- *Project 2007-12 Frequency Response (successive comment period and ballot)*
- *Project 2007-09 Generator Verification (successive comment period and ballot)*
- *Project 2012-INT-02 (initial comment period and ballot)*

To be posted during the week of October 8:

- *Project 2007-17, PRC-005 (recirculation ballot or possible recirculation ballot depending on previous ballot results)*

- *Project 2010-13.2 Generator Reloadability, PRC (initial comment period and ballot)*

To be posted during the week of October 15:

- *Project 2007-02, COM-003 (recirculation ballot or possible recirculation ballot depending on previous ballot results)*
- *SPM Revisions (recirculation ballot or possible recirculation ballot depending on previous ballot results)*
- *Project 2009-01, CIP-001 and EOP-004 (recirculation ballot or possible recirculation ballot depending on previous ballot results)*

To be posted during the week of October 22:

- *Project 2008-08 (10 CIP Standards) (draft SAR)*

To be posted during the week of November 5:

- *Project 2008-08 (10 CIP Standards) (recirculation ballot or possible recirculation ballot depending on previous ballot results)*
- *Project 2010-14 BARC (initial comment period and ballot)*

To be posted during the week of November 26:

- *Project 2007-06, PRC-027 (successive comment period and ballot)*

To be posted during the week of December 3:

- *Project 2012-INT-02 (recirculation ballot or possible recirculation ballot depending on previous ballot results)*

To be posted during the week of December 10:

- *Project 2013-02 P81 (recirculation ballot or possible recirculation ballot depending on previous ballot results)*
- *Project 2007-12 Frequency Response (recirculation ballot or possible recirculation ballot depending on previous ballot results)*
- *Project 2010-17 DBES Phase 2 (initial comment period and ballot)*
- *Project 2007-09 Generator Verification (recirculation ballot or possible recirculation ballot depending on previous ballot results)*
- *Project 2010-13.2 Generator Reloadability, PRC (initial comment period and ballot)*

To be posted during the week of December 17:

- *Project 2010-11, TPL FN "b" (recirculation ballot or possible recirculation ballot depending on previous ballot results)*

Project	9/2 4	10/ 1	10/ 8	10/ 15	10/ 22	10/ 29	11/ 5	11/ 12	11/ 19	11/ 26	12/ 3	12/ 10	12/ 17	12/ 24	12/ 31
Project 2007-17 – PRC-005															
Project 2009-19 BAL-002 Interpretation															
Project 2010-11 TPL FN 'b'															
Project 2013-02 P. 81															
Project 2007-02 – COM-003															
SPM Revisions															
Project 2007-12 Frequency Resp.															
VRF/VSL Revisions															
Project 2008-08 (10 CIP Standards)															
Project 2008-08 (10 CIP Standards)															
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(10 CIP Standards)														
Project 2008-08 (10 CIP Standards)														
Project 2008-08 (10 CIP Standards)														
Project 2010-17 DBES Guidance Doc														
Project 2009-01 CIP-001 and EOP-004														
Project 2010-17 DBES Phase 2														
Project 2010-INT-01 TOP-006														
CEAP														
Project 2007-09 Generator Verification														
Project 2007-09 Generator Verification														
Project 2007-09 Generator Verification														
Project 2007-09 Generator Verification														
Project 2007-09 Generator Verification														
Project 2006-06 COM-001														
Project														

2007-06 PRC-027															
Project 2010-05.1 PRC-004															
Project 2010-14 BARC															
Project 2010-14 BARC															
Project 2010-14 BARC															
Project 2010-14 BARC															
Project 2010-13.2 Gen Relay Load. PRC															
Project 2012-INT- 02															
Number of Projects Posted	12	23	14	15	14/2 4	4/14	17/ 7	14/4	4	5	6	15	11	3	2

	Projected for November NERC Board of Trustees meeting
	Projected for Feb BOT
	Projected for May BOT
	Projected for August BOT
	Draft SAR
	Initial comment period and ballot
	Successive comment period and ballot
	Recirculation ballot or possible recirculation ballot depending on previous ballot results
	Projected for November NERC Board of Trustees meeting
	Projected for Feb BOT
	Projected for May BOT
	Projected for August BOT
	Draft SAR
	Initial comment period and ballot
	Successive comment period and ballot
	Recirculation ballot or possible recirculation ballot depending on previous ballot results
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	Projected for August BOT
	Draft SAR
	Initial comment period and ballot
	Successive comment period and ballot
	Recirculation ballot or possible recirculation ballot depending on previous ballot results
	Projected for November NERC Board of Trustees meeting
	Projected for Feb BOT
	Projected for May BOT
	Projected for August BOT

	Draft SAR
	Initial comment period and ballot
	Successive comment period and ballot
	Recirculation ballot or possible recirculation ballot depending on previous ballot results

5. Actions (L. Hussey)

a. Standards Authorization Request to address Cold Weather Winterization* **(Accept)**

Purpose

- 1. Report generating unit capabilities based on anticipated winter weather events.*
- 2. Increase reliability of generating units during winter weather events.*

Brief Description

- To require GO/GOPs to report generating unit capabilities based on anticipated winter weather using criteria developed by the standard drafting team using stakeholder input.*
- GO/GOPs must ensure winter weather preparation plans are created, maintained, implemented and monitored as appropriate to help ensure generating units can operate to the criteria developed above. The plans shall include appropriate annual winterization measures.*

Details

The SDT should consider modifying EOP-001-2b to include GO/GOP's in Section A4; Applicability. The SDT should review the requirements and, where applicable, modify to include GO/GOP's.

Neither BA nor TOP entities can perform the necessary information gathering for identifying and reporting generating unit capabilities based on anticipated winter weather, however, a BA and TOP need to be aware of generating unit capabilities. The drafting team should develop criteria, using stakeholder input, for determining GO/GOP capability reporting to the BA/TOP for generating units during winter weather conditions.

Initial candidate standards for consideration is EOP-001 but this is not an exclusive list and the drafting team could recommend other standards requiring modification.

Discussion:

In July the SC remanded SAR to staff to work in the document.

Team feels that the best method is modifying existing standards.

Discussion on whether the SC has authority to reject the SAR (e.g. based on unintended consequences).

RISC and OP could be consulted formally in parallel to posting.

If proceed, SDT is also needed.

Motion to proceed approved 12-4 and 2 abstentions.

Discussion point to need for having formal technical reviews in the process.

b. Standards Authorization Request to revise CIP-001-2a* **(Defer)**

Submitted by Hydro One.

The CIP-001 - Sabotage Reporting standard ensures that disturbances or unusual occurrences, suspected or determined to be caused by sabotage, shall be reported to the appropriate systems, governmental agencies, and regulatory bodies.

Requirement R4 in the currently effective version 2a of the standard requires that each RC, BA, TOP, GOP and LSE establish communications contact, as applicable, with the FBI and RCMP.

As written, the requirement does not reflect current sabotage reporting and investigation protocols in the different Canadian Provinces.

It is proposed to modify the standard so that Requirement R4 considers the current or future arrangements for sabotage reporting and investigation in different jurisdictions.

The current protocol for sabotage reporting and investigation varies in each Canadian Province. For example, in the Provinces of Ontario and Quebec, the reports are given to local police (municipal/provincial) and not to the RCMP as the standard specifies. The fact is that the RCMP does not perform Provincial level law enforcement in the Provinces of Ontario and Quebec. To help addressing the reporting and investigative relationships, while keeping the requirement valid for all jurisdictions, it is proposed that Requirement R4 be modified to read as follows:

"Each Reliability Coordinator, Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity shall establish communications contacts, as applicable (in the United States with the local Federal Bureau of Investigation (FBI) and in Canada with the Federal, Provincial or Municipal Police of jurisdiction) and develop reporting procedures as appropriate to their circumstances."

Discussion was deferred in view that the replacement standards in Project 2009-01, CIP-001 and EOP-004 will be posted for comments and ballot in October (recirculation ballot or possible recirculation ballot depending on previous ballot results)

Discussion Items

a. Communication and Planning Subcommittee Report (A. Brown)

Coordinating with SCPS on the SPM changes.

Depending on balloting software enhancements to capture comments with negative votes.

b. Process Subcommittee Report (B. Li)

1. CEAP Implementation Plan

CEAP Proposed Implementation, Field Test and Pilot

At the last NERC SC meeting Guy Zito presented the proposal of the CEAP Team to move the CEAP forward from the draft plan to full Implementation. Since that time we have received some concerns regarding NERC's resources and wanted to reaffirm the direction of the CEAP team before proceeding further. At the last CEAP team meeting the group discussed Implementation again and what the team's expectations are. Below, I have outlined a set of proposed steps to stimulate discussion at the SC meeting.

- *The CEAP Team expects to have a draft document, reflective of the comments received during the last posting for comment and the meeting with FERC, ready by late September along with the responses to the individual comments.*
- *The second draft of the document will be posted in early October for a second comment period, informal, of 30 days to finalize industry input.*
- *Concurrent with the above, the Team is recommending that a field test be performed of critical CEAP questions, i.e. cost of implementation of a standard and soliciting for alternate cost effective ways of achieving a standard's objective. This will begin immediately and apply to "all" projects entering their initial ballot/formal comment period to show responsiveness to the SPIG BOT approved recommendation for cost effectiveness.*
- *In conjunction with the above the CEAP Team is recommending that two Projects be chosen for a CEAP Pilot Test. One at the SAR stage for the CIA Phase 1 portion of the CEAP and another entering in to the Initial Ballot/Formal Comment period to evaluate the CEA Phase 2 portion of the CEAP.*
- *The CEAP team recommends, based on NERC staff's concerns to do the initial rollout of CEAP Field Test and Pilot.*
- *Upon completion of the second posting, the CEAP team will develop a final draft of the project and present it to the SC by the end of 2012.*
- *The CEAP Team is willing and committed to performing any analysis for the CEAP or helping to implement this process. Confidentiality can be handled with NDA agreements if needed.*
- *Upon discussion and endorsement of the above, the CEAP team will finalize the implementation plan for approval with the CEAP document by the end of 2012.*

Discussion

Issue of staffing to process information. Staff (Mark Lauby) believe it's not the right time to pilot. NERC leadership has decided not to field test the CEAP at this time and desires to defer it due to lack of resources and the belief that it adds additional layers to their standards development.

It is very unfortunate that the CEAP is being reviewed this way and this deferral ignores the desires of the stakeholders, the FERC and state regulators. NERC believes the RISC will take up cost effectiveness although it was articulated how they would do this or what would be used.

Guy suggested to present the implementation and the CEAP at the October SC meeting.

Final documentation to be presented to the SC's October meeting. Mark will re-visit the staffing issue.

2. Other SCPS work products

SCPS had a call to discuss pending action items and the SPM changes.

- c. Update on RISC (A. Mosher)

RISC had 1 preliminary meeting.

Allen asked for RISC comments on the RSDP.

- d. Update on Standards Committee Elections for 2013-2014 terms

Nominations received in all segment, except 2 and 10 which have their own procedure.

Some have only one nominee so they will not need an election.

- e. Schedule and Location for January 2013 Meeting

Space reserved in Atlanta for January 15-16-17.

6. Coordination (Review)

- a. Coordination with Regulatory and Governmental Authorities (H. Hawkins)

Working on a number of filings.

- b. *Testimony of Joseph McClelland Before the Committee on Homeland Security Subcommittee on Emerging Threats, Cybersecurity, and Science and Technology*

Questioning BES definition and applicability of standards.

Many are concerned with this testimony for its consequences in the standards and their development.

7. Informational Items (Review)

- a. NERC Drafting Team Vacancies*

- *Project 2007-12 Frequency Response*

Seeking individual representing Transmission Dependent Utilities (TDU) with experience in analyzing or modeling frequency response.

- *Project 2007-02 Operating Personnel Communication Protocols*

Seeking an individual with transmission operating center, RC or BA experience from WECC. Candidates should have experience with standard compliance for verbal or written communication protocols for real-time operating personnel or managing real-time bulk electric system operations, or be a member of the Reliability Coordinator Working Group.

- *Project 2007-06 System Protection Coordination*

Seeking an individual from a Canadian entity with experience in coordination of Protection Systems (new installations and revisions).

- b. Standards Committee Roster*

- c. Highlights of Parliamentary Procedure*

8. Executive Committee Actions (Pre-authorize)

- a. Project 2010-17 – Definition of Bulk Electric System (Authorize posting of BES Guidance Document for comment)
- b. Project 2010-13.2 — Generator Relay Loadability (Authorize initial posting of one standard)
- c. *Paragraph 81 – Authorize to post amended SAR and whitepaper.*

Motion approved.

9. Adjourn

*Background materials included.

From: [Guy V. Zito](#)
To: [rsc](#); [rsballot](#)
Subject: FW: NERC: Standards Committee - Correction: Preliminary Election Results Initial Election for Segments 1 and 3 September 26-October 5, 2012
Date: Wednesday, September 26, 2012 5:14:55 PM

NPCC RSC and Members of the NERC Registered Ballot Body.

Please note that in the below there will be a Segment 1 election of SC members to represent the TO segment. David Kiguel is on the slate and is from NPCC. David is currently active on the Regional Standards Committee and Executive Committee as well as both the NERC Standards Committee and its Process Subcommittee. David has my recommendation for your consideration.

Thanks,

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: NERC Standards Announcements (Do Not Reply) [NERC-StandardsAnnouncements-DoNotReply@nerc.net]
Sent: Wednesday, September 26, 2012 10:30 AM
To: monica.benson@nerc.net
Subject: NERC: Standards Committee - Correction: Preliminary Election Results Initial Election for Segments 1 and 3 September 26-October 5, 2012



Standards Committee

Preliminary Election Results (Correction) Initial Election for Segments 1 and 3 September 26-October 5, 2012

The Standards Committee nomination period for the January 2013 through December 2014 two-year term has closed. Eleven nominations were received, including at least one for eight of the ten Industry Segments.

Each of the ten Industry Segments may elect one representative. The following individuals were the only individuals nominated to represent their Industry Segment, and are elected to the Standards Committee as they were unopposed:

- Segment 2 – Albert DiCaprio
- Segment 4 – Joe Tarantino
- Segment 5 – Gary Kruempel
- Segment 6 – Brian Murphy
- Segment 7 – John Anderson
- Segment 9 – Diane Barney

No nominations were received for Segments 8 or 10.

In accordance with the Election Procedure for Members of NERC Standards Committee, an election will be held for Segments 1 and 3. For each of these segments, we received more than one nominee. The slate of nominees for each of these segments is shown below and detailed information on each of these candidates is posted on the [Standards Committee's Nominations and Elections webpage](#).

Segment 1:

- David Kiguel
- Lou Oberski

Segment 3:

- Jerry Freese
- Ron Parsons
- Jennifer Sterling

The election will begin on Wednesday, September 26, 2012 and remain open for ten calendar days. Each individual that is a member of the Registered Ballot Body in one of the Industry Segments identified above will vote for a Standards Committee member to represent that Industry Segment. Proxies are allowed.

Next Steps

To be elected during the initial ballot, a nominee must meet both of the following:

- Receive the highest total number of votes in that Segment, and
- Receive a simple majority of the votes cast in that Segment.

The candidate receiving the highest number of votes is elected. If no candidate in a Segment meets both criteria through the initial ballot, a second ballot will be conducted in that Segment. For the second ballot, the slate consists of the two candidates who received the highest number of votes in the initial ballot.

If a second ballot is needed, the candidate receiving the highest number of votes in the second ballot is elected to represent the Segment.

Instructions for Voting

To vote in the election of the representative for Segment 1, you must be a member of the Registered Ballot Body in Segment 1, or their proxy. **To vote in Segment 1, click here: [Segment 1 voting now available](#)**

To vote in the election of the representative for Segment 3, you must be a member of the Registered Ballot Body in Segment 3, or their proxy. **To vote in Segment 3, click here: [Segment 3 voting now available](#)**

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

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134254.b8ede5ac93b97f4cb5243679aa0f0c23@listserv.nerc.com

From: [NERC Standards Announcements \(Do Not Reply\)](#)

To: monica.benson@nerc.net

Subject: NERC: Standards Committee - Correction: Preliminary Election Results Initial Election for Segments 1 and 3 September 26-October 5, 2012

Date: Wednesday, September 26, 2012 10:49:05 AM

Standards Committee

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In accordance with the Election Procedure for Members of NERC Standards Committee, an election will be held for Segments 1 and 3. For each of these segments, we received more than one nominee. The slate of nominees for each of these segments is shown below and detailed information on each of these candidates is posted on the [Standards Committee's Nominations and Elections webpage](#).

Segment 1:

- David Kiguel
- Lou Oberski

Segment 3:

- Jerry Freese
- Ron Parsons
- Jennifer Sterling

The election will begin on Wednesday, September 26, 2012 and remain open for ten calendar days. Each individual that is a member of the Registered Ballot Body in one of the Industry Segments identified above will vote for a Standards Committee member to represent that Industry Segment.

Proxies are allowed.

Next Steps

To be elected during the initial ballot, a nominee must meet both of the following:

- Receive the highest total number of votes in that Segment, and
- Receive a simple majority of the votes cast in that Segment.

The candidate receiving the highest number of votes is elected. If no candidate in a Segment meets both criteria through the initial ballot, a second ballot will be conducted in that Segment. For the second ballot, the slate consists of the two candidates who received the highest number of votes in the initial ballot.

If a second ballot is needed, the candidate receiving the highest number of votes in the second ballot is elected to represent the Segment.

Instructions for Voting

To vote in the election of the representative for Segment 1, you must be a member of the Registered Ballot Body in Segment 1, or their proxy. **To vote in Segment 1, click here: [Segment 1 voting now available](#)**

To vote in the election of the representative for Segment 3, you must be a member of the Registered Ballot Body in Segment 3, or their proxy. **To vote in Segment 3, click here: [Segment 3 voting now available](#)**

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

**3353 Peachtree Road NE
Suite 600, North Tower
Atlanta, GA 30326
404-446-2560 | www.nerc.com**

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

From: [NERC Standards Announcements \(Do Not Reply\)](#)
To: monica.benson@nerc.net
Subject: NERC: Standards Committee Election Results 2013-2014
Date: Tuesday, October 16, 2012 3:13:24 PM
Attachments: [SC_Roster_101612.pdf](#)
[SC_Election_Results_100812.pdf](#)

Standards Committee Election Results

The election of Standards Committee members for the 2013-2014 term closed on October 5, 2012. The attached results will be posted on the Standards Committee webpage, in addition to the updated roster.

Congratulations to the new members.

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

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171282.3516124aa26cd8bdadcf80768b524b3d@listserv.nerc.com

From: [NERC Standards Announcements \(Do Not Reply\)](#)
To: monica.benson@nerc.net
Subject: NERC: Standards Committee Elections for Representatives Segments 1 and 3 - Reminder Notice
Date: Friday, October 05, 2012 2:02:41 PM

Standards Committee Elections for Representatives Segments 1 and 3

Reminder

The election for representatives for Segments 1 (Transmission Owners) and 3 (Load-serving Entities) of the Standards Committee will end at **8:00 p.m. Eastern today, Friday, October 5, 2012**. Members of the Registered Ballot Body in Segment 1, or their proxies, are eligible to vote for a Segment 1 representative. Members of the Registered Ballot Body in Segment 3, or their proxies, are eligible to vote for a Segment 3 representative.

The slate of nominees for each of these segments is shown below and detailed information on each of these candidates is posted on the [Standards Committee's Nominations and Elections webpage](#).

Segment 1:

- David Kiguel
- Lou Oberski

Segment 3:

- Jerry Freese
- Ron Parsons
- Jennifer Sterling

Instructions for Voting

To vote in the election of the representative for Segment 1, you must be a member of the Registered Ballot Body in Segment 1, or their proxy. **To vote in Segment 1, click here: [Segment 1 voting now available](#)**

To vote in the election of the representative for Segment 3, you must be a member of the Registered Ballot Body in Segment 3, or their proxy. **To vote in Segment 3, click here: [Segment 3 voting now available](#)**

Questions may be addressed to [Monica Benson](#) or by calling 404-446-2573.

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

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Member Representatives Committee Pre-Meeting Conference Call

October 5, 2012 | 11:00 a.m. Eastern

Dial in: 1-800-736-4610 (No passcode necessary) | Broadcast Audio Code: 578206

Click Here: [Webinar Access](#)

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines and Public Announcement

Agenda

1. MRC Draft Agendas*
2. Preliminary Agenda Topics for the Board of Trustees and Board Committees*
3. Schedule of Conference Calls and November Meetings*
4. Request for Policy Input
5. Update on Sector Nominations and Elections

*Background material included.

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.

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Member Representatives Committee

Pre-Meeting Conference Call and Webinar

Scott Helyer, MRC Chair
October 5, 2012

RELIABILITY | ACCOUNTABILITY



- Review preliminary agenda topics for October 30 Informational Session and November 6 Member Representatives Committee (MRC) meeting
- Preview preliminary list of agenda topics for the Board of Trustees and associated board committee meetings (November 6 and 7)
- Determine adjustments to the October 30 and November 6 MRC agendas based on today's discussion

- 2012 Reliability Technical Roundtable – November 28
- Gas-Electric Interdependency
- Event Analysis Metrics, Trends and Codes
- 2012 Long-Term Reliability Assessment (LTRA) and Emerging Issues
- Frequency Response Technical Report
- FERC Technical Conference on February 2011 Texas Blackouts

- Elections and nominations
- ERO strategic initiatives
- Status of standards process reform and CEI and ERO scope initiatives (MRC input groups)
- Initial report on RISC activities and priorities
- Policy Input on select standards projects
 - Communications standards
- Additional discussion of October 30 items
- Revisions to Rules of Procedure Appendix 4D
- Remediation activities from 2011 Southwest Outage

Preliminary Topics:

- Finalize self-assessment and effectiveness surveys
- Board composition study
- Savings and investment plan and year-end audit
- Schedule for employee climate survey
- 2012 corporate goals update
- Human resources and staffing/recruiting updates

Preliminary Topics:

- Reliability standards status report
- Policy input on directional thoughts and options on governance, process and drafting teams
- NERC technology quarterly update

Preliminary Topics:

- Compliance Enforcement Initiative (CEI)
- Compliance Operations
 - Reliability and internal controls in auditing and standards (COM-003 and CIP V5)
 - Multiple Region Registered Entities (MRRE) Update
- Regional Entity topic — Improvements to Regional Audit Practices
- Quarterly report on performance metrics

Preliminary Topics:

- Third quarter statement of activities and year-end forecast
- Three-year financial performance review
- Auditor request for proposal
- 2014 Business Plan and Budget schedule
- Exercise of option for Atlanta office space

Preliminary Topics:

- Continent-wide standards for adoption:
 - Communications
 - PRC-005 – Protection system maintenance
 - EOP-004 – Event reporting
- Proposed interpretations and regional standards for adoption
 - Rapid revision of TOP-006
 - Interpretation of BAL-002
 - PRC-006 - SPP Automatic underfrequency
 - BAL-002 – WECC Order 740 remand
 - MOD-025 – RFC Verification and data reporting

Preliminary Topics (cont'd):

- Acceptance of Adequate Level of Reliability (ALR) definition
- Report on 2013-2015 Reliability Standards Development plan and standards process improvements
- Approval of RFC Corporation bylaws amendments
- Discussion of frequency response standards and technical report
- Update on CIP and ES-ISAC security brief

Schedule of Events – Industry

November 6-7, 2012 — New Orleans, Louisiana

Conference Calls In Advance of Meetings in New Orleans	
October 5, 2012 11:00 a.m. Eastern (speakers on at 10:30 a.m.)	MRC Pre-Meeting Conference Call
October 29, 2012 3:00 p.m. Eastern	Corporate Governance and Human Resources Conference Call
October 30, 2012 10:30 a.m. Eastern	MRC Informational Webinar
October 31, 2012 11:00 a.m. Eastern	Finance and Audit Committee Conference Call
Tuesday, November 6, 2012	
9:15-10:45 a.m. Room name:	Compliance Committee – <u>OPEN</u> Session
11:00 a.m. - Noon Room name:	Standards Oversight and Technology Committee – <u>OPEN</u> Session
Noon to 1:00 p.m. Room name:	Lunch
1:00-5:00 p.m. Room name:	Member Representatives Committee – <u>OPEN</u> Session
6:00 p.m. Location:	Reception (There is no formal sit down dinner at this meeting).
Wednesday, November 7, 2012	
8:00 a.m.–Noon Room name:	Board of Trustees Meeting

MEETING LOCATION

JW Marriott New Orleans
614 Canal Street
New Orleans, LA 70130
504-525-6500

From: [Tina Hamilton](#)
To: [Tina Hamilton](#)
Subject: NERC Announcement: MRC Pre-Meeting Conference Call and Webinar - October 5, 2012
Date: Wednesday, October 03, 2012 2:28:11 PM

NERC Posting Announcement

Member Representatives Committee

Pre-Meeting Conference Call and Webinar

October 5, 2012 | 11:00 a.m. – 1:00 p.m. Eastern

Dial-in: 1-800-736-4610 (No passcode necessary) | Broadcast Audio: 578206

Click Here: [Webinar Registration](#)

Click Here: [MRC Pre-Meeting Conference Call and Webinar Agenda Package - Posted](#)

Please note: Participants are requested to dial-in 15 minutes prior to the Pre-meeting for registration purposes.

When using broadcast audio, please use the dial-in number provided above during the Q&A should you have any questions.

Please direct all questions regarding the MRC Pre-meeting to [Holly Mann](#) (via email) or (404) 446-9712.

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From: [Michelle Marx](#)
To: michelle.marx@nerc.net
Subject: NERC CONFERENCE ANNOUNCEMENT: Reliability Issues Information Sharing Conference 2012 -- November 28, 2012
Date: Thursday, October 11, 2012 12:14:13 PM

Conference Announcement

Reliability Issues Information Sharing Conference 2012

November 28, 2012 | 9:00 a.m. - 4:00 p.m. EST

Hyatt Regency Washington on Capitol Hill
400 New Jersey Avenue, NW
Washington, D.C., USA 20001

NERC will be holding a conference to discuss reliability risks and emerging issues related to the bulk power system. This conference is part of NERC's planning and prioritization effort for addressing risks to reliability. The conference will focus on areas of engineering and planning, recent events and lessons learned, changing industry landscape, and non-traditional threats. NERC will be distributing the agenda at a later date. The conference will be open to the public.

Click Here for: [Conference Details](#)

Click Here for: [Conference Registration](#)

For more information or assistance, please contact [Andy Rodriguez](#) via email or at 404-446-9741.

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Draft Agenda Standards Committee

October 10, 2012 | 8:00 a.m. – 5:00 p.m. ET
October 11, 2012 | 8:00 a.m. – 3:00 p.m. ET

Florida Power & Light Company-LFO Building
9250 W. Flagler Street
Miami, FL 33134

Phone Number: 1-866-740-1260
Meeting Code: 9834121
Security Code: 1234321

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines *

Public Announcement *

SC Expectations *

Dave Goulding BoT attending.

Dave's introductory words: sometimes not everyone gets its will and some are unhappy with the way things go but it needs to be done.

Objective: keep an open mind.

Agenda

1. Review of Agenda (Approve)

Item on process with posting of CIP standards version 5. Add to 4d.

RISC exercise under 6d also added.

Approved

2. Waiver of 5-day Rule (Approve)

Approved

3. Consent Agenda (Approve)

a. September 13, 2012 Standards Committee Meeting Minutes* **(Approve)**

b. September 28, 2012 Standards Committee Executive Committee Meeting Minutes* **(Ratify)**

- c. Project 2010-14.1 Balancing Authority Reliability-Based Controls* **(Appoint – Confidential)**

4. Projects under Active Development (Review) (V. Agnew)

a. Status of Projects Under Active Development*

- *Project 2006-06 Reliability Coordination*

Currently, the two communication standards, COM-001 and COM-002 have been passed by industry stakeholders and are scheduled to be presented at the November 2012 BOT meeting.

The remaining standard for this project is IRO-003-2, which the drafting team tabled in early January 2012 to focus on moving the other standards forward, needs to be evaluated in terms of its next steps. In doing so, NERC staff will evaluate whether to have the longstanding RCSDT continue with its revision or reassign to different or new team. Staff may also consider whether to move the standard to a different project number to close this project.

- *Project 2007-03: Real-time Operations r0*

NERC Legal is preparing the draft petition, which will be filed concurrently with Project 2006-06.

- *Project 2007-09 Generator Verification*

A coordination issue with RFC standards MOD-024 and MOD-025 is being addressed. RFC is withholding filing of their MOD-024 and MOD-025 standards until the continent-wide standard MOD-025 is approved. They will then evaluate whether the continent-wide standard meets their needs.

- *Project 2010-07: Generator Requirements at the Transmission Interface*

FAC-001-1 and PRC-004-2.1a were adopted by the BOT on February 9, 2012. PRC-005-1.1b and FAC-003-3 were adopted by the BOT on May 9, 2012. The legal petition, which incorporated all of the standards, was filed with FERC on July 30, 2012.

- *Project 2010-13.2 Generator Relay Loadability*

The GENRLOSDT met via conference call on September 17 and 19 to continue drafting the standard PRC-025-1. The team will be evaluating the quality review responses on September 28. The project is currently 12-13 weeks behind; however, the team made substantive changes that would have most certainly been revealed by industry stakeholders resulting in unnecessary schedule setbacks. The team is working diligently to compress the schedule as much as possible. The standard's initial posting should occur the first week in October which will facilitate the team meeting prior to Thanksgiving; therefore, reducing the number of weeks behind.

- *Project 2010-17 Definition of BES Phase 2*

Phase 2 is well underway. The Planning Committee is taking the lead on investigating threshold limits.

The PC has been given a deadline of December 20, 2012 for the completion of its work.

FERC issued a NOPR on Phase 1 on June 21, 2012. Responses were filed on September 4, 2012.

The guidance document on Phase 1 was posted for a 30-day comment period on October 4.

- *Project 2010-INT-01 Interpretation of TOP-006-2 for FMPP*

Will be presented for BOT adoption at the November 2012 meeting.

- *Project 2011-INT-01 Interpretation of MOD-028 for Florida Power & Light Company*

Rapid Revision Pilot.

Approved at the February Board of Trustees meeting. Filed with FERC on 8/24/2012.

- *Project 2011-INT-02 Interpretation of VAR-002 for Constellation Power Gen*

The proposed standard was presented to the NERC BOT at the August 16th meeting and approved. The project coordinator is working with NERC Legal on regulatory filing documents.

- *Project 2012-08.1 Glossary Updates Phase 1: Statutory Definitions*

Initial ballot was conducted July 24 through August 2, 2012.

The weighted sector vote for the initial ballot was 54%. Responses to the comments received are currently being developed. No timetable has been established for moving to a successive ballot.

- *Project 2013-02: Paragraph 81*

The SDT met September 12-13, 2012 to finalize the SAR and consideration of comments. The final SAR was presented to the SC on September 13th for pre-authorization to be included on the SCEC agenda. On September 28th the SCEC approved posting the list for a 45 day formal comment period and initial ballot. The posting is anticipated to occur the week of October 15.

- *Project 2007-02 Operating Personnel Communication Protocols*

Draft 3 of COM-003 - 1, completed its first successive ballot on September 20, 2012 with a 50% approval rating. The OPCPSDT will receive the comments and considered the comments at a scheduled meeting in Valley Forge Pa. on October 2 to 4, 2012. The OPCPSDT will make changes to

the standard and repost draft 4 for a second successive ballot which is tentatively scheduled for the end of October.

- *Project 2007-06 System Protection Coordination*

The drafting team met at NERC HQ in Atlanta September 4 -7, 2012. The team progressed in developing responses to comments and modifying the draft standard. The drafting team's next meeting is scheduled for October 16 -18 at Ameren in St. Louis.

NOTE: The SC agreed the delay associated with the QR and results-based feedback is acceptable, but did not want to reforecast completion. The project will continue to be reported as behind schedule, with the understanding that this is an acceptable delay.

- *Project 2007-12 Frequency Response*

NERC filed for an extension of time to complete the proposed standard. FERC responded granting an extension of one year (filing deadline - May 31, 2013).

NERC held two technical conferences on Frequency Response and collected technical comments and opinions on relevant issues. NERC filed a progress report at FERC on this standard on July 31, 2012. The SDT is preparing the third draft of the standard and associated documents for posting and a successive ballot. The posting is scheduled to begin during the first week of October.

This project is being coordinated with Project 2010-14.1 Balancing Authority Reliability-Based Controls-Reserves for the BAL-012 standard.

- *Project 2007-17 Protection System Maintenance and Testing*

The drafting team met Sept. 25-27, 2012 at NERC HQ. The team considered all comments received and made revisions to the standard as necessary to finalize the documents for an October recirculation ballot. The team also began to develop supporting materials for the FERC petition.

NERC has initiated the process of gathering data pertinent to reclosing and auxiliary relays that is necessary to will be revised over the course of the next few years in accordance with the timetables filed with FERC. Looking more closely at process here, PRC-005-2 progressed through the normal standards development process including four postings (all formal) for stakeholder comment over a 24 month period, beginning with an initial ballot in July 2009, and a failed recirculation ballot in June 2011. The Standards Committee authorized re-initiating the project with a posting of the SAR and revised standard (Draft 1) for a formal comment period and an initial ballot of the standard in August 2011. Draft 4 was posted for comment with a successive ballot in July/August 2012.

- *Project 2008-06 Cyber Security Order 706*

The SDT continues its work on developing Version 5 of CIP-002 through CIP-011 in response to FERC Order 706. On April 19, 2012, FERC approved CIP Version 4, which directs a filing deadline of March 31, 2013, to file Version 5.

The SDT carefully considered and responded to comments in response to the posting that ended in May 2012, and the SDT posted the standards for a 30 day formal comment period and parallel successive ballot, which runs from September 11, 2012, to October 10, 2012.

- *Project 2009-01 Disturbance and Sabotage Reporting*

The standard was posted for successive ballot that ended on September 27th with a 63.62% approval rating. The team was scheduled to meet October 4-5 to discuss the comments received and next steps.

- *Project 2010-05.1 Phase 1 of Protection Systems: Misoperations*

The standard and all associated documents were posted for a 45-day formal comment posting July 25 - September 7 with an initial ballot and non-binding poll beginning August 29 and ending September 7. The standard received a 37.68% approval. The drafting team is developing their responses to comments in their meeting October 2-4, 2012 in Toronto, hosted by Hydro One.

- *Project 2010-14.1 Balancing Authority Reliability-based Controls – Reserves*

The four draft Standards were posted on June 4, 2012 for a 30 day formal comment period. The SDT is meeting on October 3 through October 5 to finalize the documents prior to posting. The project was delayed due to other higher priority project postings, but is now being expedited to coordinate with Project 2007-12 Frequency Response. The next posting is anticipated to begin in early November 2012.

b. Status of Outstanding Interpretations*

- *Project 2010-INT-05 CIP-002-1 for Duke Energy*

Approved by stakeholders (Recirculation ballot: 94.61% approval). Adopted by BOT at May 2012 meeting. Filed with FERC 8/1/2012.

- *Project 2012-INT-05 CIP-002-3 for OGE*

Assigned to CIP IDT. A project team has been formed, and the team is has finished ts first formal comment period (30 day formal comment period was from June 27, 2012, to July 27, 2012). Next steps are for the team to review and respond to comments, make changes as necessary in the interpretation, and prepare to post the interpretation for formal comment and parallel initial ballot.

The team expects to submit the revised interpretation and consideration of comments to QR in October 2012 in preparation for a formal comment period and parallel initial ballot.

The Request for Interpretation requests clarity on whether a company's SmartGrid Advanced Meter Infrastructure ("AMI") functionality, which may be able to disconnect more than 300 MW of load, is considered a system or facility critical to automatic load shedding under a common control system capable of shedding 300 MW or more under CIP-002-3, Requirement 1.2.5.

- *Project 2009-26 Interpretation of CIP-004-1 for WECC*

Approved by stakeholders (Recirculation ballot: 80.08% approval). Adopted by BOT on May 24, 2012. Filed with FERC 8/1/2012.

- *Project 2012-INT-03 CIP-007 for TECO*

Interpretation requests clarification on CIP-007-3, Requirement R5. Specifically, the questions relate to the use of "technical and procedural controls" in Requirement R5, and whether each sub-requirement requires both technical and procedural controls. A project team from the Interpretation Drafting Team has begun drafting an interpretation and it expects to submit the interpretation for QR in October 2012 in preparation for a first formal comment period.

The IDT expects to post for first formal comment in Q4 2012.

- *Project 2009-22 Interpretation of COM-002-2 for the IRC*

The filing for the project 2009-22, COM-002-2a, R2 Interpretation will coincide with the filing of and project 2006-06, COM-002-3 and project 2007-02, COM-003-1. The target for filing will depend on the November 2012 and February 2013 BOT meeting results.

As of September 24, 2012 the status has not changed.

- *Project 2012-INT-04 CIP-007 for ITC*

Assigned to CIP IDT, to be processed when earlier requests have been moved through the process.

- *Project 2012-INT-02 TPL-003-0a & TPL-004-0 for SPCS*

The interpretation response 30-day formal comment period ended July 20. The team has responded to comments submitted by stakeholders. The team recently met via conference call on September 5 and 19 to complete its revision to the interpretation response. The team reached consensus on the interpretation and agreed to have the chair and advisor update the response to comment accordingly.

The team delivered the revised interpretation for quality review on September 27. Next steps include responding to quality review, a 45-day formal comment period, and 10-day initial ballot beginning in middle October.

- *Project 2010-INT-03 TOP-002-2a for FMPP*

Possible candidate for Rapid Revision.

- *Project 2009-19 Interpretation of BAL-002-0 R4 and R5 by NWPP Reserve Sharing Group*

Project restarted based on BOT Action re: the scope of this interpretation and the team's ability to rely on language other than solely the requirements. New chair Al DiCaprio assigned.

The interpretation was posted for comment and ballot. The ballot ended on September 4, 2012. The interpretation passed with an 87.78% approval rating. The SDT addressed comments received and a recirculation ballot has been posted (September 28 - October 8, 2012).

- *Project 2012-INT-07 CIP-005 for AEP*

Assigned to CIP IDT, to be processed when earlier requests have been moved through the process.

- *TBD RFI received on 7/22/11 from EEI and NRECA on CIP-001-1*

In August the SC voted to move forward with this interpretation. Drafting team appointment on hold pending finalization of CAN-0016 to see if the revision of the CAN provides clarification. In September, the SC reaffirmed this decision. On January 25, 2012, EEI and other trade organizations submitted an appeal of CAN-0016. The results of the appeal were posted to the NERC website on February 8, 2012.

- *Project 2012-INT-06 CIP-003 for Consumers Energy*

Assigned to CIP IDT, to be processed when earlier requests have been moved through the process.

c. Posting Projections Through December 2012*

To be posted during the week of October 1:

- *Project 2009-19 BAL-002 Interpretation (recirculation ballot)*

To be posted during the week of October 1:

- *Project 2010-11 TPL FN "b" (initial comment period and ballot)*
- *Project 2013-02 P81 (initial comment period and ballot)*
- *Project 2007-12 Frequency Response (successive comment period and ballot)*
- *Project 2007-09 Generator Verification (successive comment period and ballot)*

- *Project 2010-13.2 Generator Reloadability, PRC (initial comment period and ballot)*
- *Project 2007-17, PRC-005 (recirculation ballot or possible recirculation ballot depending on previous ballot results)*

To be posted during the week of October 8:

- *Project 2012-INT-02 (initial comment period and ballot)*
- *Project 2013-02 Paragraph 81 (initial comment period and ballot)*

To be posted during the week of October 15:

- *Project 2009-01, CIP-001 and EOP-004 (recirculation ballot or possible recirculation ballot depending on previous ballot results)*
- *N/A*

To be posted during the week of October 22:

- *Project 2007-02, COM-003 (recirculation ballot or possible recirculation ballot depending on previous ballot results)*

To be posted during the week of October 29:

- *Project 2008-08 (10 CIP Standards) (recirculation ballot or possible recirculation ballot depending on previous ballot results)*

To be posted during the week of November 5:

- *Project 2010-14 BARC (initial comment period and ballot)*
- *N/A*

To be posted during the week of November 12:

- *N/A*

To be posted during the week of November 19:

- *Project 2007-06, PRC-027 (successive comment period and ballot)*

To be posted during the week of November 26:

- *Project 2012-INT-02 (recirculation ballot or possible recirculation ballot depending on previous ballot results)*

To be posted during the week of December 3:

- *Project 2007-12 Frequency Response (recirculation ballot or possible recirculation ballot depending on previous ballot results)*

To be posted during the week of December 10:

- *Project 2010-17 DBES Phase 2 (initial comment period and ballot)*
- *Project 2007-09 Generator Verification (recirculation ballot or possible recirculation ballot depending on previous ballot results)*

- *Project 2010-13.2 Generator Reloadability, PRC (initial comment period and ballot)*
- *Project 2010-11, TPL FN “b” (recirculation ballot or possible recirculation ballot depending on previous ballot results)*

To be posted during the week of December 17:

- *Project 2013-02 P81 (recirculation ballot or possible recirculation ballot depending on previous ballot results)*
- *Project 2010-05.1 PRC-004 (initial comment period and ballot)*
- *Project 2013-01 Cold Weather Preparedness (initial comment period and ballot)*
- *N/A*

To be posted during the week of December 24:

- *N/A*

Project	10/1	10/8	10/15	10/22	10/29	11/5	11/12	11/19	11/26	12/3	12/10	12/17	12/24	12/31
Project 2007-17 – PRC-005														
Project 2009-19 BAL-002 Interpretation														
Project 2010-11 TPL FN 'b'														
Project 2013-02 Paragraph 81														
Project 2007-02 – COM-003														
SPM Revisions														
Project 2007-12 Frequency Resp.														
VRF/VSL Revisions														
Project 2008-08 (10 CIP Standards)														
Project 2008-08 (10 CIP Standards)														
Project 2008-08 (10 CIP Standards)														
Project 2008-08 (10 CIP Standards)														
Project 2008-08 (10 CIP Standards)														
Project 2008-08 (10 CIP Standards)														
Project 2008-08 (10 CIP Standards)														
Project 2008-08 (10 CIP Standards)														
Project 2008-08 (10 CIP Standards)														
Project 2010-17 DBES Guidance Doc														
Project 2009-01 CIP-001 and EOP-004														
Project 2010-17 DBES Phase 2														
Project 2010-INT-01 TOP-006														
Project 2007-09 Generator Verification														
Project 2007-09 Generator Verification														
Project 2007-09 Generator Verification														
Project 2007-09 Generator Verification														
Project 2007-09 Generator Verification														
Project 2007-06 PRC-027														
Project 2010-05.1 PRC-004														
Project 2013-01 Cold Weather Preparedness														
Project 2010-14 BARC														
Project 2010-14 BARC														
Project 2010-14 BARC														
Project 2010-14 BARC														
Project 2010-13.2 Gen Relay Load. PRC														
Project 2012-INT-02														
Number of Standards Posted	24	23	14	13	4	18	17	6	5	6	14	13	6	4

	Projected for November NERC Board of Trustees meeting
	Projected for Feb BOT
	Projected for May BOT
	Projected for August BOT
	Draft SAR
	Initial comment period and ballot
	Successive comment period and ballot
	Recirculation ballot or possible recirculation ballot depending on previous ballot results

Postings heavy in October. Then a bit of a relief in November.

d. Posting of CIP standards Version 5

Issue of documents being modified the day before ballot started. Is this a process deviation? Communication was in the ballot opening announcement but not to the ballot pool voting on the standards.

Corrections were minor (errata type).

QR missed the errors because the 12-13 documents were reviewed by 3 different teams.

Should at least as a minimum have gone to the SC?

Will be reported to the CCC and ensure it does not happen again.

5. Actions

- Plan for Completion of Reliability Standards Development Plan 2013-2015 (**Endorse**) (V. Agnew)

b. Standards Authorization Requests (L. Hussey)

1. Excerpts from NERC Standard Processes Manual* **(Review)**
2. Standards Authorization Request to revise CIP-001-2a* **(Accept, Reject, or Remand)**

Action deferred pending the outcome of the ballot of EOP-004-2.

3. Standards Authorization Request – COM-002 and COM-003* **(Accept, Reject, or Remand)**

The SDTs for COM-002-3 into COM-003-1 should work together as a single SDT and develop a single standard that addresses both Reliability Directives and Operating Instructions using a single communications protocol.

Goal: Combine COM-002-3 into COM-003-1 into a single standard.

Discussion: COM-002 was already approved by the industry and is waiting BoT approval.

Motion to accept the SAR.

Idea of remanding instead and that original COM-003 SAR be amended. However this creates a precedent of influencing projects by submitting SARs.

Motion rejected.

Question is what to do next within process.

Motion to reject SAR and provide written explanation that the SAR was rejected on the basis that the COM-003 is already under development and a new SAR is not needed.

Approved with 3 opposed.

4. Standards Authorization Request – BAL-003 and BAL-012 * **(Accept, Reject, or Remand)**

Three SDTs working on frequency response.

1. BAL-003-1 sets Frequency Response Obligations (a defined term) for each Balancing Authority; whereas BAL-012-1 defines Frequency Responsive Reserves (another defined term). These definitions are similar in language and intent, but if implemented separately would cause confusion. BAL-012-1 does not reference BAL-003-1. Frequency response definitions need to be coordinated between the two SDTs.

2. More importantly, both standards require that BAs meet frequency response requirements.

This language needs to be coordinated between the two standards by both SDTs working together.

Neither SDT has articulated (in any of its documents) how a BA can ensure that it can meet its Frequency Response Obligation or its Frequency Responsive Reserve. SAR requests the two SDTs work together to (a) develop a hypothetical implementation plan for a BA to meet its Frequency Response Obligation or Frequency Responsive Reserve, and (b) explain the relationship between Regulating Reserve, Contingency Reserve, and Frequency Responsive Reserve contained in BAL-012-1.

Motion to reject the SAR with written explanation to the requester based on the fact that two projects are under way and the work of the two SDTs is being coordinated.

Issue may go to the functional model which does not define who is the default responsible to procure frequency response.

Motion approved with no opposed or abstention votes.

6. Discussion Items

a. Strategic Direction for NERC Standards Program (G. Cauley)

Gerry Cauley's presentation:

Sense from industry leaders show frustration and challenges in the standards development processes.

We are in this together, i.e. industry expertise and reaching consensus.

Current process is perceived as not being effective in productivity, achieving objectives and ability to approve the product overall.

Basically the set of standards that we have today is the same as in the beginning.

Need to produce better standards that consistent with ALR.

What's broken? The process itself is NOT the primary impediment; good examples are BES definition, CIP versions 4 and 5, etc. Process can work.

Challenge is figuring out where are we taking the body of standards we have and what quality should the standards achieve.

Results based standards are one answer.

FERC may be getting to a point of getting to an alternative way of making standards.

To make it work:

- (a) Change of accountability. This is also accountability for the success of the ERO model, not just sector, company, etc.*
- (b) Staff and resourcing projects. Get out of balancing, etc. and have more effective teams.*
- (c) Compliance model: initial approach drove industry to manage compliance risk as opposed to solve the reliability problem.*
- (d) Trust in general – industry perception that FERC staff and NERC staff are trying to drive the outcome that the industry does not agree with. Staff role has been marginalized as a result of the mistrust.*

What to do:

- *Changes in NERC standards staff. 60% dedicated to process, quality and gatekeeping. Direction given to reduce to 20 % and shift to dedicate 80 % to product development.*
- *Changes in compliance issue: culture of compliance should be the driver:*
 - *Re-style the audits: look at ICP, procedures and controls, etc. Look at risk controls and mitigations. NERC will retrain auditors.*
 - *Relook at what records are reasonable that a company needs to keep giving confidence that compliance is overall present.*
 - *Review at what happens when compliance monitoring identifies an issue.*
 - *Enforcement and penalties: Use them to drive behaviour rather than penalizing minor violations.*
- *Role of the RISC: get at whether NERC and the industry, collectively as the ERO, have our own agenda about what needs attention for reliability. With RISC input the Bot can take on the role of setting the reliability agenda and oversee the efforts to address the agenda.*

Asking four things to the SC:

- *Structure for accountability to the ERO, may entail changes to the SC charter. Consider structural issues such as appointment of SC leadership or anything else that could be done to provide accountability.*
- *Resourcing standards development: smaller teams with competency based membership with technical, legal, compliance, project management skills. Representation is covered in comments of the ballot body.*
- *Re-think workflow process: clearly articulate the desired outcome in the SAR; right inputs to the document, then draft and initiate consensus reaching process. This will shorten the development time.*
- *Structure work load to get it done. For example re-visit the FERC orders and determine which ones still have any reliability value. There are some no longer needed.*

*Discussion:**Generally well received and supportive.**Key is in results based standards.**Suggestion to look at how technical committees can assist.**Question is how to progress in collaborative way.**Motion: Ask a small group of the SC and others (working with NERC Management and SPIG) to be formed, to look at Gerry's recommendations and evaluate what changes are needed to implement the recommendations.*

Question on whether motion is needed at all. There is direction from the CEO and that should be sufficient. All is needed is a strategic plan

Motion tabled until Thursday.

Dave Goulding: Need to move ahead. What's needed is to identify what has to be done by when.

FERC staff available to help in this effort.

Motion withdrawn when re-discussed on Thursday based on its inclusion in the strategic plan formulation. The discussion will be included in the minutes.

b. Standards Department Reorganization (M. Lauby)

New organization chart presented. Idea is to transition staff from a process approach to a production focus and project management.

Three teams of "standards developers" led by "directors", Laura, Valery and Howard (Associate Director) respectively.

Also, Kristin (now manager of Standards Information) will lead a group responsible for postings work. She will also be supporting the SC next year.

The "Standard Developer" will responsible for the project, including QR, from beginning to end.

A strategic plan and a work plan will be developed for presentation at the February 2013 BoT meeting.

Plan will focus on:

- Outstanding regulatory directives – perhaps omnibus filing for some and plan for remainder. Some may no longer be needed.*
- Phase 2 of P81 combined with 5-year review of all standards.*
- Review existing projects that have not been completed and develop work plan to complete them promptly. And take on emerging issues.*

Suggestions:

- Look at the outstanding items in the 2003 Blackout report and address them in the work plan.*
- Develop clear work plan and milestones for execution by SC in 2013.*

c. Update on RISC* (A. Mosher)

Gerry Cauley: An objective of RISC is to advice the BoT by producing a risk portfolio to permit prioritizing projects and identifying reliability issues which may or may not result in a standard being developed.

RISC is designed to facilitate a proactive, risk prevention approach to reliability with an independent and fresh perspective.

.....

Comments:

It's really early to know how all this is going to work.

Interest in obtaining survey on strategic focus exercise. responses.

This exercise is meant to prioritize strategic areas for NERC activities. It is not intended to catalogue every risk to the Bulk Electric System.

In this exercise, there are eleven statements of potential harm to reliability. Each of these statements corresponds to an area in which NERC currently has efforts. In order to create an overall context for how the RISC thinks about issues, please follow the instructions below to provide your input on these eleven areas.

Statements of harm in the survey:

1. *Protection Systems: A bad event becomes worse due to a protection system failing to operate correctly.*
2. *Critical Infrastructure Protection: We have an event caused by a malicious attack by a hacker or terrorist.*
3. *Workforce Capability and Human Error: We have an event because someone (e.g., an operator or a field technician) makes a mistake or has an error in judgment. (Human error is a contributor, even if not root cause, to virtually every blackout or event).*
4. *Monitoring and Situational Awareness: We have an event due to someone (e.g., an operator or a field technician) not understanding the state of the system.*
5. *Transmission Right of Way: We have an event due to a forced outage of part of the transmission system caused by a right-of-way incursion.*
6. *Planning and Modeling: We have an event because our models and forecasts were inaccurate and did not predict the problem we experienced.*
7. *Changes To and Within the Industry: We have an event because the world changed (e.g., environmental regulation, PHEVs, wind and solar, changing resource mix, etc...), and we were not prepared for that change.*
8. *Voltage and Reactive: We have an event because we are not able to maintain voltage stability.*
9. *Equipment Maintenance and Management: We have an event because we are not maintaining our equipment correctly or on schedule and something failed prematurely.*
10. *Generation Supply: We have an event because generation is inadequate during a frequency disturbance, and Under-frequency Load Shedding activated.*

11. *High-Impact, Low Probability: We have a long-term BES outage because a High-Impact, Low Probability event occurred and we were not prepared.*

Also, if there are any other potential harm you feel should be considered in the RISC strategic priority list, feel free to add them to the table and complete the exercise for them as well. However, please keep in mind this is not intended to catalog every risk to the Bulk Electric System.

Similarly, if one of the eleven provided should NOT be part of our strategic considerations, please note this as well.

In general, it takes more than 1 event to threaten the reliability of the BES.

Smaller group in the SC will fill and give feedback on how the form should be to give meaningful results.

d. **SC Role in Approval of SARs and Managing Standard Projects* (B. Li)**

Currently SC has no authority to approve SARs.

Need to adopt a formal SAR approval process according to industry consensus and feedback:

- o SC to approve posting a SAR when sufficient technical information is provided to support the scope, objective and work plan for a project*
- o SC to approve a SAR based on industry inputs/consensus on the need for the project to meet reliability objectives*

For each project, assign an SC member as the “mentor” to:

- o Take “ownership” of the project*
- o Serve as a conduit between SDT and SC*
- o Assess and resolve issues as appropriate*
- o Assist drafting team meeting participants in adhering to FERC/NERC/SDT protocol*
- o Mentor to provide an update on project status/issues, by exception, at each SC meeting*
- o Mentor to assess progress, and recommend corrective measures (to continue or cease*) a project as necessary*
- o SCEC to propose standards posting schedule*

Some reasons to stop/drop a project:

- o The need for the standard is overtaken by events*
- o Standard development experience suggests that the need for the standard no longer exists*
- o Developing a standard that will receive majority support by the industry is deemed not possible*

Criteria to trigger assessment to stop/drop a project:

- o Repeated low approval rates (from 2 or more ballots)*
- o Divided views suggesting no changes to a draft standard will result in meeting industry approval (mentor’s and SDT’s assessment based on industry inputs)*
- o Need for standard overtaken by events*

- o Reliability objective has been met by other means

Questions and SCPS discussion result:

- o Should SARs be assessed for sufficient technical basis before posting (which may require redesigning the SAR form)? SCPS: YES
- o Should the SC formally approve SARs based on industry inputs? SPCS: Yes. Approval to be balloted by industry or by SC based on industry inputs.
- o Should a full SDT be formed only after a SAR is approved? YES
- o Should SC members take on more ownership and responsibility, and commit some time to mentor/champion projects, including recommending mid-course corrective actions? Divided views
- o Should a process and associated criteria be put in place to stop or cancel a project? Divided views

Comments/discussion:

Everything is in place now to work this.

The mentor is a liaison between the SC and the SDT. It's not a team member to get involved in the technical discussions.

This should be part of the strategic plan to define accountabilities of the SC.

Maybe industry should not have ability to submit SARs, just send issues to the RISC and SARs issued only be RISC. Idea has merit but many SARs are not necessarily RISC related, for example P81.

Need to develop vision first. After defined, the rest will move forward. Teams formed to:

- Strategic Plan: Identify and articulate strategic goals for the SC: Allen, Ben, Linda, Ron Parsons, Fred Plett, Joe Tarantino.
- Ongoing Projects: active and inactive projects to bring closure by Q4 2013. Include plan and cutover date for results based standards: Joe Tarantino, Gary Kruempel, Alice Ireland.
- Directives: Target filing of a resolution to all remaining directives by Q4 2013, either as part of omnibus filing or part of ongoing projects: Scott Miller, Frank Gaffney, Brian Murphy.
- Phase 2 of P81/Comprehensive 5-year Review: Brian Murphy, David Kiguel, Jason Marshall.

e. Standards Committee Elections (L. Hussey)

1. Segment Representatives for 2013-2014 terms* (to be sent later)

Segment 8 did not get any nominations.

Segment 10 designating their rep this week.

2. Replacement of SC Chair for remainder of term*

Allen resigning from the SC. Options:

- o Designate Ben to act as chair for the remainder of the period

- o *Promote Ben to chair and elect a vice-chair*
- o *Elect new chair and vice-chair.*

Allen recommended 3rd option and to appoint a nominating committee to report at the November teleconference. It would be for the 1 year remaining.

Issue of new members who must participate in the election.

Motion to appoint nominating committee; nominate candidates to chair, vice-chair and RISC representative and elect in January meeting.

Nominating committee: Scott, Fred and Carol.

Motion approved with 3 opposed.

f. Subcommittee Reports

1. Communication and Planning Subcommittee (A. Brown)

Anne Brown reported that the SCCPS reviewed the strategic plan is working on executing some key items in the plan: (1) Rapid Revision; (2) SPM changes.

2. Process Subcommittee (B. Li and L. Campbell)

- o *Action to respond to SPM comments.*
- o *Developing process to do QR early in the standard development.*
- o *Working in the single portal to field questions seeking clarifications.*
- o *Working on VSLs guidance document.*

Need to involve the regions and staff to move forward on a plan to move forward on the replacement of VRFs and VSLs.

Motion to give action item to SCPS to get it in motion soon.

Approved with no objections and abstentions.

- o *SC's involvement in SARs approval, rejection, etc. discussed at length.*

i. Cost Effective Analysis Process (CEAP) Guideline* **(Approve)**

Guy presented the latest on the guideline document and response to comments.

Based on comments, team did CEAP Revisions:

- o *Concentration on process and the what and how, not the who*
- o *Decision making (go-no go) removed from the document. The CEAP concentrates on gathering information, compiling it and presenting it in a useful manner to allow decisions to be made and to provide stakeholders with information.*
- o *Rollout Implementation and field test using CEAP Team to minimize NERC involvement*

Next Steps:

- o *Receive SC approval on first version of CEAP*

- o *Receive SC endorsement of the CEAP Implementation*
- o *Conduct industry outreach activities to trade groups and others using SCCPS and the Regional Entities*
- o *Pilot project(s) through the process using the CEAP Team's resources*
- o *Report on the results*
- o *Revise the process as necessary*

General opinion: Great work!!

ii. CEAP Implementation Plan* **(Approve)**

Request to endorse interim steps which includes pilot. Pilot candidates have not been picked yet.

Motion to approve the CEAP guideline document (i.e. the concept) and direct the team to work with staff to identify candidate projects for conducting a pilot and report to the SC at the next meeting.

Approved with no opposed and abstention votes.

iii. Rapid Revision procedure. **(Approve)**

Motion to approve posting.

Approved with no opposed and abstention votes.

iv. Report on Action Items from October 9, 2012 SCPS meeting* **(to be sent later)**

g. Schedule and Locations for 2013 Meetings* (M. Lauby)

Two meetings in Atlanta and 2 co-located with other standing committee meetings; conform to schedule (in term of months).

7. Coordination (Review) (S. Tyrewala)

a. Coordination with Regulatory and Governmental Authorities

Recent agreement with Nova Scotia on procedure for standards approval.

b. Upcoming Standards Filings

Several recent filings and more to occur in the near future.

In FERC Ted Franks taking over the Office of Reliability. Keith O'Neal now reports to Frank.

8. Informational Items (Review)

a. NERC Drafting Team Vacancies*

b. Standards Committee Roster*

c. Highlights of Parliamentary Procedure*

9. Executive Committee Actions (Pre-authorize)

10. Adjourn

*Background materials included.

NERC Operating Committee
Meeting Notes
September 18 and 19, 2012

Introductory Remarks

Mr. Bowe asked the OC members to suggest four key reliability issues in the course of the discussions by the OC for future consideration by the Committee. Subsequent discussion at the conclusion of the meeting identified cyber security as the most significant threat currently perceived by the NERC Operating Committee.

Mr. Bowe read a tribute of respect in honor of the memory of Mr. John M. Troha, noting his contributions to the industry in general and the OC in particular. The tribute will be embodied in the body of the minutes of the OC.

Board of Trustees

Mr. Bowe observed that a particular level of frustration was evident at this meeting over the pace at which the Standards development is proceeding.

Operating Reliability Subcommittee (Colleen Frosch)

Ms. Frosch highlighted the following issues contained in her written report submitted to the NERC Operating Committee and included in the meeting material:

- The retirement of the reliability plan for the VACAR subregion was approved.
- The ORS continues its effort to coordinate the Parallel Visualization Flow project with the NAESB Business Practices Subcommittee.
- The ORS will implement a proposal to rotate GMD notifications among the Reliability Coordinators.

NERC Operating Tools (Frank Koza)

Mr. Koza reported that an Eastern Interconnection consortium was being formed to supervise the Interchange Distribution Calculator (IDC). The current Interchange Distribution Calculator Working Group (IDCWG) will report to a steering committee of the consortium. It is estimated that the annual cost of the effort will be approximately fifteen million dollars, to be allocated as follows:

- 40% by number of tags;
- 40% by number of Transmission Loading Relief (TLR) Procedures (TLR) invoked; and
- 20% shared among the Reliability Coordinators, which in turn will bill the Load-Serving Entities (LSE).

Events Analysis Subcommittee (Sam Holeman)

Mr. Holeman discussed the status of the Event Analysis Subcommittee to date, focusing on the release and dissemination of lessons learned and asking the Operating Committee how this process can be improved to make it a more responsive and viable effort. He pointed out that the Event Analysis Subcommittee is already engaged in redrafting the process document to better the product.

The Operating Committee suggested that a key to effective feedback to the industry on the lessons learned from the event analysis program was their incorporation in training, and only through enhanced training which is augmented through the recognition of lessons learned can the benefits of the event analysis program be fully realized. The Operating Committee also suggested that periodic webinars could be an effective tool as well through which to disseminate lessons learned, and that the NERC web site should be modified to make lessons learned easier to locate.

Mr. Moon assured the Operating Committee that a firewall will be maintained at NERC between the efforts of the event analysis program and compliance activities.

Lessons Learned from the 2011 Cold Weather Event (Steve Horn-Luminant)

Mr. Horn summarized the February 2, 2011, cold weather event in Texas and other parts of the southwest. A total of 225 generators tripped, failed to start or were derated due to low temperatures. Five Generator Owners suffered the bulk of the impact, including Luminant and Calpine.

In discussing a course of action on the part of the NERC Operating Committee, the OC agreed that the attempt to pursue a NERC Standard applicable to all parts of North America was impractical. In lieu of a Standard, the OC agreed to form a drafting team to develop a NERC Guideline on winterization practices. In addition, the OC proposed that:

- it provide draft input to the Reliability Issues Steering Committee identifying weather vulnerabilities; and
- the NERC Winter Assessments continue to stress winter preparedness in North America.

Arizona-Southern California Outages on September 8, 2011-Causes and Recommendations (Tom Bowe)

The NERC Operating Committee agreed to work with Dave Nevius to address potential gaps identified in the Regional survey conducted by Mr. Nevius. Any such gap would then be directed to the appropriate OC subcommittee for resolution. Future meetings of the NERC Operating Committee will also seek to glean Lessons Learned from the work of the Regions as well as other industry organizations.

Reliability Guideline: System Operator Verbal Communications-Current Industry Practices (David Zwergel)

The NERC Operating Committee approved the "Reliability Guideline: System Operator Verbal Communications-Current Industry Practices." It was approved as a compilation of those protocols and practices in place in the industry today and is not presented as "best practices."

Coordinated Action Plan (Phase 2)-Implementing the HILF Task Force Recommendations (Stuart Brindley)

Mr. Brindley an overview of the recommendations potentially within the purview of the NERC Operating Committee presented in the collective HILF reports, of which there are five.. The NERC Operating Committee agreed to identify actionable items and charge them to the appropriate OC Subcommittee.

Round Table Discussion of Requirement 1 of NERC Reliability Standard PRC-001, “System Protection Coordination” (Tom Bowe)

Requirement 1 of NERC Reliability Standard PRC-001, “System Protection Coordination,” states:

“Each Transmission Operator, Balancing Authority, and Generator Operator shall be familiar with the purpose and limitations of protection system schemes applied in its area.”

Each member of the Committee discussed the interpretation and application of the above requirement, focusing on the understanding of “... familiar with ...” as well as the understanding of the special protection systems in place.

Webinar of the NERC Operating Committee held on October 10, 2012

Subsequent to the meeting of the NERC Operating Committee held on September 18th and 19th, an OC Webinar was held on October 10, 2012, at which:

- the NERC Operating Committee accepted the draft document, “.Frequency Response Initiative Report-The Reliability Role of Frequency”;
- the OC approved the definition of Adequate Level of proposed by the ALR Task; and
- the OC approved a response to the Cold Weather Preparedness Standard Authorization Request (SAR).

Prepared by:

John G. Mosier, Jr.
October 15, 2012

From: [Michelle Marx](#)
To: michelle.marx@nerc.net
Subject: NERC MEETING ANNOUNCEMENT REMINDER: Reliability Issues Steering Committee (RISC) Meeting - October 22, 2012
Date: Tuesday, October 16, 2012 5:14:20 PM

Meeting Announcement

Reliability Issues Steering Committee Meeting

REMINDER

October 22, 2012 | 11:00 a.m. – 5:00 p.m. EDT

NERC Headquarters
3353 Peachtree Headquarters NE
North Tower, Suite 600
Atlanta, GA 30336
(404) 446-2560

This is the first formal meeting of the new Reliability Issues Steering Committee (RISC). The RISC is an advisory committee that reports directly to the NERC Board of Trustees and triages and provides front-end, high-level leadership and accountability for nominated issues of strategic importance to bulk power system (BPS) reliability. The RISC assists the board, NERC standing committees, NERC staff, regulators, Regional Entities, and industry stakeholders in establishing a common understanding of the scope, priority, and goals for the development of solutions to address these issues. In doing so, the RISC provides a framework for steering, developing, formalizing, and organizing recommendations to help NERC and the industry effectively focus their resources on the critical issues needed to best improve the reliability of the BPS.

Click Here for: [Meeting Details](#)

Click Here for: [Meeting Registration](#)

For more information or assistance, please contact [Andy Rodriguez](#).

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Media Release

NERC's Second Grid Security Conference Attracts Security Experts from Industry, Government and Private Sector

October 19, 2012

SAN DIEGO – More than 280 participants attended the North American Electric Reliability Corporation's grid security conference on October 17-18 in San Diego. NERC's second security conference brought together industry and government security professionals to educate and share best practices.

Opening keynotes were delivered by Gerry Cauley, president and chief executive officer at NERC; and Admiral Thad Allen, retired U.S. Coast Guard commandant and senior vice president at Booz Allen Hamilton.

"If you look at the evolution of cybersecurity, the game is continuously changing, and we as an industry must continue to grow as well. Conferences like this one ensure we are growing and sharing much needed information with one another," Cauley said. "We only win if we create deterrents and push back, and remain nimble and responsive."

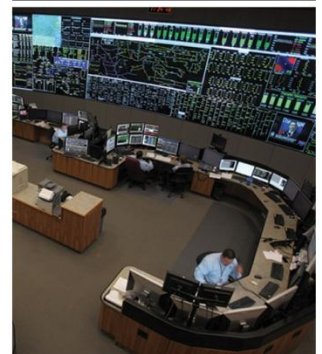
More than 20 speakers – including Department of Defense Assistant Secretary of Defense for Homeland Defense and Americas' Security Affairs Paul Stockton, and Department of Homeland Security Deputy Undersecretary for Cybersecurity Mark Weatherford – discussed topics ranging from strategic policy discussions affecting the electricity industry to tactical measures and best practices to reduce risk and better protect critical infrastructure.

Prior to the conference, more than 90 participants received training in workshops from Lofty Perch, Idaho National Laboratory and SANS Institute. Some of the goals of the conference were to:

- Build upon NERC's mission to ensure the reliability of the North American bulk power system through education and training.

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- Discuss and provide solutions to emerging industrial control system security issues.
- Deliver expert analysis on social engineering and phishing attacks.
- Strategically focus upon public/private partnerships.
- Provide an update and a call for communications with the Electricity Sector-Information Sharing and Analysis Center (ES-ISAC).

“GridSecCon 2012 is the perfect venue for industry and cyber experts to share emerging security trends and lessons learned, said Brian Harrell, associate director of Critical Infrastructure Programs at NERC, and coordinator of the conference. “The conference elevates the discussion of physical and cybersecurity challenges and solutions within the industry.”

Building on this knowledge and experience, planning is underway for NERC’s second training exercise to test the reliability of the bulk power system. GridEx II is scheduled to take place November 13-14, 2013 in Washington, DC. For more information on GridEx, contact [Brian Harrell](#). Make plans to attend next year’s GridSecCon 2013 planned for October 15-17, location yet to be determined

###

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

From: [Tina Buzzard](#)
To: [Tina Buzzard](#)
Subject: NERC: POSTED: Board of Trustees and Board Committees Meeting Agendas
Date: Tuesday, October 23, 2012 5:43:59 PM

Meeting Agendas — Posted

November 6-7, 2012 | New Orleans, LA

**[Corporate Governance and Human Resources Committee
Conference Call Agenda](#)**

October 29, 2012 – 3:00 p.m. Eastern

[Finance and Audit Committee Conference Call Agenda](#)

October 31, 2012 – 11:00 a.m. Eastern

[Compliance Committee Meeting Agenda](#)

November 6, 2012 – 9:15 a.m. Central, New Orleans, LA

[Standards Oversight and Technology Committee Meeting Agenda](#)

November 6, 2012 – 11:00 a.m. Central, New Orleans, LA

[Board of Trustees Meeting Agenda](#)

November 7, 2012 – 8:00 a.m. Central, New Orleans, LA

[NOTE: The Member Representatives Committee Meeting Agenda will be posted and announced on October 24, 2012 by close of business.](#)

For more information or assistance, please contact [Tina McClellan](#) (via email) or 404-446-2564.

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tina.mcclellan@nerc.net

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Agenda Corporate Governance and Human Resources Committee

October 29, 2012 | 3:00-4:30 p.m. Eastern
Conference Call

Dial-In: 800-354-6885

No Pass Code Needed

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines

Agenda

1. **Minutes*— Approve**
 - a. August 15, 2012 Meeting
2. **Board of Trustees and Board Committees' Self-Assessment Surveys; MRC Annual Effectiveness Survey of the Board of Trustees* — Approve**
3. **Proposed Amendments to Finance and Audit Committee Mandate* — Approve**
4. **Proposed Amendments to Standards Oversight and Technology Committee Mandate* — Approve**
5. **Board Compensation Study Request for Proposal* — Update**
6. **Savings and Investment Plan Items***
 - a. **2011 Year End Audit — Review**
 - b. **Plan Administrator Request for Proposal — Review**
 - c. **Appointment of Additional Member to Plan Committee — Approve**
7. **Schedule for Employee Climate Survey* — Review**
8. **2012 Corporate Goals Update* — Review**
9. **Human Resources and Staffing/Recruiting Update* — Review**
10. **Next Meetings**
 - a. December 11, 2012 – Closed Conference Call – Time TBD (Review compensation policies and plans; Plan Administrator RFP Results)
 - b. February 6, 2013 – Face-to-Face – San Diego, CA

Adjourn into Closed Executive Session

*Background materials included.

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.

Draft Minutes — Open Session

Corporate Governance and Human Resources

August 15, 2012 | 7:30-8:30 a.m. Eastern

Hilton Quebec
1100, Rene-Levesque Blvd East
Quebec, QC
Canada G1R 4P3
418-647-6500

Chair Janice Case convened a duly noticed open meeting of the Corporate Governance and Human Resources Committee (the “Committee”) of the North American Electric Reliability Corporation on August 15, 2012 at 7:30 a.m. Eastern, and a quorum was declared present. The agenda is attached as **Exhibit A**.

Present at the meeting were: All Committee members, being Janice Case, Chair, Vicky Bailey, Tom Berry, Jan Schori and John Q. Anderson; Board members, Paul Barber, Roy Thilly, Fred Gorbet, Dave Goulding, Bruce Scherr and Ken Peterson; and NERC staff members Gerry Cauley, David Cook, Charlie Berardesco, Mike Walker, Damon Epperson, and Tina McClellan.

Minutes

The Committee approved the May 2, 2012 meeting minutes as presented at this meeting.

Board of Trustees and Board Committees’ Self-Assessment Surveys; MRC Annual Effectiveness Survey of the Board of Trustees; Compliance and Certification Committee Survey

Ms. Case reviewed the current progress on the Board and Board Committees’ Self-Assessments and the MRC Annual Effectiveness Survey, noting additional work needs to be completed based on comments from Board Committee Chairs. NERC management will review the comments and provide an updated draft for review by the Committee at its next meeting.

Criteria Governing the Overall Composition of the Board of Trustees

Ms. Case reported that she had been advised by the Nominating Committee that while Mr. Goulding is interested in continuing to serve on the Board, Vicky Bailey has informed the Nominating Committee that she will not seek re-election due to scheduling conflicts. Ms. Case then offered for consideration decreasing the number of independent Trustees to 10, reviewing with the Committee the background of the Board’s previous decision to increase the number of independent Trustees to 11, and opened the issue for discussion by the Committee. After discussion, and upon motion duly made by Mr. Gorbet and seconded, the Committee unanimously approved and recommended for Board approval the decrease in the number of independent Trustees to 10 independent Trustees, subject to any comments from the Member Representatives Committee at its meeting to be held later in the afternoon.

Sarbane-Oxley Issues

Mr. Berardesco reviewed NERC's whistleblower policy, reporting that no complaints had been received since the last annual review of the policy with the Committee, and NERC's document retention policy, noting that both policies met applicable legal requirements. He indicated that the legal staff will, in connection with next year's annual review of these policies, undertake a best practices review.

2012 Corporate Goals Update

Mr. Cauley reviewed performance through the end of June 2012 against the 2012 Corporate Goals, noting total progress for the second quarter is 45 percent of target and that emphasis continues to be on standards development and CIP initiatives. He also noted that management is working on action plans to address progress in lagging areas. The Committee requested that Mr. Cauley summarize the action plans for the Committee at its next regular meeting.

CGHRC Closed Sessions

Ms. Case reported the Committee met in closed session via conference call on March 19, 2012 and reviewed NERC's Savings and Investment Plan, noting that based on such review, the Plan continues to operate appropriately and that no changes were recommended.

Ms. Case further reported that the Committee met in closed session the day prior and that four employee policies were reviewed and approved: a Travel and Expense Policy, Gift Policy, Employee Rewards and Recognition Policy, and a Relocation Policy. Additionally, the Committee approved a plan for the review of Board compensation, which will include the use of a compensation consultant to assist the Committee.

Human Resources and Staffing/Recruiting Update

Mr. Epperson provided an update on current Human Resources activities and staffing/recruiting to date.

Future Meetings

Ms. Case noted that the next scheduled meeting of the Committee is via conference call on October 30, 2012.

Adjournment

There being no further business, and upon motion duly made and seconded, the meeting was adjourned at approximately 8:15 a.m. local time.

Submitted by,



Charles A. Berardesco
Secretary

Board of Trustees and Board Committees' Self-Assessment Surveys; MRC Annual Effectiveness Survey of the Board of Trustees

Action

Approve

Summary

Taking into account feedback from the Board, Board Committee Chairs and TalentQuest, management has revised the Self-Assessment and Effectiveness Surveys. Substantive changes from prior drafts include:

- Conversion to a 3-point rating scale of “below expectations, meets expectations, and above expectations” to ensure more consistent ratings among respondents
- Conversion of questions to “yes/no” that are binary in nature and are not measured effectively by levels
- Requiring comments for “below expectations” and “no” responses and providing opportunity for comments for other ratings
- Clarifying survey instructions to ensure respondents have a clear understanding of when to use which ratings
- Elimination of redundant questions and modification in the text of certain questions to reflect comments and further review

Management is recommending the following timeline for the 2012 Board of Trustees, Member Representatives Committee, and Board Committees' effectiveness surveys:

- Surveys distributed by December 7, 2012
- Responses due by December 28, 2012
- Summary of results prepared by TalentQuest and provided to the Board of Trustees Chair and Committee Chairs for review by January 15, 2013
- Summary of results presented for review and discussion at February 2013 meetings

Marked and cleaned copies of the proposed final survey questions are attached.

Board of Trustees/Member Representatives Committee Proposed 2012 Survey Questions

Levels of Effectiveness

- 1 = Below Expectations (“level of performance is clearly unsatisfactory”)
 2 = Meets Expectations (“meets the required standard of performance”)
 3 = Above Expectations (“Far exceeds the required standard of performance”)

The survey will segment those questions that are “Pass/Fail” by nature and require a “Yes/No” answer to the item. Survey will also include a prompt requiring comments for any item rated “No” in response to a “Yes/No” item or a “Below Expectations” in response to the 3-point levels of effectiveness scale. Optional comments may be provided for items rated “Yes” in response to a “Yes/No” item or “Meets Expectations or Above Expectations” on the 3-point levels of effectiveness scale.

2012 BOT & MRC Proposed Questions	BOT	MRC
Strategy		
The Board constructively engages in furthering NERC’s mission ensuring a reliable and adequate bulk power system.	X	X
The Board clearly supports and advocates Electric Reliability Organization model.	X	X
The Board demonstrates understanding of the key challenges NERC faces.	X	X
The Board effectively sets priorities through the strategic plan.	X	
The Board takes appropriate account of the international charter of the North American bulk power system.	X	X
Observation and Opportunities for Improvement:	X	X
Oversight		
The Board is sufficiently involved in the ERO (NERC and the Regions) annual business planning and budgeting process.	X	X
The Board ensures that the ERO (NERC and the Regions) business plan and budget appropriately balances the cost concerns of stakeholders with the need to meet the ERO’s responsibilities.	X	X
The board is sufficiently involved in monitoring the corporation’s compliance with regulatory requirements and directives.	X	X
Observation and Opportunities for Improvement:	X	X
Stakeholder Relations		
The Board works effectively with stakeholders in the prioritization of NERC work efforts.	X	X
The Board effectively communicates with all stakeholders.	X	X
The Board establishes a positive and cooperative dialogue with U.S. federal and state regulators.	X	X
The Board establishes a positive and cooperative dialogue with Canadian federal and provincial regulators.	X	X
The Board strikes an appropriate balance between the expectations of regulators and the expectations of stakeholders.	X	X

Observation and Opportunities for Improvement:	X	X
Composition/Structure		
The Board's size is appropriate and effective.	X	X
Board members reflect broad diversity of competency strengths and professional experience.	X	
The Board's committees have suitable mandates and membership.	X	
The director/trustee nomination process is effective.	X	X
New Board member orientation and education is comprehensive and meaningful.	X	
Observation and Opportunities for Improvement:	X	X
Board Functioning		
The Chair of the Board effectively oversees and facilitates Board activities and direction.	X	X
The Chair manages meetings efficiently to allow for sufficient discussion and constructive input on important issues.	X	X
Board agenda items appropriately reflect priorities.	X	X
Priority matters are placed on Board Agendas in a timely manner.	X	X
Background information provided in support of Board agendas is appropriate	X	X
Background information in support of agendas is provided in a timely manner.	X	X
The allocation of time to agenda items is appropriate.	X	X
Challenge of management proposals is encouraged and dissenting views are considered.	X	X
Board members participate as equals and communicate openly.	X	X
The Board functions and makes decisions independently of management, as appropriate.	X	X
The Board functions without giving undue influence to any single stakeholder or stakeholder group.	X	X
The process for taking action in writing without a meeting is effective.	X	
Minutes are a fair record of Board proceedings.	X	X
Observation and Opportunities for Improvement:	X	X
NERC Management		
The Board has appropriate access to management.	X	
The Board avoids excessive involvement in detail and day-to-day management.	X	X
The Board is sufficiently involved in ensuring a competent and well-motivated senior management.	X	
The Board ensures proper development and succession plans are in place for the CEO and senior management.	X	
Observation and Opportunities for Improvement:	X	X
Other Factors		
I feel I am personally making a meaningful contribution to the corporation by my attendance and participation at the Board, committee meetings, and other activities.	X	X
I feel my peers are personally making a meaningful contribution to the corporation by their attendance and participation at the Board, committee meetings, and other activities.	X	
Observation and Opportunities for Improvement:	X	X

Comment [e1]: Item will be segmented to 2nd half of the survey and converted to a "Yes/No" question

Comment [e2]: Item will be segmented to 2nd half of the survey and converted to a "Yes/No" question

Comment [e3]: Item will be segmented to 2nd half of the survey and converted to a "Yes/No" question

Finance and Audit Committee Proposed 2012 Self-Assessment Questions

Corporation Annual Financial Statement Review
Ensure management maintains the quality, credibility, and the objectivity of the corporation's financial reports.
Review with the external auditor any significant emerging accounting and reporting issues and their potential impact on the corporation's financial statements.
Review and approve changes in accounting policies after considering the appropriateness of such selections and changes.
Review with management, the external auditor and legal counsel, the corporation's procedures to ensure compliance with applicable laws and regulations.
Review with management, the external auditor and legal counsel any significant litigation, claim, or other contingency, including tax assessments, that would have a material effect upon the financial position or operating results of the corporation, together with related financial disclosures.
Determine, based on its review and discussion thereof with management and the external auditor, whether to recommend the acceptance by the Board of the audited financial statements.
Monitoring Relationship with External Auditor
Evaluate the performance of the external auditor and reappoint or take steps to replace the external auditor.
Review and approve the auditor's estimated annual audit fees.
Meet privately with management to assess the performance of the external auditor.
Meet privately with the external auditor to ascertain the level of access and cooperation received from management during the course of the audit.
Adequacy and Integrity of Internal Accounting Controls
Follow-up performed by management with regard to any recommendations from the external auditor or the committee relating to internal accounting controls.
Annual Business Plan and Budget
Review of the annual ERO (NERC and the Regional Entities) Business Plan and Budget preparation and approval, including associated assessments, as well as any other special budget and assessments of the corporation or a Regional Entity, and such other matters as are deemed necessary.
Review and report to the Board quarterly on actual unaudited quarterly results versus approved budgets of NERC and the Regional Entities.
Other Responsibilities
Review of the policies for approval of senior management expenses, including those of the chief executive officer.
Review of the financial aspects of the Corporation's Form 990 prior to it being filed with the Internal Revenue Service
Review of the investment policy governing the investment of funds held by the Corporation.
Committee Functioning

The information provided in support of the agenda is appropriate and available in a timely manner in advance of Board meetings.
The Committee Chair manages meetings efficiently to allow for sufficient discussion and constructive input on important issues.
Committee members participate as equals and communicate openly.
The Committee functions without giving undue influence to any single stakeholder or stakeholder group.
Open-ended Question
Observation and Opportunities for Improvement

Corporate Governance and Human Resources Proposed 2012 Self-Assessment Questions

Committee Responsibilities
Develop criteria governing overall composition of the Board for recommendation to the Board.
Monitor the members of the Board to ensure, per bylaws, their independence and qualifications are maintained.
Develop recommendations for the Board regarding Trustee Succession Policy.
Monitor the members of the Board to ensure, per bylaws, there are no conflicts of interest.
Coordinate an annual effectiveness evaluation of the Board, its structure, and processes.
Review annually the compensation plan for members of the Board.
Review the Trustee Code of Conduct; recommending changes to the Board as appropriate.
Review the structure and mandates of the committees, recommending changes to the Board as appropriate.
Review the self-assessments of the Board committees and report the results thereof to Board.
Review of the CEO's performance and provide feedback, as appropriate.
Review overall staffing levels and trends.
Approves the hiring or promotion of senior officers.
Review and approve the remuneration of all senior officers, including salaries and bonuses as recommended by the CEO.
Review and approve a general salary structure for the senior officers and management of the corporation.
Review management's plans and activities for the development and improvement of key personnel.
Review with the CEO essential elements of senior management succession planning.
Review and approve, as appropriate, an employee manual.
Recommend to the Board the appointment of Board members to each of the committees.
Effectively communicates recommendations to the Board regarding the salary and bonus of the CEO.
Plan Oversight
Review significant benefit plans (including the Corporation's retirement plans) and make recommendations and provide feedback to the Board.
Oversight of the corporation's Savings and Investment Plan through actions it deems prudent in connection with its oversight responsibilities and otherwise consistent with applicable law.
Review the corporate governance aspects of the Corporation's Form 990 prior to it being filed with the Internal Revenue Service.
Committee Functioning
The information provided in support of the agenda is appropriate and available in a timely manner in advance of Board meetings.
The Committee Chair manages meetings efficiently to allow for sufficient discussion and constructive input on important issues.
Committee members participate as equals and communicate openly.
The Committee functions without giving undue influence to any single stakeholder or stakeholder group.
Open-ended Question
Observation and Opportunities for Improvement

Standards Oversight and Technology Committee Proposed 2012 Self-Assessment Questions

Committee Standards Oversight Responsibilities
Evaluate the strategic direction of NERC's standards development program.
Identify strategic priorities for reliability standards development.
Monitor overall results, including quality and timeliness of standards development work.
Assess emerging reliability risks affecting standards, making recommendations as appropriate.
Monitor progress in addressing regulatory mandates and directives related to standards.
Serve as the Level 2 Appeals Panel as set forth in the NERC Standard Processes Manual, Appendix 3A to the NERC Rules of Procedure.
Periodically review NERC's status with the American National Standards Institute.
Review and provide oversight regarding the Corporation's long-term technology strategy and budget.
Provide recommendations for action regarding the strategic direction of NERC's standards development program to the Board and NERC Standards Committee.
Provide the Board with recommendations for action on proposed NERC projects that employ new technology.
Provide advice and recommendations to the Board on any standards or technical issues referred to it by the Board.
Make recommendations to NERC Standards Committee and Board regarding needed improvements in the quality and timeliness of standards development work.
Committee Technology Oversight Responsibilities
Annually review the resource requirements and funding for IT-related investments and costs under the company's business plan and budget and provide recommendations to the Finance and Audit Committee and Board.
Review with management company computer systems environment, security procedures, and contingency plans.
Committee Functioning
The information provided in support of the agenda is appropriate and available in a timely manner in advance of Board meetings.
The Committee Chair manages meetings efficiently to allow for sufficient discussion and constructive input on important issues.
Committee members participate as equals and communicate openly.
The Committee functions without giving undue influence to any single stakeholder or stakeholder group.
Open-ended Question
Observation and Opportunities for Improvement

Nominating Committee Proposed 2012 Self-Assessment Questions

Committee Responsibilities
Communicates to all stakeholders clear process and steps in Board candidate selection.
Communicates Board and MRC best practice guidelines to field candidate slate.
Develops clear, relevant and complete candidate specifications.
Utilizes vetting process to select qualified search consultant.
Provides opportunity for full and fair evaluation of incumbents.
Evaluates potential candidates thoroughly.
Conduct interview(s) and final selection process.
Demonstrate application of the Board composition provisions of the bylaws in making its recommendations.
Demonstrate application of the Board's Conflict of Interest policy in making its recommendations.
Demonstrate application of the Trustee Succession Policy in making its recommendations.
Committee Functioning
The information provided in support of the agenda is appropriate and available in a timely manner in advance of Board meetings.
The Committee Chair manages meetings efficiently to allow for sufficient discussion and constructive input on important issues.
Committee members have the opportunity to participate and express viewpoints openly and freely
The Committee functions without giving undue influence to any single stakeholder or stakeholder group.
Open-ended Question
Observation and Opportunities for Improvement

Compliance Committee Proposed 2012 Self-Assessment Questions

Committee Responsibilities
Appropriately review violations, regardless of their status, of the most recent month, known to the Compliance Monitoring and Enforcement Program staff.
Appropriately review the progress of individual operating entities in mitigating confirmed violations.
Appropriately review the progress of regional entities in processing all allegations of violations of NERC reliability standards to ensure accordance with the NERC Rules of Procedure.
Appropriately review Notice of Penalty or Sanction, Settlement Agreement, and Remedial Action Directive documents.
Hears and addresses appeals of compliance violations, penalties, or sanctions.
Hears and addresses appeals of findings resulting from audits of the regional entity implementation of the NERC CMEP heard by the NERC Compliance and Certification Committee.
Hears and addresses challenges by candidates for inclusion on the compliance registry.
Effectively oversees the filing of Notice of Penalty or Sanction, Settlement Agreement, and Remedial Action Directive documents with FERC and other governmental authorities or remand to the appropriate regional entity.
Effectively oversees audits of the NERC Organization Registration and Certification Program on a three-year basis.
Advise the Board on the progress of individual operating entities in mitigating confirmed violations.
Recommend to the Board such actions as may further the purposes of the NERC Compliance Monitoring and Enforcement Program.
Recommend to the Board such actions as may further the purposes of the Organization Registration and Certification Program.
Committee Functioning
The information provided in support of the agenda is appropriate and available in a timely manner in advance of Board meetings.
The Committee Chair manages meetings efficiently to allow for sufficient discussion and constructive input on important issues.
Committee members participate as equals and communicate openly.
The Committee functions without giving undue influence to any single stakeholder or stakeholder group.
Open-ended Question
Observation and Opportunities for Improvement

Board of Trustees/Member Representatives Committee Proposed 2012 Survey Questions

Levels of Effectiveness

1 = ~~Below Expectations~~~~Needs Prompt Attention~~ ("level of performance is clearly unsatisfactory")

~~2 = Below Expectations ("a question exists in the rater's mind as to the level of performance")~~

~~3~~ = Meets Expectations ("meets the required standard of performance")

~~4 = Exceeds Expectations ("fully meets and exceeds the expected and required standard of performance")~~

~~5~~ = ~~Above Expectations~~~~Outstanding~~ ("Far exceeds the required standard of performance")

The survey will segment those questions that are "Pass/Fail" by nature and require a "Yes/No" answer to the item. Survey will also include a prompt requiring comments for any item rated "No" in response to a "Yes/No" item or a "Below Expectations" in response to the 3-point levels of effectiveness scale. Optional comments may be provided for items rated "Yes" in response to a "Yes/No" item or "Meets Expectations or Above Expectations" on the 3-point levels of effectiveness scale.

2012 BOT & MRC Proposed Questions	BOT	MRC
Strategy		
The Board constructively engages in furthering NERC's mission ensuring a reliable and adequate bulk power system.	X	X
The Board clearly supports and advocates Electric Reliability Organization model.	X	X
The Board demonstrates understanding of the key challenges NERC faces.	X	X
The Board effectively sets priorities through the strategic plan.	X	
The Board takes appropriate account of the international charter of the North American bulk power system.	X	X
Observation and Opportunities for Improvement:	X	X
Oversight		
The Board is sufficiently involved in the ERO (NERC and the Regions) annual business planning and budgeting process.	X	X
The Board ensures that the ERO (NERC and the Regions) business plan and budget appropriately balances the cost concerns of stakeholders with the need to meet the ERO's responsibilities.	X	X
The board is sufficiently involved in monitoring the corporation's compliance with regulatory requirements and directives.	X	X
Observation and Opportunities for Improvement:	X	X

Stakeholder Relations		
<u>The Board works effectively with stakeholders in the prioritization of NERC work efforts.</u>	X	X
The Board effectively communicates with all stakeholders.	X	X
The Board establishes a positive and cooperative dialogue with U.S. federal and state regulators.	X	X
The Board establishes a positive and cooperative dialogue with Canadian federal and	X	X

provincial regulators.		
The Board strikes an appropriate balance between the expectations of regulators and the expectations of stakeholders.	X	X
~~The delegation of authority to the Regional Entities under the Board approved Regional Delegation Agreements is effective in terms of fulfilling the ERO's statutory obligations and corporate objectives.~~	X	X
~~The Board works effectively with stakeholders in the prioritization of NERC work efforts.~~	X	X
Observation and Opportunities for Improvement:	X	X
Composition/Structure		
The Board's size is appropriate and effective.	X	X
Board members reflect broad diversity of competency strengths and professional experience.	X	
The Board's committees have suitable mandates and membership.	X	
The director/trustee nomination process is effective.	X	X
New Board member orientation and education is comprehensive and meaningful.	X	
Observation and Opportunities for Improvement:	X	X
Board Functioning		
The Chair of the Board effectively oversees and facilitates Board activities and direction.	X	X
The Chair manages meetings efficiently to allow for sufficient discussion and constructive input on important issues.	X	X
~~The number of Board meetings is appropriate.~~	X	X
Board agenda items appropriately reflect priorities.	X	X
Priority matters are placed on Board Agendas in a timely manner.	X	X
Background information provided in support of Board agendas is appropriate	X	X
Background information in support of agendas is provided in a timely manner.	X	X
The allocation of time to agenda items is appropriate.	X	X
~~There is sufficient opportunity for Board Members to discuss their views before a decision is taken.~~	X	-
Challenge of management proposals is encouraged and dissenting views are considered.	X	X
Board members participate as equals and communicate openly.	X	X
The Board functions and makes decisions independently of management, as appropriate.	X	X
The Board functions without giving undue influence to any single stakeholder or stakeholder group.	X	X
The process for taking action in writing without a meeting is effective.	X	
Minutes are a fair record of Board proceedings.	X	X
Observation and Opportunities for Improvement:	X	X
NERC Management		
The Board has appropriate access to management.	X	
The Board avoids excessive involvement in detail and day-to-day management.	X	X
The Board is sufficiently involved in ensuring a competent and well-motivated senior management.	X	
The Board ensures proper development and succession plans are in place for the CEO and senior management.	X	
Observation and Opportunities for Improvement:	X	X
Other Factors		

Comment [e1]: Item moved to top

Comment [e2]: Item will be segmented to 2nd half of the survey and converted to a "Yes/No" question

~~The amount and form of trustee compensation is appropriate in relation to Trustee responsibilities.~~	X	X
I feel I am personally making a meaningful contribution to the corporation by my attendance and participation at the Board, committee meetings, and other activities.	X	X
I feel my peers are personally making a meaningful contribution to the corporation by their attendance and participation at the Board, committee meetings, and other activities.	X	
Observation and Opportunities for Improvement:	X	X

Comment [e3]: Item will be segmented to 2nd half of the survey and converted to a "Yes/No" question

Comment [e4]: Item will be segmented to 2nd half of the survey and converted to a "Yes/No" question

Finance and Audit Committee Proposed 2012 Self-Assessment Questions

Corporation Annual Financial Statement Review
Ensure management maintains the quality, credibility, and the objectivity of the corporation's financial reports.
Review with the external auditor any significant emerging accounting and reporting issues and their potential impact on the corporation's financial statements.
Review and approve changes in accounting policies after considering the appropriateness of such selections and changes.
Review with management, the external auditor and legal counsel, the corporation's procedures to ensure compliance with applicable laws and regulations.
Review with management, the external auditor and legal counsel any significant litigation, claim, or other contingency, including tax assessments, that would have a material effect upon the financial position or operating results of the corporation, together with related financial disclosures.
Determine, based on its review and discussion thereof with management and the external auditor, whether to recommend the acceptance by the Board of the audited financial statements.
Monitoring Relationship with External Auditor
~~Approve the hiring of the External Auditor.~~
Evaluate the performance of the external auditor and reappoint or take steps to replace the external auditor.
Review and approve the auditor's estimated annual audit fees.
Meet privately with management to assess the performance of the external auditor.
Meet privately with the external auditor to ascertain the level of access and cooperation received from management during the course of the audit.

Adequacy and Integrity of Internal Accounting Controls
~~Annually obtain a report from management assessing the Corporation's internal accounting controls.~~
Review the ~~F~~ follow-up performed by management with regard to any recommendations from the external auditor or the committee relating to internal accounting controls.
Annual Business Plan and Budget
Review ~~and make recommendations to the Board with respect to of~~ the annual ERO (NERC and the Regional Entities) Business Plan and Budget preparation and approval, including associated assessments, as well as any other special budget and assessments of the corporation or a Regional Entity, and such other matters as are deemed necessary.
Review and report to the Board quarterly on actual unaudited quarterly results versus approved budgets of NERC and the Regional Entities.
Other Responsibilities
Review ~~of the~~ policies for approval of senior management expenses, including those of the chief executive officer.
Review ~~of~~ the financial aspects of the Corporation's Form 990 prior to it being filed with the Internal Revenue Service
Review ~~and recommend approval by the Board of the an~~ investment policy governing the investment of funds held by the Corporation.
~~Perform such other functions as may be delegated from time to time by the Board.~~
Committee Functioning
~~The number of Committee meetings is appropriate.~~
The information provided in support of the agenda is appropriate and available in a timely manner in advance of Board meetings.
The Committee Chair manages meetings efficiently to allow for sufficient discussion and constructive input on important issues.
Committee members participate as equals and communicate openly.
The Committee functions without giving undue influence to any single stakeholder or stakeholder group.
Open-ended Question
Observation and Opportunities for Improvement

Corporate Governance and Human Resources Proposed 2012 Self-Assessment Questions

Committee Responsibilities
Develop criteria governing overall composition of the Board for recommendation to the Board.
Monitor the members of the Board to ensure, per bylaws, their independence and qualifications are maintained.
Develop recommendations for the Board regarding Trustee Succession Policy.
Monitor the members of the Board to ensure, per bylaws, there are no conflicts of interest.
Coordinate an annual effectiveness evaluation of the Board, its structure, and processes.
Review annually the compensation plan for members of the Board.
~~Periodically~~ Review the Trustee Code of Conduct; recommending changes to the Board as appropriate.
Review ~~annually~~ the structure and mandates of the committees, recommending changes to the Board as appropriate.
Review the self-assessments of the Board committees and report the results thereof to Board.
~~Works to ensure the meaningfulness of support, information, and documentation from management to the Board.~~
~~Based upon regular~~ Review of the CEO's ~~performance, performance and~~ provides feedback, as appropriate.
Review overall staffing levels and trends.
Approves the hiring or promotion of senior officers.
Review and approve the remuneration of all senior officers, including salaries and bonuses as recommended by the CEO.
Review and approve a general salary structure for the senior officers and management of the corporation.
Review management's plans and activities for the development and improvement of key personnel.
Review with the CEO essential elements of senior management succession planning.
Review and approve, as appropriate, an employee manual.
Recommend to the Board the appointment of Board members to each of the committees.
~~Based upon annual compensation plan review, m~~ Make ~~effective~~ Effectively communicates recommendations to the Board ~~regarding the~~ including salary and bonus of the CEO.
~~Perform such other functions as may be delegated from time to time by the Board.~~

Plan Oversight
Review ~~all~~ -significant benefit plans (including the Corporation's retirement plans) and make recommendations and provide feedback to the Board.
Oversight ~~tee~~ of the corporation's Savings and Investment Plan through actions it deems prudent in connection with its oversight responsibilities and otherwise consistent with applicable law.
Review the corporate governance aspects of the Corporation's Form 990 prior to it being filed with the Internal Revenue Service.
Committee Functioning
~~The number of Committee meetings is appropriate.~~
The information provided in support of the agenda is appropriate and available in a timely manner in advance of Board meetings.
The Committee Chair manages meetings efficiently to allow for sufficient discussion and constructive input on important issues.
Committee members participate as equals and communicate openly.
The Committee functions without giving undue influence to any single stakeholder or stakeholder group.
Open-ended Question
Observation and Opportunities for Improvement

Standards Oversight and Technology Committee Proposed 2012 Self-Assessment Questions

Committee Standards Oversight Responsibilities
Evaluate the strategic direction of NERC's standards development program.
Identify strategic priorities for reliability standards development.
Monitor overall results, including quality and timeliness of standards development work.
Assess emerging reliability risks affecting standards, making recommendations as appropriate.
Monitor progress in addressing regulatory mandates and directives related to standards.
Serve as the Level 2 Appeals Panel as set forth in the NERC Standard Processes Manual, Appendix 3A to the NERC Rules of Procedure.
Periodically review NERC's status with the American National Standards Institute.
Review and provide oversight regarding the Corporation's long-term technology strategy and budget.
Provide recommendations for action regarding the strategic direction of NERC's standards development program to the Board and NERC Standards Committee.
Provide the Board with recommendations for action on proposed NERC projects that employ new technology.
Provide advice and recommendations to the Board on any standards or technical issues referred to it by the Board.
Make recommendations to NERC Standards Committee and Board regarding needed improvements in the quality and timeliness of standards development work.
~~Perform such other functions as may be delegated from time to time by the Board.~~
Committee Technology Oversight Responsibilities
Annually review the resource requirements and funding for IT-related investments and costs under the company's business plan and budget and provide recommendations to the Finance and Audit Committee and Board.
Review with management company computer systems environment, security procedures, and contingency plans.
~~Appropriately responds to Board requests for recommendations on technology-related issues.~~
Committee Functioning
~~The number of Committee meetings is appropriate.~~
The information provided in support of the agenda is appropriate and available in a timely manner in advance of Board meetings.
The Committee Chair manages meetings efficiently to allow for sufficient discussion and constructive input on important issues.
Committee members participate as equals and communicate openly.
The Committee functions without giving undue influence to any single stakeholder or stakeholder group.
Open-ended Question
Observation and Opportunities for Improvement

Nominating Committee Proposed 2012 Self-Assessment Questions

Committee Responsibilities
Communicates to all stakeholders clear process and steps in Board candidate selection.
Communicates Board and MRC best practice guidelines to field candidate slate.
Develops clear, relevant and complete candidate specifications.
Utilizes vetting process to select qualified search consultant.
Provides opportunity for full and fair evaluation of incumbents.
Evaluates potential candidates thoroughly.
Conduct interview(s) and final selection process.
~~Recommend to the Member Representatives Committee candidates for election as Trustees.~~
Demonstrate application of the Board composition provisions of the bylaws in making its recommendations.
Demonstrate application of the Board's Conflict of Interest policy in making its recommendations.
Demonstrate application of the Trustee Succession Policy in making its recommendations.
Committee Functioning
~~The number of Committee meetings is appropriate.~~
The information provided in support of the agenda is appropriate and available in a timely manner in advance of Board meetings.
The Committee Chair manages meetings efficiently to allow for sufficient discussion and constructive input on important issues.
Committee members have the opportunity to participate and express viewpoints openly and freely
The Committee functions without giving undue influence to any single stakeholder or stakeholder group.
Open-ended Question
Observation and Opportunities for Improvement

Compliance Committee Proposed 2012 Self-Assessment Questions

Committee Responsibilities
Appropriately review violations, regardless of their status, of the most recent month, known to the Compliance Monitoring and Enforcement Program staff.
Appropriately review the progress of individual operating entities in mitigating confirmed violations.
Appropriately review the progress of regional entities in processing all allegations of violations of NERC reliability standards to ensure accordance with the NERC Rules of Procedure.
Appropriately review Notice of Penalty or Sanction, Settlement Agreement, and Remedial Action Directive documents.
Hears and addresses appeals of compliance violations, penalties, or sanctions.
Hears and addresses appeals of findings resulting from audits of the regional entity implementation of the NERC CMEP heard by the NERC Compliance and Certification Committee.
Hears and addresses challenges by candidates for inclusion on the compliance registry.
Effectively oversees the filing of Notice of Penalty or Sanction, Settlement Agreement, and Remedial Action Directive documents with FERC and other governmental authorities or remand to the appropriate regional entity.
Effectively oversees audits of the NERC Organization Registration and Certification Program on a three-year basis.
~~Report to the Board at each regularly scheduled meeting of the Board.~~
Advise the Board on the progress of individual operating entities in mitigating confirmed violations.
Recommend to the Board such actions as may further the purposes of the NERC Compliance Monitoring and Enforcement Program.
Recommend to the Board such actions as may further the purposes of the Organization Registration and Certification Program.
~~Perform such other functions as may be delegated from time to time by the Board.~~
Committee Functioning
~~The number of Committee meetings is appropriate.~~
The information provided in support of the agenda is appropriate and available in a timely manner in advance of Board meetings.
The Committee Chair manages meetings efficiently to allow for sufficient discussion and constructive input on important issues.
Committee members participate as equals and communicate openly.
The Committee functions without giving undue influence to any single stakeholder or stakeholder group.
Open-ended Question
Observation and Opportunities for Improvement

Board of Trustees Finance and Audit Committee Mandate

Approved by Board of Trustees: ~~August 4, 2011~~ August 1, 2012

1. The Finance and Audit Committee (FAC) shall be composed of not less than three and not more than six trustees.
2. The members of the FAC shall be appointed or reappointed by the Board of Trustees (Board) at the regular meeting of the board immediately following each annual meeting of the Member Representatives Committee. Each member of the FAC shall continue to be a member thereof until his/her successor is appointed, unless he/she shall resign or be removed or shall cease to be a trustee of the corporation. Where a vacancy occurs at any time in the membership of the FAC, it may be filled by the Board of Trustees. The president and chief executive officer of the corporation shall not be eligible for appointment to the FAC.
3. The Board or, in the event of their failure to do so, the members of the FAC, shall appoint a chair from among their members. The FAC shall also appoint a secretary who need not be a trustee.
4. The place of meetings of the FAC and the procedures at such meetings shall be the same as for regular board meetings of the corporation, or as determined by the members of the FAC, provided that:
 - a) A quorum for meetings shall be a majority of the number of members of the FAC.
 - b) The FAC shall meet as required and at least once per quarter.
5. The duties and responsibilities of the FAC include:
 - a) Ensuring management maintains the quality, credibility, and the objectivity of the corporation's financial reports;
 - b) Satisfying itself as to the adequacy and integrity of the supporting systems of internal accounting controls;
 - c) Appointing, receiving reports from and monitoring the independent external auditor (auditor), who shall report to the FAC on behalf of the board for purposes of the annual independent audit and such other matters that may be assigned to the auditor from time to time;
 - d) Reviewing and making recommendations to the Board with respect to the annual ERO (NERC and the Regional Entities) business plan and budget preparation and approval, including associated assessments, as well as any other special budget and assessments of the corporation

or a regional entity, and such other matters as are deemed necessary and advisable by the FAC in connection with the preparation and approval thereof, in each case consistent with applicable requirements of the rules of procedure, applicable laws, rules, regulations and directives of governmental and regulatory authorities with jurisdiction.

6. In fulfilling these duties and responsibilities, the FAC shall:

- a) Review and recommend for Board approval the corporation's audited annual financial statements. This review will include:
 - Discussing with management and the auditor the adequacy and effectiveness of the internal accounting and financial controls, including the corporation's system for monitoring and managing business risk;
 - Reviewing and discussing the audited financial statements of the corporation with management and the auditor, including their judgment about the accounting principles, the reasonableness of significant judgments and the clarity of the disclosures in the financial statements;
 - Reviewing with management, the auditor, and legal counsel the corporation's procedures to ensure compliance with applicable laws and regulations, and any significant litigation, claim, or other contingency, including tax assessments, that would have a material effect upon the financial position or operating results of the corporation, as well as the disclosure or impact on the results of any such matters in the annual financial statements;
 - Discussing the results of the annual audit, any matters required to be communicated to the FAC by the auditor under generally accepted auditing standards, and any other matters that the auditor feels should be communicated to the FAC;
 - Reviewing with the auditor any significant emerging accounting and reporting issues and their potential impact on the corporation's financial statements; and
 - Meeting with the auditor, with and without management present, to discuss the results of the annual audit.
- b) Review and approve the auditor's estimated annual audit fees and expenses.
- c) Review with management all interim and unaudited financial statements prepared for external distribution and recommend acceptance of any such statements to the Board.
- d) Review the financial aspects of the Corporation's Form 990 prior to it being filed with the Internal Revenue Service.
- e) Review and recommend approval by the board of an investment policy governing the investment of funds held by the Corporation.

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- f) Review and make recommendations to the board regarding management authorization to enter into loan agreements, including but not limited to lines of credit.
- g) Provide oversight of management's compliance with the corporation's working capital and operating reserve policy and make recommendations to the board regarding expenditures or transfers of working capital and operating reserves which require board authorization as set forth in such policy.
- h) Review policies for the approval of senior management expenses, including those of the chief executive officer.
- i) Whenever it may be appropriate to do so, to retain and receive advice from experts, including independent legal counsel and independent public accountants, and to conduct or authorize the conduct of investigations into any matters within the scope of the responsibility of the FAC as the FAC may consider appropriate.
- j) Review this mandate on an annual basis and recommend to the Corporate Governance and Human Resources Committee any changes to this mandate that the FAC considers advisable.
- k) Complete a self-assessment annually to determine how effectively the FAC is meeting its responsibilities.
- l) Perform such other functions as may be delegated from time to time by the board.

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Standards Oversight and Technology Committee Mandate

Approved by Board of Trustees: _____, 2012

1. The Standards Oversight and Technology Committee (SOTC) shall be composed of not less than three and not more than six members of the Board of Trustees (the Board) of the North American Electric Reliability Corporation (NERC).
2. The members of the SOTC shall be appointed or reappointed by the Board at the regular Meeting of the Board immediately following each Annual Meeting of the NERC Member Representatives Committee. Each member of the SOTC shall continue to be a member thereof until his/her successor is appointed, unless he/she shall resign or be removed by the Board or shall cease to be a member of the Board. When a vacancy occurs at any time in the membership of the SOTC, it may be filled by the Board of Trustees.
3. The Board of Trustees or, in the event of their failure to do so, the members of the SOTC, shall appoint a Chair from among their members. The SOTC shall also appoint a Secretary who need not be a Trustee.
4. The place of meeting of the SOTC and the procedures at such meeting shall be the same as for regular Board meetings of the Corporation, or as determined by the Chair of the SOTC or the members of the SOTC, provided that:
 - (a) A quorum for meetings shall be a majority of the number of members of the SOTC.
 - (b) The SOTC shall meet as required and at least twice a year.
5. In connection with technology related issues, the SOTC shall:
 - (a) As part of the annual business plan and budgeting process, provide the Finance and Audit Committee and Board with recommendations regarding management proposed resource requirements and funding for (i) the design, procurement, installation, operation and maintain information technology hardware, software and applications, including hardware, software and applications hosted by third parties, supporting NERC's operations and Program Area initiatives and (ii) investments in or supporting the development of new technology to improve and ensure the reliability of the bulk power system in North America, historic examples of which included funding for the development of transmission system awareness tools, synchrophaser technology, technology used to monitor and manage transmission congestion, data reporting tools providing information regarding generator, transmission system and demand side resource availability and performance.
 - (b) Review with management NERC's overall computer systems environment, including procedures to keep the systems secure and contingency plans developed to deal with possible computer failures.

- (d) Respond to the Board's requests for advice and recommendations on any technology-related issues referred to it by the Board.
6. In connection with the standards development program, the SOTC shall:
- (a) In collaboration with the NERC Reliability Issues Steering Committee, work with management to identify strategic priorities for reliability standards development and provide feedback to NERC Standards Committee, Board and management on the annual standards development work plan.
 - (b) Monitor overall results of the standards development process, including quality and timeliness of standards development work, and make recommendations to the NERC Standards Committee, Board and management regarding potential improvements.
 - (c) In collaboration with the NERC Reliability Issues Steering Committee and management, assess emerging reliability risks affecting standards and make recommendations as appropriate.
 - (d) Monitor progress in addressing regulatory mandates and directives related to standards.
 - (e) Serve as the Level 2 Appeals Panel as set forth in the NERC Standards Process Manual, Appendix 3A to the NERC Rules of Procedure.
 - (f) Periodically review NERC's status with the American National Standards Institute.
 - (g) Respond to the Board's requests for advice and recommendations on any standards-related referred to it by the Board.
7. The SOTC shall also:
- (a) Review this mandate on an annual basis and recommend to the Board Corporate Governance and Human Resources Committee any changes to it that the SOTC considers advisable.
 - (b) Complete a self-assessment annually to determine how effectively the SOTC is meeting its responsibilities.
 - (c) Perform such other functions as may be delegated from time to time by the Board.

Board Compensation Study Request for Proposal

Action

None

Summary

Management has issued a Request for Proposal (RFP) to conduct a market analysis of Board compensation. The RFP was issued to Towers Watson, Mercer, Hay Group, SMN Associates, and Spencer Stuart and is due no later than November 1, 2012. A copy of the RFP is attached for reference.

Compensation Study Timeline

November 2012	Select and retain consultant and commence study
February/March 2013	Consultant report delivered
May 2013 Committee meeting	Review study results
August 2013	Board of Trustees approval of any changes to the structure and level of compensation
January 2014	Implement changes

October 2, 2012

Recipient

Re: Market Analysis of Board Compensation

Dear ____:

The Corporate Governance and Human Resources Committee (CGHRC), a committee of the Board of Trustees of the North American Electric Reliability Corporation (NERC), is requesting proposals to perform a market analysis of board compensation. Your firm is invited to submit a proposal as noted herein.

The CGHRC is composed of independent Trustees and is responsible to annually review the compensation plan for members of the board and make recommendations as appropriate. The committee also is responsible for conducting periodic market studies regarding board compensation. The last study was conducted in April 2010.

The study should, at a minimum, include the following:

1. A review of the current board compensation methodology and levels,
2. Consideration of current board and board committee activities, committee assignments, calendar of activities, and quarterly and annual workload,
3. A list of recommended peer organizations and the underlying basis for including these organizations in the peer group,
4. A summary of peer organization board compensation models, appropriate benchmarks, and competitiveness percentiles,
5. A review of other compensation models to the extent not utilized by any of the recommended peer organizations,
6. Recommendations regarding an appropriate model, including consideration of both variable and retainer (fixed) payment methods, given the relative scope and role of the board and its committees, and
7. A review of current company policies regarding reimbursement of board travel expense reimbursement and recommendations regarding any changes to that policy in light of current market practices by peer organizations.

Your proposal should describe your qualifications, the staff you would use for this assignment, your ability to meet our timetable, how you plan to conduct the project, and your proposed fees, which should be in the form of a fixed or not to exceed fee for the engagement. The proposal should also include a list of recent (at least three years of information) similar projects conducted, as well as references that can be contacted. In particular, we are interested in knowing your experience with

respect to prevalence and (emerging) trends in board compensation for both for profit and not-for-profit organizations. Your proposal should also anticipate time to conduct interviews and conference calls as required with the Chair of the CGHRC and make a final presentation of your findings and recommendations to the CGHRC.

Our deadline for receiving the proposal is **November 1, 2012**. The CGHRC or its duly authorized representatives will make the final selection based upon your proposal and an evaluation of the competitiveness of the proposed fees. The Committee plans to make the final selection in November and the selected firm should expect to conduct telephone interviews with Trustees, which would be scheduled as soon as possible. Trustee bios are made as an attachment to this letter.

The proposed timetable is as follows:

October 2012	Issue Request for Proposal (RFP) for consultant to undertake study
November 2012	Select and retain consultant and commence study
February/March 2013	Consultant report delivered
May 2013 Committee meeting	Review study results
August 2013	Board of Trustees approval of any changes to the structure and level of compensation
January 2014	Implement changes

If you have questions about this request, please do not hesitate to call or email Damon Epperson at 404-446-9734 or damon.epperson@nerc.net, and please send your proposal via the same e-mail address.

About NERC

NERC is an international, independent, not-for-profit organization, whose mission is to ensure the reliability of the bulk power system in North America. NERC is subject to oversight by the U. S. Federal Energy Regulatory Commission and governmental authorities in Canada.

To achieve its mission, NERC develops and enforces reliability standards, assesses adequacy annually via a 10-year forecast and winter and summer forecasts, monitors the bulk power system, analyzes system events and disturbances, and educates, trains and certifies industry personnel. More information regarding NERC is available at www.nerc.com.

Sincerely,

DRAFT

Damon Epperson
Director of Human Resources

Review of 2011 NERC Savings and Investment Plan Audit

Action

Accept the Plan Financial Statements and Audit Report as provided to the Committee.

Background

Due to the number of participants in NERC's Savings and Investment Plan ("Plan"), the company is required to have the plan audited annually. NERC's outside auditor, WeiserMazars ("Weiser"), was retained to perform the audit. A copy of the Plan financial statements, together with a summary report prepared by Weiser, is attached. As you will note, subject to the limitations of the scope of their audit, the findings by Weiser were favorable.

In addition to the audit performed by Weiser, Vanguard, the Plan trustee, prepares the Annual Plan-level Financial Reporting Package which includes preliminary financial reports, supplementary financial information, the preliminary Plan tax returns (Form 5500) for filing by the company, performs annual compliance testing, and prepares the Summary Annual Report that is distributed to all participants in the plan following the filing of the Form 5500. The financial reports, supplementary information and Form 5500 are also reviewed by management and the company's outside auditors.

Vanguard's compliance testing includes: a comparison of current year compensation to the prior year eligible compensation with explanations required for significant differences; submission of the number of hours worked to validate eligibility for the 10 percent contribution; and, a reconciliation of eligible compensation, pre-entry compensation and excluded compensation. From this data, Vanguard tests the actual match contributions and 10 percent contributions received to determine if NERC has administered the Plan properly. If there are variances between the actual contributions received and the calculated required contributions, NERC is required to explain the differences. Upon completion, Vanguard issues the 'Final Results Letter' that includes a summary of the Coverage and Non-Discrimination Tests and the Compliance and Plan Limit Tests, noting correction required for one (1) participant whose total contributions exceeded the IRC section 415(c)(1) Annual Additions Limit by \$0.01. Corrective action was not taken because the participant had terminated and withdrawn all funds from the NERC Plan.

VIA ELECTRONIC MAIL



Vanguard

June 22, 2012

Susan Turpen
Controller
North American Electric Reliability Corporation
3353 Peachtree Road, NE Suite 600
Atlanta, GA 30326

**RE: December 31, 2011 Plan Year-End Coverage, Nondiscrimination and Compliance Test Results
Plan 091529**

Dear Susan Turpen:

This letter summarizes the results of the December 31, 2011 plan year-end coverage, nondiscrimination, compliance and plan limit tests for the North American Electric Reliability Corporation Savings and Investment Plan (the "Plan"). The results are based upon data submitted by North American Electric Reliability Corporation, in conjunction with data previously provided to Vanguard's recordkeeping system. Should you notice any data discrepancies or have any questions while reviewing the enclosed reports, please contact me immediately, as changes to data may affect the results of these tests.

Coverage and Nondiscrimination Tests – See test results provided.

- IRC §414(s) Compensation Ratio Test – *N/A*
- IRC §410(b) Minimum Coverage – *Ratio Percentage Test Satisfied*
- Actual Deferral Percentage (ADP) – *Pass*
- Actual Contribution Percentage (ACP) – *Pass*

Compliance and Plan Limit Tests – See test results provided.

- IRC §402(g) Deferral Limit – *Pass*
- IRC §415(c)(1) Annual Additions Limit – *Correction Required/* one (1) participant
- Pretax and/or Roth Percentage Limit – *No Issues Identified*
- After-tax Percentage Limit – *N/A*
- Combined Pretax and After-tax Percentage Limit – *N/A*

Sincerely,



Stacey Yoder, QKA
Compliance Consultant
Compliance & Annual Plan Reporting Services
Phone: (800) 662-0106 x37945
Fax: (484) 582-4465

cc: Kal Muchnick

Post Office Box 2600, Valley Forge, Pennsylvania 19482~2600
610~669~1000 • www.vanguard.com

North American Electric Reliability Corporation
North American Electric Reliability Corporation Savings and Investment Plan
Test Results for the Plan Year Ended December 31, 2011

IRC §414(s) Compensation Ratio Test – N/A

For the December 31, 2011 plan year-end, the Plan utilizes an IRC safe-harbor definition of Compensation; therefore, the IRC §414(s) Compensation Ratio Test was not necessary.

North American Electric Reliability Corporation
North American Electric Reliability Corporation Savings and Investment Plan
Test Results for the Plan Year Ended December 31, 2011

Nondiscrimination and Compliance Tests – Employee Counts and Test Results

The following chart contains employee counts based on plan year-end testing information.

Employee Data	ADP Count	ACP Count
Ineligible	34	34
Eligible	156	156
<i>HCE Count</i>	23	23
<i>NHCE Count (Over 21 & 1)</i>	77	77
<i>NHCE Count (Under 21 & 1)</i>	56	56

Highly Compensated Employee (HCE)/ Non-highly Compensated Employee (NHCE)

The **Current Year Methodology** was utilized. The percentages reflected for HCEs and NHCEs are based on actual compensation and contribution data for the current testing period.

Employee Test Results	ADP Test	ACP Test
Current Year NHCE	7.82%	3.77%
Maximum HCE	9.82%	5.77%
Current Year HCE	7.40%	4.28%
Test Margin	2.42%	1.49%
Result	<i>Pass</i>	<i>Pass</i>

Nondiscrimination and Compliance Tests – Reference Sheet:

Eligibility Determination

Plan eligibility was based on the eligibility requirements as defined by the Plan document. The results were based solely on the employee population provided for testing.

HCE Determination

The Plan elected to apply the top-paid group for purposes of determining Highly Compensated Employees (HCEs). The members of the top-paid group were based on the non-excludable employee population provided by North American Electric Reliability Corporation. A threshold of \$157,033.18 was determined based on prior year compensation for this population. Any eligible employee with prior plan year compensation of \$157,033.18 or higher is considered an HCE for this testing period. In addition, any 5% owners in the current and/or prior plan year are considered HCEs.

IRC §414(s) Compensation Ratio Testing

For both the Highly Compensated Employee (HCE) and Non-highly Compensated Employee (NHCE) groups, the Plan definition of Compensation is compared to an IRC safe-harbor definition of Compensation using the Individual Percentage Method. Under the Individual Percentage Method, each individual is given a ratio and an average of ratios is taken for both the HCE and NHCE groups. The Compensation Ratio Test is satisfied if the HCE Compensation Ratio does not exceed the NHCE Compensation Ratio by more than a **de minimis amount**. (Treasury Regulation §1.414(s)-1(d)(3)).

Early Participation Rule – Treasury Regulation §1.401(k)-2(a)(iii) and §1.401(m)-2(a)(iii)–“Otherwise Excludable” NHCEs

Plans with initial eligibility requirements which are more liberal than the IRS statutory requirements of semi-annual entry into the Plan (the first day of the next plan year or the first day of the seventh month of the plan year after reaching age 21 and completion of one year of service) may exclude any Non-highly Compensated Employee (NHCEs) who do not meet these statutory age and service requirements from ADP and ACP testing for the plan year being tested. This “early participation” rule does not apply to Highly Compensated Employee (HCEs), regardless of age or service. Please note that the NHCEs who are not subject to ADP or ACP testing are still taken into consideration for all other non-discrimination and compliance testing purposes. The ADP/ACP testing results may be reflective of this methodology.

ADP/ACP Testing Methodology

In order for a plan to satisfy the requirements of ADP and/or ACP testing, the ADP and/or ACP of the Highly Compensated Employee (HCE) group cannot exceed the greater of 1.25 times the Non-highly Compensated Employee (NHCE) group or the alternative 2% test of the lesser of two (2) plus or two (2) times the NHCE group. The ADP test(s) may include pretax, Roth, or qualified non-elective contributions. The ACP test(s) may include employer match, employee after-tax, or qualified matching contributions. If necessary, Excess Contribution (ADP) and/or Excess Aggregate Contribution (ACP) refund amounts were calculated in order to satisfy the ADP and/or ACP test. If applicable, Excess Contributions were recharacterized as catch-up prior to the calculation of refunds.

IRC 410(b) Minimum Coverage Testing

The Coverage Test will be satisfied if the Plan benefits a sufficient number of Non-highly Compensated Employees (NHCEs) in proportion to the Highly Compensated Employees (HCEs). Specifically, the ratio of NHCEs that benefit under the Plan over the total number of non-excludable NHCEs of the organization must be at least 70% of the same ratio of HCEs. **The results of the coverage testing may be incomplete if the entire population of the employer’s controlled group was not made available to Vanguard.**

- For purposes of the 401(k) Minimum Coverage Test, any employee who was eligible to make employee pretax and/or Roth contributions was deemed to be “benefiting” for the plan year.
- For purposes of the 401(m) Minimum Coverage Test, any employee who was eligible to receive a matching contribution or make employee after-tax contributions was deemed to be “benefiting” for the plan year.
- For purposes of the 401(a) Employer Contribution Minimum Coverage Test, any employee who received an employer contribution was deemed to be “benefiting” for the plan year.

- For purposes of the ESOP Contribution Minimum Coverage Test, ESOP and Non-ESOP Contributions are tested separately under Section 401(k), 401(m) and 401(a) for the plan year.

Pursuant to Treasury Regulation §1.410(b)-6(f), separate testing of employees who are considered to be “otherwise excludable” (eligible employees who have not reached age 21 or have not completed a year of service) may have been applied to these portions of the Plan where permitted. The minimum coverage testing results may be reflective of this methodology.

Catch-Up Contributions

If elected in your plan document, pretax and/or Roth contributions for participants age 50 or older that exceeded the regulatory and/or pretax plan limits have been excluded from the test prior to calculating year-end results. If applicable, the Plan limit imposed administratively for HCEs was applied for purposes of calculating Catch-Up Contributions.

Qualified Regulatory Limits

Limits	2010	2011	2012
§402(g) Deferral Limit	\$16,500	\$16,500	\$17,000
Catch-up Contributions	\$5,500	\$5,500	\$5,500
§415(c) Annual Additions Dollar Limit	\$49,000	\$49,000	\$50,000
§415(c) Annual Additions Percentage Limit	100%	100%	100%
Highly Compensated Employee (HCE) Threshold	\$110,000	\$110,000	\$115,000
§401(a)(17) Annual Limitation on Compensation	\$245,000	\$245,000	\$250,000

Plan Limit Tests

The provisions of the Plan define the limits on pretax, Roth and after-tax contributions that participants may make, if any. Additionally, all the Plan contribution formulas are subject to the §401(a)(17) compensation limit which in turn limits the dollar amounts that can be contributed under the respective plan provisions. The tests were performed based on the available information from the most recent plan document made available to us, the regulations in effect for the year, and the data provided. These amounts are shown for informational purposes only and are subject to further review by the plan sponsor/administrator.

Additional information on nondiscrimination and compliance testing can be found in the Compliance Center within the [Plan Sponsor Bridge](#)®.

WeiserMazars LLP

North American Electric Reliability Corporation Savings and Investment Plan

**Presentation to the Corporate
Governance and Human Resource
Committee**

July 31, 2012



July 31, 2012

Corporate Governance and Human Resources Committee
North American Electric Reliability Corporation Savings and Investment Plan
3353 Peachtree Road, NE
Suite 600, North Tower
Atlanta, GA 30326

Dear Committee Members:

We have performed an audit of the financial statements of North American Electric Reliability Corporation Savings and Investment Plan (the "Plan") as of and for the year ended December 31, 2011.

We have prepared the accompanying audit summary highlighting certain required auditor communications which were discussed with Michael Walker and Susan Turpen during our conference call on July 22, 2012.

For the year ended December 31, 2011, the Plan experienced net depreciation in the fair value of investments of approximately \$670,000. For 2010, there was net appreciation in the fair value of investments of approximately \$1,674,000. The performance of the Plan appears to be in line with most of the 2011 plans that we are in the process of auditing for other clients. The volatility of the stock market accounts for this.

This report is intended solely for the information and use of the Corporate Governance and Human Resources Committee of the North American Electric Reliability Corporation, and is not intended to be and should not be used by anyone other than these specified parties.

We shall be pleased to discuss any question or other matters with you.

Sincerely,



James M. Sausmer, CPA
Partner

AUDIT SUMMARY

Background

In 1974, the Department of Labor issued rules and regulations for reporting and disclosure of retirement plans under the Employee Retirement Income Security Act of 1974 (“ERISA”). The purpose of these rules and regulations was to protect the participants of retirement plans.

ERISA contains a requirement for annual audits of plan financial statements by an independent qualified public accountant. Generally, plans with 100 or more participants as of the beginning of the Plan year, are subject to the audit requirement.

NERC files Form 5500, Annual Return/Report of Employee Benefit Plan, to report certain information annually to the Department of Labor and the Internal Revenue Service. The audit report accompanies Form 5500.

Audit Status

We have completed our audit of the financial statements of North American Electric Reliability Corporation Savings and Investment Plan (the “Plan”) for the year ended December 31, 2011 and have issued our report to you.

Our professional standards require that we communicate with you concerning certain matters that may be of interest to you in fulfilling your obligation to oversee the financial reporting and disclosure process for which the management of the Plan is responsible. We have prepared the following comments to assist you in fulfilling your obligation.

Our Responsibility under Generally Accepted Auditing Standards

Our audit was conducted in accordance with U.S. generally accepted auditing standards except that, as permitted by Regulation 2520.103-8 of the DOL’s Rules and Regulations for Reporting and Disclosure under ERISA and as instructed by you, we did not perform any auditing procedures with respect to information prepared and certified to by Vanguard Fiduciary Trust Company, the trustee, in accordance with DOL Regulation 2520.103-5, other than comparing the information with the related information included in the financial statements and supplemental schedule. Because of the significance of the information that we did not audit, we did not express an opinion on the financial statements and schedule taken as a whole.

The form and content of the information included in the financial statements and schedule, other than that derived from the information certified to by the trustee, was audited by us in accordance with U.S. generally accepted auditing standards, and was subjected to tests of your accounting records and other procedures we considered necessary to enable us to express an opinion that they are presented in compliance with the DOL’s Rules and Regulations for Reporting and Disclosure under ERISA.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

AUDIT SUMMARY

We are responsible for performing the audit in accordance with auditing standards generally accepted in the United State of America. The audit is designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. Those standards require, among other things, that we obtain an understanding of the Plan and its environment, including internal control, as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting.

Our responsibility is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors. As auditors we must necessarily rely upon the integrity and cooperation of management and assistance of your accounting staff. As a condition of our engagement, we will receive management's signed written representation letter attesting to the completeness and truthfulness of representations and disclosures made to us during the course of our audit.

Overview of Scope of Audit

Our procedures included tests of documentary evidence supporting the transactions recorded in the accounts. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas tested, except that assets and related transactions certified to by the trustee were tested. The areas tested included, but are not limited to, participant eligibility, participant accounts, participant loans, distributions to participants, employer contributions, participant contributions, and timeliness of remittance of employer contributions, and compliance with ERISA and IRS rules and regulations and the provisions of the Plan document.

The audit was also planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations prohibited transactions with parties in interest or other violations of ERISA rules and regulations, that are attributable to the Plan or to acts by management or employees acting on behalf of the Plan.

Significant Accounting Policies

The Plan's significant accounting policies are set forth in Note 2 to the plan's 2011 financial statements. During the year ended December 31, 2011, there were no significant changes in previously adopted accounting policies or their application.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events.

Significant Audit Adjustments

As previously mentioned, the form and content of the information included in the 2011 financial statements and supplemental schedule, other than that derived from the information certified by the custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Our audit was designed to obtain reasonable assurance about whether the financial statements are free of material misstatements, whether caused by error or fraud. In addition, we are obligated by auditing standards generally accepted

AUDIT SUMMARY

in the United States of America to inform you of any uncorrected misstatements aggregated by us for the most recent period that were determined by management to be immaterial and therefore not adjusted. All adjustments we identified during the audit have been recorded.

Disagreements with Management

We have not had any disagreements with management related to matters that are material to the financial statements.

Consultation with other Accountants

We are not aware of any consultations with other accountants about auditing and accounting matters affecting the 2011 financial statements.

Major Issues Discussed with Management

Throughout the audit, routine discussions regarding the application of accounting principles or auditing standards were held with management in connection with the transactions that have occurred, transactions that are contemplated or reassessment of current circumstances. Such discussions have been helpful in the conduct of the audit. There were no major issues that required discussions with management.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management related to the performance of our audit. We received the full cooperation of the Plan's accounting personnel during the audit.

Independence

There are no relationships between WeiserMazars LLP and the Plan that, in the professional judgment of WeiserMazars LLP, may reasonably be thought to bear on independence and that WeiserMazars LLP is independent of the Company in all respects.

www.weisermazars.com

NERC Retirement Plan Administrator Request for Proposal

Action

Authorize the Plan Committee to proceed with the issuance of Plan Request for Proposal (RFP).

Summary

NERC 401(k) plan has been with Vanguard for more than 20 years. During this time, the assets under management have grown to over \$24,000,000. As plan fiduciaries, it is important to evidence due diligence by periodically requesting and evaluating proposals from qualified administrative service providers to ensure the plan administrative service provider's fees are reasonable. Therefore, the Plan Committee is recommending that it be authorized to initiate an in-depth search for the administrative services providers.

Since NERC also has a 457(b) Plan (implemented in January, 2011), which is not administered by Vanguard, the search will focus on service providers that are capable, and willing, to administer both plans, as well as the 401K Plan on a standalone basis should a decision be made to switch from Vanguard as the administrator of the 401(k) Plan and stay with the current administrator of the company's 457B Plan, Employee Fiduciary Corporation.

Three documents have been prepared by Rob Swails, our independent advisor, that will be used throughout the RFP process:

- **A Vendor Service Questionnaire** – This will be used for the 401(k) and the 457(b) Plans. It will be sent to each prospective service provider for completion and remittance to Rob Swails.
- **A Sample RFP Summary Report** – Rob Swails will consolidate the information contained in the completed/returned questionnaire's, proposed fund lists, and fee schedules into a report similar in format to this report.
- **An RFP Finalist Scorecard** – After reviewing and consolidating the various service provider responses, working with Rob Swails, the Plan Committee will narrow the search to two (2) to three (3) finalists and invite each finalist to present their proposal to the committee in person. The Plan Committee will then make a recommendation to the Corporate Governance and Human Resources Committee regarding whether to initiate steps to replace Vanguard and if so the recommended replacement service provider.

Copies of these three documents can be made available to the members of the Corporate Governance and Human Resources Committee upon request.

Rob Swails has placed retirement plan administration with the following service providers and is recommending the companies marked with an asterisk (*) be contacted for a proposal. PNC provides banking services to NERC and requested they be provided an opportunity to respond to the RFP.

- American Funds
- Great West
- Fidelity *
- John Hancock *
- One America
- Principal *
- Prudential *
- PNC Bank * (included at the request of NERC)
- Putnam *
- Scudder (DWS)
- The Standard
- TIAA-CREF
- Transamerica *
- T. Rowe Price
- Vanguard *

The Plan committee anticipates that it will take approximately 60 days to complete the RFP process and prepare a recommendation to the Corporate Governance and Human Resources Committee. Assuming authorization to proceed with the RFP is granted, the Plan Committee anticipates the need to schedule a meeting with the Corporate Governance and Human Resources Committee in January to review and take action based upon the Plan Committee's recommendation.

**Savings and Investment and 457(b) Plan Committee
Appointment of Additional Committee Member**

Action

Approve

Summary

As the committee is aware, NERC's Savings and Investment Plan and 457(b) Plan Committees (Plan Committees) are comprised of the chief financial and administrative officer, controller, and director of human resources.

In connection with the performance of its responsibilities under the NERC Savings and Investment Plan 401(k) and 457(b) Policy Statements and given the amount of assets currently invested in the company's retirement plans, management believes the appointment of an additional senior staff member to the Plan Committees would be beneficial in providing an additional perspective to the Plan Committees' oversight of the company's retirement plans and otherwise furthering the purpose and intent of the plan policy statements and objectives. Each Policy Statement permits the appointment of additional members to the Plan Committees subject to approval of the Corporate Governance and Human Resources Committee.

Based on his background, experience and attention to detail, the Plan Committees' recommend that Jerry Hedrick be appointed as an additional member of the Plan Committees.

Jerry joined NERC in June 2012 as the Associate Director of Compliance Operations with responsibility for refining the Regional Entity Audit Oversight Program and supporting the development of internal controls development in support of risk-based compliance monitoring efforts and the Compliance Enforcement and Monitoring Program. Prior, Jerry was with Vectren Corporation in Evansville, Indiana as a Director-Corporate Audit with responsibilities for the strategic and tactical direction and operations of the audit department as well as Dell, Inc. as an Audit Manager-Fraud Deterrence and Examination, Senior Materials Manager, Program Manager, and Senior Financial Analyst. Jerry previously worked for Union Pacific Railroad.

Jerry has a Bachelors of Business Administration in Accounting and a Masters of Business Administration from the University of Oklahoma.

Employee Climate Survey

Damon Epperson, Director of Human Resources
Corporate Governance and Human Resources Committee Meeting
October 29, 2012

RELIABILITY | ACCOUNTABILITY



- To quantitatively measure current organization climate
- Provide staff a vehicle to provide feedback about their work experiences
- Identify areas for organizational/operational improvement
- Enhance employee engagement and improve retention
- Establish a baseline against which year-over-year improvements can be made

- Job satisfaction
- Pay, benefits and recognition
- Work-life balance
- Education and training
- Department and organizational effectiveness
- Performance management
- Management and leadership
- Stakeholder engagement
- Commitment to diversity and positive work environment
- Strategy, mission, values, and ethics
- Company overall

- Participation is anonymous and guaranteed confidential
- Survey is completed on the TalentQuest electronic platform
- Items are rated on a 5-point rating scale to allow for fine distinctions amongst topic items
- Survey includes qualitative, open-ended questions
- Survey would segment respondents by department and manager/individual contributor

- Final survey questions provided as an update at February 2013 CGHRC meeting
- Survey launched in March 2013
- Responses due by April 2013
- Findings report presented at May 2013 CGHRC meeting
- Responsive-to-feedback action plans launched in Q3 2013 and reported on as appropriate periodically

2012 NERC Performance Report

through September 30, 2012

Gerry Cauley, President and CEO
October , 2012

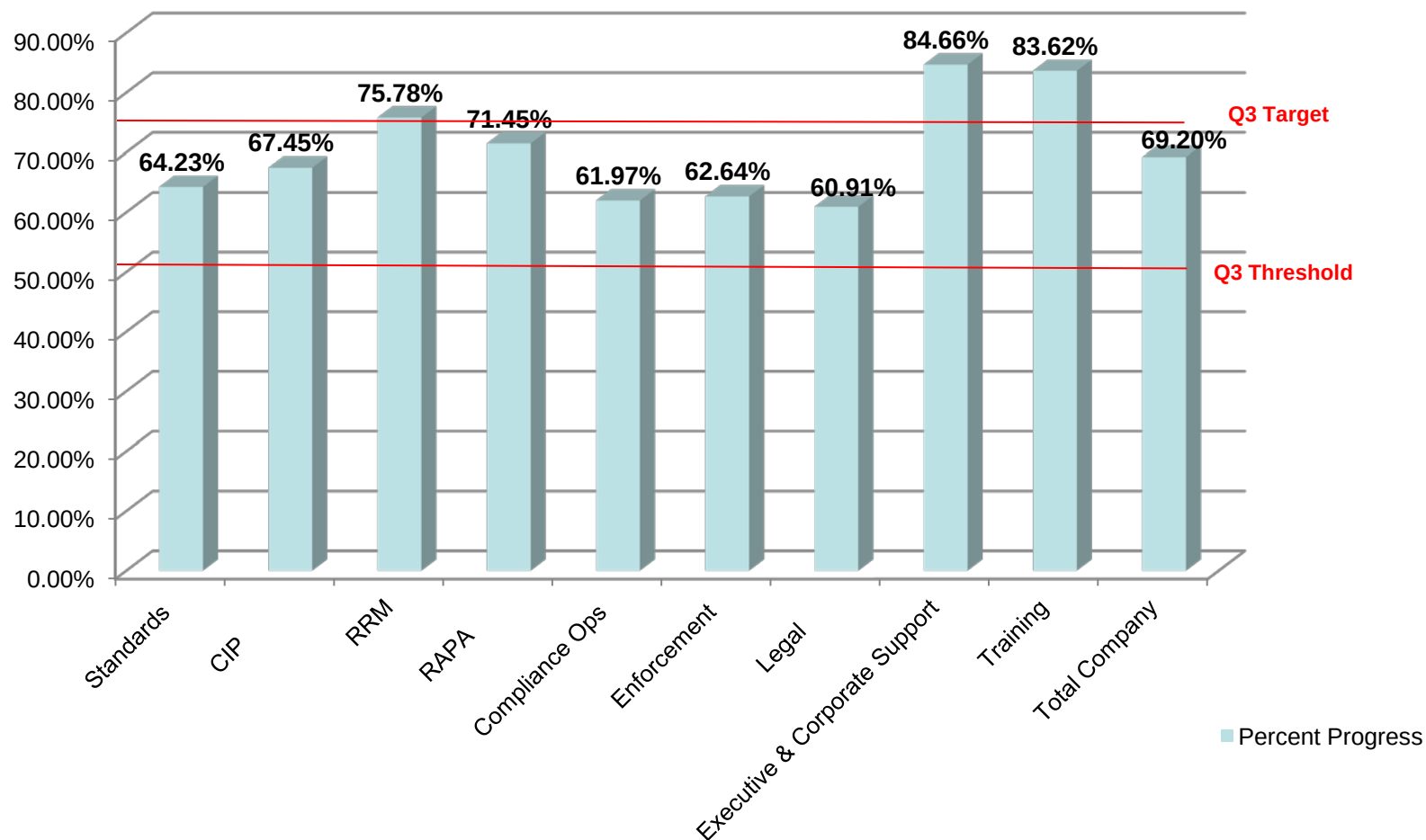
RELIABILITY | ACCOUNTABILITY



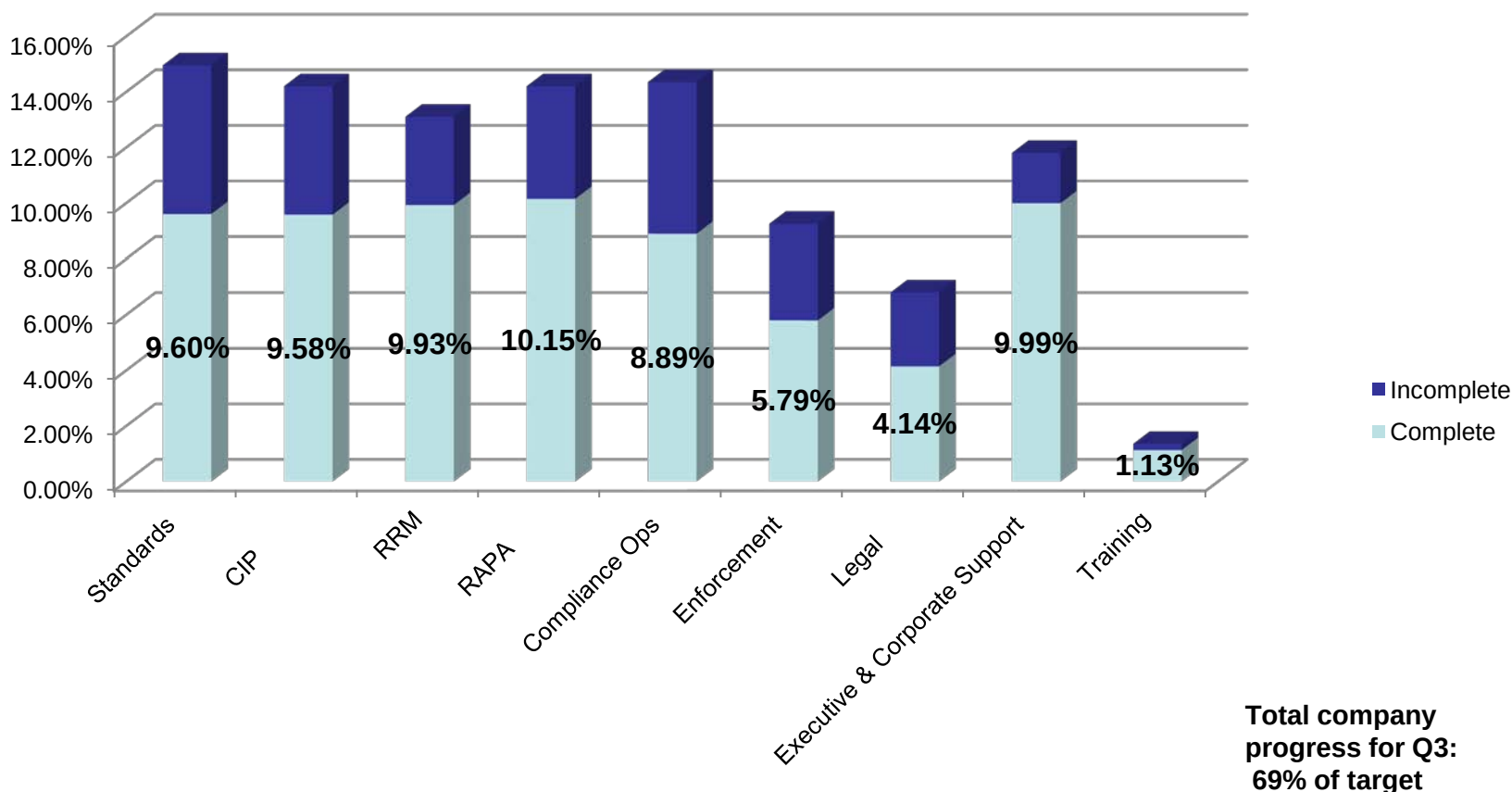
- 2012 corporate performance measures based on:
 - 2012-2015 ERO Enterprise Strategic Plan (goals, objectives, and pre-established metrics)
 - 2012 corporate business plan and budget
 - Three-year ERO Performance Assessment
- Progress is reviewed quarterly with management team
- Results are used in determining performance compensation at corporate and department levels

- Corporate performance measures are structured around the framework provided by the ERO Enterprise Strategic Plan, spanning goals in three areas:
 - Standards and compliance
 - Risks to reliability
 - Coordination and collaboration

Department Performance – Q3



Department Contributions



* Executive and Corporate Support includes: IT, Government Relations, Finance, and other corporate support functions and measures.

- Develop technical references/guides for reliability standards
- Identify nature of violations associated with most significant events
- Trend reliability issues and share results
- Provide event analysis (cataloging, prioritizing and assessing)
- Develop and maintain situational awareness (SAFNR)
- Deliver reliability assessments and emerging issues
- Assist industry in improving reliability data modeling
- Qualify and train staffs (NERC and REs): develop certification criteria
- Deliver initial modules of a secure information management system
- Develop an ERO-wide risk management program with effective internal controls
- Implement recommendations from three year ERO assessment

- **Reduce standards-related directives remaining** - NERC is developing a plan for an omnibus project to review and address a large number of directives in a single project – anticipated 2013 filing.
- **Process time objectives for FFTs** – Improvements are needed in the timeliness of data collection from the Regions required to make FFT determinations and the time it takes to classify possible violations as FFT. NERC continues to work with the Regions and registered entities to improve this metric.
- **Develop risk-based compliance monitoring approaches to maximize reliability benefits** – Pilots are expected in 2013 following the outcomes of the CEI initiatives.
- **Implement risk management plan and project initiation** – RISC is reviewing the Cold Weather recommendation. NERC staff is working on supporting data analyses to initiate other projects.

Human Resources and Staffing/Recruiting Update

Action

None

Summary

Benefits and Total Rewards Pay Practices Optimization

Human Resources (HR) is utilizing the total remuneration policy adopted by the Committee in connection with employee recruiting, engagement, and retention activities.

Consistent with the FERC audit recommendations, HR is also engaged in a comprehensive review of job descriptions and grading is underway to ensure that they capture the particular skills and competencies required to perform necessary tasks of each organizational position. This work is expected to be completed in concert with the annual performance management cycle.

To improve the ratio of employees electing HSA to PPO and create momentum to phase out the PPO offering no later than 2014, HR will continue to provide staff education about plan features. A lunch and learn on features and benefits of the HSA was conducted in Q3 and further education is planned in Q4.

Development of a Learning Culture

As the committee is aware, all staff have been assigned a minimum mandatory 20-hour training expectation linked to 2012 performance goals. Since January 1, 2012, NERC staff have completed over 2,500 hours on the SkillSoft e-learning platform, including substantial participation rates in business effectiveness modules such as management of quality, critical thinking, business writing/grammar/punctuation, project management and a variety of Office Suite productivity courses. In addition to online training, staff have had access to several skills development opportunities in 2012 including presentation skills classroom training, a lunch and learn series covering NERC programs, cause analysis, compliance investigation processes, electric power system basics training, human performance on the grid, effective communications, and offsite tours of control centers and electric sub stations.

In Q4 and in 2013, staff will have broader access to outside tours and power system fundamentals training.

HR Products and Services Automation and Enhancement

Over the last year, HR has made significant advances in the automation and use of electronic systems including installation and optimization of an e-learning portal, online performance management system, effectiveness surveys, tied-to-payroll time and attendance, and employee self services – all geared towards increasing convenience to the employee and encouraging more consumption.

Since the last update HR has:

- Identified and is in-process of launching a benefits enrollment system (which eliminates new-hire paperwork, makes open enrollment paperless, and automates several currently manual processes).
- Designed and is in-process of implementing the next phase of NERC's workforce (time keeping) management system, consistent with the approach outlined by NERC in the audit proceeding. A suite of more detailed activity codes and associated employee training will be launched in early November. Each month, standard reports showing employee time by activity and department will be provided to management personnel to support resource management and planning.
- Launched a single sign on project that enables secure, seamless entry to all HR products (i.e., e-learning portal, performance management tool, etc.) without entering additional log-in credentials as well as significantly reduces duplicative and manual data entry that will reduce the need for the existing part-time HR specialist role beginning in 2013.

Social Responsibility and Team Building

Management believes that NERC has an opportunity to strengthen culture and build employee morale by promotion of employee engagement and team-building through community based charitable activities. To help capitalize on this opportunity, management has created the Community Responsibility and Employee Engagement Committee (CREEC). CREEC has launched an employee-sponsored donation drive to support four Atlanta and D.C. charitable organizations. Additional volunteer and charitable event activities are planned for later in the year.

Succession Planning and Career Mobility

As the committee is aware, management developed succession planning tools in 2012 to minimize disruption from loss of critical knowledge, skills, and abilities. As a key component of this planning, management periodically reviewed in 2012 the alignment of staff skills to roles and readiness to acquire new responsibilities and has completed 26 promotions year to date. Potential for staff promotion will be considered during year-end performance management cycle and periodically ongoing.

Staffing and Recruiting

Talent acquisition remains a top priority and HR continues to support management initiatives to significantly enhance the quality and fit of talent. The period of July through September 2012 saw the exit of 14 and hiring of 16 employees.

HR anticipates filling the remaining open, approved headcount in the 2012 Business Plan and Budget by year-end, as well as continues to work to backfill attrition with top talent at or under budget.

Agenda Member Representatives Committee Informational Session Conference Call and Webinar

October 30, 2012 | 11:00 a.m. Eastern

Dial-in Information: 1-800-621-4410 | **No Access Code Necessary**

Click Here: [Webinar Access](#)

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines and Public Meeting Notice

Informational items

1. Reliability Issues Information Sharing Conference 2012*
2. 2012 Long-Term Reliability Assessment Analysis*
3. Gas-Electric Interdependency*
4. System Events and Analysis*
5. 2012 Frequency Response Initiative Report *

*Background materials included.

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.

Reliability Issues Information Sharing Conference 2012

Action

Information

Background

NERC will be holding a conference to discuss reliability risks and emerging issues related to the bulk power system. This conference is part of NERC's planning and prioritization effort for addressing risks to reliability. The conference will focus on areas of engineering and planning, recent events and lessons learned, changing industry landscape, and non-traditional threats. NERC will soon be distributing the November 28 agenda for this event. The conference will be open to the public.

Details include:

Date and Time: November 28, 2012 | 9:00 a.m. - 4:00 p.m. EST

Location: Hyatt Regency Washington on Capitol Hill
400 New Jersey Avenue, NW
Washington, D.C., USA 20001

If you have any questions or need additional information, please contact Director of Reliability Risk Analysis and Control Andy Rodriguez at andy.rodriquez@nerc.net.

2012 Long-Term Reliability Assessment

Action

Information

Background

During the Member Representatives Committee (MRC's) August 2012 meeting, NERC presented the draft results of the 2012 Emerging Reliability Issues survey and provided a primer of the *2012 Long-Term Reliability Assessment*. Since that time, NERC has independently assessed the reliability of the North American bulk power system, highlighted reliability concerns, and identified areas where additional resources may be required to maintain reliability for the upcoming 10 years.

In this assessment, NERC evaluated key reliability indicators, including peak demand and energy Forecast, resource adequacy, transmission development changes in overall system characteristics and operating behavior, and other influential policy or regulatory issues that may impact the reliability of the bulk power system.

The electric industry has prepared plans for the 2012 through 2022 assessment period in an effort to provide reliable electric service across North America. However, in some areas, issues exist that could affect the implementation of these plans.

Highlights of this report include:

- Approximately 35 GW of confirmed fossil-fired generator retirements between 2012 and 2016, with an additional 27 GW projected by 2022.
- Planning Reserve Margins in Texas fall below targets next year, fall to 5 percent by 2016, and 0 percent by 2020.
- Growing dependence on natural gas as the primary fuel source of bulk generation within North America—100 GW forecast by 2022.
- Uncertainty of future and conceptual generation resources leads to decreased or negative Planning Reserve Margins in some areas during the assessment timeframe.
- Significant increases in demand response continue to offset future resource needs, while providing more flexibility for operators.
- Overall growth of transmission infrastructure responding to increased plans to integrate and deliver new resources.

Supply projections rely on the enhanced performance and upgrading of existing units, addition of new resources (mostly wind and gas generation), and the planned purchase of electricity from neighboring systems. These options have inherent risks and industry participants, policymakers, and regulators must thoroughly understand and manage these risks to ensure the continued delivery of reliable power throughout North America.

The following is the schedule for approval of the *2012 Long-Term Reliability Assessment*:

- Final review of the report by the Planning Committee is scheduled to occur via conference call on October 30, 2012.
- The NERC Board of Trustees will consider this report for approval via conference call on November 26, 2012 .
- Report scheduled to be published on November 29, 2012.

**2012 Special Reliability Assessment: Increasing Gas Dependency
Phase II Vulnerability Assessment**

Action

Information

Background

John Moura, NERC associate director of reliability assessments, will present an update on the development and analyses of the NERC *2012 Special Reliability Assessment: Increasing Gas Dependency, Phase II Vulnerability Assessment Phase II* report.

NERC continues to assess the reliability of the bulk power system through periodic and special reliability assessments. Based on the trends identified in the long-term reliability assessments, increasing gas-fired generation to meet electric loads comes with dependency risks. Increased dependence on natural gas for generating capacity can amplify the bulk power system's exposure to interruptions in fuel supply, transportation, and delivery.

The NERC Phase II effort on gas dependency targets these very issues by determining the different vulnerabilities that can affect bulk power system reliability, identifying ways that could minimize those vulnerabilities, and identifying approaches where coordinated inter-industry activities could provide enhanced system reliability and improve efficiency. While solutions will be vast and region-specific, NERC must ensure that enhancements to planning processes are made to account for any expected uncertainty in gas-fired generation performance as well as potential contingencies on the pipeline network. Furthermore, operational procedures must include a certain level of formalized coordination with the gas pipeline industry, with specific focus to emergency procedures during extreme events.

The assessment is expected to be available for Planning Committee members to review in October 2012 and approve by mid-November 2012. This item is currently slated to be reviewed and considered for approval by the NERC Board of Trustees in December 2012.

Electric Reliability Organization Event Analysis Process Update

Action

Information

Background

The Electric Reliability Organization (ERO) event analysis (EA) process began as a voluntary reporting mechanism aimed to provide valuable information for the ERO and industry to address threats to reliability of the bulk power system. Since its initial implementation in October 2010, the process has yielded over 316 qualified events reported to the ERO, over 40 lessons learned and two published industry alerts. Over the past two years, improvements have been made as to how NERC defines, catalogues and trends the causes of events and exercises greater historical trending and predictive analysis by using the NERC cause code assignment process (CCAP).

Through the EA process, NERC assesses every event to identify and then share, industry-wide, the apparent threats to reliability that may be emerging. In the early spring of 2011, the EA process identified an increase in events in the TRE Region. Analysis showed that the increase in events was driven largely by the drought in the TRE Region. Several lessons learned were captured and later published and this information was used during the 2012 summer season as several areas throughout the Midwest and Pacific Northwest also experienced similar drought conditions. Through the EA process, valuable event information is shared and used proactively to provide timely lessons learned that prove beneficial to other entities threatened or impacted by similar conditions.

Summary of Current Activities

The Reliability Risk Management (RRM) group at NERC continues to conduct cause analysis training with staff from the Regional and registered entities. As of October 2012, personnel from all Regional Entities and 300 persons from 81 different registered entities have received cause analysis training, resulting in over 840 hours of continuing education hours (CEH) awarded.

Recently, there have been efforts to re-visit past events and re-categorize reports, where necessary, to accommodate improvements and changes to category definitions and account for other refinements to the process. New category definitions will assist with trending and submission of reports via the EA Process.

Additionally, NERC is seeking to add a training and education component to the process to increase the relevance and impact of lessons learned for the Regions, industry and other stakeholders. Efforts are underway to explore the development of one hour modules for continuing education credit based on some of the lessons learned that will make them more valuable to entity staff when published. NERC is also exploring ways to provide industry access to event reports that contain technical and engineering detail that may be essential for a more detailed understanding of the event.

Next Steps

The EA process continues to improve as refinements are underway to establish the appropriate balance of data reporting for analysis and use by the industry and to determine appropriate incentives going forward. NERC Staff and the Event Analysis Subcommittee of the NERC Operating Committee are working together on the next steps and enhancements.

2012 Frequency Response Initiative Report

Action

Information

Background

Robert Cummings, NERC director of reliability initiatives and system analysis, will present a summary of the *Frequency Response Initiative Report -- The Reliability Role of Frequency Response*, scheduled for endorsement by the Board of Trustees on November 7, 2012.

The report is a compendium of tutorials, research and analysis that has been conducted under the NERC Frequency Response Initiative, which began in 2010 as a means for coordinating the multiple efforts underway in standards development and performance analysis. The NERC Frequency Response Initiative Team¹ performed an in depth interconnection-wide frequency response analysis to quantify the factors influencing frequency performance across North America.

The method for determining the Interconnection Frequency Response Obligations presented in this report was adopted by the Frequency Response Standard Drafting Team for use in the proposed Standard BAL-003-1.

The Planning Committee approved this report on October 4, 2012.

The Operating Committee accepted this report on October 12, 2012.

The full report can be located at: [2012 Frequency Response Initiative Report](#).

¹ The contributors of the NERC Frequency Response Initiative Team are noted in Appendix A of the [2012 Frequency Response Initiative Report](#).

Agenda Finance and Audit Committee

October 31, 2012 | 11:00 a.m.-12:30 p.m. Eastern
Conference Call

Dial-in: 800-403-7802

No Code Needed

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines and Public Announcement

Agenda

1. **Minutes* — Approve**
 - a. August 15, 2012 meeting
2. **FERC Action on 2013 NERC and Regional Entity Business Plans and Budgets — Update**
3. **Third Quarter (unaudited) Statement of Activities and Year-end Forecasts (NERC and Regional Entities)* — Review and Recommendation to Board of Trustees**
4. **Three-Year Financial Performance Review* — Budget to Actual for NERC and Regional Entities — Review**
5. **Auditor Request For Proposal* — Update**
6. **2014 Business Plan and Budget Schedule* — Review**
 - a. ERO Scope of Activities Input Group — Status Report
7. **Exercise of Option for Atlanta Office Space* — Review and Make Recommendation to Board of Trustees**
8. **Migration of Remaining IT Applications from Princeton* — Update**

*Background materials included.

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.

Draft Minutes Finance and Audit Committee

August 15, 2012 | 10:45 a.m. Eastern

Hilton Quebec
1100, Rene-Levesque Blvd East
Quebec, QC
Canada G1R 4P3
418-647-6500

Chair Fred Gorbet convened a duly noticed meeting of the Finance and Audit Committee (the Committee) of the North American Electric Reliability Corporation on August 15, 2012 at 10:45 a.m. local time. The agenda is attached as **Exhibit A**.

Present at the meeting were: All Committee members, being Fred Gorbet, Chair, David Goulding, Roy Thilly, Janice Case, and John Q. Anderson; Board members, Jan Schori, Vicky Bailey, Bruce Scherr, Ken Peterson, Tom Berry, and Paul Barber; and NERC staff members Gerry Cauley, Michael Walker, Charlie Berardesco, David Cook, and Tina McClellan.

NERC Antitrust Compliance Guidelines

Mr. Gorbet directed the participants' attention to the NERC Antitrust Compliance Guidelines.

Minutes

The committee approved the minutes of the May 8, May 18, and July 19, 2012 meetings.

Third Quarter Calendar of FAC Responsibilities

Mr. Walker, chief financial and administrative officer, reviewed the unaudited Statement of Activities for NERC and the Regional Entities for the second quarter of 2012. After discussions, the committee members requested that management prepare a summary of historic budget to actual financial performance of NERC and the Regions for review at a future meeting. Upon motion duly made and seconded, the Committee recommended that the Board of Trustees accept the Statement of Activities.

Mr. Walker reviewed the proposed Working Capital and Operating Reserve Policy, stating that no comments had been received from stakeholders recommending changes to the policy itself; however there were comments on the allocation categories and that those comments were reviewed and addressed in the final draft of 2013 Business Plan and Budget that was before the committee today. Upon motion duly made and seconded, the Committee recommended that the Board of Trustees approve the Working Capital and Operating Reserve Policy.

Mr. Walker then provided an overview of the proposed final NERC and Regional Entity 2013 Business Plans and Budgets, including the schedule of assessments. With respect to the NERC Business Plan and Budget, Mr. Walker reviewed key changes in department activities and priorities, as well as key changes to the final proposed budget, including an increase of \$400,000 in Operating Expense and a \$1.4 million

decrease in Working Capital and Operating Reserves from the prior draft, which resulted in an overall reduction in 2013 assessments of approximately 6 percent. Mr. Walker then provided an overview of the final Regional Entity Business Plans and Budgets, including a recap of the development process. Mr. Walker then presented the consolidated ERO 2013 budget and assessments, as well as preliminary projections for 2014 and 2015. Mr. Walker also informed the committee that he would be presenting at the Member Representatives Committee meeting later in the day an initial overview of the key steps NERC and the Regional Entities would be undertaking to improve the business planning and budgeting process going forward. Upon motion duly made and seconded, the Committee unanimously recommended board approval of the NERC and Regional Entity 2013 Business Plans and Budgets and schedule of assessments.

Mr. Gorbet reviewed the proposed amendments to the Finance and Audit Committee mandate, and upon motion duly made and seconded, the Committee approved the amendments and recommended approval by the Corporate Governance and Human Resources Committee.

Adjournment

There being no further business, upon motion duly made and seconded, the meeting was adjourned at 11:53 a.m. local time.

Submitted by,



Charles A. Berardesco
Secretary

Third Quarter (unaudited) Statement of Activities and Year End Forecast

Action

Review and recommend acceptance by the Board of Trustees.

Summary

Attached is the third quarter unaudited Statement of Activities, budget variance report and year-end forecast for NERC. The attached report also includes information regarding the contributions and expenditures of operating reserves required pursuant to the Working Capital and Operating Reserve Policy which was adopted by the Board of Trustees at their August 2012 meeting.

As the Regional Entity variance reports are not due to NERC until the 20th day after the close of the applicable quarter, we do not expect to have the consolidated variance report and year-end projection completed and available for distribution and posting until approximately one week prior to the committee conference call on October 31, 2012.

SUMMARY OF RESULTS AS OF SEPTEMBER 30, 2012 – TOTAL ERO ENTERPRISE (NERC and REGIONAL ENTITIES COMBINED)

The Total ERO Enterprise (NERC and the Regional Entities) was under budget \$11.8M (8.9%) for combined expense and fixed asset spending through September 30, 2012.¹ The under budget variances comparing YTD Actual results to the YTD Budget ranged from a low of 4.3% to a high of 21.4%. As reflected in the following tables and as further explained below, the Total ERO Enterprise was under budget in Total Personnel Expenses, Total Meeting expenses, which includes travel and conferencing expenses, and Total Operating Expenses. These under budget variances were offset by over budget variances in Other Non-Operating Expenses, and Fixed Asset spending. NERC and all the Regions are projecting to be under budget at year end, ranging from between -0.1% at WECC to -21.7% at SPP RE.

Total Budget (Total Expenses plus the Increase (Decrease) in Fixed Assets)

2012 YTD Actual	2012 YTD Budget	Variance Over(Under)	Variance to Budget	Entity	2012 Projection	2012 Budget	2012 Variance Over(Under)	Projected Variance to Budget
38,101,011	40,093,110	(1,992,099)	-5.0%	NERC	52,273,746	53,112,273	(838,527)	-1.6%
4,155,032	4,795,838	(640,806)	-13.4%	FRCC	5,696,273	6,394,454	(698,181)	-10.9%
6,305,399	6,566,434	(261,035)	-4.0%	MRO	8,873,597	9,057,230	(183,633)	-2.0%
8,664,252	10,044,949	(1,380,698)	-13.7%	NPCC	12,891,562	13,680,642	(789,080)	-5.8%
11,451,293	12,099,114	(647,821)	-5.4%	RFirst	15,949,406	16,656,499	(707,093)	-4.2%
9,188,563	11,696,234	(2,507,671)	-21.4%	SERC	13,708,574	15,594,445	(1,885,871)	-12.1%
6,661,843	8,256,672	(1,594,829)	-19.3%	SPP	8,928,879	11,410,642	(2,481,763)	-21.7%
6,484,094	7,946,801	(1,462,707)	-18.4%	TRE	10,140,583	10,613,461	(472,878)	-4.5%
28,925,277	30,226,104	(1,300,827)	-4.3%	WECC	40,492,968	40,537,866	(44,898)	-0.1%
119,936,764	131,725,256	(11,788,493)	-8.9%		168,955,588	177,057,512	(8,101,924)	-4.6%

¹ Excludes grant funding in WECC. WECC provided actual to budget variances including and excluding grant activity. WECC primarily provided explanations of actual to budget variances by funding and expense category that includes federal grant activity. The results included in this report exclude the funding, expenses and fixed asset spending related to federal grants for comparability to NERC and the other Regions.

The Change in Working Capital for the Total ERO Enterprise was \$19.3M versus a budget of \$7.4M for a variance of \$11.9M, or 160.7%. The increase in working capital over budget was due to being \$11.8M under budget for expenses and fixed assets and being \$85.1k over budget in Total Funding as further explained below.

Change in Working Capital Based on 2012 Results

2012 YTD Actual	2012 YTD Budget	2012 Variance Over(Under)	Entity	2012 Projection	2012 Budget	2012 Variance Over(Under)
1,903,415	(306,406)	2,209,822	NERC	1,041,868	0	1,041,870
155,380	(501,071)	656,451	FRCC	(278,348)	(993,474)	715,126
270,248	9,213	261,035	MRO	(106,068)	(289,701)	183,633
1,470,706	96,726	1,373,980	NPCC	481,272	(323,075)	804,347
(455,096)	(1,111,310)	656,214	RFIRST	(1,562,784)	(2,270,127)	707,343
2,691,082	124,580	2,566,502	SERC	1,928,691	-	1,928,691
879,639	(717,247)	1,596,886	SPP	1,125,745	(1,358,075)	2,483,820
1,231,265	(193,194)	1,424,459	TRE	(13,386)	(466,265)	452,879
11,113,955	9,985,674	1,128,281	WECC	(230,935)	-	(230,935)
19,260,594	7,386,965	11,873,630		2,386,055	(5,700,717)	8,086,774

Variances by Funding, Expense and Fixed Asset Categories

Total Funding

Total Funding for the Total ERO Enterprise was slightly over budget by \$85.1k, 0.1%. NERC, FRCC, ReliabilityFirst, SERC and SPP RE were over budget. NPCC, Texas RE and WECC were under budget. Total Funding for MRO was equal to budget. NERC was over budget primarily due to higher workshop fees from the Standards-Compliance and NASPI workshops due to higher attendance than budgeted, and fees for the Human Performance workshop and Grid Security conference. FRCC reported higher workshop fees than budgeted due to timing differences that result from the budget being spread equally throughout the year. SERC was over budget due to higher miscellaneous funding which represents the amount billed by SERC to act as the compliance enforcement authority in the FRCC and SPP RE Regions. Audits performed in the FRCC Region were not budgeted for 2012, which also resulted in an over budget variance in Consulting and Contracts costs in FRCC as noted below under Operating Expenses. SPP RE was slightly over budget due to interest earned but not budgeted. Texas RE allocates the budget for membership dues and workshop fees evenly throughout the year, while membership renewals occur in the fall and planned workshops are held in May and October. WECC was under budget due to lower attendance at workshops than planned and due to adjustments to WECC's

investment account balances for unrealized losses. WECC's under budget variances for workshops and miscellaneous funding were offset by an over budget variance in interest earned.

Total Funding							
2012 YTD Actual	2012 YTD Budget	Variance Over(Under)	Variance to Budget	Entity	2012 Projection	2012 Budget	2012 Variance Over(Under)
40,004,427	39,786,704	217,723	0.5%	NERC	53,315,614	53,112,272	203,342
4,310,412	4,294,767	15,645	0.4%	FRCC	5,417,925	5,400,980	16,945
6,575,647	6,575,647	-	0.0%	MRO	8,767,529	8,767,529	-
10,134,958	10,141,675	(6,717)	-0.1%	NPCC	13,372,834	13,357,567	15,267
10,996,197	10,987,804	8,393	0.1%	RFirst	14,386,622	14,386,372	250
11,879,645	11,820,814	58,831	0.5%	SERC	15,637,265	15,594,445	42,820
7,541,482	7,539,425	2,057	0.0%	SPP	10,054,624	10,052,567	2,057
7,715,359	7,753,607	(38,248)	-0.5%	TRE	10,127,197	10,147,196	(19,999)
40,039,232	40,211,778	(172,546)	-0.4%	WECC	40,262,033	40,537,867	(275,834)
139,197,359	139,112,221	85,138	0.1%		171,341,643	171,356,795	(15,152)

Personnel Expenses and FTEs

The Total ERO Enterprise was \$9.1M, (10.5%), under budget for Personnel Expenses through September 30, 2012, with total staffing at 94% of the budgeted level. Personnel Expenses for NERC and all Regions were under budget due to delays in hiring, unanticipated vacancies, and lower than budgeted benefits and retirement costs. Notwithstanding the reported delays in hiring and unanticipated vacancies, NERC and the Regional Entities have reported that goals are not being adversely impacted by these vacancies, with additional support from consultants and contractors, as well as staff in some entities working longer hours.

- NERC had 11.09 fewer FTEs on staff than budgeted and had significantly lower benefit and retirement costs due to changes to the plans as previously reported. These factors will continue to lower personnel expenses through the end of the year and NERC projects to be \$3.4M (10.3%) under budget at year end.
- FRCC reported 6 open positions as of September 30th, and projects 2 of these positions (1 Compliance Enforcement Specialist and 1 Legal Assistant) will not be hired due to efficiencies gained from the "Find, Fix, Track Process". FRCC projects to be \$805.0k (16.2%) under budget at year end.
- MRO was \$28.7k (0.7%) under budget for personnel expenses due to having 2.15, 6%, fewer FTEs on staff than budgeted as of September 30th. MRO projects to be approximately \$115.7k, 2.0%, under budget for personnel expenses at year end.
- NPCC was \$680.3k (11.1%) under budget for personnel expenses as of September 30, 2012 due to having 2.08, 6%, fewer FTEs on staff, but also due to lower enrollments in benefit plans among existing employees. Because lower enrollments have historically caused benefit

expenses to be under budget, NPCC discounted the cost of benefits for all employees in the development of their 2013 budget to mitigate actual to budget variances for this expense category in 2013.

- ReliabilityFirst was under budget \$446.4k (4.7%) as of September 30th and is projecting to be \$659.7k (5.1%) under budget at year end for personnel expenses due to having fewer FTEs on staff and lower benefit costs related to a 0% increase in the cost of medical benefits, which were budgeted to increase 12%.
- SERC reported having 12 open positions as of September 30th, however two (2) of these open positions were filled in October. SERC anticipates filling most of the open positions prior to year end. SERC was under budget \$1.6M (17.9%) as of September 30th and is projecting to be \$1.1M (9.3%) at year end for personnel expenses.
- SPP RE reported having 4 open positions as of September 30, 2012. SPP RE was \$422.8k (12.7%) under budget as of September 30th and is projecting to be \$637.3k, 14.3%, at year end.
- Texas RE reported 6 open positions resulting from employee turnover and the timing of new hires. Texas RE projects 3 positions will remain unfilled at year end. As a result of these open positions, Texas RE was under budget \$1.2M (19.6%) as of September 30th and is projecting to be \$678.4k (8.5%) under budget at year end.
- WECC reported lower than budgeted personnel expenses due to timing of hiring, normal turnover and lower than budgeted enrollment among existing employees in WECC's benefit plans. WECC was under budget \$934.3k (4.7%) as of September 30th and is projecting to be \$187.2k (0.7%) at year end.

Personnel Expenses

2012 YTD Actual	2012 YTD Budget	Variance Over(Under)	% Variance to Budget	Entity	2012 Projection	2012 Budget	2012 Variance Over(Under)	% Variance Over(Under)
21,765,676	24,994,624	(3,228,948)	-12.9%	NERC	29,602,932	33,005,813	(3,402,881)	-10.3%
3,078,731	3,724,411	(645,680)	-17.3%	FRCC	4,160,926	4,965,882	(804,956)	-16.2%
4,321,994	4,350,706	(28,712)	-0.7%	MRO	5,685,269	5,800,942	(115,673)	-2.0%
5,474,280	6,154,560	(680,280)	-11.1%	NPCC	7,726,945	8,182,160	(455,215)	-5.6%
9,104,839	9,551,218	(446,379)	-4.7%	RFirst	12,314,554	12,974,285	(659,731)	-5.1%
7,273,283	8,860,126	(1,586,843)	-17.9%	SERC	10,720,530	11,813,504	(1,092,974)	-9.3%
2,918,069	3,340,908	(422,839)	-12.7%	SPP	3,817,239	4,454,543	(637,304)	-14.3%
4,791,461	5,957,558	(1,166,097)	-19.6%	TRE	7,304,591	7,982,969	(678,378)	-8.5%
18,985,151	19,919,492	(934,341)	-4.7%	WECC	26,608,102	26,795,288	(187,186)	-0.7%
77,713,484	86,853,603	(9,140,119)	-10.5%		107,941,088	115,975,386	(8,034,298)	-6.9%

FTEs **								
2012 Actual	2012 Budget	Variance Over(Under)	2012 Actual to Budget	Entity	2012 Projection	2012 Budget	2012 Variance Over(Under)	2012 YTD Actual to Budget
165.66	176.75	(11.09)	94%	NERC	169.22	176.75	(7.53)	96%
25.09	30.69	(5.60)	82%	FRCC	26.08	30.69	(4.61)	85%
34.85	37.00	(2.15)	94%	MRO	35.37	37.00	(1.63)	96%
33.34	35.42	(2.08)	94%	NPCC	33.34	35.42	(2.08)	94%
64.83	69.61	(4.78)	93%	RFFirst	67.83	70.58	(2.75)	96%
60.13	65.70	(5.57)	92%	SERC	62.30	73.70	(11.40)	85%
29.18	33.50	(4.32)	87%	SPP	31.18	33.50	(2.32)	93%
52.00	58.00	(6.00)	90%	TRE	55.00	58.00	(3.00)	95%
191.41	194.88	(3.47)	98%	WECC	188.04	196.20	(8.16)	96%
656.49	701.55	(45.06)	94%		668.36	711.84	(43.48)	94%

** This represents equivalent full time positions from a budget and actual financial perspective and does not necessarily represent actual headcount.

Meeting, Travel and Conferencing Expenses

The Total ERO Enterprise was under budget \$1.8M (20%) for Meeting, Travel and Conferencing expenses through September 30, 2012. NERC and all Regions, except ReliabilityFirst were under budget, with under budget variances ranging from 9% at NERC to 47% at MRO. NERC was under budget for travel and conferencing expenses and additional meeting expenses driven by higher costs for the NASPI workshop due to higher attendance, as well as the cost of the Human Performance Workshop held in March, which was not specifically budgeted. These higher workshop expenses were offset by higher workshop fees as noted above. Excluding expenses related to workshops, NERC was under budget for expenses related to the numerous committee meetings due to utilization of meeting space in NERC's Atlanta and DC offices. NERC was under budget variance for travel due to having fewer FTEs on staff than budgeted, having fewer telecommuters and having department staff consolidated in either the Atlanta or Washington, DC office. NERC was under budget variance for conferencing expenses due to reduced pricing recently negotiated with the vendor. MRO and WECC were under budget for meeting and travel expenses due to use of in-house meeting facilities, which lowers catering costs and travel expenses for staff. FRCC, NPCC, SERC and Texas RE were under budget due to timing differences that resulted from allocating the budget equally throughout the year while planned meetings and workshops will occur in the fourth quarter. SPP RE was under budget due to having fewer FTEs on staff. ReliabilityFirst reported being over budget due to higher staff travel than budgeted and due to replacement of an in-house conferencing system with an external conferencing service.

Meeting, Travel and Conferencing Expenses

2012 YTD Actual	2012 YTD Budget	Variance Over(Under)	% Variance to Budget	Entity	2012 Projection	2012 Budget	Variance Over(Under)	% Variance to Budget
2,611,557	2,878,418	(266,862)	-9%	NERC	3,404,961	3,872,780	(467,819)	-12%
198,353	241,360	(43,007)	-18%	FRCC	262,711	321,814	(59,103)	-18%
306,020	572,396	(266,376)	-47%	MRO	515,110	763,194	(248,084)	-33%
586,158	724,701	(138,543)	-19%	NPCC	1,071,935	1,071,935	-	0%
650,939	606,030	44,909	7%	RFirst	905,880	841,756	64,124	8%
628,587	836,404	(207,817)	-25%	SERC	862,680	1,114,669	(251,989)	-23%
336,266	568,250	(231,984)	-41%	SPP	363,269	715,000	(351,731)	-49%
223,919	318,002	(94,083)	-30%	TRE	380,448	414,948	(34,500)	-8%
1,744,292	2,339,446	(595,154)	-25%	WECC	2,407,385	3,189,357	(781,972)	-25%
7,286,091	9,085,007	(1,798,916)	-20%		10,174,379	12,305,453	(2,131,074)	-17%

Operating Expenses

Operating expenses for the Total ERO Enterprise were approximately \$972.1k (3%) under budget through September 30, 2012. NERC, FRCC, Texas RE and WECC were over budget and the other five Regions were under budget. The two major expense categories contributing to the \$972.1k under budget variance were (1) Consultants and Contracts, under budget \$931.8k (7.8%); and (2) Professional Services, under budget \$388.2k (8.6%). Office Costs and Miscellaneous expenses were also collectively \$157.5k under budget.

Consultants and Contracts

- NERC was over budget \$106.5k, and is projecting to be over budget at year end \$1.4M. These over budget variances are primarily related to: (i) the IDC contract is projected to be over budget \$215.9k at year end due to costs associated with the “generation to load reporting” change order and the incentive availability performance component which were not included in the 2012 budget; (ii) the NASPI project, which is primarily related to the company’s contract with the Grid Protection Alliance (GPA), is projected to be over budget \$248k at year end as a result of the carryover of unused 2011 contractual co-funding commitments for the SIEGate Project pursuant to the terms of NERC’s contract with GPA for this project. This carryover was not anticipated at the time the budget was prepared and total costs of the SIEGate project remain on budget and are capped pursuant to the contract terms; (iii) the SAFNR contract costs are expected to be approximately \$175.5k higher than budget at year end, primarily due to the costs of additional user licensing and maintenance fees; and (iv) \$250.0k to upgrade of the System Operator Certification and Continuing Education Database which was not included in the 2012 budget but is being funded from operating reserves, which include excess funds generated from testing fees above expenses from this program area. These over budget variances are offset by an under budget variance for contract support required for the ES-ISAC

secure portal which is projected to be \$192.7k under budget at year end due to lower than anticipated costs required for the project.

- MRO, NPCC, SERC, SPP RE, and WECC were collectively under budget \$1.3M for Consultant and Contract Expenses primarily due to timing. MRO and NPCC are projecting to be at budget by year end. SERC reported lower than budgeted costs due to: (i) lower costs for hosting and maintaining SERC's servers, (ii) lower than planned participation in the schedule checkout tool, (iii) contract delays for various compliance projects, (iv) timing related to several Reliability Assessment software projects scheduled to start in fourth quarter, and (v) lower than budgeted costs incurred for various studies and event analysis technical expertise. These under budget variances were offset by consulting support for SERC's management training initiative, which was not specifically budgeted. SPP RE reported YTD and projected yearend under budget variances due to the elimination of consulting activity related to the enforcement caseload reduction initiative and delayed implementation of the BES exception process. WECC also reported that the YTD under budget variance was due to timing related to the Base Case Coordinating System project, and is projecting to be under budget at year end.
- FRCC, ReliabilityFirst and Texas RE were collectively \$290.6k over budget. FRCC was \$69.1k over budget due to audits of their RC and PA functions by SERC which were not budgeted to occur in 2012. ReliabilityFirst was over budget due to the use of contractors to support performance of compliance audits due to having fewer FTEs on staff than budgeted. Texas RE was over budget as a result of unbudgeted consultant expense to assist with enforcement of violations involving CIP standards.

Professional Services – MRO, NPCC, ReliabilityFirst, SPP RE, Texas RE and WECC were collectively under budget \$851.8k. MRO, NPCC, ReliabilityFirst, and WECC reported the under budget variance is primarily related to greater use of in-house counsel. NPCC reported the under budget variance was also due to expenses related to trustee search fees incurred in 2011 but budgeted in 2012. Texas RE was under budget due to timing of expenses related to Board recruiting incurred during the fourth quarter but the budget is spread evenly throughout the year. NERC, FRCC and SERC were collectively \$463.7k over budget for professional services. NERC was \$432.2k over budget primarily due to \$445.5k in legal fees associated with the FERC audit, which was not budgeted. SERC reported the over budget variance is related to legal fees to assist with SERC's change in tax exempt status and state of incorporation and the engagement of external auditors to perform a review of SERC's auditing function. SERC also reported the over budget variance is related to payment of property taxes on office equipment which was not budgeted.

Office Costs were under budget \$96.0k (1.2%) primarily due to variances reported by NERC and SERC. NERC was \$195.1k over budget primarily due to higher than budgeted telephone and internet expenses. NERC reported higher internet expenses due to the unanticipated delay in relocation of

remaining applications from the Princeton data center. SERC was \$310.1k under budget as a result of purchases of office furniture, equipment and computers in 2011 that were budgeted in 2012. The under budget variance in Miscellaneous expenses was primarily due to the cost related to NPCC's responsibilities as the compliance enforcement authority in WECC, which were budgeted in Miscellaneous expenses but actual costs are recorded in the appropriate expense category.

The under budget variances in Consultants and Contract expenses, Professional Services expenses, Office Costs and Miscellaneous were offset by over budget variances in Office Rent and Depreciation, which were collectively over budget \$505.3k. NERC was \$374.7k over budget for office rent due to a change in the accounting for the cash contribution under NERC's Washington, D.C. lease. For budget purposes, the cash contribution was treated as a credit against rent expense in 2012 only, but for accounting purposes is now amortized over the life of the lease. This non-cash over budget variance is offset by lower than budgeted rent expense that is the cumulative result of the partial buy-out of the Princeton lease and the sub-lease agreements in Princeton and Washington, D.C. ReliabilityFirst was \$108.3k under budget for office rent due to a delay in securing an offsite disaster recovery site.

NERC and the Regional Entities do not request funding for depreciation expense. Because depreciation expense is included in total operating expenses, depreciation expense is reversed from the fixed asset budget as further described below, to eliminate any associated funding requirement. Timing of purchases of fixed assets and the recording of associated depreciation expense contributed to both over budget and under budget variances for depreciation as reported by FRCC, MRO, ReliabilityFirst, and Texas RE. WECC reported their over budget variance was due to recording an estimate for depreciation expense based on fixed asset purchase during the first nine months of the year. WECC allocates the annual budget for depreciation expense equally throughout the year, but prior to September 30, 2012, WECC did not record either actual or estimated depreciation expense until December, resulting in significant under budget variances for this expense category during the year. WECC now records estimated depreciation during the year and with a true up to actual depreciation expense in December as a part of the Company's year-end closing procedures.

Operating Expenses								
2012 YTD Actual	2012 YTD Budget	Variance Over(Under)	% Variance to Budget	Entity	2012 Projection	2012 Budget	Variance Over(Under)	% Variance to Budget
14,215,759	13,259,561	956,199	7%	NERC	19,981,935	17,362,307	2,619,627	15%
870,517	864,671	5,846	1%	FRCC	1,215,241	1,152,897	62,344	5%
1,206,862	1,682,005	(475,143)	-28%	MRO	2,063,373	2,242,673	(179,300)	-8%
2,751,323	3,236,034	(484,711)	-15%	NPCC	4,223,110	4,498,245	(275,135)	-6%
1,968,917	2,055,982	(87,065)	-4%	RFFirst	2,712,659	2,852,280	(139,621)	-5%
1,252,700	1,956,918	(704,218)	-36%	SERC	2,119,079	2,609,224	(490,145)	-19%
568,107	991,940	(423,833)	-43%	SPP	770,454	1,767,000	(996,546)	-56%
2,065,786	2,040,169	25,617	1%	TRE	2,971,145	2,723,145	248,000	9%
9,993,497	9,778,278	215,219	2%	WECC	12,743,226	13,037,704	(294,478)	-2%
34,893,468	35,865,558	(972,089)	-3%		48,800,222	48,245,475	554,746	1%

Fixed Assets

As explained above, because NERC and the Regional Entities do not request funding for depreciation expense, it is reversed from the Fixed Asset budget to eliminate the funding requirement. The variance in depreciation expense is explained above. The following comments explain variances in Fixed Assets excluding depreciation expense.

Actual fixed asset additions, excluding the impact of the reversal of depreciation expense, were \$814.4k (29.8%) over budget YTD, and are projected to be \$1.6M (36.8%) over budget at year end. NERC, FRCC, MRO and WECC were over budget YTD and are projecting to be over budget at year end. NPCC, ReliabilityFirst, and Texas Re were under budget YTD, but are projecting to be at budget at year end. SERC was under budget YTD and is projecting to be under budget at year end. NERC's YTD over budget variance is related to timing of purchases and to leasehold improvements associated with the relocation of the Washington DC office that were not billed until 2012 but were included in previous relocation projections. NERC's projected year end over budget variance is primarily related leasehold improvements as just described. MRO's YTD and projected year end over budget variances are related to costs associated with its headquarters relocation that was planned in 2011 but actual costs were not known at the time the budget was approved. WECC's YTD and projected year end over budget variance is primarily related to Reliability Coordination assets budgeted in 2011 but purchased in 2012.

Fixed Asset Additions - (Excludes reversal of Depreciation)

2012 YTD Actual	2012 YTD Budget	Variance Over(Under)	% Variance to Budget	Entity	2012 Projection	2012 Budget	Variance Over(Under)	% Variance to Budget
729,504	386,045	343,459	89.0%	NERC	868,338	772,090	96,248	12.5%
94,727	78,569	16,158	20.6%	FRCC	173,499	104,760	68,739	65.6%
822,267	175,218	647,050	369.3%	MRO	1,020,178	561,435	458,743	81.7%
-	33,147	(33,147)	-100.0%	NPCC	66,292	66,292	-	0.0%
86,513	266,000	(179,487)	-67.5%	RFFirst	495,000	495,000	-	0.0%
150,118	217,500	(67,382)	-31.0%	SERC	161,118	290,000	(128,882)	-44.4%
-	-	-	-	SPP	-	-	-	-
80,265	342,750	(262,485)	-76.6%	TRE	457,000	457,000	-	0.0%
1,583,027	1,232,750	350,277	28.4%	WECC	2,667,422	1,574,000	1,093,422	69.5%
3,546,421	2,731,979	814,442	29.8%		5,908,847	4,320,577	1,588,270	36.8%

CONSOLIDATED ERO
Statement of Activities, Fixed Assets and Change in Working Capital
As of September 30, 2012
(Unaudited)

2012 YTD Actual	2012 YTD Budget	2012 Variance Over(Under)		2012 Projection	2012 Budget	2012 Variance Over(Under)
			Funding			
			ERO Funding			
\$ 129,768,824	\$ 129,768,825	(1)	ERO Assessments	\$ 160,699,270	\$ 160,699,270	-
6,008,719	6,008,719	-	Penalty Sanctions	6,163,573	6,163,573	-
\$ 135,777,543	\$ 135,777,544	(1)	Total ERO Funding	\$ 166,862,843	\$ 166,862,843	-
\$ -	\$ -	-	Federal Grants	\$ -	\$ -	-
2,440	20,626	(18,186)	Membership Dues	17,751	27,500	(9,749)
1,523,788	1,545,750	(21,962)	Testing Fees	2,108,200	2,061,000	47,200
110,265	209,500	(99,235)	Services & Software	158,672	272,000	(113,328)
1,295,171	1,161,894	133,277	Workshops	1,595,725	1,617,575	(21,850)
348,831	295,628	53,203	Interest	451,977	394,171	57,806
139,320	101,279	38,041	Miscellaneous	146,476	121,706	24,770
\$ 139,197,359	\$ 139,112,221	\$ 85,138	Total Funding (A)	\$ 171,341,643	\$ 171,356,795	\$ (15,152)
			Expenses			
			Personnel Expenses			
\$ 60,035,925	\$ 65,237,865	(5,201,940)	Salaries	\$ 82,734,134	\$ 87,503,094	(4,768,960)
4,318,701	4,959,647	(640,947)	Payroll Taxes	5,550,018	6,261,462	(711,444)
7,154,254	8,748,725	(1,594,471)	Benefits	10,229,844	11,702,704	(1,472,860)
6,204,603	7,907,366	(1,702,762)	Retirement Costs	9,427,092	10,508,125	(1,081,033)
\$ 77,713,484	\$ 86,853,603	\$ (9,140,119)	Total Personnel Expenses	\$ 107,941,088	\$ 115,975,386	\$ (8,034,298)
			Meeting Expenses			
\$ 1,722,685	\$ 2,038,718	(316,033)	Meetings	\$ 2,513,171	\$ 2,915,855	(402,684)
5,184,029	6,441,235	(1,257,207)	Travel	7,043,726	8,582,859	(1,539,133)
379,377	605,054	(225,677)	Conference Calls	617,482	806,739	(189,257)
\$ 7,286,091	\$ 9,085,007	\$ (1,798,916)	Total Meeting Expenses	\$ 10,174,379	\$ 12,305,453	\$ (2,131,074)
			Operating Expenses			
\$ 11,052,530	\$ 11,984,306	(931,776)	Consultants & Contracts	\$ 16,874,135	\$ 16,240,651	633,484
5,631,234	5,472,701	158,533	Office Rent	7,488,543	7,297,718	190,825
7,843,567	7,939,518	(95,951)	Office Costs	10,554,667	10,435,203	119,464
4,143,205	4,531,381	(388,176)	Professional Services	6,275,723	6,325,507	(49,785)
78,194	139,711	(61,518)	Miscellaneous	127,897	200,109	(72,212)
6,144,740	5,797,941	346,799	Depreciation	7,479,257	7,746,287	(267,030)
\$ 34,893,468	\$ 35,865,558	\$ (972,089)	Total Operating Expenses	\$ 48,800,222	\$ 48,245,475	\$ 554,746
\$ 119,893,043	\$ 131,804,168	\$ (11,911,125)	Total Direct Expenses	\$ 166,915,689	\$ 176,526,314	\$ (9,610,626)
\$ 2,538,423	\$ 2,908,169	\$ (369,746)	Indirect Expenses	\$ 3,506,693	\$ 3,877,559	\$ (370,866)
\$ 103,617	\$ 78,883	\$ 24,734	Other Non-Operating Expenses	\$ 103,617	\$ 79,349	\$ 24,268
\$ 122,535,083	\$ 134,791,220	\$ (12,256,137)	Total Expenses (B)	\$ 170,525,999	\$ 180,483,222	\$ (9,957,223)
\$ 16,662,276	\$ 4,321,001	\$ 12,341,275	Change in Assets	\$ 815,644	\$ (9,126,428)	\$ 9,942,072
			Fixed Assets			
(6,144,740)	(5,797,941)	(346,799)	Depreciation	(7,479,257)	(7,746,287)	267,030
1,694,131	1,859,013	(164,881)	Computer & Software CapEx	3,361,971	2,908,525	453,446
326,789	9,604	317,185	Furniture & Fixtures CapEx	345,996	19,207	326,789
1,122,873	838,758	284,115	Equipment CapEx	1,759,045	1,142,638	616,407
402,628	24,604	378,024	Leasehold Improvements	441,835	250,207	191,628
\$ (2,598,319)	\$ (3,065,963)	\$ 467,644	Inc(Dec) in Fixed Assets (C)	\$ (1,570,411)	\$ (3,425,710)	\$ 1,855,299
\$ 119,936,764	\$ 131,725,257	\$ (11,788,493)	Total Budget (B + C)	\$ 168,955,588	\$ 177,057,512	\$ (8,101,924)
\$ 19,260,594	\$ 7,386,964	\$ 11,873,631	Change in Working Capital (A-B-C)	\$ 2,386,055	\$ (5,700,718)	\$ 8,086,773
656.5	701.6	(45.1)	FTEs	668.4	711.8	(43.5)
33,582,463	25,231,926	8,350,537	Beginning Working Capital 1/1/12	33,582,463	25,780,217	7,802,246
19,260,594	7,386,965	11,873,630	Change in Working Capital	2,386,055	(5,700,717)	8,086,772
52,843,057	32,618,891	20,224,167	Working Capital Balance	35,968,518	20,079,500	15,889,017

North American Electric Reliability Corporation- Review of September 30, 2012 Unaudited Results-Budget to Actual Variance Analysis and Analysis of Working Capital and Operating Reserves

As summarized in the following table, NERC was under budget \$2.0M through September 30, 2012, representing a continuation of the trend from prior reporting periods. As further explained below, this budget variance was primarily due to (1) lower personnel expenses as a result of having fewer FTEs on staff than budgeted, (2) significant savings associated with NERC's employee benefits and retirement plans as a result of changes that were implemented after the 2012 budget was developed, and (3) lower travel and conferencing expenses. Collectively, personnel, meetings, travel and conferencing expenses were under budget \$3.5M, offset by \$1.5M in over budget variances in rent, office costs, professional services and fixed assets.

SEPTEMBER YTD ACTUAL VERSUS BUDGET BY CATEGORY COMPARED TO JUNE YTD

	Results through September 30, 2012				Results through June 30, 2012	
	2012 YTD Actual	2012 YTD Budget	Variance Over/(Under)		Variance Over/(Under)	
PERSONNEL EXPENSES	21,765,676	24,994,624	(3,228,948)	-12.9%	(2,199,760)	-13.0%
MEETINGS, TRAVEL and CONFERENCE CALLS	2,611,557	2,878,418	(266,862)	-9.3%	(67,036)	-3.5%
CONSULTANTS and CONTRACTS	6,620,818	6,514,336	106,482	1.6%	(306,165)	-6.7%
RENT	2,102,864	1,728,193	374,671	21.7%	254,786	22.1%
OFFICE COSTS, PROFESSIONAL SERVICES and MISCELLANEOUS	4,204,414	3,591,494	612,920	17.1%	609,607	25.4%
Other Non-Operating Expenses	66,179	-	66,179	100.0%	68,472	100.0%
FIXED ASSET PURCHASES (excludes the credit for depreciation)	729,504	386,045	343,459	89.0%	170,629	44.2%
TOTAL BUDGET	38,101,011	40,093,110	(1,992,099)	-5.0%	(1,469,467)	-5.4%
FTEs	165.66	176.75	(11.09)	-6.3%	-9.58	-5.5%

The following is an explanation the major factors influencing budgetary performance for this period:

- Personnel Expenses were \$3.2M (12.9%) under budget as a result of (1) having 11.09 fewer FTEs on staff than budgeted for the period, which resulted in salaries and payroll tax expenses being collectively \$1.6M under budget, and (2) significant reductions in NERC's benefits and retirement plans and forfeiture of unvested funds due to personnel attrition which resulted in employee benefit and retirement expenses also being collectively \$1.6M under budget.
- Meetings, Travel and Conference Call Expenses were \$266.9k (9.3%) under budget due primarily to lower than budgeted travel costs. Travel costs were \$345.4k lower than budget as a result of having 11.09 fewer FTEs on staff than budgeted, having fewer telecommuters and having department staff consolidated in either the Atlanta or Washington, DC office. Webinar and

conference call expenses were under budget \$62.7k due to reduced pricing recently negotiated with the vendor. Meetings expense, which includes the cost of rented space and catering for meetings and workshops held in hotels and the cost of catering for meetings held in NERC or Regional Entity offices, was over budget \$141.3k primarily due to higher expenses associated with the NASPI workshop and due to expenses related to a Human Performance workshop held in March, which was not specifically budgeted. These higher expenses are, however, funded by fees collected from attendees and did not require the use of operating reserves.

- Consultants and Contract Expenses were \$106.5k (1.6%) over budget and are expected to be over budget at year end. Consultants and Contracts that were not specifically budgeted and are therefore being funded from operating reserves are detailed in the Analysis of Working Capital and Operating Reserves beginning on page 10 of this report. As further explained below, the following table summarizes the YTD over and under budget variance for Consultants and Contracts by Program area.

CONSULTANTS and CONTRACTS	Actual	Budget	Over/(Under)
RELIABILITY STANDARDS	-	11,250	(11,250)
COMPLIANCE OPERATIONS	9,780	-	9,780
COMPLIANCE ENFORCEMENT	-	-	-
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS	644,303	876,750	(232,447)
RELIABILITY RISK MANAGEMENT			
EVENT ANALYSIS	133,607	90,000	43,607
SITUATION AWARENESS	3,328,876	2,775,104	553,772
RELIABILITY RISK MANAGEMENT	3,462,483	2,865,104	597,380
CRITICAL INFRASTRUCTURE DEPARTMENT	342,232	596,250	(254,018)
TRAINING, EDUCATION and OPERATOR CERTIFICATION	474,955	467,336	7,619
GENERAL and ADMINISTRATIVE and EXECUTIVE	-	-	-
GOVERNMENT RELATIONS	-	-	-
LEGAL and REGULATORY	64,478	106,313	(41,835)
INFORMATION TECHNOLOGY	1,146,380	1,130,083	16,296
HUMAN RESOURCES	345,397	217,500	127,897
FINANCE and ACCOUNTING	130,810	243,750	(112,940)
TOTAL CONTRACTS and CONSULTANTS	6,620,818	6,514,336	106,482

- o The Reliability Standards Program does not expect to use the 2012 budget for consultants or contracts.
- o The over budget variance in Compliance Operations was to provide hearing officer training to the CCC, which was not specifically budgeted.
- o Reliability Assessments and Performance Analysis was under budget through September 30th due to timing delays in projected spending for the Reliability Assessment Database (RADS) and consulting costs for scenario analysis, metrics development and the modeling initiative. The scope and requirements of RADS are currently under development through joint NERC and Regional Entity collaboration. A contract to study the interdependencies and associated vulnerabilities of the gas-electric interface utilizing the

scenario analysis budget currently under review by the Legal department. A contract has been executed to provide training and consulting services on dynamic stability modeling utilizing funding budgeted for the modeling initiative. Due to a reprioritization of reliability risk projects, a contract for metrics development will not be executed and the \$75k budgeted will be reallocated to fund a change order to the GADS database contract to enable more consistent and efficient reporting and metrics display across all NERC data, assist reporting entities in more timely review of the data and provide high value information for risk analysis.

- O The over budget variance in Event Analysis is related to the investigation of the southwest blackout event.
- O Situation Awareness
 - The NASPI project, which is primarily related to the company's contract with the Grid Protection Alliance (GPA), was over budget approximately \$148.8k through September 30, 2012, and is expected to be over budget \$248k at year end as a result of the carryover of unused 2011 contractual co-funding commitments for the SIEGate Project pursuant to the terms of NERC's contract with GPA for this project. This carryover was not anticipated at the time the budget was prepared and total costs of the SIE Gate project remain on budget and are capped pursuant to the contract terms.
 - The SAFNR contract was approximately \$177.9k over budget through September 30, 2012, and is expected to be approximately \$175.5k higher than budget at year end, primarily due to the costs of additional user licensing and maintenance fees.
 - The contract for the secure alert system was under budget \$104.4k YTD due to the elimination of a portion of the contract that provided help desk support, which is now performed by NERC staff, and due to delays in utilizing the amount budgeted for changes to the system. Management is currently evaluating responses to an RFP to replace the current system. The RFP responses came in significantly in excess of budget for 2013 and management is evaluating options to reduce costs, including options to phase in of functionality over time..
 - The expense for various reliability monitoring tools was \$40k under budget YTD and is projected to be \$40k under budget at year end due to the elimination of the contract for Control Performance Standard 1 and Balancing Authority ACE Limits (CPS1-BAAL).
 - The IDC contract was approximately \$213.2 over budget YTD, and is projected to be \$215.9k over budget at year end due to costs associated with the "generation to load reporting" change order and the incentive availability performance component which were planned but not included in the 2012 budget . NERC has issued a notice of termination of its IDC contract, effective in the second quarter of 2013 and is working with the vendor and users to transition this service to an end user funded model.
 - The cost of NERCnet was \$163.3k over budget due to unresolved billing errors which we continue to attempt to work with Verizon to correct and which, depending on the

outcome of these efforts, could be resolved and the additional projected costs eliminated prior to the end of the year. NERCnet is primarily used to support the secure communication of Reliability Coordinator data. Management is evaluating options to replace NERCnet with communication support provided by another vendor or negotiate alternative arrangements with Verizon, which is in the process of upgrading portions of the network its uses to provide this service.

o Critical Infrastructure Department

- ES-ISAC contracts were under budget \$229.0k through September 30, 2012 and are projected to be \$192.7k under budget at year end. The contract for the secure portal platform development was under budget \$70.0k, primarily due to timing and is expected to be at budget at year end. Various contracts have been executed to provide support for Aurora webinars and reports, ICS cyber situational awareness reporting, and for building a comprehensive threat model, utilizing \$107.7k of the \$250k budgeted for cyber security analyst support and bi-directional information sharing with US-CERT, resulting in the under budget projection of approximately \$192.7k for consultants and contracts expense for the ES-ISAC.
- Additional contracts to provide ESCC support, NIST/DOE risk guidelines, and cyber risk preparedness assessment support were collectively \$25.0k under budget YTD, but are projected to be at or close to budget at year end.

o The Information Technology department continues to manage numerous critical projects supporting operating area needs, including document synchronization, security assessments, vulnerability testing, redesign and deployment of NERC's public website, SQL database assessment, and upgrades to the standards balloting software and the C-RATS database. A new time and materials contract with Dell was signed in October to assist with the evaluation and migration of certain software applications from the legacy NERC data center in Princeton to NERC's new data center in Atlanta. This contract has a cap of \$248.9k, has been approved by the President and Chief Executive Officer and will be funded from available operating reserves. An update on the progress being made regarding the transfer of necessary applications will be provided under item 8 of the FAC agenda, as well as at the Standards Oversight and Technology Committee meeting in November.

o The over budget variance in the Human Resources department is related to compensation and benefit consulting services which were not specifically budgeted in 2012, as well as higher than budgeted executive recruiting costs related to the search for a Chief Operating Officer and a Vice-President and Director of Reliability Assessments and Performance Analysis.

o Finance and Accounting was under budget \$112.9k due to timing. Contracts have been executed and are in progress to provide support for regional CIP audit oversight, review of NERC audit oversight and review of the NERC audit process. The under budget

variance due to the timing of these contracts was offset by contract support for systems evaluation, implementation support, and improved reporting efficiencies of existing systems as follow up to the FERC audit, which were not specifically budgeted.

- Rent was over budget \$374.7k (21.7%) due to a change in the accounting for the cash contribution from the landlord at 1325G Street. For budget purposes, the cash contribution was treated as a credit against rent expense in 2012 only, but for accounting purposes is now amortized over the life of the lease. This non-cash over budget variance is offset by lower than budgeted rent expense that is the cumulative result of the partial buy-out of the Princeton lease and the sub-lease agreements in Princeton and Washington, D.C.
- Office Costs, Professional Services and Miscellaneous Expenses were \$612.9k (17.1%) over budget.
 - Office Costs were \$195.1k over budget primarily due to higher than budgeted telephone and internet expenses. Internet expenses are exceeding budget due to the delay associated with relocation of remaining applications from the Princeton data center.
 - Professional Services were \$423.2k over budget primarily due to \$445.5k in legal fees associated with the FERC audit, which was not budgeted.
- Other Non-Operating Expenses reflect costs to relocate of files from NERC's DC office at 1120 G Street to the new office at 1325 G Street, costs to ship equipment from Princeton to Atlanta and property tax expense paid in Fulton County, GA, which was not budgeted. Management was unaware at the time the 2012 budget was prepared that the company would be required to pay property taxes on the net book value of assets located in the Atlanta office and data center, which are both located in Fulton County, Georgia.
- Fixed Asset Purchases were \$343.5k (88.9%) over budget through September 30th. This budget overrun is partially due to timing of budgeted purchases of computers, software and equipment, as well as the cost of leasehold improvements in the Atlanta and DC offices which were completed in 2011 but not recorded until 2012 pending final reconciliation of the excess tenant improvement allowance following completion of all construction.

2012 YEAR-END PROJECTION VERSUS BUDGET BY CATEGORY

NERC is projecting to be approximately \$838.5k (1.6%) under budget for total expenses and fixed assets at year end, as compared to the June 30, 2012 report which projected NERC would be \$1.4M (2.7%) under budget at year end, an increase of \$610.6k. This increase in total expenses and fixed assets is offset by a \$48.2k projected increase in total funding, resulting in a \$562.4k reduction in the projected ending Working Capital and Operating Reserve balance at December 31, 2012, as included in NERC's 2013 Business Plan and Budget¹. Notwithstanding this projected reduction in available Working Capital and Operating Reserves for 2013, management is monitoring a number of variables

¹ The year-end projection included in the Second Quarter 2012 Variance Report was also the basis for the Working Capital and Operating Reserve Analysis in NERC's 2013 Business Plan and Budget.

included in the projection, such as assumptions on hiring of open staff positions and the projected cost of projects supported by consultants and contracts that are in process, and is confident that the working capital and operating reserve balance in 2013 will be sufficient to carry out the goals and objectives stated in the 2013 Business Plan and Budget.

The following table provides a breakdown of the current year end projection by major funding and expense category as set forth in the Statement of Activities as compared to the year end projection included in the Second Quarter 2012 Variance Report and NERC's 2013 Business Plan and Budget.

	As of September 30, 2012				As per June 30, 2012 Report		
	2012 Projection	2012 Budget	Variance from Budget Over/(Under)		2012 Projection	Variance from Budget Over/(Under)	Change from June 30, 2012
FUNDING	53,315,614	53,112,272	203,342	0.4%	53,267,477	155,206	48,137
BUDGET - EXPENSES and FIXED ASSETS							
PERSONNEL EXPENSES	29,602,932	33,005,811	(3,402,881)	-10.3%	29,543,220	(3,462,591)	59,712
MEETINGS, TRAVEL and CONFERENCE CALLS	3,404,961	3,872,780	(467,819)	-12.1%	3,454,449	(418,331)	(49,488)
CONSULTANTS and CONTRACTS	9,743,585	8,287,314	1,456,271	17.6%	9,022,974	735,660	720,611
RENT	2,784,956	2,304,257	480,699	20.9%	2,784,036	479,779	920
OFFICE COSTS, PROFESSIONAL SERVICES and MISCELLANEOUS	5,802,796	4,870,019	932,776	19.2%	5,851,724	981,705	(48,928)
Other Non-Operating Expenses	66,179	-	66,179	100.0%	68,903	68,903	(2,724)
FIXED ASSET PURCHASES (excludes the credit for depreciation)	868,338	772,090	96,248	12.5%	937,827	165,737	(69,489)
TOTAL BUDGET	52,273,746	53,112,271	(838,527)	-1.6%	51,663,133	(1,449,138)	610,613
FTEs	169.22	176.75	(7.53)	-4.3%	170.81	(5.94)	(1.59)
Beginning Working Capital and Operating Reserves - 1/1/12	3,836,374	1,798,578	2,037,796		3,836,374	2,037,796	-
YTD Change - 2012	1,041,868	0	1,041,870		1,604,345	1,604,345	(562,477)
Total Working Capital and Operating Reserves	4,878,242	1,798,579	3,079,665		5,440,719	3,642,141	(562,477)

Funding is projected to be \$203.3k (0.4%) over budget at year end, which is slightly higher than the previous projection. The increase is due to higher workshop fees collected for the Grid Security Conference held in October.

Budget – Expenses and Fixed Assets

- **Personnel Expenses** are projected to be under budget \$3.4M (10.3%) at year end, which is roughly in line with previous projections. Salary and payroll tax expenses combined are projected to be \$1.8M under budget due to having fewer FTEs on staff as a result of the timing of new hires and attrition. The cost of benefit and retirement plans are projected to be \$1.6M under budget due to having fewer FTEs on staff and due to changes to NERC's benefit and retirement plans as previously reported.
- **Meetings, Travel and Conference Calls** are projected to be under budget by approximately \$467.8k and represents a continuation of the current trend described in the year to date results above.
- **Consultants and Contracts Expenses** are projected to be approximately \$1.4M (17.6%) over budget at year end. This projection is approximately \$720.6k higher than the previous forecast

and is due to an increase in the cost of budgeted contracts or the addition of new contracts not specifically budgeted as described below.

- o Increases in the projected cost of budgeted contracts include:
 - \$75.5k for SAFNR due to the costs of additional user licensing and maintenance fees
 - \$90k related to actual costs of NERCnet, which as previously described, includes unresolved billing errors which we continue to attempt to work with Verizon to correct.
 - \$53.2k for additional costs associated with the public website assessment, design and deployment
 - \$194.8k for executive recruiting fees
 - \$39.0k additional costs related to the investigation of the southwest blackout event
- o New contracts authorized that were not specifically budgeted:
 - A time and materials contract with Dell with a not to exceed of \$248.9k to provide consulting services in connection with the relocation of the remaining applications in the Princeton data center to the Atlanta data center
 - \$69.5k for contract employees to support ongoing operations due to staff vacancies
- Rent is projected to be \$480.7k over budget, which is consistent with the previous projection and YTD actual results as previously explained.
- Office Costs, Professional Services and Miscellaneous expenses are projected to be \$932.8k (19.2%) over budget at year end.
 - o Office Costs are projected to be \$194.3k over budget primarily due to higher internet expenses related to the delay in transition of all software applications from the Princeton data center to the Atlanta data center.
 - o Professional Services are projected to be \$755.6k over budget and includes \$500k in outside legal fees associated with the FERC audit
- Purchases of Fixed Assets, which excludes depreciation, are projected to be approximately \$96.2k (11%) over budget at year-end, related to the cost of leasehold improvements, as previously described.

BOARD OF TRUSTEES EXPENSES

The following table provides actual and budgeted expenses of the Board of Trustees through September 30, 2012, and the projected 2012 expenses compared to the total 2012 budget. The amounts reflected in this table are included in the totals by expense category in the tables presented above. The projected over budget variance for expenses of the Board of Trustees is primarily due to higher trustee search fees than budgeted.

	2012 YTD Actual	2012 YTD Budget	Variance Over/(Under)		2012 Projection	2012 Budget	Variance from Budget Over/(Under)		
Board of Trustee Expenses									
Meetings and Travel Expenses									
Quarterly Board Meetings	153,286	168,000	(14,714)	-8.8%	200,000	224,000	(24,000)	-10.7%	
Trustee Travel	107,861	82,500	25,361	30.7%	138,600	110,000	28,600	26.0%	
Total Board of Trustees Meetings and Travel Expenses	261,147	250,500	10,647	4.3%	338,600	334,000	4,600	1.4%	
Professional Services									
Independent Trustee Fees	727,500	735,000	(7,500)	-1.0%	970,000	980,000	(10,000)	-1.0%	
Trustee Search Fees	-	-	-	0.0%	147,600	75,000	72,600	96.8%	
Total Board of Trustee Professional Services Expenses	727,500	735,000	(7,500)	-1.0%	1,117,600	1,055,000	62,600	5.9%	
Total Board of Trustee Expenses	988,647	985,500	3,147	0.3%	1,456,200	1,389,000	67,200	4.8%	

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
Statement of Activities, Fixed Assets and Change in Working Capital
(Unaudited)
For the period ended 09/30/2012

	2012 YTD Actual	2012 YTD Budget	2012 YTD Actual Variance from Budget Over(Under)	2012 Projection	2012 Annual Budget	2012 Projection Variance from Budget Over(Under)
Funding						
Assessments	37,995,953	37,995,954	(1)	50,661,272	50,661,272	-
Penalties	-	-	-	-	-	-
Testing	1,523,788	1,545,750	(21,962)	2,108,200	2,061,000	47,200
Services & Software	90,105	187,500	(97,395)	138,512	250,000	(111,488)
Workshop Fees	382,150	42,500	339,650	385,550	120,000	265,550
Interest	10,247	15,000	(4,753)	20,000	20,000	-
Miscellaneous	2,183	-	2,183	2,183	-	2,183
Total Funding	40,004,427	39,786,704	217,723	53,315,716	53,112,272	203,444
Expenses						
Personnel Expenses						
Salaries	17,092,639	18,593,778	(1,501,139)	23,141,797	24,800,833	(1,659,036)
Payroll Taxes	1,201,785	1,337,691	(135,907)	1,405,614	1,524,935	(119,321)
Employee Benefits	2,014,562	2,392,726	(378,164)	2,565,948	3,190,308	(624,360)
Savings & Retirement	1,456,689	2,670,429	(1,213,739)	2,489,573	3,489,736	(1,000,163)
Total Personnel Expenses	21,765,676	24,994,624	(3,228,948)	29,602,932	33,005,811	(3,402,881)
Meeting Expenses						
Meetings	667,087	525,833	141,254	871,028	736,000	135,028
Travel	1,745,489	2,090,902	(345,414)	2,205,906	2,787,870	(581,964)
Conference Calls	198,981	261,683	(62,702)	328,027	348,910	(20,883)
Total Meeting Expenses	2,611,557	2,878,418	(266,862)	3,404,961	3,872,780	(467,819)
Operating Expenses						
Consultants and Contracts	6,620,818	6,514,336	106,482	9,743,585	8,287,314	1,456,271
Rent & Improvements	2,102,864	1,728,193	374,671	2,784,956	2,304,257	480,699
Office Costs	2,326,956	2,131,808	195,148	3,033,153	2,838,819	194,334
Professional Services	1,870,669	1,447,499	423,170	2,760,648	2,005,000	755,648
Miscellaneous	6,790	12,187	(5,398)	8,995	26,200	(17,205)
Depreciation	1,287,664	1,425,538	(137,874)	1,650,598	1,900,717	(250,119)
Total Operating Expenses	14,215,759	13,259,561	956,199	19,981,935	17,362,307	2,619,627
Other Non-Operating Expenses	66,179	-	66,179	66,179	-	66,179
Total Expenses	38,659,171	41,132,603	(2,473,432)	53,056,007	54,240,898	(1,184,894)
Net Change in Assets	1,345,256	(1,345,899)	2,691,155	259,709	(1,128,627)	1,388,338
Fixed Assets						
Depreciation	(1,287,664)	(1,425,538)	137,874	(1,650,598)	(1,900,717)	250,119
Computer & Software CapEx	436,404	386,045	50,359	486,815	772,090	(285,275)
Furniture & Fixtures CapEx	212	-	212	212	-	212
Equipment CapEx	182,135	-	182,135	270,558	-	270,558
Leasehold Improvements	110,753	-	110,753	110,753	-	110,753
Incr(Dec) in Fixed Assets	(558,160)	(1,039,493)	481,333	(782,261)	(1,128,627)	346,366
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	38,101,011	40,093,110	(1,992,099)	52,273,746	53,112,271	(838,527)
Change in Operating Reserves (Total Funding less Total Budget)	1,903,415	(306,406)	2,209,822	1,041,970	0	1,041,972
FTE's	165.66	176.75	(11.09)	169.22	176.75	(7.53)
Headcount	170.00	179.00	(9.00)	181.00	179.00	2.00
Beginning Working Capital and Operating Reserves - 1/1/12	3,836,374	1,798,578	2,037,796	3,836,374	1,798,578	2,037,796
YTD Change - 2012	1,903,415	(306,406)	2,209,822	1,041,970	0	1,041,972
Total Working Capital and Operating Reserves	5,739,789	1,492,172	4,247,618	4,878,344	1,798,579	3,079,767

ANALYSIS OF WORKING CAPITAL and OPERATING RESERVES

For the Period Ended 09/30/2012

The Company's "Working Capital and Operating Reserve Policy", approved by the Board of Directors on August 16, 2012, requires that management provide a report regarding additions and uses of working capital and operating reserves. The information provided in this variance report and the following table is intended to satisfy this requirement for the period ending September 30, 2012. Section (1) of the table summarizes the generation or use of operating reserves from 2012 budgeted operations by the funding and expense categories on NERC's Statement of Activities. The 2012 YTD Actual and 2012 Projection amounts in Section (1) do not include unbudgeted funding or expenditures. Unbudgeted funding and expenditures are detailed in Sections (2) and (3).²

Section (2) of the table provides details regarding the additional sources of funding which represented additions to operating reserves. Section (3) of the table provides additional details regarding expenditures of operating reserves for unbudgeted items by expense category included in NERC's Statement of Activities. Section (4) of the table sets forth the net expenditure of operating reserves, which is the combination of items the items listed under Sections (2) and (3).

All of the expenditures of operating reserves were previously described in this variance report.

² In order to tie back to the Statement of Activities for the period, you need to add the totals in Sections (1), (2) and (3) by funding and expense category.

	2012 YTD Actual	2012 YTD Budget	2012 YTD Actual Variance from Budget Over(Under)	2012 Projection	2012 Annual Budget	2012 Projection Variance from Budget Over(Under)
Beginning Working Capital and Operating Reserves - 1/1/12	3,836,374	1,798,578	2,037,796	3,836,374	1,798,578	2,037,796
(1) Generation (Use) of Operating Reserves from Budgeted Operations						
Funding	39,843,927	39,786,704	57,223	53,151,866	53,112,272	39,594
Personnel	(21,765,676)	(24,994,624)	3,228,948	(29,602,932)	(33,005,811)	3,402,881
Meetings, Travel and Conference Calls	(2,558,005)	(2,878,418)	320,413	(3,256,410)	(3,872,780)	616,370
Operating Expenses	(13,408,463)	(13,259,561)	(148,903)	(18,527,460)	(17,362,307)	(1,165,152)
Non-Operating Expenses	(0)	-	(0)	(0)	-	(0)
Inc(Dec) in Fixed Assets	668,913	1,039,493	(370,580)	893,013	1,128,627	(235,614)
Total Operating Reserves Generated(Used) from Budgeted Operations	2,780,694	(306,406)	3,087,101	2,658,078	0	2,658,079
(2) Additions to Operating Reserves						
Fees collected from workshops not specifically budgeted						
Human Performance Workshop	68,850		68,850	68,850		68,850
Grid Security Conference	91,650		91,650	95,000		95,000
Total Additions to Operating Reserves	160,500	-	160,500	163,850	-	163,850
(3) Expenditures of Operating Reserves						
Meetings and Workshops						
Human Performance Workshop	(53,551)		(53,551)	(53,551)		(53,551)
Grid Security Conference			-	(95,000)		(95,000)
Subtotal	(53,551)	-	(53,551)	(148,551)	-	(148,551)
Contracts and Consultants						
Hearing officer training for the CCC	(9,780)		(9,780)	(9,780)		(9,780)
System Operator Database Upgrade	(120,107)		(120,107)	(266,810)		(266,810)
Relocation of Princeton Software Applications	-		-	(248,869)		(248,869)
GADS Change Order #2	-		-	(100,000)		(100,000)
Contract employees due to staff vacancies	(22,708)		(22,708)	(69,468)		(69,468)
Compensation Studies	(137,597)		(137,597)	(146,000)		(146,000)
Audit Implementation	(58,052)		(58,052)	(100,000)		(100,000)
Improve reporting efficiencies of existing accounting systems	(13,548)		(13,548)	(13,548)		(13,548)
Subtotal	(361,792)	-	(361,792)	(954,475)	-	(954,475)
Operating Expenses						
Professional Services - Audit	(445,504)		(445,504)	(500,000)		(500,000)
Subtotal	(445,504)	-	(445,504)	(500,000)	-	(500,000)
Other Non-Operating Expenses						
Fulton County Property Taxes	(51,008)	-	(51,008)	(51,008)	-	(51,008)
Shipment of files and equipment to new office locations	(15,171)		(15,171)	(15,171)		(15,171)
Subtotal	(66,179)	-	(66,179)	(66,179)	-	(66,179)
Fixed Assets						
Leasehold Improvements	(110,753)	-	(110,753)	(110,753)	-	(110,753)
Subtotal	(110,753)	-	(110,753)	(110,753)	-	(110,753)
Total Expenditure of Operating Reserves	(1,037,779)	-	(1,037,779)	(1,779,958)	-	(1,779,958)
(4) Net Expenditure of Operating Reserves	(877,279)	-	(877,279)	(1,616,108)	-	(1,616,108)
TOTAL Operating Reserves						
Beginning Balance 1/1/2012	3,836,374	1,798,578	2,037,796	3,836,374	1,798,578	2,037,796
Generation (Use) from Budgeted Operations	2,780,694	(306,406)	3,087,101	2,658,078	0	2,658,079
Generation (Use) from Unbudget Operations	(877,279)	-	(877,279)	(1,616,108)	-	(1,616,108)
	5,739,789	1,492,172	4,247,618	4,878,344	1,798,579	3,079,767



FLORIDA RELIABILITY COORDINATING COUNCIL, INC.
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2012 Third Quarter Year to Date Budget Variance Explanations

Statutory Funding

Total Actual Above Budget \$16k:

Timing difference in period over which budget is allocated to actual time of the spring workshops, above budget \$18,000 Maintenance Pass-through was below (\$2,000) the budget.

Statutory Expenditures

Total Under Budget (\$641k)

Statutory Personnel Expenses

Total Actual Under Budget (\$646k):

More time was spent in Standards, and Training than was budgeted, less time was spent in Compliance, Reliability Assessment, Situational Awareness and General Administrative than was budgeted. In addition, Compliance has three additions to staff unfilled, one replacement position unfilled all nine months and it was determined that due to the improved efficiencies gained from the FERC approved Find, Fix and Track process it will be unnecessary to hire 2 other positions (1 Compliance Enforcement Specialist and 1 Legal Assistant) at all in 2012. Payroll Taxes, Retirement and Benefits are down for the same reason.

Statutory Meeting Expenses

Total Actual Under Budget \$(43k):

The result of timing differences created by budgeting evenly over the entire year and actual for the Reliability Standards area and the effect of the open positions in the Compliance program.

Statutory Operating Expenses

Total Actual Over Budget \$6k:

Consulting and Contracting due to the SERC audit of the RC and PA functions were considerably more than budgeted. Legal fees were more than budgeted due to the unbudgeted RE Legal Committee representation and work on the CEA and Delegation Agreements. These are offset by Office Rent and Office Costs being under budget and the result of Compliance spending less than anticipated on the compliance software in 2010, 2011 and 2012 therefore Depreciation is less than budgeted.

Increase/(Decrease) in Fixed Assets

Total Actual Over Budget \$42k:

The upgrade costs for the compliance 1.5 portal software were not budgeted.

Change In Working Capital – Unfavorable/(Favorable) Variance

Total Actual Under Budget (\$656k)

Florida Reliability Coordinating Council, Inc.
Quarterly Statement of Activities - Total Actual To Total Budget
TOTAL Statutory Only
September 30, 2012

(In Whole Dollars)

	2012 YTD Actual	2012 YTD Budget	2012 YTD Variance	%	2012 Full Year Projection	2012 Budget	2012 Projected Variance	%
Funding								
ERO Funding								
ERO Assessments	\$ 3,318,637	\$ 3,318,637	\$ -		\$ 4,424,850	\$ 4,424,850	\$ -	
Penalty Sanctions	874,700	874,700	-		874,700	874,700	-	
Total ERO Funding	\$ 4,193,337	\$ 4,193,337	\$ -		\$ 5,299,550	\$ 5,299,550	\$ -	0.0%
Membership Dues	-	-	-		\$ -	\$ -	\$ -	
Testing Fees	-	-	-		-	-	-	
Services & Software	20,160	22,000	(1,840)		20,160	22,000	(1,840)	
Workshops	96,915	79,430	17,485		98,215	79,430	18,785	
Interest	-	-	-		-	-	-	
Miscellaneous	-	-	-		-	-	-	
Total Funding	\$ 4,310,412	\$ 4,294,767	\$ 15,645	0.4%	\$ 5,417,925	\$ 5,400,980	\$ 16,945	0.3%
Expenses								
Personnel Expenses								
Salaries	\$ 2,307,618	\$ 2,750,782	\$ (443,164)		\$ 3,053,197	\$ 3,667,708	\$ (614,511)	
Payroll Taxes	169,685	185,088	(15,403)		221,345	246,785	(25,440)	
Benefits	285,974	412,708	(126,734)		437,351	550,278	(112,927)	
Retirement Costs	315,454	375,833	(60,379)		449,033	501,111	(52,078)	
Total Personnel Expenses	\$ 3,078,731	\$ 3,724,411	\$ (645,680)	-17.3%	\$ 4,160,926	\$ 4,965,882	\$ (804,956)	-16.2%
Meeting Expenses								
Meetings	\$ 63,994	\$ 47,082	\$ 16,912		\$ 68,432	\$ 62,776	\$ 5,656	
Travel	125,085	179,385	(54,300)		181,945	239,180	(57,235)	
Conference Calls	9,274	14,893	(5,619)		12,334	19,858	(7,524)	
Total Meeting Expenses	\$ 198,353	\$ 241,360	\$ (43,007)	-17.8%	\$ 262,711	\$ 321,814	\$ (59,103)	-18.4%
Operating Expenses								
Consultants & Contracts	\$ 221,409	\$ 152,262	\$ 69,147		\$ 378,065	\$ 203,016	\$ 175,049	
Office Rent	319,623	328,235	(8,612)		425,099	437,647	(12,548)	
Office Costs	99,042	137,969	(38,927)		146,519	183,959	(37,440)	
Professional Services	143,147	133,032	10,115		149,454	177,376	(27,922)	
Miscellaneous	-	-	-		-	-	-	
Depreciation	87,296	113,173	(25,877)		116,104	150,899	(34,795)	
Total Operating Expenses	\$ 870,517	\$ 864,671	\$ 5,846	0.7%	\$ 1,215,240	\$ 1,152,897	\$ 62,343	5.4%
Total Indirect Expenses	\$ -	\$ -	\$ -		\$ 0	\$ -	\$ 0	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
Total Expenses	\$ 4,147,601	\$ 4,830,442	\$ (682,841)	-14.1%	\$ 5,638,878	\$ 6,440,593	\$ (801,715)	-12.4%
Change in Assets	\$ 162,811	\$ (535,675)	\$ 698,486	-130.4%	\$ (220,953)	\$ (1,039,613)	\$ 818,660	-78.7%
Fixed Asset Expenditures								
Depreciation	\$ (87,296)	\$ (113,173)	\$ 25,877		\$ (116,104)	\$ (150,899)	\$ 34,795	
Software CapEx	82,370	45,000	37,370		128,422	60,000	68,422	
Furniture & Fixtures CapEx	-	-	-		-	-	-	
Equipment & Computers CapEx	12,357	18,569	(6,212)		25,077	24,760	317	
Leasehold Improvements	-	15,000	(15,000)		20,000	20,000	-	
Increase/(Decrease) in Fixed Assets	\$ 7,431	\$ (34,604)	\$ 42,035	-121.5%	\$ 57,395	\$ (46,139)	\$ 103,534	-224.4%
Total Budget	\$ 4,155,032	\$ 4,795,838	\$ (640,806)	-13.4%	\$ 5,696,273	\$ 6,394,454	\$ (698,181)	-10.9%
CHANGE IN WORKING CAPITAL	\$ 155,380	\$ (501,071)	\$ 656,451	-131.0%	\$ (278,348)	\$ (993,474)	\$ 715,126	-72.0%
FTEs	25.09	30.69	(5.60)		26.08	30.69	(4.61)	
Beginning Working Capital 1/1/20	1,455,607	1,313,197	142,410		1,455,607	1,313,197	142,410	
Change in Working Capital	155,380	(501,071)	656,451		(278,348)	(993,474)	715,126	
Working Capital at 9/30/2012	1,610,987	812,126	798,861		1,177,259	319,723	857,536	

Florida Reliability Coordinating Council, Inc.
Quarterly Statement of Activities - Total Actual To Total Budget
TOTAL Statutory Only
September 30, 2012

(In Whole Dollars)

	2012 YTD Actual	2012 YTD Budget	2012 YTD Variance	%	2012 Full Year Projection	2012 Budget	2012 Projected Variance	%
Funding								
ERO Funding								
ERO Assessments	\$ 3,318,637	\$ 3,318,637	\$ -		\$ 4,424,850	\$ 4,424,850	\$ -	
Penalty Sanctions	874,700	874,700	-		874,700	874,700	-	
Total ERO Funding	\$ 4,193,337	\$ 4,193,337	\$ -		\$ 5,299,550	\$ 5,299,550	\$ -	0.0%
Membership Dues	-	-	-		\$ -	\$ -	\$ -	
Testing Fees	-	-	-		-	-	-	
Services & Software	20,160	22,000	(1,840)		20,160	22,000	(1,840)	
Workshops	96,915	79,430	17,485		98,215	79,430	18,785	
Interest	-	-	-		-	-	-	
Miscellaneous	-	-	-		-	-	-	
Total Funding	\$ 4,310,412	\$ 4,294,767	\$ 15,645	0.4%	\$ 5,417,925	\$ 5,400,980	\$ 16,945	0.3%
Expenses								
Personnel Expenses								
Salaries	\$ 2,307,618	\$ 2,750,782	\$ (443,164)		\$ 3,053,197	\$ 3,667,708	\$ (614,511)	
Payroll Taxes	169,685	185,088	(15,403)		221,345	246,785	(25,440)	
Benefits	285,974	412,708	(126,734)		437,351	550,278	(112,927)	
Retirement Costs	315,454	375,833	(60,379)		449,033	501,111	(52,078)	
Total Personnel Expenses	\$ 3,078,731	\$ 3,724,411	\$ (645,680)	-17.3%	\$ 4,160,926	\$ 4,965,882	\$ (804,956)	-16.2%
Meeting Expenses								
Meetings	\$ 63,994	\$ 47,082	\$ 16,912		\$ 68,432	\$ 62,776	\$ 5,656	
Travel	125,085	179,385	(54,300)		181,945	239,180	(57,235)	
Conference Calls	9,274	14,893	(5,619)		12,334	19,858	(7,524)	
Total Meeting Expenses	\$ 198,353	\$ 241,360	\$ (43,007)	-17.8%	\$ 262,711	\$ 321,814	\$ (59,103)	-18.4%
Operating Expenses								
Consultants & Contracts	\$ 221,409	\$ 152,262	\$ 69,147		\$ 378,065	\$ 203,016	\$ 175,049	
Office Rent	319,623	328,235	(8,612)		425,099	437,647	(12,548)	
Office Costs	99,042	137,969	(38,927)		146,519	183,959	(37,440)	
Professional Services	143,147	133,032	10,115		149,454	177,376	(27,922)	
Miscellaneous	-	-	-		-	-	-	
Depreciation	87,296	113,173	(25,877)		116,104	150,899	(34,795)	
Total Operating Expenses	\$ 870,517	\$ 864,671	\$ 5,846	0.7%	\$ 1,215,240	\$ 1,152,897	\$ 62,343	5.4%
Total Indirect Expenses	\$ -	\$ -	\$ -		\$ 0	\$ -	\$ 0	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
Total Expenses	\$ 4,147,601	\$ 4,830,442	\$ (682,841)	-14.1%	\$ 5,638,878	\$ 6,440,593	\$ (801,715)	-12.4%
Change in Assets	\$ 162,811	\$ (535,675)	\$ 698,486	-130.4%	\$ (220,953)	\$ (1,039,613)	\$ 818,660	-78.7%
Fixed Asset Expenditures								
Depreciation	\$ (87,296)	\$ (113,173)	\$ 25,877		\$ (116,104)	\$ (150,899)	\$ 34,795	
Software CapEx	82,370	45,000	37,370		128,422	60,000	68,422	
Furniture & Fixtures CapEx	-	-	-		-	-	-	
Equipment & Computers CapEx	12,357	18,569	(6,212)		25,077	24,760	317	
Leasehold Improvements	-	15,000	(15,000)		20,000	20,000	-	
Increase/(Decrease) in Fixed Assets	\$ 7,431	\$ (34,604)	\$ 42,035	-121.5%	\$ 57,395	\$ (46,139)	\$ 103,534	-224.4%
Total Budget	\$ 4,155,032	\$ 4,795,838	\$ (640,806)	-13.4%	\$ 5,696,273	\$ 6,394,454	\$ (698,181)	-10.9%
CHANGE IN WORKING CAPITAL	\$ 155,380	\$ (501,071)	\$ 656,451	-131.0%	\$ (278,348)	\$ (993,474)	\$ 715,126	-72.0%
FTEs	25.09	30.69	(5.60)		26.08	30.69	(4.61)	
Beginning Working Capital 1/1/20	1,455,607	1,313,197	142,410		1,455,607	1,313,197	142,410	
Change in Working Capital	155,380	(501,071)	656,451		(278,348)	(993,474)	715,126	
Working Capital at 9/30/2012	1,610,987	812,126	798,861		1,177,259	319,723	857,536	

Florida Reliability Coordinating Council, Inc.
Quarterly Statement of Activities - Total Actual To Total Budget
RELIABILITY STANDARDS
September 30, 2012

(In Whole Dollars)

	2012 YTD Actual	2012 YTD Budget	2012 YTD Variance	%	2012 Full Year Projection	2012 Budget	Projected Variance	%
Funding								
ERO Funding								
ERO Assessments	\$ 212,357	\$ 212,357	\$ -		\$ 283,143	\$ 283,143	\$ -	
Penalty Sanctions	43,948	43,948	-		43,948	43,948	-	
Total ERO Funding	\$ 256,305	\$ 256,305	\$ -		\$ 327,091	\$ 327,091	\$ -	0.0%
Membership Dues	-	-	-		-	-	-	
Testing Fees	-	-	-		-	-	-	
Services & Software	-	-	-		-	-	-	
Workshops	-	-	-		-	-	-	
Interest	-	-	-		-	-	-	
Miscellaneous	-	-	-		-	-	-	
Total Funding	\$ 256,305	\$ 256,305	\$ -	0.0%	\$ 327,091	\$ 327,091	\$ -	0.0%
Expenses								
Personnel Expenses								
Salaries	127,530	\$ 120,106	7,424		\$ 169,615	\$ 160,141	\$ 9,474	
Payroll Taxes	10,104	8,081	2,023		9,468	10,775	(1,307)	
Benefits	15,258	20,609	(5,351)		35,325	27,479	7,846	
Retirement Costs	17,704	16,410	1,294		19,204	21,880	(2,676)	
Total Personnel Expenses	\$ 170,596	\$ 165,206	\$ 5,390	3.3%	\$ 233,612	\$ 220,275	\$ 13,337	6.1%
Meeting Expenses								
Meetings	\$ 191	\$ 2,111	(1,920)		\$ 254	\$ 2,814	\$ (2,560)	
Travel	22,437	34,067	(11,630)		45,423	45,423	-	
Conference Calls	609	88	521		810	118	692	
Total Meeting Expenses	\$ 23,237	\$ 36,266	\$ (13,029)	-35.9%	\$ 46,487	\$ 48,355	\$ (1,868)	-3.9%
Operating Expenses								
Consultants & Contracts	\$ 737	\$ 65	672		\$ 5,489	\$ 86	\$ 5,403	
Office Rent	7,063	6,763	300		9,394	9,018	376	
Office Costs	5,465	4,939	526		7,268	6,585	683	
Professional Services	10,595	5,808	4,787		11,018	7,744	3,274	
Miscellaneous	-	-	-		-	-	-	
Depreciation	1,199	790	409		1,595	1,053	542	
Total Operating Expenses	\$ 25,059	\$ 18,365	\$ 6,694	36.4%	\$ 34,764	\$ 24,486	\$ 10,278	42.0%
Total Indirect Expenses	\$ 29,120	\$ 26,271	\$ 2,849		\$ 39,726	\$ 35,028	\$ 4,698	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
Total Expenses	\$ 248,012	\$ 246,108	\$ 1,904	0.8%	\$ 354,589	\$ 328,144	\$ 26,445	8.1%
Change in Assets	\$ 8,293	\$ 10,197	\$ (1,904)	-18.7%	\$ (27,498)	\$ (1,053)	\$ (26,445)	100.0%
Fixed Asset Expenditures								
Depreciation	\$ (1,199)	\$ (790)	\$ (409)		\$ (1,595)	\$ (1,053)	\$ (542)	
Software CapEx	-	-	-		-	-	-	
Furniture & Fixtures CapEx	-	-	-		-	-	-	
Equipment & Computers CapEx	314	-	314		418	-	418	
Leasehold Improvements	-	-	-		-	-	-	
Increase/(Decrease) in Fixed Assets	\$ (885)	\$ (790)	\$ (95)	12.0%	\$ (1,177)	\$ (1,053)	\$ (124)	11.8%
Total Budget	\$ 247,127	\$ 245,318	\$ 1,809	0.7%	\$ 353,412	\$ 327,091	\$ 26,321	8.0%
CHANGE IN WORKING CAPITAL	\$ 9,178	\$ 10,987	\$ (1,809)	-16.5%	\$ (26,321)	\$ -	\$ (26,321)	
Direct FTEs	1.16	1.34	(0.18)		1.34	1.34	-	
Indirect FTE's	0.47	0.39	0.08		0.41	0.39	0.02	
Total FTE's	1.63	1.73	(0.10)		1.75	1.73	0.02	

Florida Reliability Coordinating Council, Inc.
Quarterly Statement of Activities - Total Actual To Total Budget
COMPLIANCE
September 30, 2012

(In Whole Dollars)

	2012 YTD Actual	2012 YTD Budget	2012 YTD Variance	%	2012 Full Year Projection	2012 Budget	Projected Variance	%
Funding								
ERO Funding								
ERO Assessments	\$ 2,966,268	\$ 2,966,268	\$ -		\$ 3,955,024	\$ 3,955,024	\$ -	
Penalty Sanctions	653,975	653,975	-		653,975	653,975	-	
Total ERO Funding	\$ 3,620,243	\$ 3,620,243	\$ -		\$ 4,608,999	\$ 4,608,999	\$ -	0.0%
Membership Dues	-	-	-		-	-	-	
Testing Fees	-	-	-		-	-	-	
Services & Software	-	-	-		-	-	-	
Workshops	-	-	-		-	-	-	
Interest	-	-	-		-	-	-	
Miscellaneous	-	-	-		-	-	-	
Total Funding	\$ 3,620,243	\$ 3,620,243	\$ -	0.0%	\$ 4,608,999	\$ 4,608,999	\$ -	0.0%
Expenses								
Personnel Expenses								
Salaries	\$ 1,386,516	\$ 1,787,246	(400,730)		\$ 1,844,969	\$ 2,382,994	\$ (538,025)	
Payroll Taxes	101,872	120,256	(18,384)		145,047	160,342	(15,295)	
Benefits	179,096	287,081	(107,985)		276,567	382,775	(106,208)	
Retirement Costs	189,675	244,187	(54,512)		294,273	325,583	(31,310)	
Total Personnel Expenses	\$ 1,857,159	\$ 2,438,770	\$ (581,611)	-23.8%	\$ 2,560,856	\$ 3,251,694	\$ (690,838)	-21.2%
Meeting Expenses								
Meetings	\$ 3,235	\$ 4,387	(1,152)		\$ 4,303	\$ 5,849	\$ (1,546)	
Travel	66,414	98,430	(32,016)		88,331	131,240	(42,909)	
Conference Calls	5,576	3,040	2,536		7,416	4,053	3,363	
Total Meeting Expenses	\$ 75,225	\$ 105,857	\$ (30,632)	-28.9%	\$ 100,049	\$ 141,142	\$ (41,093)	-29.1%
Operating Expenses								
Consultants & Contracts	\$ 122,288	\$ 21,213	101,075		\$ 233,771	\$ 28,284	\$ 205,487	
Office Rent	268,989	273,980	(4,991)		357,755	365,307	(7,552)	
Office Costs	55,662	63,401	(7,739)		76,718	84,535	(7,817)	
Professional Services	108,611	86,435	22,176		112,983	115,246	(2,263)	
Miscellaneous	-	-	-		-	-	-	
Depreciation	68,813	98,005	(29,192)		91,521	130,674	(39,153)	
Total Operating Expenses	\$ 624,363	\$ 543,034	\$ 81,329	15.0%	\$ 872,749	\$ 724,046	\$ 148,703	20.5%
Total Indirect Expenses	\$ 288,368	\$ 390,930	\$ (102,562)		\$ 410,441	\$ 521,241	\$ (110,800)	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
Total Expenses	\$ 2,845,115	\$ 3,478,591	\$ (633,476)	-18.2%	\$ 3,944,096	\$ 4,638,123	\$ (694,027)	-15.0%
Change in Assets	\$ 775,128	\$ 141,652	\$ 633,476	447.2%	\$ 664,903	\$ (29,124)	\$ 694,027	100.0%
Fixed Asset Expenditures								
Depreciation	\$ (68,813)	\$ (98,005)	\$ 29,192		\$ (91,521)	\$ (130,674)	\$ 39,153	
Software CapEx	82,370	45,000	37,370		128,422	60,000	68,422	
Furniture & Fixtures CapEx	-	-	-		-	-	-	
Equipment & Computers CapEx	9,705	16,162	(6,457)		21,550	21,550	-	
Leasehold Improvements	-	15,000	(15,000)		20,000	20,000	-	
Increase/(Decrease) in Fixed Assets	\$ 23,262	\$ (21,843)	\$ 45,105	-206.5%	\$ 78,451	\$ (29,124)	\$ 107,575	100.0%
Total Budget	\$ 2,868,377	\$ 3,456,748	\$ (588,371)	-17.0%	\$ 4,022,546	\$ 4,608,999	\$ (586,453)	-12.7%
CHANGE IN WORKING CAPITAL	\$ 751,866	\$ 163,495	\$ 588,371	359.9%	\$ 586,453	\$ -	\$ 586,453	
Direct FTEs	14.46	19.94	(5.48)		15.68	19.94	(4.26)	
Indirect FTE's	2.67	2.67	-		2.40	2.67	(0.27)	
Total FTE's	17.13	22.61	(5.48)		18.08	22.61	(4.53)	

Florida Reliability Coordinating Council, Inc.
Quarterly Statement of Activities - Total Actual To Total Budget
RELIABILITY ASSESSMENT
September 30, 2012

(In Whole Dollars)

	2012 YTD Actual	2012 YTD Budget	2012 YTD Variance	%	2012 Full Year Projection	2012 Budget	Projected Variance	%
Funding								
ERO Funding								
ERO Assessments	\$ 735,923	\$ 735,923	\$ -		\$ 981,230	\$ 981,230	\$ -	
Penalty Sanctions	149,555	149,555	-		149,555	149,555	-	
Total ERO Funding	\$ 885,478	\$ 885,478	\$ -		\$ 1,130,785	\$ 1,130,785	\$ -	0.0%
Membership Dues	-	-	-		\$ -	\$ -	\$ -	
Testing Fees	-	-	-		-	-	-	
Services & Software	20,160	22,000	(1,840)		20,160	22,000	(1,840)	
Workshops	-	-	-		-	-	-	
Interest	-	-	-		-	-	-	
Miscellaneous	-	-	-		-	-	-	
Total Funding	\$ 905,638	\$ 907,478	\$ (1,840)	-0.2%	\$ 1,150,945	\$ 1,152,785	\$ (1,840)	-0.2%
Expenses								
Personnel Expenses								
Salaries	\$ 387,584	\$ 408,719	(21,135)		\$ 515,487	\$ 544,958	\$ (29,471)	
Payroll Taxes	28,017	27,501	516		32,288	36,668	(4,380)	
Benefits	46,359	55,625	(9,266)		66,949	74,167	(7,218)	
Retirement Costs	52,586	55,842	(3,256)		65,490	74,456	(8,966)	
Total Personnel Expenses	\$ 514,546	\$ 547,687	\$ (33,141)	-6.1%	\$ 680,214	\$ 730,249	\$ (50,035)	-6.9%
Meeting Expenses								
Meetings	\$ 2,413	\$ 3,411	(998)		\$ 3,209	\$ 4,548	\$ (1,339)	
Travel	29,425	36,161	(6,736)		39,135	48,214	(9,079)	
Conference Calls	2,360	8,135	(5,775)		3,139	10,847	(7,708)	
Total Meeting Expenses	\$ 34,198	\$ 47,707	\$ (13,509)	-28.3%	\$ 45,483	\$ 63,609	\$ (18,126)	-28.5%
Operating Expenses								
Consultants & Contracts	\$ 69,895	\$ 86,603	\$ (16,708)		\$ 85,539	\$ 115,471	\$ (29,932)	
Office Rent	21,279	23,014	(1,735)		28,301	30,685	(2,384)	
Office Costs	11,805	48,004	(36,199)		27,806	64,005	(36,199)	
Professional Services	19,820	19,766	54		21,104	26,355	(5,251)	
Miscellaneous	-	-	-		-	-	-	
Depreciation	3,845	3,599	246		5,114	4,799	315	
Total Operating Expenses	\$ 126,644	\$ 180,986	\$ (54,342)	-30.0%	\$ 167,864	\$ 241,315	\$ (73,451)	-30.4%
Total Indirect Expenses	\$ 84,422	\$ 89,401	\$ (4,979)		\$ 120,540	\$ 119,201	\$ 1,339	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
Total Expenses	\$ 759,810	\$ 865,781	\$ (105,971)	-12.2%	\$ 1,014,102	\$ 1,154,374	\$ (140,272)	-12.2%
Change in Assets	\$ 145,828	\$ 41,697	\$ 104,131	249.7%	\$ 136,843	\$ (1,589)	\$ 138,432	-8711.9%
Fixed Asset Expenditures								
Depreciation	\$ (3,845)	\$ (3,599)	\$ (246)		\$ (5,114)	\$ (4,799)	\$ (315)	
Software CapEx	-	-	-		-	-	-	
Furniture & Fixtures CapEx	-	-	-		-	-	-	
Equipment & Computers CapEx	2,296	2,407	(111)		3,054	3,210	(156)	
Leasehold Improvements	-	-	-		-	-	-	
Increase/(Decrease) in Fixed Assets	\$ (1,549)	\$ (1,192)	\$ (357)	29.9%	\$ (2,060)	\$ (1,589)	\$ (471)	29.7%
Total Budget	\$ 758,261	\$ 864,589	\$ (106,328)	-12.3%	\$ 1,012,041	\$ 1,152,785	\$ (140,744)	-12.2%
CHANGE IN WORKING CAPITAL	\$ 147,377	\$ 42,889	\$ 104,488	243.6%	\$ 138,904	\$ -	\$ 138,904	
Direct FTE's	4.30	4.56	(0.26)		4.49	4.56	(0.07)	
Indirect FTE's	0.89	0.77	0.12		0.82	0.77	0.05	
Total FTE's	5.19	5.33	(0.14)		5.31	5.33	(0.02)	

Florida Reliability Coordinating Council, Inc.
Quarterly Statement of Activities - Total Actual To Total Budget
TRAINING AND EDUCATION
September 30, 2012

(In Whole Dollars)

	2012 YTD Actual	2012 YTD Budget	2012 YTD Variance	%	2012 Full Year Projection	2012 Budget	Projected Variance	%
Funding								
ERO Funding								
ERO Assessments	\$ 89,989	\$ 89,989	\$ -		\$ 119,986	\$ 119,986	\$ -	
Penalty Sanctions	16,071	16,071	-		16,071	16,071	-	
Total ERO Funding	<u>\$ 106,060</u>	<u>\$ 106,060</u>	<u>\$ -</u>		<u>\$ 136,057</u>	<u>\$ 136,057</u>	<u>\$ -</u>	0.0%
Membership Dues	-	-	-		\$ -	\$ -	\$ -	
Testing Fees	-	-	-		-	-	-	
Services & Software	-	-	-		-	-	-	
Workshops	96,915	79,430	17,485		98,215	79,430	18,785	
Interest	-	-	-		-	-	-	
Miscellaneous	-	-	-		-	-	-	
Total Funding	<u>\$ 202,975</u>	<u>\$ 185,490</u>	<u>\$ 17,485</u>	9.4%	<u>\$ 234,272</u>	<u>\$ 215,487</u>	<u>\$ 18,785</u>	8.7%
Expenses								
Personnel Expenses								
Salaries	\$ 76,923	\$ 43,919	33,004		\$ 85,470	\$ 58,559	\$ 26,911	
Payroll Taxes	5,511	2,955	2,556		3,530	3,940	(410)	
Benefits	8,607	4,963	3,644		5,942	6,617	(675)	
Retirement Costs	10,641	6,001	4,640		7,162	8,001	(839)	
Total Personnel Expenses	<u>\$ 101,682</u>	<u>\$ 57,838</u>	<u>\$ 43,844</u>	75.8%	<u>\$ 102,104</u>	<u>\$ 77,117</u>	<u>\$ 24,987</u>	32.4%
Meeting Expenses								
Meetings	\$ 58,122	\$ 36,647	21,475		\$ 60,622	\$ 48,863	\$ 11,759	
Travel	6,128	7,745	(1,617)		8,150	10,327	(2,177)	
Conference Calls	563	3,578	(3,015)		749	4,771	(4,022)	
Total Meeting Expenses	<u>\$ 64,813</u>	<u>\$ 47,970</u>	<u>\$ 16,843</u>	35.1%	<u>\$ 69,521</u>	<u>\$ 63,961</u>	<u>\$ 5,560</u>	8.7%
Operating Expenses								
Consultants & Contracts	\$ 26,871	\$ 36,670	(9,799)		\$ 37,151	\$ 48,894	\$ (11,743)	
Office Rent	4,103	2,473	1,630		5,457	3,297	2,160	
Office Costs	15,486	4,933	10,553		20,596	6,577	14,019	
Professional Services	3,223	2,124	1,099		3,349	2,832	517	
Miscellaneous	-	-	-		-	-	-	
Depreciation	1,150	686	464		1,530	915	615	
Total Operating Expenses	<u>\$ 50,833</u>	<u>\$ 46,886</u>	<u>\$ 3,947</u>	8.4%	<u>\$ 68,083</u>	<u>\$ 62,515</u>	<u>\$ 5,568</u>	8.9%
Total Indirect Expenses	<u>\$ 15,991</u>	<u>\$ 9,607</u>	<u>\$ 6,384</u>		<u>\$ 11,805</u>	<u>\$ 12,809</u>	<u>\$ (1,004)</u>	
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Total Expenses	<u>\$ 233,319</u>	<u>\$ 162,301</u>	<u>\$ 71,018</u>	43.8%	<u>\$ 251,513</u>	<u>\$ 216,402</u>	<u>\$ 35,111</u>	16.2%
Change in Assets	<u>\$ (30,344)</u>	<u>\$ 23,189</u>	<u>\$ (53,533)</u>	-230.9%	<u>\$ (17,241)</u>	<u>\$ (915)</u>	<u>\$ (16,326)</u>	100.0%
Fixed Asset Expenditures								
Depreciation	\$ (1,150)	\$ (686)	\$ (464)		\$ (1,530)	\$ (915)	\$ (615)	
Software CapEx	-	-	-		-	-	-	
Furniture & Fixtures CapEx	-	-	-		-	-	-	
Equipment & Computers CapE	34	-	34		45	-	45	
Leasehold Improvements	-	-	-		-	-	-	
Increase/(Decrease) in Fixed Assets	<u>\$ (1,116)</u>	<u>\$ (686)</u>	<u>\$ (430)</u>	62.7%	<u>\$ (1,484)</u>	<u>\$ (915)</u>	<u>\$ (569)</u>	62.2%
Total Budget	<u>\$ 232,203</u>	<u>\$ 161,615</u>	<u>\$ 70,588</u>	43.7%	<u>\$ 250,029</u>	<u>\$ 215,487</u>	<u>\$ 34,542</u>	16.0%
CHANGE IN WORKING CAPITAL	<u>\$ (29,228)</u>	<u>\$ 23,875</u>	<u>\$ (53,103)</u>	-222.4%	<u>\$ (15,757)</u>	<u>\$ -</u>	<u>\$ (15,757)</u>	
Direct FTEs	0.69	0.49	0.20		0.42	0.49	(0.07)	
Indirect FTE's	0.12	0.11	0.01		0.10	0.11	(0.01)	
Total FTE's	0.81	0.60	0.21		0.52	0.60	(0.08)	

Florida Reliability Coordinating Council, Inc.
Quarterly Statement of Activities - Total Actual To Total Budget
SITUATIONAL AWARENESS
September 30, 2012

(In Whole Dollars)

	2012 YTD Actual	2012 YTD Budget	2012 YTD Variance	%	2012 Full Year Projection	2012 Budget	Projected Variance	%
Funding								
ERO Funding								
ERO Assessments	\$ 59,206	\$ 59,206	\$ -		\$ 78,941	\$ 78,941	\$ -	
Penalty Sanctions	11,151	11,151	-		11,151	11,151	-	
Total ERO Funding	\$ 70,357	\$ 70,357	\$ -		\$ 90,092	\$ 90,092	\$ -	0.0%
Membership Dues	-	-	-		-	-	-	
Testing Fees	-	-	-		-	-	-	
Services & Software	-	-	-		-	-	-	
Workshops	-	-	-		-	-	-	
Interest	-	-	-		-	-	-	
Miscellaneous	-	-	-		-	-	-	
Total Funding	\$ 70,357	\$ 70,357	\$ -	0.0%	\$ 90,092	\$ 90,092	\$ -	0.0%
Expenses								
Personnel Expenses								
Salaries	\$ 25,867	\$ 30,475	(4,608)		\$ 34,403	\$ 40,633	\$ (6,230)	
Payroll Taxes	1,709	2,050	(341)		2,402	2,734	(332)	
Benefits	2,979	3,716	(737)		4,408	4,955	(547)	
Retirement Costs	3,383	4,164	(781)		4,873	5,552	(679)	
Total Personnel Expenses	\$ 33,938	\$ 40,405	\$ (6,467)	-16.0%	\$ 46,086	\$ 53,874	\$ (7,788)	-14.5%
Meeting Expenses								
Meetings	\$ 33	\$ 248	(215)		\$ 44	\$ 331	\$ (287)	
Travel	660	2,982	(2,322)		878	3,976	(3,098)	
Conference Calls	166	4	162		221	5	216	
Total Meeting Expenses	\$ 859	\$ 3,234	\$ (2,375)	-73.4%	\$ 1,142	\$ 4,312	\$ (3,170)	-73.5%
Operating Expenses								
Consultants & Contracts	\$ 107	7,517	(7,410)		\$ 1,286	\$ 10,022	\$ (8,736)	
Office Rent	1,396	1,716	(320)		1,857	2,288	(431)	
Office Costs	8,084	6,557	1,527		10,752	8,743	2,009	
Professional Services	898	1,474	(576)		1,000	1,965	(965)	
Miscellaneous	-	-	-		-	-	-	
Depreciation	10,812	8,588	2,224		14,380	11,451	2,929	
Total Operating Expenses	\$ 21,297	\$ 25,852	\$ (4,555)	-17.6%	\$ 29,274	\$ 34,469	\$ (5,195)	-15.1%
Total Indirect Expenses	\$ 5,251	\$ 6,666	\$ (1,415)		\$ 9,532	\$ 8,888	\$ 644	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
Total Expenses	\$ 61,345	\$ 76,157	\$ (14,812)	-19.4%	\$ 86,035	\$ 101,543	\$ (15,508)	-15.3%
Change in Assets	\$ 9,012	\$ (5,800)	\$ 14,812	-255.4%	\$ 4,057	\$ (11,451)	\$ 15,508	100.0%
Fixed Asset Expenditures								
Depreciation	\$ (10,812)	\$ (8,588)	\$ (2,224)		\$ (14,380)	\$ (11,451)	\$ (2,929)	
Software CapEx	-	-	-		-	-	-	
Furniture & Fixtures CapEx	-	-	-		-	-	-	
Equipment & Computers CapEx	8	8	-		11	-	11	
Leasehold Improvements	-	-	-		-	-	-	
Increase/(Decrease) in Fixed Assets	\$ (10,804)	\$ (8,588)	\$ (2,216)	25.8%	\$ (14,369)	\$ (11,451)	\$ (2,918)	25.5%
Total Budget	\$ 50,541	\$ 67,569	\$ (17,028)	-25.2%	\$ 71,665	\$ 90,092	\$ (18,427)	-20.5%
CHANGE IN WORKING CAPITAL	\$ 19,816	\$ 2,788	\$ 17,028	610.8%	\$ 18,427	\$ -	\$ 18,427	
Direct FTEs	0.29	0.34	(0.05)		0.34	0.34	-	
Indirect FTE's	0.04	0.08	(0.04)		0.09	0.08	0.01	
Total FTE's	0.33	0.42	(0.09)		0.43	0.42	0.01	

Florida Reliability Coordinating Council, Inc.
Quarterly Statement of Activities - Total Actual To Total Budget
GENERAL ADMINISTRATIVE
September 30, 2012

(In Whole Dollars)

	2012 YTD Actual	2012 YTD Budget	2012 YTD Variance	%	2012 Full Year Projection	2012 Budget	Projected Variance	%
Funding								
ERO Funding								
ERO Assessments	\$ (745,106)	\$ (745,106)	\$ -		\$ (993,474)	\$ (993,474)	\$ -	
Penalty Sanctions								
Total ERO Funding	\$ (745,106)	\$ (745,106)	\$ -		\$ (993,474)	\$ (993,474)	\$ -	0.0%
Membership Dues	-	-	-		\$ -	\$ -	\$ -	
Testing Fees					-	-	-	
Services & Software								
Workshops								
Interest	-	-	-		-	-	-	
Miscellaneous	-	-	-		-	-	-	
Total Funding	\$ (745,106)	\$ (745,106)	\$ -	0.0%	\$ (993,474)	\$ (993,474)	\$ -	0.0%
Expenses								
Personnel Expenses								
Salaries	\$ 303,198	\$ 360,317	\$ (57,119)		\$ 403,253	\$ 480,423	\$ (77,170)	
Payroll Taxes	22,472	24,245	(1,773)		28,610	32,326	(3,716)	
Benefits	33,675	40,714	(7,039)		48,160	54,285	(6,125)	
Retirement Costs	41,465	49,229	(7,764)		58,031	65,639	(7,608)	
Total Personnel Expenses	\$ 400,810	\$ 474,505	\$ (73,695)	#####	\$ 538,054	\$ 632,673	\$ (94,619)	-15.0%
Meeting Expenses								
Meetings		\$ 278	\$ (278)			\$ 371	\$ (371)	
Travel	21		21		28		28	
Conference Calls		48	(48)		-	64	(64)	
Total Meeting Expenses	\$ 21	\$ 326	\$ (305)	#####	\$ 28	\$ 435	\$ (407)	-93.6%
Operating Expenses								
Consultants & Contracts	\$ 1,511	\$ 194	\$ 1,317		\$ 14,829	\$ 259	\$ 14,570	
Office Rent	16,793	20,289	(3,496)		22,335	27,052	(4,717)	
Office Costs	2,540	10,135	(7,595)		3,378	13,514	(10,136)	
Professional Services		17,425	(17,425)			23,234	(23,234)	
Miscellaneous			-				-	
Depreciation	1,477	1,505	(28)		1,964	2,007	(43)	
Total Operating Expenses	\$ 22,321	\$ 49,548	\$ (27,227)	#####	\$ 42,506	\$ 66,066	\$ (23,560)	-35.7%
Total Indirect Expenses	\$ (423,152)	\$ (522,875)	\$ 99,723		\$ (592,045)	\$ (697,167)	\$ 105,122	
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	
Total Expenses	\$ -	\$ 1,504	\$ (1,504)	#####	\$ (11,457)	\$ 2,007	\$ (13,464)	-670.8%
Change in Assets	\$ (745,106)	\$ (746,610)	\$ 1,504	-0.2%	\$ (982,017)	\$ (995,481)	\$ 13,464	-1.4%
Fixed Asset Expenditures								
Depreciation	\$ (1,477)	\$ (1,505)	\$ 28		\$ (1,964)	\$ (2,007)	\$ 43	
Software CapEx			-				-	
Furniture & Fixtures CapEx			-				-	
Equipment & Computers CapEx			-				-	
Leasehold Improvements			-				-	
Increase/(Decrease) in Fixed Assets	\$ (1,477)	\$ (1,505)	\$ 28	-1.9%	\$ (1,964)	\$ (2,007)	\$ 43	100.0%
Total Budget	\$ (1,477)	\$ (1)	\$ (1,476)		\$ (13,421)	\$ -	\$ (13,421)	
CHANGE IN WORKING CAPITAL	\$ (743,629)	\$ (745,105)	\$ 1,476	-0.2%	\$ (980,053)	\$ (993,474)	\$ 13,421	-1%
FTEs	4.19	4.02	0.17		3.81	4.02	(0.21)	



Sue Clarke, VP of Finance and Administration

P: (651) 855-1707

F: (651) 855-1712

E: sa.clarke@midwestreliability.org

October 22, 2012

Mr. Michael Walker
Ms. Susan Turpen
North American Electric Reliability Corporation (NERC)

RE: Unaudited Midwest Reliability Organization (MRO) 2012 Third Quarter Statement of Activity – Cash Flow through September 30, 2012 the Outlook for 2012 Budget

Dear Mr. Walker and Ms. Turpen:

As requested, the year-to-date variances greater than \$10,000 and 10 percent are explained below.

Personnel (Actual - \$28,713 under budget)

MRO expects total personnel costs to be slightly under budget. Individual components within personnel costs vary between categories due to a budget error.

Meeting Expenses (Actual - \$266,375 under budget)

- Meeting Expense (Actual - \$68,757 under budget) due to the new MRO facility has provided more opportunities to host meetings which has enabled staff to reduce cost significantly more than originally expected by eliminating the cost of meeting room and audio visual rentals as well as lower catering costs.
- Travel Expense (Actual - \$173,560 under budget). Greater than budgeted use of new MRO facility has resulted in less travel by MRO staff. This is also a matter of trending since MRO is less likely to host a meeting in the winter months.
- Conference Call (Actual \$24,058 under budget) Expenditures in conference calls in 2012 were expected to increase to improve efficiency of pre-audits which in turn would reduce time spent on-site. Although less time is being spent on-site, the anticipated increase in conference calls has not been realized in the audits that have been performed year to date.
-

Consultants and Contracts (Actual - \$360,646 under budget)

MRO staff expects to come in on budget by end of year. Underage is a result of timing of the expenditures.

Office Rent (Actual - \$60,571 under budget)

In developing the 2012 budget a number of facility costs were budgeted for separately from the Common Area Maintenance (CAM) costs which were typical for the old facility. In our new facility the utilities, office cleaning and waste management are included in CAM.



Office Costs (Actual - \$70,103 under budget)

MRO staff plans to be under budget by end year due to savings being realized in the contract computer software maintenance support. MRO staff has internal resources for the first three quarters in 2012 that supported our needs internally as opposed to previous years contracting with third party IT contractors.

Professional Services (Actual - \$81,632 under budget)

In developing the 2012 budget MRO staff did anticipate lower professional costs in light of the additional internal legal resources. Professional counsel is requested when necessary and is difficult to trend.

Other non-Operating Expenses (Actual - \$40,046 under budget)

MRO staff was highly successful in negotiating one-time costs for facilities move.

Fixed Assets (Actual - \$458,743 over budget)

On March 29, 2012, the MRO Board approved a 2012 budget target of \$9,475,504 which includes costs resulting from a move to a different facility. These costs were anticipated in 2011 however, due to the timing of the lease agreement; the costs were pushed into 2012.

Change in Assets and Year End Projection

MRO staff plans to be **under budget by \$183,635** as explained above.

If you have any questions regarding this report, please contact me at 651-855-1707.

Thank you,

Sue Clarke

Sue Clarke

Cc: Daniel Skaar, MRO

Midwest Reliability Organization
Statement of Activity
From 1/1/2012 to 09/30/2012
PRELIMINARY (Unaudited)

(In Whole Dollars)		2012 YTD	2012 YTD	2012 YTD		Unaudited 2012 End Of Year	2012	2012 Projected	
		Actual	Budget	Variance	%	Projection	Budget	Variance	%
Funding									
ERO Funding									
	ERO Assessments	\$ 6,261,772	\$ 6,261,772	-		\$ 8,349,029	\$ 8,349,029	-	
	Penalty Sanctions	313,874	313,875	-		418,500	418,500	-	
Total ERO Funding		\$ 6,575,647	\$ 6,575,647	\$ -		\$ 8,767,529	\$ 8,767,529	\$ -	
	Federal Grants	-	-	-		-	-	-	
	Membership Dues	-	-	-		-	-	-	
	Testing Fees	-	-	-		-	-	-	
	Services & Software	-	-	-		-	-	-	
	Workshops	-	-	-		-	-	-	
	Interest	-	-	-		-	-	-	
	Miscellaneous	-	-	-		-	-	-	
Total Funding		\$ 6,575,647	\$ 6,575,647	\$ -		\$ 8,767,529	\$ 8,767,529	\$ -	
Expenses									
Personnel Expenses									
	Salaries	\$ 3,283,162	\$ 3,384,773	(101,611)		\$ 4,338,283	\$ 4,513,031	(174,748)	
	Payroll Taxes	211,357	225,404	(14,047)		254,630	300,539	(45,909)	
	Benefits	252,160	309,674	(57,514)		331,195	412,899	(81,704)	
	Retirement Costs	575,315	430,855	144,461		761,161	574,473	186,688	
Total Personnel Expenses		\$ 4,321,994	\$ 4,350,707	\$ (28,712)	-0.66%	\$ 5,685,268	\$ 5,800,942	\$ (115,674)	-1.99%
Meeting Expenses									
	Meetings	\$ 31,933	\$ 100,691	(68,757)		\$ 103,111	\$ 134,254	(31,143)	
	Travel	260,270	433,830	(173,560)		393,576	578,440	(184,864)	
	Conference Calls	13,817	37,875	(24,058)		18,423	50,500	(32,077)	
Total Meeting Expenses		\$ 306,020	\$ 572,396	\$ (266,375)	-46.54%	\$ 515,110	\$ 763,194	\$ (248,084)	-32.51%
Operating Expenses									
	Consultants & Contracts	\$ 236,936	\$ 597,582	(360,646)		\$ 796,776	\$ 796,776	-	
	Office Rent	233,189	293,760	(60,571)		310,919	391,680	(80,761)	
	Office Costs	283,687	353,789	(70,103)		408,249	471,719	(63,470)	
	Professional Services	63,868	145,500	(81,632)		99,658	194,000	(94,342)	
	Miscellaneous	-	-	-		-	-	-	
	Depreciation	389,182	291,374	97,808		447,771	388,498	59,273	
Total Operating Expenses		\$ 1,206,862	\$ 1,682,005	\$ (475,143)	-28.25%	\$ 2,063,373	\$ 2,242,673	\$ (179,300)	-7.99%
Total Direct Expenses		\$ 5,834,876	\$ 6,605,107	\$ (770,231)		\$ 8,263,751	\$ 8,806,809	\$ (543,058)	
Indirect Expenses									
Other Non-Operating Expenses									
		\$ 37,438	\$ 77,484	\$ (40,046)	-51.68%	\$ 37,438	\$ 77,484	\$ (40,046)	-51.68%
Total Expenses		\$ 5,872,314	\$ 6,682,591	\$ (810,277)		\$ 8,301,189	\$ 8,884,293	\$ (583,104)	
Change in Assets		\$ 703,333	\$ (106,944)	\$ 810,277		\$ 466,340	\$ (116,764)	\$ 583,104	
Fixed Assets									
	Depreciation	(389,182)	(291,374)	(97,808)		(447,771)	(388,498)	(59,273)	
	Computer & Software CapEx	192,524	175,218	17,307		390,435	350,435	40,000	
	Furniture & Fixtures CapEx	326,577	-	326,577		326,577	-	326,577	
	Equipment CapEx	17,483	-	17,483		17,483	-	17,483	
	Leasehold Improvements	285,683	-	285,683		285,683	211,000	74,683	
Inc(Dec) in Fixed Assets		\$ 433,085	\$ (116,156)	\$ 549,241	-472.85%	\$ 572,407	\$ 172,937	\$ 399,470	230.99%
Total Budget (B + C)		\$ 6,305,399	\$ 6,566,435	\$ (261,036)		\$ 8,873,595	\$ 9,057,230	\$ (183,635)	
Change in Working Capital (A-B-C)		\$ 270,247	\$ 9,212	\$ 261,036		\$ (106,066)	\$ (289,701)	\$ 183,635	
FTEs		34.85	37.00	(2.15)		35.37	37.00	(1.63)	



NORTHEAST POWER COORDINATING COUNCIL, INC.
1040 AVE OF THE AMERICAS. NEW YORK. NY 10018 (212) 840-1070 FAX (212) 302-2782

October 19, 2012

North American Electric Reliability Corporation
3353 Peachtree Road NE
Suite 600, North Tower
Atlanta, GA 30326
Attention: Mr. Michael Walker

Subject: NPCC Regional Entity Division Variance Comparison and
Third Quarter 2012 Statement of Activities

Dear Michael:

The variance comparison for the period ended September 30th, 2012 is included along with Northeast Power Coordinating Council, Inc.'s unaudited Third Quarter 2012 Statement of Activities.

Please do not hesitate to contact me via email at jhala@npcc.org or via telephone at (212) 840-1070 should you have any comments or questions with regard to the materials provided.

Sincerely,

Jessica Hala

Jessica Hala
Senior Financial Analyst

JH: jh
Enclosures

cc: Mr. Christopher Weir, CPA – NPCC Treasurer
Mr. Edward A. Schwerdt – NPCC President & CEO
Ms. Jennifer Budd Mattiello – NPCC Vice President & COO
ERO Finance Group



NORTHEAST POWER COORDINATING COUNCIL, INC.
1040 AVE OF THE AMERICAS, NEW YORK, NY 10018 (212) 840-1070 FAX (212) 302-2782

NPCC Regional Entity Division Budget to Actual Variance Comparison as of September 30, 2012

INCOME

- **Penalty Sanctions** (Actual income of \$614k remitted to NPCC as of June 30, 2011 has been applied to reduce 2012 assessments to NPCC U.S. load serving entity designees.) All penalty sanctions remitted from July 1, 2011 through June 30, 2012 will be applied to reduce 2013 assessments to NPCC U.S. load serving entity designees and are included in the NPCC 2013 Business Plan and Budget.
- **Interest Income** (Actual income of \$15k year-to-date not included in budget)
NPCC has not budgeted for interest income as returns on U.S. treasury securities fund are negligible and corporate money market fund returns for 2011 were minimal for operating fund investment.
 - NPCC allocated \$15k as a portion of total interest income (93%) to the Regional Entity Division consistent with the ratio of Regional Entity (RE) to Criteria Services (CS) Division 2012 funding. A common system of accounts, with divisional separation, is used for both RE and CS revenue tracking and financial reporting.

EXPENSES

- **Personnel Expenses** (Variance of \$680k under budget year-to-date and \$455k under budget FYP)
 - Recruiting knowledge-based professionals continues to be challenging. One of the open Regional Entity positions budgeted for the full year in 2012 has not yet been filled and is currently projected based on an estimated start date in 2013. In the benefits area, a significant number of professionals retained over the past five years continue to waive health insurance coverage, keeping superior coverage available to them from a prior employer. NPCC continues to budget for its full staff's health insurance coverage. The full year projection was adjusted for the known year to date underage.
- **Meeting Expenses** (Variance of \$139k under budget year-to-date and as budgeted FYP)
 - Continued efforts to hold more meetings onsite or via webinar have kept meeting and conference call expenses under budget. Current underage is projected to be made up later in the year due to timing of planned meetings.
- **Contracts & Consultants** (Variance of \$59k under budget year-to-date and as budgeted FYP)
 - NPCC utilizes contractors to support its reliability standards and compliance program areas. Expenditures to date are consistent with scheduled work flow which is heavier in the fourth quarter.
 - While expenses are currently tracking under budget, projected expenses for the remainder of the year are expected to be in line with budget.

- **Professional Services** (Variance of \$323k under budget year-to-date and \$260k under budget FYP)
 - Under budget due to decreased use of outside counsel and timing of Independent Director search. A portion of Independent Director search fees were budgeted in 2012, however, the search fees were paid in full last year. The full year projection has been reduced to account for this underage. If compliance hearings were to be required, it is expected that there could be a multi-year budgetary impact. In the near term, hearings would be funded out of operating cash reserves as there is no 2012 budget for hearings.
- **Miscellaneous** (Actual variance of \$86k under budget year-to-date and \$72k under budget FYP)
 - For the 2012 budget, expenses related to NPCC's responsibilities as WECC CEA of \$72k were included under miscellaneous expense in the 2012 budget. However, the actual expenses are being recorded to the appropriate account based on expense type (i.e. Travel, Contracts, etc). Therefore, the full year projection for miscellaneous expense has been reduced by \$72k. NPCC conducted two on-site audits of WECC during 2012 (one 693 audit and one CIP audit). The budgeted expense was based on the average annual expense in a three year audit cycle. Therefore, the actual expense in 2012 will be greater than budgeted. The additional expense in 2012 is currently estimated to be approximately \$60k - \$75k. The total expenses related to the WECC audits will be trued up with WECC at year end, as per the CEA Agreement.
- **Depreciation** (Actual variance of \$43k over budget year-to-date and \$57k over budget FYP)
 - Capitalization of computer equipment expenditures during the fourth quarter of 2011, in accordance with NPCC's capitalization policy and GAAP guidelines, will result in a projected overage of this budget for 2012.

FIXED ASSETS

- NPCC made no fixed asset acquisitions through third quarter 2012.

(Unaudited)
Submitted October 19th, 2012



Northeast Power Coordinating Council, Inc. - Regional Entity Division
Statement of Activities, Fixed Assets and Change in Working Capital
(Unaudited)
For the Period Ended September 30, 2012

	2012 YTD Actual				2012 Projection			
	2012 YTD Actual	2012 YTD Budget	Variance from Budget	%	2012 Projection	2012 Annual Budget	Variance from Budget	%
Funding								
Assessments	9,413,675	9,413,675	-		12,551,567	12,551,567	-	
Penalties	614,000	614,000	-		614,000	614,000	-	
Testing	-	-	-		-	-	-	
Services & Software	-	-	-		-	-	-	
Workshop Fees	38,016	60,000	(21,984)		120,000	120,000	-	
Interest	15,267	-	15,267		15,267	-	15,267	
Miscellaneous	54,000	54,000	-		72,000	72,000	-	
Total Funding	10,134,959	10,141,675	(6,717)	-0.07%	13,372,834	13,357,567	15,267	0.11%
Expenses								
Personnel Expenses								
Salaries	3,676,835	4,186,753	(509,918)		5,262,337	5,582,337	(320,000)	
Payroll Taxes	280,393	287,018	(6,625)		348,557	358,772	(10,216)	
Employee Benefits	866,060	1,002,559	(136,499)		1,231,744	1,336,744	(105,000)	
Savings & Retirement	650,992	678,230	(27,238)		884,307	904,307	(20,000)	
Total Personnel Expenses	5,474,280	6,154,559	(680,279)	-11.05%	7,726,945	8,182,160	(455,216)	-5.56%
Meeting Expenses								
Meetings	123,161	171,600	(48,439)		288,000	288,000	-	
Travel	425,966	487,900	(61,934)		697,000	697,000	-	
Conference Calls	37,031	65,201	(28,170)		86,935	86,935	-	
Total Meeting Expenses	586,158	724,701	(138,542)	-19.12%	1,071,935	1,071,935	-	0.00%
Operating Expenses								
Consultants and Contracts	1,270,856	1,330,125	(59,269)		1,888,100	1,888,100	-	
Rent & Improvements	494,125	482,664	11,461		641,936	641,936	-	
Office Costs	318,507	389,327	(70,820)		519,102	519,102	-	
Professional Services	496,199	819,085	(322,886)		902,663	1,162,663	(260,000)	
Miscellaneous	24,127	109,942	(85,815)		74,589	146,589	(72,000)	
Depreciation	147,509	104,891	42,617		196,720	139,855	56,865	
Total Operating Expenses	2,751,323	3,236,035	(484,712)	-14.98%	4,223,110	4,498,245	(275,135)	-6.12%
Other Non-Operating Expenses	-	1,399	(1,399)	-100.00%	-	1,865	(1,865)	-100.00%
Total Expenses	8,811,761	10,116,693	(1,304,932)	-12.90%	13,021,990	13,754,205	(732,216)	-5.32%
Net Change in Assets	1,323,198	24,982	1,298,216	5196.55%	350,845	(396,638)	747,483	-188.45%
Fixed Assets								
Depreciation	(147,509)	(104,891)	(42,617)		(196,720)	(139,855)	(56,865)	
Computer & Software CapEx	-	-	-		-	-	-	
Furniture & Fixtures CapEx	-	9,604	(9,604)		19,207	19,207	-	
Equipment CapEx	-	13,939	(13,939)		27,878	27,878	-	
Leasehold Improvements	-	9,604	(9,604)		19,207	19,207	-	
Incr(Dec) in Fixed Assets	(147,509)	(71,745)	(75,763)	105.60%	(130,428)	(73,563)	(56,865)	77.30%
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	8,664,252	10,044,948	(1,380,696)	-13.75%	12,891,562	13,680,642	(789,081)	-5.77%
Change in Working Capital (Total Funding less Total Budget)	1,470,707	96,728	1,373,979	1420.46%	481,273	(323,075)	804,348	-248.97%
Equivalent Full Time Employees	33.34	35.42	(2.08)		33.34	35.42	(2.08)	
Headcount	35.00	36.00	(1.00)		35.00	36.00	(1.00)	
Beginning WC - 1/1/12	3,867,487	3,059,204	808,283		3,867,487	3,059,024	808,463	
Change to WC - 2012	1,470,707	96,728	1,373,979		481,273	(323,075)	804,348	
Working Capital at 9/30/12 and Projected 12/31/12	5,338,194	3,155,932	2,182,262		4,348,760	2,735,949	1,612,811	



320 SPRINGSIDE DRIVE, SUITE 300, AKRON, OH 44333
TELEPHONE: (330) 456-2488 FACSIMILE: (330) 456-3648

October 22, 2012

Mr. Michael Walker
North American Electric Reliability Corporation
3353 Peachtree Road, N.E.
Suite 600, North Tower
Atlanta, Georgia 30326

***Subject: ReliabilityFirst's 2012, 3rd Quarter Statement of Activities Variance
Report - Unaudited***

Mr. Michael Walker:

As requested, the attached 2012, 3rd Quarter Statement of Activities (unaudited) is a comparison of budgeted and actual expenses relative to the 2012 ReliabilityFirst Corporation's Business Plan and Budget, as approved by NERC and FERC.

The explanations of variances are provided based on the following criteria:

1. Variances equal to or greater than +/- 10% of budget, and
2. Variances greater than \$10,000, or
3. Variances that are considered significant.

Significant Variances

For the quarter ending September 30, 2012, ReliabilityFirst Corporation is \$648K (5%) under budget, while on target to complete our intended objectives. The major contributors, using the criteria above, include:

- Salaries, Payroll Taxes and Savings & Retirement Costs - \$319K Under
- Employee Benefits - \$127K Under
- Contracts & Consultants - \$48K Over
- Rent & Utilities - \$108K Under
- Professional Services - \$42K Under
- Computer Hardware & Software - \$179K Under

Expenses

- **Personnel Expenses**
 - o **Salaries, Payroll Taxes and Savings & Retirement Costs:** \$319K (4%) under budget for Year to Date (YTD)
These personnel expenses are under budget due to the difficulties in attracting and hiring qualified personnel.

- o **Employee Benefits:** \$127K (13%) under budget for YTD
Employee Benefits is under budget as a result of variances in Training and Education, and Medical Benefits. Training and Education is under budget due to staff not taking advantage of training opportunities available, as planned. Medical Benefits are under budget due to negotiating a 0% increase in medical premiums, which was much less than the budgeted 12% increase.
- **Meeting Expenses**
 - o **Conference Calls:** \$9K (112%) over budget for YTD
Conference Calls is over budget due to the replacement of the current in-house conferencing system with an external conferencing service.
- **Operating Expenses**
 - o **Contracts & Consultants:** \$48K (16%) over budget for YTD
Contracts & Consultants is over budget as a result of the use of contractors to help support the performance of compliance audits due to the program area operating below budgeted staffing levels.
 - o **Rent & Utilities:** \$108K (27%) under budget for YTD
Rent is under budget as a result of the delay in securing an offsite disaster recovery site.
 - o **Professional Services:** \$42K (11%) under budget for YTD
Professional Services is under budget due to the use of in-house counsel versus more costly outside legal support.

Fixed Assets

- **Computer Hardware & Software:** \$179K (67%) under budget for YTD
Computer Hardware & Software is under budget due to the delay in the implementation of a new phone and web conferencing system.

Year End Projection

For the year end projection, ReliabilityFirst is projecting a year-end variance of \$707 (4%) under budget. The major contributors to the projected variance are:

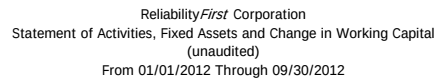
- **Personnel Expenses** are projected to be \$660K under budget due to the difficulties in attracting and hiring qualified personnel.
- **Conference Calls** is projected to be \$15K over budget due to the replacement of the current in-house conferencing system with an external conferencing service.
- **Rent & Utilities** is projected to be \$137K under budget due to the delay in securing a disaster recovery site.
- **Professional Services** is projected to be \$44K under budget due to the continued use of in-house counsel versus more costly outside legal support.

For more information, please contact me at 330.456.2488 or jack.istvan@rfirst.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jack A. Istvan'.

Jack A. Istvan
Chief Financial Officer and Treasurer



			YTD Variance	%
2012 YTD Actual	2012 YTD Budget	Over/(Under)	Variance	
10,150,704	10,150,704	0	0.00%	
792,100	792,100	0	0.00%	
250	0	250	0.00%	
53,143	45,000	8,143	18.10%	
0	0	0	0.00%	
10,996,197	10,987,804	8,393	0.08%	
6,772,289	7,016,282	(243,993)	-3.48%	
459,122	490,483	(31,361)	-6.39%	
823,983	951,414	(127,431)	-13.39%	
1,049,445	1,093,039	(43,594)	-3.99%	
9,104,839	9,551,218	(446,379)	-4.67%	
75,060	83,035	(7,975)	-9.60%	
559,737	515,363	44,374	8.61%	
16,142	7,632	8,510	111.50%	
650,939	606,030	44,909	7.41%	
342,102	294,100	48,002	16.32%	
288,544	396,795	(108,251)	-27.28%	
610,534	591,321	19,213	3.25%	
333,859	376,068	(42,209)	-11.22%	
14,356	17,582	(3,226)	-18.35%	
19,607	0	19,607	0.00%	
359,915	380,116	(20,201)	-5.31%	
1,968,917	2,055,982	(87,065)	-4.23%	
11,724,695	12,213,230	(488,535)	-4.00%	
(728,498)	(1,225,426)	496,928	-40.55%	
(359,915)	(380,116)	20,201	-5.31%	
86,513	266,000	(179,487)	-67.48%	
0	0	0	0.00%	
0	0	0	0.00%	
(273,402)	(114,116)	(159,286)	139.58%	
11,451,293	12,099,114	(647,821)	-5.35%	
(455,096)	(1,111,310)	656,214	-59.05%	
67.00	73.00	(6.00)	-8.22%	
64.83	69.61	(4.78)	-6.87%	
3,564,563	3,270,128	294,435		
(455,096)	(1,111,310)	656,214		
3,109,467	2,158,818	950,649		

Beginning WC - 1/1/2011
Change to WC - 2011
Working Capital at 12/31/2011

		Total 2012	
Total 2012 Projection	Total 2012 Budget	Projected	%
		Variance Over / (Under)	Projected Variance
13,534,272	13,534,272	0	0.00%
792,100	792,100	0	0.00%
250	0	250	0.00%
60,000	60,000	0	0.00%
0	0	0	0.00%
14,386,622	14,386,372	250	0.00%
9,206,684	9,637,622	(430,938)	-4.47%
554,888	581,453	(26,565)	-4.57%
1,128,583	1,283,552	(154,969)	-12.07%
1,424,399	1,471,658	(47,259)	-3.21%
12,314,554	12,974,285	(659,731)	-5.08%
136,060	144,630	(8,570)	-5.93%
744,450	686,950	57,500	8.37%
25,370	10,176	15,194	149.31%
905,880	841,756	64,124	7.62%
534,804	514,100	20,704	4.03%
394,136	531,460	(137,324)	-25.84%
812,010	772,146	39,864	5.16%
455,956	500,432	(44,476)	-8.89%
17,459	27,320	(9,861)	-36.09%
19,607	0	19,607	0.00%
478,687	506,822	(28,135)	-5.55%
2,712,659	2,852,280	(139,621)	-4.90%
15,933,093	16,668,321	(735,228)	-4.41%
(1,546,471)	(2,281,949)	735,478	-32.23%
(478,687)	(506,822)	28,135	-5.55%
495,000	495,000	0	0.00%
0	0	0	0.00%
0	0	0	0.00%
16,313	(11,822)	28,135	-237.99%
15,949,406	16,656,499	(707,093)	-4.25%
(1,562,784)	(2,270,127)	707,343	-31.16%
73.00	73.00	0.00	0.00%
67.83	70.58	(2.75)	-3.90%
3,564,563	3,270,128	294,435	
(1,562,784)	(2,270,127)	707,343	
2,001,779	1,000,001	1,001,778	



SERC Reliability Corporation
2815 Coliseum Centre Drive | Suite 500
Charlotte, NC 28217
704.357.7372 | Fax 704.357.7914 | www.serc1.org

October 22, 2012

Mike Walker
North American Electric Reliability Corporation
3353 Peachtree Rd, NE
Atlanta, GA 30326

Re: 3rd Quarter 2012 Financial Statements – Budget vs. Actual

Mike:

Following please find SERC's third quarter 2012 financial statements showing actual to budgeted figures.

If you have any questions, please let me know.

Thank you,

A handwritten signature in black ink, appearing to read 'J-Kelly', with a horizontal line extending to the right.

Jennifer Kelly
Director of Finance and Human Resources

cc: Scott Henry, President/CEO
John Twitchell, Vice President/CPO

Budget to Actual Comparison as of September 30, 2012

Income

- **Miscellaneous (Actual - \$58,831 over budget)**
 - o The income recorded in Miscellaneous represents the cross regional monitoring activities for FRCC and SPP. The audited regional entity reimburses for actual costs incurred. The actual income represents the costs associated with auditing and enforcement activities for FRCC, which was not budgeted to be audited in 2012. Due to timing and to accommodate FRCC, the audits of FRCC were performed in 2012, rather than in 2011.

Expense

- **Personnel Expenses (Actual - \$1,586,843 under budget)**
 - o Throughout the first three quarters, SERC had twenty-nine (29) open positions, causing SERC to be under budget in personnel expenses. Of these open positions, five (5) were filled in the first quarter; seven (7) were filled in the second quarter; and five (5) were filled in the third quarter. SERC has filled two (2) more positions during the first three weeks of the fourth quarter and is anticipating most of the open positions will be filled by the end of the year.
- **Meeting Expenses (Actual - \$207,817 under budget)**
 - o Meetings Expense (\$121,812 under budget) – This is mainly due to a timing difference. During the three quarters, the significant meetings that were held include the spring Standing Committee meetings, the first two Compliance Seminars and all four System Operator Conferences. The remaining two Compliance Seminars and the fall Standing Committee meeting are held during the fourth quarter. Additionally, there has been a greater emphasis on the use of technology by hosting meetings using Webex, which have lowered the meeting costs.
 - o Travel Expense (\$49,454 under budget) –SERC has emphasized the use of technology by hosting meetings using Webex. By doing this, travel costs have decreased.
 - o Communications Expense (\$36,551 under budget) – In 2012 in anticipation of an increase in web conferencing and an increase in staff, SERC increased its 2012 budget for Conference Calls expense. While SERC has seen an increase in remote participation, total costs have not increased because participants are using lower cost voice methods.
- **Contracts/Consultants (\$343,221 under budget)**
 - o SERC has engaged a management consulting firm to support SERC's corporate initiative for management training, causing an overrun of \$49,750.
 - o Participation in the OATI schedule checkout tool was lower than planned in 2012. SERC budgeted for 22 balancing authorities for the entire year. By September, 19 balancing authorities had joined. The total cost reduction was approximately \$6,500.

- o Actual costs for hosting and maintaining SERC's servers are lower than budgeted by approximately \$54,600.
 - o The budget is allocated evenly over the year. Reliability Assessments has several software development projects that will not get started until late 2012, causing SERC to be under budget by approximately \$53,800.
 - o SERC is under budget by approximately \$164,000 due to contractor delays on various compliance projects.
 - o For the first three quarters, SERC did not incur significant contract costs related to resource adequacy study, ERAG and the regional UFLS study, causing SERC to be under budget by approximately \$68,000.
 - o For the third quarter, SERC has not incurred significant contract costs related to event analysis technical expertise, GIS software, Inter7 hotline enhancements and the restoration drill, causing SERC to be under budget by approximately \$47,400.
- **Rent & Improvements (\$30,000 under budget)**
 - o The new office space lease in effect has a lower lease rate than originally budgeted in 2012. When the 2012 budget was developed, the final lease for additional office space was not signed.
- **Office Costs (\$310,103 under budget)**
 - o The budget includes \$100,000 for the purchase of office furniture and equipment to furnish the new office space and \$93,000 for the purchase of computers for existing staff replacements and for the budgeted new positions. These items were purchased in 2011, causing the under run in 2012.
- **Professional Services (\$30,367 over budget)**
 - o The overrun in Professional services is due to additional external legal fees to assist with corporate matters including changes in SERC's tax exempt status and state of incorporation. Additionally, SERC engaged external auditors to perform a review of SERC's auditing function. SERC also paid required property taxes for office equipment which was not budgeted.



(In Whole Dollars)

SERC Reliability Corporation
Statement of Activities
From 01/01/12 to 09/30/12
(Unaudited)

	2012 YTD Actual Variance				2012 Projection Variance			
	2012 YTD Actual	2012 YTD Budget	from Budget Over(Under)	%	2012 Projection	2012 Annual Budget	from Budget Over(Under)	%
Funding								
Assessments	11,133,956	11,133,956	-		14,845,275	14,845,275	-	
Penalties	434,500	434,500	-		434,500	434,500	-	
Workshop Fees	193,900	204,858	(10,958)		232,910	264,670	(31,760)	
Interest	6,952	7,500	(548)		9,243	10,000	(757)	
Miscellaneous	110,337	40,000	70,337		115,337	40,000	75,337	
A Total Funding	11,879,645	11,820,814	58,831	0.50%	15,637,265	15,594,445	42,820	0.27%
Expenses								
Personnel Expenses								
Salaries	5,970,968	6,681,305	(710,337)		8,350,140	8,908,407	(558,267)	
Payroll Taxes	377,232	601,318	(224,086)		527,543	801,758	(274,215)	
Employee Benefits	376,561	671,911	(295,350)		733,514	895,883	(162,369)	
Savings & Retirement	548,522	905,592	(357,070)		1,109,333	1,207,456	(98,123)	
Total Personnel Expenses	7,273,283	8,860,126	(1,586,843)	-17.91%	10,720,530	11,813,504	(1,092,974)	-9.25%
Meeting Expenses								
Meetings	180,149	301,961	(121,812)		264,771	402,078	(137,307)	
Travel	412,989	462,443	(49,454)		550,644	616,591	(65,947)	
Conference Calls	35,449	72,000	(36,551)		47,265	96,000	(48,735)	
Total Meeting Expenses	628,587	836,404	(207,817)	-24.85%	862,680	1,114,669	(251,989)	-22.61%
Operating Expenses								
Consultants and Contracts	526,235	869,456	(343,221)		1,064,236	1,159,275	(95,039)	
Rent & Improvements	303,542	333,542	(30,000)		404,723	444,722	(39,999)	
Office Costs	202,053	512,156	(310,103)		374,403	682,875	(308,472)	
Professional Services	97,417	67,050	30,367		113,556	89,400	24,156	
Miscellaneous	7,328	-	7,328		7,328	-	7,328	
Depreciation	116,125	174,714	(58,589)		154,833	232,952	(78,119)	
Total Operating Expenses	1,252,700	1,956,918	(704,218)	-35.99%	2,119,079	2,609,224	(490,145)	-18.79%
Other Non-Operating Expenses	-	-	-		-	-	-	0.00%
B Total Expenses	9,154,570	11,653,448	(2,498,878)	-21.44%	13,702,289	15,537,397	(1,835,108)	-11.81%
=A-B Net Change in Assets	2,725,075	167,366	2,557,709	1528.21%	1,934,976	57,048	1,877,928	3291.84%
Fixed Assets								
Depreciation	(116,125)	(174,714)	58,589		(154,833)	(232,952)	78,119	
Computer & Software CapEx	150,118	217,500	(67,382)		161,118	290,000	(128,882)	
Furniture & Fixtures CapEx	-	-	-		-	-	-	
Equipment CapEx	-	-	-		-	-	-	
Leasehold Improvements	-	-	-		-	-	-	
C Incr(Dec) in Fixed Assets	33,993	42,786	(8,793)	-20.55%	6,285	57,048	(50,763)	-89%
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	9,188,563	11,696,234	(2,507,671)		13,708,574	15,594,445	(1,885,871)	-12.09%
Change in Working Capital (Total Funding less Total Budget)	2,691,082	124,580	2,566,502		1,928,691	-	1,928,691	
FTE's	60.13	65.70	(5.57)		62.30	73.70	(11.40)	
Headcount	61.70	65.70	(4.00)		73.70	73.70	-	
Beginning WC - 1/1/12	1,967,625	1,630,019	337,606		1,967,625	1,630,019	337,606	
Change to WC - 2012	2,691,082	124,580	2,566,502		1,928,691	-	1,928,691	
Working Capital at 09/30/12	4,658,707	1,754,599	2,904,108		3,896,316	1,630,019	2,266,297	



Southwest Power Pool Regional Entity

Unaudited Actual to Budget Comparison as of September 30, 2012

EXPENSES

Personnel Expenses (Actual - \$423K under budget) – Personnel expenses trailed budget primarily due to unfilled budgeted positions. Four positions (Compliance Executive Director, Senior Compliance Specialist/Lead Engineer, System Events & Reliability Assessment Engineer, and Enforcement Law Clerk) were unfilled as of September 30, 2012. In addition to these unfilled positions, under spend in budgeted personnel expenses also results from partial pay for a compliance engineer that was called to active military duty in mid-February, 2012. The law clerk position was filled in October 2012. The two engineer positions are expected to be filled by the end of the year and the director position is expected to remain open for the remainder of the year. SPP RE projects full year personnel costs to be lower than 2012 budget by \$637K.¹

Travel and Meeting Expenses (Actual - \$232K under budget) –Travel expenses trailed budget due to the unfilled budgeted staff positions and lower than expected travel costs. SPP RE projects full year travel expenses to be lower than 2012 budget by \$352K.

Other Operating Expenses (Actual - \$424K under budget) – Other Operating Expenses trailed budget primarily due to the elimination of consulting activity related to enforcement caseload reduction initiative and delayed implementation of the BES exception process. SPP RE was able to achieve its targeted 12-month caseload in 2011, and the activity on the BES exception process is expected to occur no earlier than the first quarter 2013. SPP RE projects full year consulting and professional costs to be lower than 2012 budget by \$997K.

Indirect Costs² (Actual - \$516K under budget) - Indirect costs include identifiable infrastructure and overhead resources associated with SPP's business model. These shared services and costs are allocated to the regional entity based on direct resources engaged to perform specific statutory functions. These costs are intended to replace budgeted overhead items such as office rent, depreciation, communications, technology support, etc. Actual indirect costs trail budgeted costs due to the unfilled RE direct staff budgeted positions and a reduction in the fixed overhead rate. SPP RE projects full year indirect costs to be lower than 2012 budget by \$716K.

Total Costs (Actual - \$1.6M under budget) - Although SPP RE is under budget, SPP RE has completed its required activities principally as a result of RE direct staff working extended hours and enhanced efficiencies in internal processes. SPP RE projects full year costs to be lower than 2012 budget by \$2.7M.

¹ The increase in benefit costs are due to higher than expected medical costs.

² Due to timing of the budget schedule, the estimated overhead rate used to develop the 2012 budget was the actual Indirect Overhead Rate for 2010, which was \$71.04. The 2012 YTD and Projected Indirect Costs are calculated using the actual Indirect Overhead Rate for 2011, which was is \$67.35. The Final 2012 actual results will reflect the actual 2012 Indirect Overhead Rate.

SOUTHWEST POWER POOL
STATEMENT OF ACTIVITIES
2012 SEPTEMBER YTD DRAFT (UNAUDITED)



	2012 SEPTEMBER YTD ACTUAL	2012 SEPTEMBER YTD BUDGET	VARIANCE	2012 FULL YEAR PROJECTION	2012 FULL YEAR BUDGET	VARIANCE
(In Whole Dollars)						
Funding						
ERO Funding	7,388,735	7,388,735	-	9,851,647	9,851,647	-
Penalty Sanctions	150,690	150,690	-	200,920	200,920	-
Total SPP RE Funding	7,539,425	7,539,425	-	10,052,567	10,052,567	-
Testing Fees	-	-	-	-	-	-
Workshops	-	-	-	-	-	-
Interest	2,057	-	2,057	2,057	-	2,057
Miscellaneous	-	-	-	-	-	-
Total Funding (A)	7,541,482	7,539,425	2,057	10,054,624	10,052,567	2,057
Expenses						
Personnel Expenses						
Salaries	2,433,167	2,865,518	(432,350)	3,202,670	3,820,690	(618,020)
Payroll Taxes	182,256	181,023	1,233	223,744	241,364	(17,620)
Benefits	191,759	177,116	14,643	250,324	236,154	14,170
Retirement Costs	110,887	117,251	(6,364)	140,501	156,335	(15,834)
Total Personnel Expenses	2,918,069	3,340,907	(422,838)	3,817,240	4,454,543	(637,303)
Meeting Expenses						
Meetings	54,881	56,250	(1,369)	75,000	75,000	-
Travel	281,385	512,000	(230,615)	288,269	640,000	(351,731)
Conference Calls	-	-	-	-	-	-
Total Meeting Expenses	336,266	568,250	(231,984)	363,269	715,000	(351,731)
Operating Expenses						
Contracts & Consultants	420,427	753,395	(332,968)	628,242	1,421,500	(793,258)
Office Rent	-	-	-	-	-	-
Office Costs	-	1,875	(1,875)	2,500	2,500	-
Administrative Costs	7,411	-	7,411	-	-	-
Professional Services	140,269	236,670	(96,401)	139,712	343,000	(203,288)
Computer Purchase & Maint.	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Miscellaneous/ Contingency	-	-	-	-	-	-
Total Operating Expenses	568,107	991,940	(423,833)	770,453	1,767,000	(996,547)
Total Direct Expenses	3,822,442	4,901,097	(1,078,656)	4,950,962	6,936,543	(1,985,581)
SPP Inc. Indirect Expenses	2,839,401	3,355,574	(516,173)	3,758,243	4,474,099	(715,856)
SPP RE Indirect Expenses	-	-	-	-	-	-
Total Indirect Costs	2,839,401	3,355,574	(516,173)	3,758,243	4,474,099	(715,856)
Total Expenses (B)	6,661,843	8,256,672	(1,594,829)	8,709,206	11,410,642	(2,701,436)
Net Change in Assets (A-B)	879,640	(717,246)	1,596,886	1,345,418	(1,358,075)	2,703,493
Fixed Assets						
Depreciation	-	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-
Increase/(Decrease) in Fixed Assets (C)	-	-	-	-	-	-
Total Budget (Expenses plus Incr (Dec) in Fixed Assets (B+C))	6,661,843	8,256,672	(1,594,829)	8,709,206	11,410,642	(2,701,436)
Change in Working Capital (Total Funding less Total Budget) (A-B-C)	879,640	(717,246)	1,596,886	1,345,418	(1,358,075)	2,703,493
FTEs	29.18	33.50	(4.32)	31.18	34	(2.32)
Headcount (RE Direct Staff YTD-end Count and Shared Staff YTD billed hours/1880)						
Beginning WC - 01/01/2012*	2,706,445	1,358,075	1,348,370	2,706,445	1,358,075	1,348,370
Change to WC - 2012 YTD	879,640	(717,246)	1,596,886	1,345,418	(1,358,075)	2,703,493
Working Capital at 6/30/12 and Projected 12/31/12	3,586,085	640,829	2,945,256	4,051,863	-	4,051,863

*Adjusted Beginning WC Balance to reflect 2011 true-up adjustments and to remove penalty payments received after June 30, 2011



October 12, 2012

Mr. Michael Walker
Ms. Susan Turpen
North American Electric Reliability Corporation
3353 Peachtree Road NE
Suite 600, North Tower
Atlanta, GA 30326

RE: Texas Reliability Entity, Inc. Third Quarter 2012 Statement of Activities Variance Report

Dear Mr. Walker and Ms. Turpen,

The third quarter variance report Texas RE is attached. Please contact me if you have questions or comments.

Thank you.

Judy Foppiano

Judy A. Foppiano, CPA
Finance & Accounting Manager
Texas Reliability Entity, Inc.
805 Los Cimas Parkway, Suite 200
Austin, Texas 78746
Judy.foppiano@texasre.org
512.583.4959

Texas Reliability Entity, Inc.
Statement of Activities (Unaudited)
As of September 30, 2012
Variance Explanations

Year-to-date variances greater than \$10,000 and 10 percent are explained below for statutory activities. 2012 year end projections have been updated to reflect estimated costs.

FUNDING

- **Membership Dues:** \$18,436 under budget YTD
 - Membership dues are allocated evening throughout the year. The variance is the result of timing. Membership renewal will occur in Q4.
- **Workshop Fees:** \$21,920 under budget YTD
 - Workshop fees are allocated evenly throughout the year. Texas RE did not charge fees for the workshop held in May. The variance is the result of timing which will correct when an additional workshop is held in October.
- **Interest:** \$2,108 over budget YTD
 - Interest income greater than budgeted is the result of larger balances in interest bearing accounts than anticipated.

EXPENSES

- **Personnel Expenses:** \$1.17 million under budget YTD (19.6%)
 - Salaries, Taxes, Benefits and Retirement costs are less than budget due to vacancies, employee turnover and the timing of new hires. Texas RE anticipates filling some of the vacancies in Q4 but the trend is still expected to continue through the end of the year. The 2012 year end projection has been adjusted accordingly.
- **Meetings:** \$3,279 less than budget YTD (11.8%)
 - Meetings were greater than budget at the end of Q2 due to NERC committee meetings hosted in Austin that were not included in the 2012 budget. The meetings were the Enforcement, Sanctions and Mitigation Working Group; Compliance Monitoring Process Working Group; CIP Compliance Working Group; ERO-Compliance and Enforcement Management Group and the TFE Managers. For budget purposes, meeting expense is allocated evenly over the year causing

the variance to be less than budget at September 30, 2012. In addition, \$2k of workshop expense occurred in September.

- **Travel:** \$87,357 under budget YTD (31.6%)
 - Lower than budget due to the timing of audits and meetings attended in Austin rather than traveling outside of the city.
- **Communications:** \$3,447 under budget YTD (25.5%)
 - Lower than budgeted; use of conference calls has resulted in cost savings.
- **Contracts and Consultants:** \$173,423 over budget YTD (86.9%)
 - Over budget as result of unbudgeted consultant to assist with enforcement on violations involving CIP Standards
- **Professional Services:** \$198,349 under budget YTD (30.2%)
 - Board recruiting fees are evenly allocated in the budget resulting in a timing variance throughout the year.
- **Depreciation:** \$21,273 over budget YTD (3.8%)
 - Depreciation is over budget due to assets purchased after the budget was finalized for 2012; therefore, depreciation was not included in 2012 budget. The over-run will continue through 2012.
- **Miscellaneous:** \$6,067 over budget YTD
 - Unbudgeted services for paper shredding and other employee expense cause the miscellaneous variance.
- **Indirect Allocation:** \$55,615 less than budget YTD (35.2%)
 - The allocation is based on actual labor hours. The allocation is less than budget due to personnel being less than budgeted.
- **Fixed Assets**
 - Computer & Software Cap Ex \$274,000 less than budget
Delayed implementation of the Sharepoint project results in the budget under run.
 - Equipment CapEx & Leasehold Improvements \$11,600 over budget
Office Soundproofing and Security access in September resulted in budget over run for the quarter. The variance should level out by year end.

TEXAS RELIABILITY ENTITY, INC.
Statement of Activities
For Period Ended September 30, 2012
(unaudited)

	2012 YTD Actual	2012 YTD Budget	2012 YTD Variance Over (Under)	%	2012 Projection	2012 Total Budget	2012 Projected Variance	%
Funding								
ERO Assessments	7,127,900	7,127,900	-	0.0%	9,503,865	9,503,865	-	0.0%
Penalty Sanctions	572,831	572,831	-	0.0%	572,831	572,831	-	0.0%
Membership Dues	2,190	20,626	(18,436)		17,501	27,501	(10,000)	-36.4%
Workshops	580	22,500	(21,920)	-97.4%	20,000	30,000	(10,000)	-33.3%
Interest Income	11,858	9,750	2,108	21.6%	13,000	13,000	-	0.0%
Total Funding	7,715,358	7,753,607	(38,248)	-75.8%	10,127,197	10,147,197	(20,000)	
Direct Expenses								
Personnel Expenses								
Salaries	3,592,914	4,360,762	(767,848)	-17.6%	5,316,972	5,854,972	(538,000)	-9.2%
Payroll Taxes	261,735	400,661	(138,926)	-34.7%	468,182	521,980	(53,798)	-10.3%
Employee Benefits	450,451	602,470	(152,019)	-25.2%	757,952	806,046	(48,094)	-6.0%
Retirement Costs	486,361	593,665	(107,304)	-18.1%	761,485	799,971	(38,486)	-4.8%
Total Personnel Expenses	\$ 4,791,461	\$ 5,957,558	\$ (1,166,097)	-19.6%	\$ 7,304,591	\$ 7,982,969	\$ (678,378)	-8.5%
Meeting Expenses								
Meeting Expenses	24,621	27,900	(3,279)	-11.8%	37,200	37,200	-	0.0%
Travel Expenses	189,245	276,602	(87,357)	-31.6%	329,748	359,748	(30,000)	-8.3%
Communications	10,053	13,500	(3,447)	-25.5%	13,500	18,000	(4,500)	-25.0%
Total Meeting Expenses	\$ 223,919	\$ 318,002	\$ (94,083)	-29.6%	\$ 380,448	\$ 414,948	\$ (34,500)	-8.3%
Operating Expenses								
Contracts & Consultants	372,973	199,550	173,423	86.9%	497,570	272,570	225,000	82.5%
Office Rent	392,304	374,250	18,054	4.8%	514,000	499,000	15,000	3.0%
Office Costs	259,050	255,209	3,841	1.5%	344,331	344,331	-	0.0%
Professional Services	459,126	657,475	(198,349)	-30.2%	853,300	853,300	-	0.0%
Computer/Software Expense	1,307	-	1,307		-	-	-	
Depreciation	574,959	553,685	21,273	3.8%	761,944	753,944	8,000	1.1%
Miscellaneous Expense	6,067	-	6,067		-	-	-	
Total Operating Expenses	\$ 2,065,785	\$ 2,040,169	\$ 25,616	1.3%	\$ 2,971,146	\$ 2,723,146	\$ 248,000	9.1%
Total Direct Expenses	\$ 7,081,165	\$ 8,315,729	\$ (1,234,564)	-14.8%	\$ 10,656,185	\$ 11,121,063	\$ (464,878)	-4.2%
Indirect Allocation	(102,378)	(157,993)	55,615	-35.2%	(210,657)	(210,657)	-	0.0%
Total Expenses	\$ 6,978,787	\$ 8,157,736	\$ (1,178,949)	-14.5%	\$ 10,445,528	\$ 10,910,406	\$ (464,878)	-4.3%
Net Change in Assets	\$ 736,571	\$ (404,129)	\$ 1,140,701	-282.3%	\$ (318,332)	\$ (763,210)	\$ 444,878	-58.3%
Fixed Assets								
Depreciation	(574,959)	(553,685)	(21,273)	3.8%	(761,944)	(753,944)	(8,000)	1.1%
Computer & Software CapEx	12,416	286,500	(274,084)	-95.7%	382,000	382,000	-	0.0%
Equipment CapEx & Leasehold Improvements	67,849	56,250	11,599	20.6%	75,000	75,000	-	0.0%
Increase/(Decrease) in Fixed Assets	\$ (494,694)	\$ (210,935)	\$ (283,759)	134.5%	\$ (304,944)	\$ (296,944)	\$ 8,000	-2.7%
Total Budget (Expenses plus Incr/(Dec) in Fixed Assets)	\$ 6,484,093	\$ 7,946,801	\$ (1,462,708)	-18.4%	\$ 10,140,584	\$ 10,613,462	\$ (456,878)	-4.3%
Change in Working Capital (Total Funding less Total Budget)	\$ 1,231,265	\$ (193,194)	\$ 1,424,459	-737.3%	\$ (13,387)	\$ (466,265)	\$ 436,878	-93.7%
FTEs	52	58	(6)		55	58	(3)	
Beginning WC - 1/1/12	3,543,250	1,645,414	1,897,836		3,543,250	2,193,885	1,349,365	
Change to WC - 2012	1,231,265	(193,194)	1,424,459		(13,387)	(466,265)	452,878	
Working Capital at 9/30/12 and Projected 12/31/12	\$ 4,774,515	\$ 1,452,220	\$ 3,322,295		\$ 3,529,863	\$ 1,727,620	\$ 1,802,243	



Jillian Lessner
Director of Finance and Accounting

801-883-6872
jlessner@wecc.biz

October 19, 2012

Mr. Michael Walker
Senior Vice President, Chief Financial and Administrative Officer
North American Electric Reliability Corporation
3353 Peachtree Road, N.E.
Suite 600, North Tower
Atlanta, Georgia 30326

RE: WECC Q3 2012 Statement of Activities and Variance Report

Dear Mr. Walker:

Attached are WECC's third quarter Statement of Activities (Unaudited) and variance explanation report.

If you have any questions or need additional information, please do not hesitate to contact me.

Regards,

Jillian Lessner
Director of Finance and Accounting

Enclosures

cc: Mark Maher, Chief Executive Officer
David Godfrey, Vice President of Shared Services
WECC Finance and Audit Committee
Susan Turpen, NERC Controller



Statutory Statement of Activities (Unaudited)
As of September 30, 2012
Variance Explanations

Year-to-date variances greater than \$10,000 and 10 percent are explained below. The explanations pertain to all statutory activities, including costs funded by federal grants.

FUNDING

- **Federal Grants:** \$2.41 million under budget YTD
 - o Cost-share partners are projecting accelerated spending on the Western Interconnection Synchrophasor Program (WISP) in the fourth quarter of 2012. As a result, WECC's projected grant revenue for the year is only \$385,000 under budget.
- **Workshop Fees:** \$169,000 under budget YTD
 - o Lower-than-anticipated attendance at workshops has resulted in lower YTD and projected workshop revenue. There is also a corresponding decrease in training expenses.
- **Interest:** \$31,000 over budget YTD
 - o Interest rates are higher than budgeted rates, resulting in increased YTD and projected interest income.
- **Miscellaneous:** \$34,000 under budget YTD
 - o In accordance with Generally Accepted Accounting Principles, WECC adjusts its investment account balances to fair market value. These adjustments result in unrealized gains or losses. The YTD under-run relates to market fluctuations in WECC's investment portfolio.
 - o The projected 2012 under-run of \$53,000 also relates to lower-than-expected rates of return.

EXPENSES

- **Payroll Taxes:** \$138,000 under budget YTD
 - o Payroll taxes are under budget due to the timing of hiring budgeted positions and normal turnover.
- **Employee Benefits:** \$424,000 under budget YTD
 - o Training is under budget by \$124,000 due to the utilization of more economic means of training, such as in-house training sessions. The variance is also the result of the timing of new hires.
 - o Medical, dental, life, and other insurance are under budget by \$221,000 due to the timing of hiring budgeted positions, normal turnover, and lower-than-budgeted enrollment among existing employees.

- o Other benefits are under budget by \$79,000 due to the timing of new hires and normal turnover.
- **Meetings:** \$267,000 under budget YTD
 - o Meetings are under budget due to increased use of the Salt Lake City meeting facilities instead of hotels.
- **Travel:** \$362,000 under budget YTD
 - o Greater-than-budgeted use of the Salt Lake City meeting facilities has resulted in less travel by WECC employees.
 - o Travel is also under budget due to staffing levels.
- **Conference Calls:** \$88,000 under budget YTD
 - o Actual conference call usage is less than budgeted.
- **Consultants and Contracts:** \$6.29 million under budget YTD
 - o Consultants and Contracts costs associated with the grants are under budget by \$6.06 million due to timing of work performed varying from the straight-lined budget.
 - o Consultants and Contracts costs not associated with the grants are under budget by \$233,000 as a result of timing variances related to the Base Case Coordination System project.
- **Professional Services:** \$160,000 under budget YTD
 - o Professional Services are under budget due to higher-than-budgeted use of WECC employees instead of consulting services.
- **Depreciation:** \$428,000 over budget YTD
 - o Depreciation is evenly budgeted throughout the year. In September, an estimate was recorded based on fixed asset purchases during the first nine months of the year. Actual depreciation will be recorded in December as part of the Company's year-end closing procedures
- **Other Non-Operating Expenses:** \$91,000 under budget YTD
 - o Other Non-Operating Expenses are under budget by \$91,000 as a result of a lower-than-budgeted non-statutory overhead allocation for the first, second, and third quarters. This allocation is based on the expenses in general and administrative departments, which are under budget YTD.

FIXED ASSETS

- **Computer & Software CapEx:** \$3.56 million over budget YTD
 - o Computer & Software CapEx costs associated with the grants are over budget by \$3.31 million as a result of timing variances related to grant assets budgeted in 2011 that were purchased in 2012. Also, there has been a significant increase in the internal development of custom software, which must be capitalized, in place of expensed third-party-provider license fees.
 - o Computer & Software CapEx costs not associated with the grants are over budget by \$251,000 as a result of timing variances related to Reliability Coordination assets budgeted in 2011 that were purchased in 2012.

- **Equipment CapEx:** \$994,000 over budget YTD
 - o The YTD and projected over-runs relate mainly to grant assets budgeted in 2011 that were purchased or will be purchased in 2012.



(In Whole Dollars)

Western Electricity Coordinating Council
Statutory Statement of Activities
From 1/1/2012 to 9/30/2012
(Unaudited)

	2012 YTD Actual	2012 YTD Budget	2012 YTD Variance Over(Under)	%	2012 Projection	2012 Annual Budget	2012 Projected Variance Over(Under)	%
Funding								
Assessments	36,977,492	36,977,492	-	0.00%	36,977,492	36,977,492	-	0.00%
Penalties	2,256,023	2,256,023	-	0.00%	2,256,023	2,256,023	-	0.00%
Federal Grants	18,166,751	20,573,475	(2,406,724)	-11.70%	27,816,036	27,431,300	384,736	1.40%
Testing	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-
Workshop Fees	583,610	752,606	(168,996)	-22.45%	739,050	1,003,475	(264,425)	-26.35%
Interest	249,307	218,378	30,929	14.16%	332,410	291,171	41,239	14.16%
Miscellaneous	(27,200)	7,279	(34,479)	-473.68%	(42,942)	9,706	(52,648)	-542.41%
Total Funding	58,205,983	60,785,254	(2,579,271)	-4.24%	68,078,069	67,969,167	108,902	0.16%
Expenses								
Personnel Expenses								
Salaries	15,815,519	16,690,383	(874,864)	-5.24%	22,086,400	22,440,789	(354,389)	-1.58%
Payroll Taxes	1,224,045	1,362,293	(138,247)	-10.15%	1,637,732	1,832,319	(194,587)	-10.62%
Employee Benefits	1,976,798	2,400,334	(423,536)	-17.64%	2,952,479	3,220,423	(267,944)	-8.32%
Savings & Retirement	1,052,582	1,134,157	(81,575)	-7.19%	1,487,382	1,525,325	(37,943)	-2.49%
Total Personnel Expenses	20,068,944	21,587,168	(1,518,224)	-7.03%	28,163,993	29,018,856	(854,863)	-2.95%
Meeting Expenses								
Meetings	508,318	775,724	(267,406)	-34.47%	678,261	1,119,205	(440,944)	-39.40%
Travel	1,202,425	1,564,065	(361,640)	-23.12%	1,676,003	2,085,420	(409,417)	-19.63%
Conference Calls	62,146	150,420	(88,274)	-58.69%	90,876	200,560	(109,684)	-54.69%
Total Meeting Expenses	1,772,890	2,490,209	(717,320)	-28.81%	2,445,140	3,405,185	(960,045)	-28.19%
Operating Expenses								
Consultants and Contracts	8,560,862	14,849,229	(6,288,367)	-42.35%	16,055,968	19,798,972	(3,743,004)	-18.91%
Rent & Improvements	1,497,043	1,569,870	(72,827)	-4.64%	2,012,774	2,093,160	(80,386)	-3.84%
Office Costs	4,469,724	4,526,764	(57,040)	-1.26%	5,767,124	6,035,686	(268,562)	-4.45%
Professional Services	538,651	698,971	(160,320)	-22.94%	800,776	931,961	(131,185)	-14.08%
Miscellaneous	(81)	-	(81)	-	(81)	-	(81)	-
Depreciation	3,182,090	2,754,450	427,640	15.53%	3,672,600	3,672,600	-	0.00%
Total Operating Expenses	18,248,288	24,399,284	(6,150,996)	-25.21%	28,309,161	32,532,380	(4,223,219)	-12.98%
Other Non-Operating Expenses	(198,600)	(289,412)	90,813	-31.38%	(260,567)	(385,883)	125,316	-32.48%
Total Expenses	39,891,522	48,187,249	(8,295,727)	-17.22%	58,657,727	64,570,539	(5,912,812)	-9.16%
Net Change in Assets	18,314,461	12,598,005	5,716,456	45.38%	9,420,342	3,398,629	6,021,713	177.18%
Fixed Assets								
Depreciation	(3,182,090)	(2,754,450)	(427,640)	15.53%	(3,672,600)	(3,672,600)	-	0.00%
Computer & Software CapEx	1,808,872	5,366,978	(3,558,107)	-66.30%	3,293,268	5,443,228	(2,149,960)	-39.50%
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-
Equipment CapEx	2,357,037	1,363,000	994,037	72.93%	3,107,037	1,628,000	1,479,037	90.85%
Leasehold Improvements	6,192	-	6,192	-	6,192	-	6,192	-
Incr(Dec) in Fixed Assets	990,010	3,975,528	(2,985,518)	-75.10%	2,733,897	3,398,628	(664,731)	-19.56%
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	40,881,533	52,162,776	(11,281,243)	-21.63%	61,391,624	67,969,167	(6,577,543)	-9.68%
Change in Working Capital (Total Funding less Total Budget)	17,324,450	8,622,478	8,701,972	100.92%	6,686,443	-	6,686,443	
FTEs	208.41	211.88	(3.46)		205.04	213.20	(8.16)	
Headcount	202.00	222.00	(20.00)		222.00	220.00	2.00	
Beginning WC - 1/1/12	10,617,979	9,750,967	867,012		10,617,979	9,750,967	867,012	
Change to WC - 2012	17,324,450	8,622,478	8,701,972		6,686,443	-	6,686,443	
Working Capital at 9/30/12 and Projected 12/31/12	27,942,429	18,373,445	9,568,984		17,304,422	9,750,967	7,553,455	



(In Whole Dollars)

Western Electricity Coordinating Council
Statutory Statement of Activities without Federal Grants
From 1/1/2012 to 9/30/2012
(Unaudited)

	2012 YTD Actual	2012 YTD Budget	2012 YTD Variance Over(Under)	%	2012 Projection	2012 Annual Budget	2012 Projected Variance Over(Under)	%
Funding								
Assessments	36,977,492	36,977,492	-	0.00%	36,977,492	36,977,492	-	0.00%
Penalties	2,256,023	2,256,023	-	0.00%	2,256,023	2,256,023	-	0.00%
Federal Grants	-	-	-	-	-	-	-	-
Testing	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-
Workshop Fees	583,610	752,606	(168,996)	-22.45%	739,050	1,003,475	(264,425)	-26.35%
Interest	249,307	218,378	30,929	14.16%	332,410	291,171	41,239	14.16%
Miscellaneous	(27,200)	7,279	(34,479)	-473.68%	(42,942)	9,706	(52,648)	-542.43%
Total Funding	40,039,232	40,211,779	(172,547)	-0.43%	40,262,033	40,537,867	(275,834)	-0.68%
Expenses								
Personnel Expenses								
Salaries	14,906,333	15,397,912	(491,579)	-3.19%	20,862,054	20,717,494	144,560	0.70%
Payroll Taxes	1,175,136	1,250,961	(75,825)	-6.06%	1,545,515	1,683,876	(138,361)	-8.22%
Employee Benefits	1,892,744	2,228,147	(335,403)	-15.05%	2,793,233	2,990,840	(197,607)	-6.61%
Savings & Retirement	1,010,938	1,042,472	(31,534)	-3.02%	1,407,300	1,403,078	4,222	0.30%
Total Personnel Expenses	18,985,151	19,919,491	(934,340)	-4.69%	26,608,103	26,795,288	(187,185)	-0.70%
Meeting Expenses								
Meetings	501,799	724,366	(222,567)	-30.73%	669,569	1,035,917	(366,348)	-35.36%
Travel	1,183,863	1,482,810	(298,947)	-20.16%	1,652,188	1,977,080	(324,892)	-16.43%
Conference Calls	58,630	132,270	(73,640)	-55.67%	85,628	176,360	(90,732)	-51.45%
Total Meeting Expenses	1,744,292	2,339,446	(595,154)	-25.44%	2,407,384	3,189,357	(781,973)	-24.52%
Operating Expenses								
Consultants and Contracts	1,040,774	1,273,500	(232,726)	-18.27%	1,342,757	1,698,000	(355,243)	-20.92%
Rent & Improvements	1,497,043	1,535,262	(38,219)	-2.49%	2,012,774	2,047,016	(34,242)	-1.67%
Office Costs	3,735,020	3,566,064	168,956	4.74%	4,914,400	4,754,752	159,648	3.36%
Professional Services	538,651	649,002	(110,351)	-17.00%	800,776	865,336	(64,560)	-7.46%
Miscellaneous	(81)	-	(81)	-	(81)	-	(81)	-
Depreciation	3,182,090	2,754,450	427,640	15.53%	3,672,600	3,672,600	-	0.00%
Total Operating Expenses	9,993,497	9,778,278	215,219	2.20%	12,743,226	13,037,704	(294,478)	-2.26%
Other Non-Operating Expenses	(198,600)	(289,412)	90,813	-31.38%	(260,567)	(385,883)	125,316	-32.48%
Total Expenses	30,524,340	31,747,803	(1,223,463)	-3.85%	41,498,146	42,636,466	(1,138,320)	-2.67%
Net Change in Assets	9,514,892	8,463,975	1,050,917	12.42%	(1,236,113)	(2,098,599)	862,486	-41.10%
Fixed Assets								
Depreciation	(3,182,090)	(2,754,450)	(427,640)	15.53%	(3,672,600)	(3,672,600)	-	0.00%
Computer & Software CapEx	733,786	482,750	251,035	52.00%	1,318,181	559,000	759,181	135.81%
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-
Equipment CapEx	843,049	750,000	93,049	12.41%	1,343,049	1,015,000	328,049	32.32%
Leasehold Improvements	6,192	-	6,192	-	6,192	-	6,192	-
Incr(Dec) in Fixed Assets	(1,599,064)	(1,521,700)	(77,364)	5.08%	(1,005,178)	(2,098,600)	1,093,422	-52.10%
Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	28,925,276	30,226,103	(1,300,828)	-4.30%	40,492,968	40,537,867	(44,899)	-0.11%
Change in Working Capital (Total Funding less Total Budget)	11,113,956	9,985,676	1,128,280	11.30%	(230,935)	-	(230,935)	-
FTEs	191.41	194.88	(3.46)	-	188.04	196.20	(8.16)	-
Headcount	185.00	205.00	(20.00)	-	205.00	203.00	2.00	-

Three-Year Financial Performance Review

Action

None

Summary

The committee requested that management provide some historic information regarding budget to actual performance for NERC and the Regional Entities. Attached is a summary of budget to actual performance for NERC and the Regional Entities for calendar years 2009, 2010 and 2011. This information was compiled using the annual true up filings at FERC and reflected audited results for the applicable year.

For the years ending December 31, 2011, 2010 and 2009, the Total Budget (expenses plus the increase or decrease in fixed assets) for the Total ERO Enterprise (NERC and the Regional Entities) was under budget 2.6%, 7.6%, and 7.5%, respectively.¹ The decrease in the Total Budget variance from -7.5% in 2009 to -2.6% in 2011 is at least in part attributable to the experience gained in budgeting by NERC and the Regional Entities as the ERO matured.

As reflected on Attachment 1, all major expense categories were under budget in each year with the exception of Fixed Assets in 2011, which were over budget \$2.8 million (199.6%) primarily due to additional costs associated with NERC's planned relocation of the office and data center, and Total Operating Expenses in 2009, which were over budget \$1.8 million (5.5%) primarily related to depreciation expense. In 2009, NERC and all Regions except Texas Regional Entity did not include depreciation expense in their budgets but recorded actual expense in their true up filing with FERC.

The variances comparing actual results to budget for NERC and each of the Regional Entities for each year are reflected on Attachment 2. In 2011, NERC was over budget \$2.6 million (5.3%) which, as noted above and in the detailed variance reports provided to the committee and posted with the committee agendas in 2011, was primarily due to additional costs associated with the planned relocation of the office and data center. All of the Regional Entities were under budget in 2011, ranging from a low of 0.4% to a high of 14.3%. In 2010, NERC and all Regional Entities were under budget, ranging from a low of 0.7% to a high of 16.3%. In 2009, FRCC was over budget 3.9% while NERC and the other Regional Entities were under budget ranging from a low of 0.4% to a high of 19.9%.

Total actual and budgeted full-time employees (FTEs) are summarized on Attachment 3 and generally reflect lower than budgeted staffing. Total FTEs were under budget 7.1% and 3.8% in 2011 and 2010, respectfully, and were over budget 1.1% in 2009. The increase in the percentage of FTE vacancies at year-end is in part due to the challenges which NERC and the Regional Entities face in filling vacancies, as well as the impact of vacancies arising in connection with NERC's office relocations strategy, which was announced in 2010 and implemented in 2011. It is also important to keep in mind as you review this data that the percentages can sometimes be misleading for the smaller Regional Entities with lower total headcount.

¹ Excludes grant activity in WECC which occurred in 2011 and 2010.

TOTAL ERO ENTERPRISE - NERC and REGIONAL ENTITIES

Summary of Results - 2009, 2010 and 2011*

	2011 Actual	2011 Budget	2011 Actual to Budget Variance Over(Under)	% Over(Under) Budget
A Total Funding	165,662,307	164,882,255	780,052	0.5%
Expenses				
Total Personnel Expenses	95,534,727	102,438,811	(6,904,084)	-6.7%
Total Meeting Expenses	10,785,969	11,970,449	(1,184,480)	-9.9%
Total Operating Expenses	45,944,789	44,363,260	1,581,528	3.6%
Other Non-Operating Expenses	477,061	750,000	(272,939)	-36.4%
Indirect Expenses	2,988,759	3,262,658	(273,899)	-8.4%
B Total Expenses	155,731,304	162,785,178	(7,053,873)	-4.3%
C Incr(Dec) in Fixed Assets	1,400,385	(1,406,260)	2,806,645	199.6%
=B+C Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	157,131,690	161,378,918	(4,247,228)	-2.6%
=A-B-C Change in Working Capital (Total Funding less Total	8,530,618	3,503,338	5,027,280	143.5%
FTE's	605.2	651.2	(46.0)	-7.1%
*Excludes grant activity in WECC				

	2010 Actual	2010 Budget	2010 Actual to Budget Variance Over(Under)	% Over(Under) Budget
A Total Funding	145,691,707	146,591,813	(900,106)	-0.6%
Expenses				
Total Personnel Expenses	80,588,727	87,122,794	(6,534,067)	-7.5%
Total Meeting Expenses	9,192,598	11,887,365	(2,694,766)	-22.7%
Total Operating Expenses	37,832,821	38,044,742	(211,921)	-0.6%
Other Non-Operating Expenses	2,938,196	2,979,912	(41,716)	-1.4%
Indirect Expenses	2,619,123	2,845,760	(226,637)	0.0%
B Total Expenses	133,171,465	142,880,572	(9,709,107)	-6.8%
C Incr(Dec) in Fixed Assets	1,767,430	3,099,317	(1,331,888)	-43.0%
=B+C Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	134,938,895	145,979,890	(11,040,995)	-7.6%
=A-B-C Change in Working Capital (Total Funding less Total	10,752,812	611,923	10,140,889	1657.2%
FTE's	537.4	558.4	(21.1)	-3.8%
*Excludes grant activity in WECC				

	2009 Actual	2009 Budget	2009 Actual to Budget Variance Over(Under)	% Over(Under) Budget
A Total Funding	124,719,456	124,285,774	433,682	0.3%
Expenses				
Total Personnel Expenses	69,251,981	72,856,669	(3,604,687)	-4.9%
Total Meeting Expenses	9,133,440	10,211,993	(1,078,553)	-10.6%
Total Operating Expenses	34,861,261	33,051,875	1,809,386	5.5%
Other Non-Operating Expenses	4,100,246	7,964,193	(3,863,947)	-48.5%
Indirect Expenses	1,921,443	3,256,442	(1,334,999)	-41.0%
B Total Expenses	119,268,372	127,341,172	(8,072,800)	-6.3%
C Incr(Dec) in Fixed Assets	1,402,426	3,047,108	(1,644,682)	-54.0%
=B+C Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	120,670,798	130,388,280	(9,717,483)	-7.5%
=A-B-C Change in Working Capital (Total Funding less Total	4,048,658	(6,102,506)	10,151,165	-166.3%
FTE's	454.6	449.7	4.9	1.1%

TOTAL ERO ENTERPRISE - NERC and REGIONAL ENTITIES

Summary of Results - 2009, 2010 and 2011

Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	2011 Actual	2011 Budget	2011 Actual to Budget Variance Over(Under) Over(Under)	% Over(Under) Budget
NERC	51,331,461	48,726,465	2,604,996	5.3%
FRCC	5,177,020	5,588,610	(411,590)	-7.4%
MRO	7,385,721	8,130,825	(745,104)	-9.2%
NPCC	11,754,576	12,716,808	(962,232)	-7.6%
RFirst	15,158,286	15,219,649	(61,363)	-0.4%
SERC	11,438,066	11,776,640	(338,574)	-2.9%
SPP RE	8,397,845	9,797,236	(1,399,391)	-14.3%
Texas RE	8,179,402	9,283,855	(1,104,453)	-11.9%
WECC*	38,309,313	40,138,829	(1,829,516)	-4.6%
Total Budget (Expenses plus Incr(Dec) in Fixed	157,131,690	161,378,917	(4,247,227)	-2.6%

*Excludes grant activity

Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	2010 Actual	2010 Budget	2010 Actual to Budget Variance Over(Under) Over(Under)	% Over(Under) Budget
NERC	37,025,071	40,088,365	(3,063,294)	-7.6%
FRCC	4,560,806	5,421,187	(860,381)	-15.9%
MRO	6,958,727	7,366,118	(407,391)	-5.5%
NPCC	9,559,008	11,354,087	(1,795,079)	-15.8%
RFirst	11,871,573	14,184,713	(2,313,140)	-16.3%
SERC	10,051,263	10,701,683	(650,420)	-6.1%
SPP RE	6,843,894	8,138,783	(1,294,889)	-15.9%
Texas RE	9,151,291	9,216,396	(65,105)	-0.7%
WECC*	38,917,262	39,508,558	(591,296)	-1.5%
Total Budget (Expenses plus Incr(Dec) in Fixed	134,938,895	145,979,890	(11,040,995)	-7.6%

*Excludes grant activity

Total Budget (Expenses plus Incr(Dec) in Fixed Assets)	2009 Actual	2009 Budget	2009 Actual to Budget Variance Over(Under) Over(Under)	% Over(Under) Budget
NERC	35,871,592	36,006,226	(134,635)	-0.4%
FRCC	4,131,433	3,977,869	153,564	3.9%
MRO	6,949,466	7,525,725	(576,259)	-7.7%
NPCC	8,999,704	10,008,885	(1,009,181)	-10.1%
RFirst	10,850,859	11,434,201	(583,342)	-5.1%
SERC	9,496,566	10,095,546	(598,980)	-5.9%
SPP RE	5,190,261	6,481,036	(1,290,775)	-19.9%
Texas RE	4,981,473	6,167,025	(1,185,552)	-19.2%
WECC	34,199,444	38,691,767	(4,492,323)	-11.6%
Total Budget (Expenses plus Incr(Dec) in Fixed	120,670,798	130,388,280	(9,717,483)	-7.5%

TOTAL ERO ENTERPRISE - NERC and REGIONAL ENTITIES

Summary of Results - 2009, 2010 and 2011

Total FTEs	2011 Actual	2011 Budget	2011 Actual to Budget Variance Over(Under)	% Over(Under) Budget
NERC	140.3	150.7	(10.5)	-7.0%
FRCC	25.5	26.5	(1.0)	-3.7%
MRO	33.0	34.5	(1.5)	-4.3%
NPCC	29.8	31.4	(1.6)	-5.0%
RFirst	62.1	68.0	(6.0)	-8.8%
SERC	56.7	53.5	3.2	6.0%
SPP RE	26.4	29.7	(3.3)	-11.1%
Texax RE	42.7	49.0	(6.3)	-12.9%
WECC	188.8	207.9	(19.1)	-9.2%
Total FTEs	605.2	651.2	(46.0)	-7.1%

Total FTEs	2010 Actual	2010 Budget	2010 Actual to Budget Variance Over(Under)	% Over(Under) Budget
NERC	120.5	131.5	(11.0)	-8.4%
FRCC	20.0	22.6	(2.6)	-11.6%
MRO	30.5	27.8	2.8	9.9%
NPCC	27.4	27.4	-	0.0%
RFirst	53.2	58.0	(4.8)	-8.3%
SERC	47.5	45.5	2.0	4.4%
SPP RE	21.5	24.3	(2.8)	-11.4%
Texax RE	39.5	39.5	-	0.0%
WECC	177.3	181.9	(4.6)	-2.5%
Total FTEs	537.4	558.4	(21.1)	-3.8%

Total FTEs	2009 Actual	2009 Budget	2009 Actual to Budget Variance Over(Under)	% Over(Under) Budget
NERC	109.4	106.5	2.9	2.7%
FRCC	18.2	18.3	(0.1)	-0.7%
MRO	25.8	26.5	(0.7)	-2.5%
NPCC	23.4	27.2	(3.8)	-13.9%
RFirst	41.2	44.0	(2.8)	-6.5%
SERC	44.5	43.0	1.5	3.5%
SPP RE	14.8	17.2	(2.4)	-14.0%
Texax RE	26.3	27.0	(0.7)	-2.6%
WECC	151.0	140.0	11.0	7.9%
Total FTEs	454.6	449.7	4.9	1.1%

Auditor Request for Proposals

Action

None

Summary

On October 12, 2012, management issued a Request for Proposal (RFP) for financial audit and tax services. A copy of the RFP is attached.

Nine selected firms received the RFP. Management believes the list represents a good mix of accounting firms, with three of the largest, two which are local, and four mid-sized firms.

The following process was used to select the firms that received the RFP:

- Management started with the list of Atlanta's Top 25 Accounting Firms, ranked by the number of professionals in Atlanta, and published by the Atlanta Business Chronicle.
- The publicly available qualifications of each firm were reviewed to identify those firm's who listed non-profit, government or regulatory, employee benefit plans and corporate tax as areas of specialty. This narrowed the list down to six (6) firms.
- Three of the Big 4 accounting firms were then added to the list, which resulted in a total of nine firms to receive the RFP. We did not include Deloitte, since they perform other work for NERC.

We also researched the audit firms used by the eight Regional Entities. NPCC uses PWC and SERC uses Cherry, Bekaert & Holland, LLP who are included in the nine firms selected.

Responses to the RFP are due on October 26, 2012. Management will prepare a summary of the responses, as well as provide a recommendation for the Committee's review, and will schedule a conference call with the Committee in November to approve the selection of the auditor and associated engagement agreement(s).

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Agenda Item 5
Attachment 1
FAC Meeting
October 31, 2012

External Audit and Tax Services

Request for Proposal
October 12, 2012

RELIABILITY | ACCOUNTABILITY



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Overview

Introduction

The North American Electric Reliability Corporation (NERC) is a not-for-profit entity organized under the New Jersey Nonprofit Corporation Act. NERC's mission is to improve and ensure the reliability of the bulk power system in North America. NERC's area of responsibility spans the continental United States and Canada and the northern portion of Baja California, Mexico. Entities under NERC's jurisdiction are the users, owners, and operators of the bulk power system – a system that serves the needs of over 334 million people, includes installed electricity production capacity of approximately 1,200 gigawatts and 211,000 miles of high voltage transmission.

The Federal Energy Regulatory Commission (FERC) certified NERC as the Electric Reliability Organization (ERO) within the United States to establish and enforce reliability standards for the United States portion of the bulk power system, pursuant to section 215 of the Federal Power Act. NERC is subject to regulatory oversight by FERC.

In Canada, NERC presently has memoranda of understanding with provincial authorities in Ontario, New Brunswick, Nova Scotia, Québec, Saskatchewan, and Alberta, and with the National Energy Board of Canada. NERC standards are mandatory and enforceable in Ontario and New Brunswick as a matter of provincial law. NERC has an agreement with Manitoba Hydro, making reliability standards mandatory for that entity, and Manitoba has recently adopted legislation setting out a framework for standards to become mandatory for users, owners, and operators in the province. In addition, NERC has been designated as the “electric reliability organization” under Alberta's Transportation Regulation, and certain reliability standards have been approved in that jurisdiction; others are pending. NERC and the Northeast Power Coordinating Council have been recognized as standards setting bodies by the Régie de l'énergie of Québec, and Québec has the framework in place for reliability standards to become mandatory. NERC standards are now mandatory in British Columbia and Nova Scotia.

Scope of NERC Responsibilities

As the ERO, NERC's primary responsibilities are leading the development, adoption, and improvement of mandatory reliability standards for the bulk power system in North America; leading the monitoring, evaluating, and enforcement of compliance with those reliability standards by the approximately 1,900 entities registered with NERC as bulk power system users, owners, and operators; and assessing the reliability and adequacy of the bulk power system in North America. Collectively, the entities registered with NERC as bulk power system users, owners, and operators perform over 4,600 bulk power system reliability functions. NERC conducts near-term and long-term assessments of the reliability and future adequacy of the North American bulk power system; certifies bulk power system operators as having and maintaining the necessary knowledge and skills to perform their reliability responsibilities; maintains situational awareness of events and conditions that may threaten the reliability of the bulk power system; coordinates efforts to improve physical and cyber security for the bulk power system of North America in order to maintain the reliability and adequacy of the bulk power system; and conducts detailed analyses and investigations of system disturbances and

unusual events to determine root causes, uncover lessons learned, and issue relevant findings as advisories, recommendations, and essential actions to the industry, in order to identify the potential need for new or modified reliability standards, maintain compliance with existing standards, and assess the reliability of the bulk power system.

Scope of Audit and Tax Services

NERC places the highest emphasis on the integrity of financial processes and disclosures. We believe that our audit must deliver the optimum levels of assurance to all key stakeholders. NERC's Board of Trustees, Finance and Audit Committee and senior management all believe it is in the company's best interests to review our current external auditor relationship.

NERC is issuing this Request for Proposal (RFP) for external audit and tax services, including (1) audits of (i) the company's year end financial statements and (ii) the company's Savings and Investment Plan (a.k.a 401(k) Plan) and (2) the (i) preparation and filing of the company's federal corporate income tax return and supporting schedules, IRS Form 990 (ii) filing the Form 990 with the State of NJ, and other states, as required, (iii) preparation and filing of state corporate income tax returns, as required, and (iv) preparation and filing of Fulton County, GA property tax returns. It is expected that the audit of the company's financial statements and 401(k) Plan will include a review of the company's internal controls in accordance with standard auditing practices. Note that preparation and filing of Form 5500 for the 401(k) Plan is performed by Vanguard and is not required. The completed Form 5500 will be provided to the appointed firm during the course of the audit.

The purpose of this document is to explain NERC's requirements and to provide instructions for the preparation of a proposal response. This document also establishes a common framework within which the final terms of an executed agreement may be reached. In addition, NERC's 2012 Business Plan and Budget is posted on NERC's website and can be accessed by following this link: [2012 Business Plan and Budget](#)

The appointed firm should be prepared to complete the audit of NERC's financial statements and 401K Plan and prepare the above referenced tax returns for the year ending December 31, 2012. Success in the process requires that the appointed firm be prepared to immediately begin to transition this assignment from our current service provider.

Members of NERC's management team will meet with and provide firms with an overview of the scope and timing of the RFP process, as well as further background on NERC's financial statements, tax returns and 401(k) Plan. Responding firms will be evaluated on the quality of the interviews, written proposals, and oral presentations (as described herein). These meetings will be coordinated and arranged through Susan Turpen, NERC's Controller.

Request for Proposal Instructions

All information contained in this document and subsequent communications is considered confidential and shall be treated as such.

This RFP is not an offer to enter into an engagement, nor should it be construed as such; it is a definition of specific requirements and an invitation to submit a responsive proposal addressing such requirements. Issuance of this RFP, the preparation and submission of a response, and the subsequent receipt and evaluation of the response does not commit NERC to award an engagement, even if all of the requirements stated in the RFP are met. NERC reserves the right to award no engagement at all, or to award an engagement to a firm which does not provide the most advantageous terms or is not a respondent to this RFP.

This RFP does not commit or obligate NERC to pay any expenses incurred in the preparation of a proposal. All such expenses are solely the obligation of the respondent.

Proposal Approach and Format

Each respondent is to provide its proposal via Microsoft Word or Adobe PDF format and delivered via email.

The key contact for this RFP is Susan Turpen, NERC's Controller. All questions regarding this RFP are to be sent via email to susan.turpen@nerc.net. Any questions regarding this RFP submitted in ways other than email (phone call, fax, etc.) will not be considered.

NERC reserves the right to communicate any respondent's questions and NERC answers to all RFP respondents as it deems appropriate.

A respondent must respond to the RFP in the following manner:

1. Provide biographical sketches of each team member proposed to work on the audit.
2. Describe the approach to the audit, focusing on any unique methodology or tools that will be employed, including those which the respondent believes are clear differentiating factors for the firm.
3. Describe the approach to resolving accounting and financial reporting issues.
4. Describe proposed fees for services to be rendered in the audits and other services requested, along with basis used for determining those fees. Fees should be set forth for a one and three-year term, with the three-year fee proposal indicating the amount of fees to be billed in each year over the three-year period. Also provide a billing schedule for each year, showing the proposed dates and amounts of the billings during the course of each year to complete the required audit and tax services. It is important that the respondents list the key assumptions in developing its proposed fees to ensure that NERC is in agreement with those assumptions. All pricing will be considered firm. The respondent is not authorized to resubmit modifications to pricing after the response due date. The invoicing schedule must be included in the engagement letter, including

requirements for reimbursement of expenses. NERC prefers the team members be based in close proximity to NERC's corporate office in Atlanta. In the event respondent proposes to use engagement team members who are not based in Atlanta, the respondent should provide a maximum amount of reimbursable expenses that will be billed to NERC to cover such out-of-pocket costs.

Additional Submission Information

Submission Information

NERC is inviting several firms to submit proposals. Those desiring to submit a proposal should exercise special care in studying the functional and technical personnel within their organizations to ensure that the services offered are accurately represented. If a decision is made to submit a proposal, the instructions contained herein must be followed.

Respondents must provide a summary of the qualifications of both the firm and the individuals which will be providing the requested services.

Selection, Audit and Tax Preparation Schedule

- Send RFP to the selected companies October 12, 2012
- Deadline for questions from potential respondent(s) October 19, 2012
- RFP responses submitted to NERC October 26, 2012
- Meeting with respondent(s) and NERC, if necessary October 29-31, 2012
- Successful respondent ("Independent Auditor") informed of engagement award by NERC and execute engagement letter November 2012
- Independent Auditor commences audit after presentation and review of the audit plan with the NERC CFO and Controller, as well as the NERC Finance and Audit Committee via conference call January 2013 or sooner
- Independent Auditor commences 401(k) audit March 2013 or sooner
- Independent Auditor completes the year end financial audit and delivers preliminary draft 2012 Financial Audit report for NERC review April 1, 2013
- Independent Auditor issues final draft 2012 Financial Audit report after NERC review April 8, 2013
- Independent Auditor issues draft Form 990 for NERC review April 15, 2013
- Independent Auditor issues final draft Form 990 after NERC review April 22, 2013
- Independent Auditor completes 401(k) audit Late April 2013
- Independent Auditor makes presentation of audit results to NERC Finance and Audit Committee May 9, 2013
- If requested, Independent Auditor presents audit results to NERC Corporate Governance and Human Resources Committee May 9, 2013

- Independent Auditor releases final 2012 Financial Audit report May 15, 2013

Clarifications Process

Any questions regarding content within the RFP may be emailed to susan.turpen@nerc.net by October 19, 2012. If appropriate, please refer to the specific section of the RFP when submitting questions.

Clarifications may be distributed by NERC to all potential Respondents through email communications.

Qualifications

Please respond to the following questions regarding your firm's qualifications:

1. Describe your firm's experience in auditing government or regulatory entities or both.
2. Describe your firm's experience in auditing and tax preparation services for non-profit entities.
3. Describe your firm's experience with fund accounting.
4. Provide a list of at least 3 clients as references that NERC may contact. The references should be with clients that are similar to NERC and for which respondent's proposed audit and tax services team has provided the services. The reference information should include the clients business name and address, name and telephone number and brief description of the services provided. The references should include the Chair of the Audit Committee for the client references, as well as senior management references (e.g. CFO and/or Controller).
5. Provide the qualifications and resumes for each of the individual(s) being proposed to perform the services in response to this RFP. Provide contact information for at least two references for each senior member of the core services team.
6. Briefly describe your firm's organizational capacity to perform this audit (e.g., staff, equipment, software, physical space, office location, etc.).
7. How many full-time staff does your firm employ?
8. Provide a firm profile, length of time in business and core competencies.
9. Provide the location of your firm's offices and number of personnel in each office.
10. Briefly describe your firm's project management process.
11. Please discuss your processes for delivering audit and tax preparation services that are customized, responsive and aligned with NERC's specific needs. In addition to outlining the audit procedures related to rendering an opinion regarding the company's financial statements, the audit scope and your proposal should include a review of the internal controls environment, fraud prevention and detection activities, and information technology controls.
12. Describe your firm's internal quality assurance processes.
13. Describe your firm's approach to resolving accounting and financial reporting issues.

14. Describe your firm's practices to ensure compliance with independence requirements and freedom of conflicts of interest.
15. As attachments to your proposal, provide examples of previous activities and reports related to the services requested under this RFP. Documentaion should include examples of forms of presentations, audit reports, publications, client advisories demonstrating expertise in the areas which are the subject of the RFP.
16. Please provide your firm's Terms and Conditions.

Format for Proposal

Please use the following as a guideline to format your proposal:

Length and Font Size

Please use fonts no smaller than 10 point. Maximum proposal length including title page, cover letter, proposal, qualifications and budget should not exceed 8 pages (not including Attachment).

Title Page

Please include the following information on the title page:

1. NERC External Audit and Tax Services Proposal
2. Company Name
3. Company Address
4. Company Website
5. Primary Contact
6. Telephone Number
7. Email Address

Contract Terms

NERC will negotiate contract terms upon selection. All contracts are subject to review by NERC's legal counsel, and a project will be awarded upon signing of an agreement or contract, which outlines terms, scope, budget and other necessary items.

Pricing

Please provide a pricing proposal to accomplish the scope outlined below. Include fixed fee or not to exceed hourly pricing plus out of pocket expenses. The pricing must encompass all project management, planning, execution and reporting. Describe how start up costs during audit transition will be absorbed. Hourly billing rates are fixed for the intial term of the award and shall be inclusive of all wages, fringe benefits, taxes, direct and indirect costs, and profit.

Evaluation Criteria

The following criteria will form the basis upon which NERC will evaluate proposals. The mandatory criteria must be met and include:

Respondents shall submit one copy of their proposal in electronic format, either Microsoft

Word or Adobe PDF, no later than October 26, 2012. Deliver electronic proposals to susan.turpen@nerc.net with the subject line "<<Company Name>>'s proposal for the NERC Audit and Tax Services".

The proposal must include a pricing proposal as described above. All pricing associated with conducting the requested services should be broken out in detail. The proposals shall be signed by the person authorized to act for the submitting respondent. The proposal should also indicate the time period for which it is valid. Proposals that meet the mandatory requirements, as stated above, will be evaluated with the following criteria:

1. Respondent's audit qualifications
 - a. Understanding project objectives
 - b. Respondent's audit methodology
 - c. Experience with audits and tax preparation services for non-profits
 - d. Overall familiarity with FERC regulation
2. Respondent's organization and management plan
 - a. Overall audit team
 - b. Roles and responsibilities
 - c. Proposed method for preparation and submission of requested schedules and documentation
 - d. Proposed communication method regarding status of services and budget
 - e. Proposed communication method regarding accounting or financial reporting issues
3. Respondent's corporate profile, experience and past performance
 - a. Accreditations/awards
 - b. Management structure
 - c. Financial viability
 - d. On-time delivery within budget
 - e. Experience with similar audits/services
 - f. Client satisfaction
 - g. Quality of reference testimonials
4. Pricing
 - a. Fees and/or hourly rates
 - b. Expenses
5. Communication Skills and RFP Compliance
 - a. Clarity and readability of written proposal
 - b. Completeness of response

- c. Overall professionalism and quality

Award or Rejection of Bids

The respondent, by submitting a proposal, represents that:

1. The respondent has read and understands this RFP and the resulting proposal is made accordingly.
2. The respondent possesses the capabilities and the personnel necessary to provide efficient and successful implementation, service and support.

2014 Business Plan and Budget Schedule

Action

Review

Summary

Management has prepared a draft schedule for the 2014 business plan and budget preparation, a copy of which is attached. The schedule also includes the 2013 schedule for reference.

One of the key improvements in this schedule is the initiation of the development of goals and objectives during the fourth quarter of 2012, which is significantly earlier than with prior business plans and budgets. This will in turn facilitate earlier input by stakeholders regarding goals, objectives and priorities and provide valuable input to resource planning, allocation and budget formulation by both NERC and the Regional Entities as they prepare the first drafts of their proposed 2013 business plans and budgets.

The schedule is expected to be further updated to reflect key dates for other committee meetings and initiatives that feed the business plan and budget process. Consistent with past practices, an updated version of this schedule will be maintained on NERC's website.

The next key dates are the posting of draft Section 215 Guidelines and draft 2014-2016 Goals and Objectives for comment. The current schedule anticipates public posting of the draft Section 215 Guidelines in mid-to-late November and posting of draft 2014-2016 Goals and Objectives in early January 2013.

2014-2016 Business Planning Schedule (Working Draft)

Highlights

- Includes the 2012 schedule for the 2013 business planning and budgeting process, as well as a draft schedule for the 2014 business planning and budgeting process.
- Next three-year business planning cycle contemplates the development of goals and objectives for the 2014-2016 time period (“Valued Outcomes” document will be used to guide goals and objectives discussions).
- Schedule anticipates early start to the process (Q4 2012), with the objective of having final draft three-year goals and objectives in place by February 2013 for inclusion in the first draft of NERC and Regional Entity business plans and budgets to be posted in early May 2013.
- Process expected to facilitate earlier input to Regional Entity business planning and budgeting, as well as demonstrate ongoing and increased coordination regarding long-term planning efforts.
- A column on the far right entitled “Related Stakeholder and Committee Initiatives” is to identify and coordinate with key committees and/or stakeholders which affect the business planning and budgeting process. For example, there are a number of key working groups and committees that engage in planning and decision making that directly impact ERO budgets or initiatives. This schedule will also need to incorporate any parallel processes related to the NERC and Regional Entity Business Plans and Budgets which result from the implementation of the final recommendations and requirements contained in the FERC 2013 business plan and budget and/or audit orders applicable to NERC and the Regional Entities.

DATES	2013 BP&B		2014-16 BP&B		Related Stakeholder- NERC Committee Initiatives
	NERC	Regional Entity	NERC	Regional Entity	
February 3, 2012 -11:00 a.m. ET	FAC Conference Call to discuss quarterly business; includes update on 2013 BP&B process and schedule which is posted as part of agenda materials.				
February 17, 2012	Common 2013 BP&B Assumptions posted for comment.				
March 9, 2012	Comments due on Common 2013 BP&B Assumptions.				
April 4, 2012	Meeting with trades to discuss 2013 BP&B (NERC DC office).				
April 16, 2012	Submittal to Regional Entities of Preliminary Internal Draft of NERC 2013 business plan and budget.	Submittal to NERC of Preliminary Internal Draft of Regional Entity business plan and budgets for circulation among NERC program			

DATES	2013 BP&B		2014-16 BP&B		Related Stakeholder- NERC Committee Initiatives
	NERC	Regional Entity	NERC	Regional Entity	
		managers for review and feedback.			
May 2, 2012	Draft #1 of 2013 NERC Business Plan and Budget posted and sent to FAC.				
May 3, 2012 – 10:00am ET	FAC conference call and webinar to discuss Draft #1 of NERC 2013 business plan and budget.				
May 4, 2012		Draft #1 of 2013 RE Business Plans and Budgets posted on NERC website.			
May 8, 2012	FAC Meeting MRC Meeting-Presentation of Draft 2013 Business Plan and Budget.				
May 18, 2012	FAC conference webinar to review Regional Entities' 2013 Business Plans and Budgets. Regional Entities present draft business plans and budgets to NERC FAC.				
May 25, 2012	Comments due on Draft #1 of NERC 2013 Business Plan and Budget.				

DATES	2013 BP&B		2014-16 BP&B		Related Stakeholder- NERC Committee Initiatives
	NERC	Regional Entity	NERC	Regional Entity	
May 31, 2012	NERC files 2011 NERC and Regional Entity budget to actual true up with FERC.				
June 1, 2012	Draft #2 of 2013 NERC Business Plan and Budget posted.	Board Meeting Dates for Review and Approval of Regional Entity 2013 Business Plans and Budgets: SPP – June 19 RFC – June 22 NPCC – June 26 TRE – June 26 WECC – June 26 FRCC – June 28 MRO – June 28 SERC – July 11			
July 6, 2012					Stakeholder Comments due on NERC Draft #2 2013 Business Plan and Budget.
July 9, 2012		Final Regional Entity budget			

DATES	2013 BP&B		2014-16 BP&B		Related Stakeholder- NERC Committee Initiatives
	NERC	Regional Entity	NERC	Regional Entity	
		submittal due – approved by Regional Entity boards and final list of LSEs and NEL data.			
July 19, 2012 – 10:30 a.m. ET	FAC webinar to review Draft #2 of 2013 NERC Business Plan and Budget and final Regional Entity budget submittals.	Regional Entities present final business plans and budgets to NERC FAC.			
August 7, 2012	Final NERC and Regional Entity 2013 business plans, budgets and assessments posted and mailed to FAC, Board of Trustees and Member Representatives Committee.				
August 15, 2012	Recap of 2013 BP&B process with MRC, general overview of 2014 BP&B planning process. FAC Meeting to (1) review and recommend approval of NERC and Regional Entity final 2013 business plans,				

DATES	2013 BP&B		2014-16 BP&B		Related Stakeholder- NERC Committee Initiatives
	NERC	Regional Entity	NERC	Regional Entity	
	budgets and assessments (2) review NERC and RE Q2 2012 budget variance reports and year end projections.				
August 16, 2012	NERC and RE 2013 business plans, budgets and assessments presented to Board of Trustees for approval.				
August 16, 2012			Preliminary kick-off, Closed EMG meeting with NERC CEO, Regional Managers and Mike Walker: Discuss process and timeline for developing 3 year (2014- 2016) planning, goals, objectives, measures, and assumptions (Process and schedule only)		
August 24, 2012	Submit 2013 BP&B package to FERC and Canadian provincial authorities for approval. Package to include: (1) the NERC and RE business plans and budgets approved by the Board of Trustees, (2) NERC's annual funding requirement (including regional entity costs for delegated functions) and (3) the mechanism for assessing charges to recover that annual funding requirement.				
Friday, September 21, 2012			Closed Regional Entity Executive and NERC CEO strategic planning session.		

DATES	2013 BP&B		2014-16 BP&B		Related Stakeholder- NERC Committee Initiatives
	NERC	Regional Entity	NERC	Regional Entity	
Monday, Sept 24					MRC ERO Scope Input Group and CEI End-State Input Group conference calls
Mon, Oct 1, 2012			NERC staff provides materials with the MRC ERO BP&B Scope Input Group for further review/discussion	MRC CEI End-State Input Group meets in Washington DC with Regional staff involved in whitepaper development.	
Tues, Oct 2, 2012					Share preliminary BP&B schedule with Trades.
Wed, Oct 10, 2012					MRC ERO Scope Input Group conference call
October 15, 2012			Regions will submit comments on the draft ERO-wide goals for 2014-16 and the measures for 2013. Each goal and measure should help to achieve the valued outcomes in each of the strategic focus areas.	MRC CEI End-State Input Group conference call	
Tues, Oct 16, 2012			NERC staff provides materials with the MRC ERO Scope Input Group for review/discussion		

DATES	2013 BP&B		2014-16 BP&B		Related Stakeholder- NERC Committee Initiatives
	NERC	Regional Entity	NERC	Regional Entity	
October 18 2012 Webinar			Webinar meeting of NERC and Regional Entity senior staff to review and respond to drafts of 2014-16 goals and 2013 measures.		
Fri, Oct 19, 2012				MRC ERO Scope Input Group conference call	
October 22, 2012			Reliability Issues Steering Committee (RISC) Open meeting - Atlanta		
October 26, 2012			ERO EMG monthly conference call		
October 31, 2012 11:00 am ET			NERC FAC 4 th Quarter Conference Call- update on BP&B process and schedule as part of agenda		
November 1, 2012				BOT request for policy input due to NERC.	
November 5, 2012			ERO EMG meeting in New Orleans to refine 2014-16 goals and 2013 measures.		
November 6, 2012			Brief MRC on status of BP&B process and discussions with MRC input group on scope of NERC Activities		
November 7, 2012			BOT review and discussion of November 6, 2012 MRC briefing. Reliability Issues Steering Committee (RISC) Open meeting.		

DATES	2013 BP&B		2014-16 BP&B		Related Stakeholder- NERC Committee Initiatives
	NERC	Regional Entity	NERC	Regional Entity	
Wednesday, November 7, 2012			Closed ERO EMG meeting with NERC CEO, RMs in New Orleans. Further discuss 2014-16 goals and objectives. Consider feedback from regional and NERC staffs, as well as MRC input group.		
November ?			Assuming FERC Audit Order issued and subject to the findings in that order – Post draft Section 215 written criteria for comment		
December 2012			Finalize draft 2014-2016 goals and objectives		
December 5- 6, 2012			CCC meeting		
December 11- 13, 2012			OC/PC/CIPC meetings		
December 14, 2012			ERO EMG monthly conference call		
December 17, 2012			Reliability Issues Steering Committee (RISC) Open meeting		
December 18, 2012			Closed ERO EMG meeting with NERC CEO, RMs at SERC.		
January, 2013			Convene forums to review draft Section 215 written criteria which were posted for comment. Obtain input from Trades.		

DATES	2013 BP&B		2014-16 BP&B		Related Stakeholder- NERC Committee Initiatives
	NERC	Regional Entity	NERC	Regional Entity	
January , 2013			Post draft 2014-2016 goals, objectives for comment.		Kicks off formal process for broad stakeholder input on ERO 2014-2016 goals and objectives; 2014 BP&B priorities
January 24, 2013			Reliability Issues Steering Committee (RISC) Open meeting		
January 25, 2013			ERO EMG monthly conference call		
February 2013			Convene forums for input on goals, objectives and priorities.		
February 5, 2013			ERO EMG meeting in San Diego		
February 6-7, 2013			MRC and BOT meetings (San Diego)		
February 7, 2013			Closed ERO EMG meeting with NERC CEO, RMs in San Diego		
February 2013			Finalize goals, objectives and common assumptions for inclusion in draft 1 of NERC 2014 BP&B to be posted in early May, 2013		
February 12, 2013			Reliability Issues Steering Committee (RISC) Open meeting		
February 18, 2013 (target date only)			Draft CEI filing release by NERC		

DATES	2013 BP&B		2014-16 BP&B		Related Stakeholder- NERC Committee Initiatives
	NERC	Regional Entity	NERC	Regional Entity	
March, 2013 (target date only)			Subject to audit order, make compliance filing of Section 215 written criteria with FERC		
March 5-6, 2013			OC/PC/CIPC meetings		
March 12, 2013			Reliability Issues Steering Committee (RISC) Open meeting		
March 13-14, 2013			CCC meeting		
March 15, 2013			CEI filing at FERC		
March- April 2013			Work on Draft 1 of 2014 BP&B		Continue to work with MRC Task Force; obtain input from Trades
April , 2013			Closed FAC Meeting – Review of personnel, contracts and other assumptions for 2013 BP&B		
April 16, 2012			Reliability Issues Steering Committee (RISC) Open meeting		
Tuesday, April 30, 2013			Target date for Draft #1 of 2014 NERC	2012 Regional Entity True-Up files due to NERC	

DATES	2013 BP&B		2014-16 BP&B		Related Stakeholder- NERC Committee Initiatives
	NERC	Regional Entity	NERC	Regional Entity	
			Business Plan and Budget posted and sent to FAC.		
Friday, May 3, 2013- 10:00am ET			FAC conference call and webinar to discuss Draft #1 of 2014 NERC business plan and budget		
Monday, May 6, 2013			Draft 1 of RE 2014 Business Plans and Budgets posted on NERC website		
Wednesday, May 8, 2013			FAC Meeting- update on 2014 BP&B as part of agenda; quarterly business includes (1) review of year end audited financial statements for NERC and Regions (2) update on 2014 BP&B.		
Wednesday, May 8, 2013			MRC Meeting-Presentation of Draft 2014 BP&B		
May [date TBD], 2013			Meeting to provide FERC budget staff with overview of 2014 NERC and Regional Entity Business Plans and Budgets		Convene meeting with trades to review and obtain input on 2014 NERC and Regional Entity Business Plans and Budgets
Wednesday, May 22, 2013			FAC conference webinar to review RE 2014 BP&Bs* * (All BOT members invited)	Regional Entities present draft 2014 BP&Bs to NERC FAC	

DATES	2013 BP&B		2014-16 BP&B		Related Stakeholder- NERC Committee Initiatives
	NERC	Regional Entity	NERC	Regional Entity	
May 22, 2013			Reliability Issues Steering Committee (RISC) Open meeting		
Thursday, May 30, 2013			Comments due on 1 st Draft of NERC BP&B. NERC and Regional Entity 2012 budget to actual true up filing due at FERC		
June 2013				Regional Entity board meeting dates for review and approval of Regional Entity 2014 Business Plans and Budgets FRCC – June MRO – June NPCC – June RFC – June 21 SERC – July 10 SPP – June 18 TRE – June WECC – June 26	
Monday, June 10, 2013			Post Draft #2 of 2014 NERC Business Plan and Budget		
June 18, 2013			Reliability Issues Steering Committee (RISC) Open meeting		
Tuesday, July 9, 2013				Final RE 2014 budget submittal due – approved by RE board and final list of LSEs and NEL data	
Wednesday, July 10, 2013					Stakeholder Comments due on 2014 NERC Draft #2

DATES	2013 BP&B		2014-16 BP&B			Related Stakeholder- NERC Committee Initiatives
	NERC	Regional Entity	NERC	Regional Entity		
July 11, 2013			Reliability Issues Steering Committee (RISC) Open meeting			
Friday, July 19, 2013			FAC webinar to review Draft #2 of 2014 NERC BP&B and final RE budget submittals	REs present final 2014 BP&Bs to NERC FAC		
Monday, July 29, 2013			Final 2014 NERC and RE business plans, budgets and assessments posted and mailed to FAC, Board of Trustees and Member Representatives Committee.			
August 8, 2013			Reliability Issues Steering Committee (RISC) Open meeting			
Monday, August 12, 2013			FAC Meeting to review and recommend approval of NERC and RE final 2014 business plans, budgets and assessments			
Wednesday, August 14, 2013 (Montreal)			Recap of 2014 BP&B process and discussion of 2015 BP&B Process at MRC meeting			
Thursday, August 15, 2013 (Montreal)			NERC and RE 2014 business plans, budgets and assessments			

DATES	2013 BP&B		2014-16 BP&B		Related Stakeholder- NERC Committee Initiatives
	NERC	Regional Entity	NERC	Regional Entity	
			presented to Board of Trustees for approval.		
Friday, August 23, 2013			Submit package to FERC and Canadian provincial authorities for approval. Package to include: (1) the 2014 NERC and RE business plans and budgets approved by the Board of Trustees, (2) NERC's annual funding requirement (including regional entity costs for delegated functions) and (3) the mechanism for assessing charges to recover that annual funding requirement.		
September 19, 2013			Reliability Issues Steering Committee (RISC) Open meeting		

ERO Scope of Activities Input Group — Status Report

Action

None

Summary

During its August 15, 2012 meeting, the Member Representatives Committee (MRC) created an informal group of volunteers to assist NERC and the Regional Entities in defining the ERO's goals, objectives and priorities as part of the annual business planning and budget process.

The input group is chaired by MRC Vice Chair Carol Chinn and member representative Bill Gallagher. Other member representatives and participants include: John Anderson, Tom Burgess, Mike Penstone and Ed Schwerdt, Northeast Power Coordinating Council. NERC participants include Mike Walker, David Cook, Charlie Berardesco and Holly Mann.

Mike Walker will provide the Committee with a brief update regarding the work being undertaken by this group and the materials which will be presented at the November 6, 2012 MRC meeting.

Exercise of Option for Atlanta Office Space

Action

Review and recommendation for approval by the Board of Trustees.

Summary

The 2013 Business Plan and Budget contemplated an increase in rent expense in Atlanta in connection with the exercise of an option under the existing Atlanta lease to facilitate the addition of space necessary to accommodate budgeted staff additions, as well as ensure the continued availability of conference space for the numerous meetings NERC hosts during the year and to provide some added capacity for offices to support NERC's core operating areas in the future. The use of in house conference facilities has allowed NERC to reduce the costs that would otherwise be incurred to host meetings at hotels. Hosting meetings at NERC's offices also keeps down travel expenses for NERC staff.

Over the past several months, management has been meeting with the landlord's leasing agent to negotiate the terms of the exercise of an option to acquire approximately 10,310 rentable square feet on the 8th floor of the Atlanta Financial Center. This equates to approximately one-half a floor. The company presently leases the 6th and 7th floors.

The rent per square foot for this additional space (the "Lease Amendment") will be consistent with the current lease, which was negotiated in a very favorable market environment from a tenant perspective and would be difficult to replicate in the current rental environment but for the terms of the option that was negotiated when the base lease was executed in 2010. At the time the base lease was negotiated there was a considerable amount of vacant space in the building. The vacancy rate in the building has been significantly reduced as more companies relocate or establish offices in Buckhead. The 8th floor is the only adjacent floor with space that is currently available.

The precise amount of the additional annual rent will be dependent upon the exact square footage leased. We are proposing to lease approximately one-half of the 8th floor, with the square footage currently expected to be approximately 10,310 rentable square feet. In preparing the 2013 budget, Management assumed an incremental amortized rent expense of one-fourth (1/4) of the current annual rent for the 6th and 7th floors or \$261,176. Assuming we move forward with the lease of the additional 10,310 square feet, the additional rental expense for 2013 would be \$287,785. The difference (\$26,609) is due to the half floor we are proposing to lease has slightly more space than the remaining half floor as a result of the building design.

The Lease Amendment will have a term coterminous with the base lease and will include a tenant improvement allowance ("TIA") similar to the base lease. The TIA will be prorated to account for the shorter term of the Lease Amendment, which impacts the period over which the TIA costs are amortized. The TIA will also be less on a per square foot basis than the TIA

under the existing lease due to the fact the landlord will be directly responsible for the costs to upgrade the bathrooms on the 8th floor. The construction of the bathrooms for the 6th and 7th floors was NERC's responsibility and paid out of the TIA negotiated under the base lease, since the company was fully occupying both floors. Since the Lease Amendment contemplates that NERC will occupy approximately only 50 percent of the 8th floor, the landlord will pay for these costs directly and adjust the TIA prorata so that it is equivalent to the TIA that was provided for the 6th and 7th floor build out.

Construction of the tenant improvements will be pursuant to a competitively procured construction contract, consistent with the process and terms set forth in the base lease. We are working with the architects to ensure a cost effective design for the build out of the space, including the reuse of existing offices in the expansion space. Furniture and finishing (paint, light fixtures, etc.) will generally be consistent with the 6th and 7th floors. Working with the architect, engineers, contractor and furniture supplier for our existing space, we are in the process of developing preliminary estimates of the cost to build out and furnish the expansion space. Our plan is to attempt to keep the costs as much as possible within the TIA. However, it is possible that we may be required to fund a portion of the build out from operating reserves. Management may be in a position to provide more detail regarding the estimated build out costs and potential need to utilize operating reserves at or before the Committee's scheduled meeting on October 31, 2012. Use of operating reserves to fund any portion of the build out of the expansion space or to fund 2013 rent expense in excess of budgeted amounts will be subject to the provisions of the company's Working Capital and Operating Reserve Policy, including the receipt of necessary authorizations and reporting of expenditures.

Management is requesting that the Committee recommend to the Board that Management be authorized to execute the Lease Amendment consistent, in all material respects, with the description provided herein and also subject to (1) FERC approval of a 2013 budget which includes an estimated rent expense for the Lease Amendment, as more specifically set forth in the 2013 Business Plan and Budget approved by the Board and filed with the FERC, and (2) review and approval of the final terms and conditions of the Lease Amendment by the President and Chief Executive Officer, Chief Financial and Administrative Officer and General Counsel.

Migration of Remaining IT Applications from Princeton, NJ

Action

None

Summary

On October 2, 2012 the Chief Financial and Administrative Officer provided the Committee with a memorandum regarding the use of operating reserves to pay for consulting services by Dell, Inc. to assist in the evaluation and migration of certain software applications from the legacy NERC data center in Princeton, NJ to NERC's new data center in Atlanta, GA. These services are being provided on a time and materials basis with a contract limit of just under \$250,000. Funding for these services was authorized by the President and Chief Executive Officer and funded from available operating reserves in accordance with the company's Working Capital and Operating Reserve policy.

Due to the complexity of the migration, the committee was informed that a potential exists that additional services will be necessary and that to the extent these additional services become necessary Management will seek Committee approval of these expenditures pursuant to the company's Working Capital and Operating Reserve Policy. Management also indicated it would provide the Committee with a further update regarding this matter as part of its October 31, 2012 quarterly conference call agenda, as well as provide an update to the Standards Oversight and Technology Committee (SOTC) at its November 5, 2012 meeting. The purpose of this document is to provide a summary of relevant background information and provide an update to both this Committee and the SOTC regarding the status of this initiative.

Background

A number of software applications critical to support NERC and ERO operations are housed in the Princeton data center, including but not limited to: the Compliance Reporting, Analysis, and Tracking System (CRATS); various ERO registration applications; certain applications utilized by Reliability Coordinators; and certain applications supporting the Standards Program area, including NERC's balloting application. NERC management is currently assessing which applications and databases may be candidates to retire or replace. Several of the applications are tied to the IDC and will be transitioned to the IDC Users Group as part of the IDC transition, which will take place when NERC's contract to support the IDC ends on March 31, 2013. In addition, replacement of a number of applications that reside on servers in Princeton is also already underway, such as the balloting application.

The Princeton lease expires on May 1, 2013 and pursuant to the terms of the lease all computer hardware needs to be removed prior to the lease termination date. There is minimal physical support available out of the Princeton office, coupled with hardware that in some instances is 8-10 years old and if it fails, replacement hardware is not available.

NERC IT has attempted four unsuccessful moves of the remaining software applications in the Princeton data center and has concluded that given the absence of documentation regarding these applications, lack of vendor support, and the fact that the applications reside on very old equipment that is no longer available, the risk is simply too great to NERC; therefore NERC IT determined it was imperative to leverage an organization with the depth and breadth of services offered by Dell Professional Services. NERC sought proposals from several other vendors, but was not comfortable that any other vendor had the resources required given the complexity and timing of NERC's needs.

Dell's scope includes:

- Assessment of existing hardware and software
- Database mapping and application dependencies
- Documentation of applications and their usage
- Virtualization readiness assessment
- Ownership and management 80 percent of the move – only exception would involve items that would require NERC resources e.g., backups, security, etc.

Dell has committed to providing timesheets and activities on a weekly basis to ensure adherence to cost containment requirements and will invoice on a monthly basis for time worked. In addition, we have been assured that personnel will be available to conduct moves during after-hours timeframe at no additional cost.

Moving the remaining legacy Princeton data center to Atlanta is also critical to allowing NERC to cancel Princeton data circuits and realize a reduction in telecommunication fees of several hundred thousand dollars per year, which has already been factored into NERC's budget.

Additional hardware and software may be required to support any applications that are migrated to the Atlanta data center, but the extent of any incremental hardware or software investments is unknown at this time.

Current Status

NERC IT assembled a team consisting of management, staff and vendors with familiarity regarding the various applications that are currently housed in Princeton. Based on feedback from this group it was determined that a number of the applications are either no longer necessary and can be retired or can be transferred by NERC IT without the assistance of Dell. However, a number of critical applications still remain in Princeton and will be the focus of the next phase of the evaluation and will involve the assistance of Dell. While at this time it is too early to determine the exact amount of resources that will be required for the relocation, it is clear the number of applications which must be relocated is much less than was initially contemplated. Management will continue to keep both committees informed of the progress with respect to the scope and costs of the relocation of the remaining applications. While it is too early to tell whether the current Dell contract for this work will be sufficient to cover the costs, all expenditures of operating reserves in support of this initiative will continue to be subject to the authorizations and reporting requirements set forth in the company's Working Capital and Operating Reserve Policy.

Agenda Compliance Committee — Open Session

November 6, 2012 | 9:15-10:45 a.m. Central

JW Marriott New Orleans
614 Canal Street
New Orleans, LA 70130
504-525-6500

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines

Agenda

1. **Minutes* — Approve**
 - a. August 15, 2012 Meeting
2. **Find, Fix, Track and Report (FFT)* — Information**
 - a. Progress to Date
 - b. Preparation for the 12-Month Report
3. **Compliance Operations* — Information**
 - a. Compliance Enforcement Initiative (CEI) Update
4. **Regional Entity Topic* — Information**
 - a. Improvements to Regional Audit Practices (MRO-Dan Skaar)
5. **Quarterly Report on Performance Metrics* — Information**
 - a. Update on Quarterly Performance Metrics to Fulfill the Committee's Mandate Obligations
 - b. Enforcement Metrics Development Update

*Background materials included.

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.

Draft Minutes Compliance Committee – Open Session

August 15, 2012 | 9:45 a.m. Eastern

Hilton Quebec
1100, Rene-Levesque Blvd East
Quebec, QC
Canada G1R 4P3
418-647-6500

Chair Bruce Scherr convened a duly noticed open meeting of the Compliance Committee (the Committee) of the North American Electric Reliability Corporation on August 15, 2012 at 9:45 a.m. local time, and a quorum was declared present. The agenda is attached as **Exhibit A**.

Present at the meeting were: All Committee members, being Bruce Scherr, Chair, Vicky Bailey, Ken Peterson, Roy Thilly, Jan Schori and John Q. Anderson; Board members, Tom Berry, Janice Case, Paul Barber, Fred Gorbet, and Dave Goulding; and NERC staff members Gerry Cauley, David Cook, Charlie Berardesco, Michael Moon, Ken Lotterhos, Rebecca Michael and Tina McClellan.

NERC Antitrust Compliance Guidelines

Mr. Scherr directed the participants' attention to the NERC Antitrust Compliance Guidelines.

Minutes

The Committee approved the May 8, 2012 meeting minutes.

Compliance Enforcement Initiative

Mr. Lotterhos, associate general counsel and director of enforcement, provided an update on the Compliance Enforcement Initiative (CEI). He noted that NERC continues to process violations through the streamlined Spreadsheet Notice of Penalty (SNOP) and the Find, Fix, Track and Report (FFT) informational filings with the Federal Energy Regulatory Commission (FERC). Since the last Committee meeting, NERC has made two additional filings for both SNOPs and FFTs, for an aggregate of 10 filings from September 2011 through July 2012. FERC has issued notices of no further review on the SNOP and NOP filings submitted through the end of June. Mr. Lotterhos reviewed the next stage of CEI development noting Compliance Enforcement Authority compliance monitoring staff (auditors and investigators) will make recommendations to enforcement staff concerning likely candidates for FFT treatment. Auditors and investigators will continue to make findings of potential non-compliance for which enforcement staff will evaluate and address as possible violations in a SNOP or NOP format or will dismiss them, as appropriate. NERC anticipates that expanding FFT identification will broaden the range of issues that will be afforded FFT treatment much earlier in the compliance monitoring and enforcement process.

Concluding his report, Mr. Lotterhos noted that in accordance with FERC's March 15 Order on the CEI, NERC is required to file a 12-month status report in March 2013. NERC is working with the Regional Entities and trade associations to collect the information required for the report.

Compliance Operations

Mr. Moon, director of compliance operations, provided an update on the Compliance Bulletin CIP-002 and the options for transitioning from CIP Version 3 to Version 4. Mr. Moon noted that entities should be determining which electric system assets currently meet the bright-line criteria so that the proper resources can be procured and scheduled to ensure that all the technical work is complete on or before the enforcement date of April 1, 2014. Mr. Moon highlighted four scenarios which the industry requested guidance. He also reported that NERC created a Compliance Bulletin to address implementing bright-line criteria into a Version 3 risk-based assessment methodology (RBAM), and which provides compliance information to responsible entities and Regional Entities regarding newly approved Version 4.

Mr. Moon provided an update on the Entity Impact Evaluation Template, noting that NERC and Regional Entities finalized the draft template, which was posted on the NERC website for industry comment with the customary 45-day comment period. Comments will be due in early September, and comments and next steps will be considered thereafter.

Mr. Moon reviewed the 2013 Annual Implementation Plan and Actively Monitored List (AML), highlighting most changes on the 2013 AML worksheet stem from reassigning tiers of CIP requirements so that each CIP requirement shares a common tier assignment with its own sub-requirements. The anticipated effect of this change is to make it easier for a registered entity to prepare for its audit.

Regional Entity Items

Ms. Linda Campbell, FRCC, reviewed the status of the Reliability Standards Audit Worksheet (RSAW) development and discussion ensued, addressing, among other things, scope, content and future revisions.

Quarterly Statistics

Chair Scherr referenced the materials provided in the Agenda package.

There being no further business, and upon motion duly made and seconded, the meeting was adjourned at approximately at 10:45 a.m. local time.

Submitted by,



Charles A. Berardesco
Secretary

Find, Fix, Track and Report

Action

Informational

Background

On September 30, 2011 NERC made its initial Compliance Enforcement Initiative (CEI) filing which introduced changes to its compliance and enforcement program. The Federal Energy Regulatory Commission (FERC or Commission) issued an Order on March 15, 2012 accepting, with conditions, NERC's proposal to make informational filings in a "Find, Fix, Track and Report" (FFT) spreadsheet format of lesser-risk, remediated possible violations of Reliability Standards (March 15th Order). NERC made its six-month status report in May of 2012, accompanied by a compliance filing explaining how NERC considered compliance history in its FFT determinations and its plans for future improvements to the FFT processes. On September 20, 2012, the Commission issued an order directing that NERC file its FFT training materials associated with implementation of the next steps in the FFT process improvements. In October 2012, NERC will file the training materials used in its September workshop on the next step in its improvements to the FFT process enabling Auditors and Investigators to recommend FFT treatment for possible violations to Regional Entity enforcement groups.

Summary

NERC continues to process violations through the streamlined Spreadsheet Notice of Penalty (SNOP) and FFT informational filing. Since the initial CEI filing on September 30, 2011, NERC has made 13 SNOP filings and 13¹ FFT filings with the Federal Energy Regulatory Commission (FERC).² The Commission has issued orders of no further review on the SNOP and NOP filings submitted through the end of September 2012.³ The six initial FFT filings were accepted through the March 15th Order on the CEI proposal. Through the end of September 2012, NERC has filed a total of 822 possible violations as FFT remediated issues.

The March 15th Order requires NERC to file a 12-month status report in March of 2013. NERC is working with the Regions and Trade Associations to collect the information required for the 12-month status report. The Commission will be evaluating the consistency and application of the FFT initiative and will review the effectiveness of the FFT program with regard to such matters as:

1. The effect of the program on improving Bulk Power System reliability;
2. The effect of the program on addressing NERC's compliance and enforcement program, including its caseload;

¹ By Commission Order, a FFT filing is deemed closed sixty days after submittal by NERC unless there is cause for the Commission to open particular remediated issues for review. Action on the October 31, 2012 FFT filing is expected by December 28, 2012.

² The fourteenth set of filings will be made October 31, 2012.

³ Action on the October 31, 2012 filing is expected by November 30, 2012.

3. The effect of the program on NERC and the Regional Entities better focusing resources on addressing more serious violations;
4. How NERC's evaluation of risk in identifying candidate Possible Violations for FFT treatment has evolved during the implementation of the FFT initiative, including but not limited to how the Violation Risk Factors (VRFs) have been considered in the evaluation;
5. Manners in which the FFT mechanism can be improved based on experience to date;
6. The results of any audits, spot checks or random samplings that NERC or the Regional Entities may have performed during the year with regard to implementation of the FFT proposal; and
7. The impact, if any, the implementation of the FFT mechanism has had on the number of self-reports submitted.

In the 12-month status report, NERC will also report on results of its evaluation of the consistency and application of the FFT initiative. NERC Enforcement will be administering two industry surveys to gather registered entity input on the topics the Commission seeks information on in the 12-month status report filing. These surveys are scheduled to be administered in late October or early November 2012 and early January 2013. NERC Enforcement has reached out to the Trades and Industry Forums requesting registered entity feedback on their experiences in the areas FERC is seeking information on in the 12-month status report.

Upon review of this 12-month status report, the Commission may consider any necessary changes going forward, including expanding the scope and parameters of possible violations to be processed by FFT informational filings. In conjunction with the 12-month status report, NERC will also be filing its plans for future changes to the CEI program.

To date, the CEI has received significant support from the Regional Entities and the industry. NERC anticipates the FFT process will continue to result in a better alignment between compliance and enforcement resources and the attention devoted to matters that pose a more serious risk to the reliability of the Bulk Power System.

Compliance Enforcement Initiative (CEI) Phase 2 Timeline of Activities

August 2012

- 2nd – CEI strategic planning meeting between NERC and the Regions. Discussed initial attributes and deliverables for March 2013 filing and the development of a conceptual White Paper due for delivery to the NERC CEO and Regional Executives by August 31.
- Week of the 13th – NERC Board of Trustees (Board), Board committees and Member Representatives Committee (MRC) meetings held in Quebec City. Announced the development of the White Paper and introduced the overall initiative. The MRC proposed to assist NERC and the Regional Entities with this initiative by development of a CEI Input Group.
- 16th – First meeting of the White Paper drafting team (includes staffs from NERC and the Regional Entities).
- 22nd – First review of the White Paper by the drafting team.
- 24th – First meeting between NERC and the MRC-CEI Input Group. Discussed integration of group into the NERC and regional development process, clarifying the group's role to include policy input and to serve as a sounding board.
- 31st – White Paper distributed to the NERC CEO and Regional Executives for initial review.
- 31st – Second meeting with MRC-CEI Input Group. Discussed project scope relative to filing, delivery of White Paper following the review by the NERC CEO and Regional Executives. Also discussed delivery and socialization of White Paper to industry in November after review and feedback from the input group.

September 2012

- 5th – Initial draft of the White Paper provided to MRC-CEI Input Group based on feedback from NERC CEO and Regional Executives.
- 18th – NERC CEO announces an internal (between NERC and the Regional Entities) executive steering team and project leadership structure.
- 20th – Re-distribution of revised White Paper to the executive steering team.
- 20th – Discussion of control elements and conceptual White Paper at industry workshop in Atlanta.
- 21st – Revised version of White Paper shared with the MRC-CEI Input Group.
- 24th – MRC-CEI Input Group meeting. Discussed feedback from the group for the revised version of the White Paper.
- 25th – Decision was made not to publically post the White Paper until a rigorous review was completed by industry.
- 27th – Decision was made not to publish the entity impact evaluation (EIE) to be consolidated in the CEI program.

October 2012

- 1st – Face-to-face meeting of the MRC-CEI Input Group. Discussed group input to the revised White Paper. NERC CEO and executive steering team decided on the four Key Change State Elements for the March 2013 filing.
- 2nd – Discussion of revised conceptual White Paper and Phase 2 of the CEI shared with the North American Transmission Forum (NATF), the Trades and several participants of the MRC.
- 3rd and 4th – NERC staff presented an update of the initiatives to stakeholders at the Stinson Morrison Hecker workshop (attended by Trades and key industry leaders) and the ISO-RTO group conference.
- 11th – Package of material sent to MRC-CEI Input Group, included Gantt chart timelines, major focus areas for endstate CEI filing, outline of enhancements to the program, and change state elements.
- 16th – Revised version of White Paper with change state elements delivered to the MRC-CEI Input Group for next round of comments and feedback.
- 17th – Revised version of White Paper, timelines and initial draft of change state element #1 provided to the NERC executive steering team.
- 17th – Prepared for November 6-7 MRC and Board agenda packages and provided matrix of significant milestones to MRC-CEI Input Group.
- 19th – MRC-CEI Input Group submitted final round of comments to the White Paper and NERC staff provided a detailed status report on the CEI activities.
- 22nd – Conducted coordination call with MRC-CEI Input Group to discuss review and timeline of materials through November.
- 24th – Meeting with North American Transmission Forum to discuss internal control elements.
- 29th – Meeting with select Trade members to review White Paper and discuss concepts related to the presentation at the November MRC and Compliance Committee meetings.
- 30th – NERC staff presentation on internal controls and risk concepts at the Constellation Compliance Conference.

November 2012

- 6th and 7th – Scheduled delivery of initiative status to the Compliance Committee and MRC.

Compliance Enforcement Initiative (CEI) Update

Action

Discussion

Background

At the Board of Trustees Closed-Closed (BOTCC) meeting in Quebec, dialogue pertaining to a desired endstate of compliance and enforcement, for a mature ERO, was discussed as well as outputs and activities that would support the continued implementation of the Compliance Enforcement Initiative. The activities include drafting a White Paper that identifies the attributes to be ultimately achieved in NERC's compliance and enforcement programs. The White Paper will introduce the areas of fundamental change to the present compliance and enforcement processes and change state elements.

Summary

Since the meeting in Quebec, the White Paper has been drafted, key change state elements are defined, and deliverables for both the filing and the achievement of the endstate developed. In this regard, these elements will be presented for discussion and will outline the next steps to support the efforts leading up to the anticipated March 2013 filing with FERC of the desired endstate of compliance and enforcement accompanied by an action plan to achieve this endstate.

Key elements that will be discussed include a deeper dive from the Member Representatives Committee (MRC) open meeting into the following:

- White Paper
 - The need for a change to the compliance approach
 - The use of risk-based approaches for the scoping of engagements
 - Designing tests of controls to evaluate compliance
 - The use of auditor discretion
 - The effective use of enforcement
- Change-state Elements
 - Restyling the overall audit approach
 - Evaluating data retention requirements in support of compliance
 - The flow of information from compliance
 - The redesign of the enforcement strategy

- Deliverables
 - Actions pertaining to the March filing and planned distribution of materials for feedback
 - Activities related to the design of the pilot and anticipated implementation
 - Short-range activities to facilitate near term changes
 - Long-range activities for the full implementation of the change elements

Improvements to Regional Audit Practices

Action

Discussion

Background

As part of the overall Compliance Enforcement Initiative (CEI), the Regional Entities (REs) are performing a gap analysis to understand strengths and opportunities with respect to regional audit practices. The REs will present the basis for the review, expected output, and relative timelines.

Summary

The REs discussed developing a more consistent approach to conducting compliance audits and agreed to conduct an independent assessment of current compliance audit practices across the Regions. NERC was also invited to participate. In addition to establishing an "as is" state on current practices, the REs expect to develop a compliance audit checklist from the assessment which can promote more uniformity across the Regions.

As a secondary benefit, the REs further believe that the results of the assessment will provide valuable insights to the training needs as NERC and the REs move to the next phase of the CEI. The REs and NERC have selected Deloitte to perform the work with completion expected by year-end.

Quarterly Report on Performance Metrics

Action

None

Background

NERC staff will present its regular quarterly report to the Committee and stakeholders on compliance statistics to fulfill the Committee's mandate obligations.

Summary

NERC has been working closely with the Regional Entities to develop a more consistent set of enforcement metrics. The first step in the process to develop a more consistent and informative set of enforcement metrics involved a review of the enforcement metrics used by all eight Regional Entities and NERC. This review was essential to establish a common understanding of what is being demonstrated through each particular metric and by each of the Regional Entities. Once an understanding of the metrics used by NERC and the Regional Entities was achieved, the focus shifted to identifying a finite set of metrics that measure the performance (efficiency, quality, effectiveness) of key Compliance Enforcement Authority (CEA) monitoring and enforcement activities that can be produced regularly, consistently, accurately, and with minimal resources for the individual Regional Entities and ERO Enterprise.

The final metrics selected are:

- Overall caseload index that quantifies the time it would take to clear violations in inventory based upon historical processing rates.
- Violations in inventory trending over time.
- Violation aging chart.
- Completed mitigation duration chart.
- Violation aging by disposition method (FFT/SNOP/NOP).

Future initiatives may discuss enhancements or additions to this initial set of metrics.

Once the final metrics were agreed upon, a set of common parameters was developed to ensure that metric measurements by NERC and the Regional Entities remained consistent. Parameters requiring common agreement included violation start date, dismissal date, and violations active and in inventory among the Regional Entities and NERC.

From these common parameters a set of examples demonstrating how the metric results would be presented were generated. NERC and the Regional Entities are currently reviewing the metric examples and presentation format. Once NERC Enforcement Staff and the Regional Entities have agreed upon the presentation format and examples, the newly proposed metrics will be presented to the Board of Trustees Compliance Committee (BOTCC) for their approval.

Agenda

Standards Oversight and Technology Committee

November 6, 2012 | 11:00 a.m.-Noon

JW Marriott New Orleans
614 Canal Street
New Orleans, LA 70130
504-525-6500

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines and Public Announcement

Agenda

1. **Minutes* — Approve**
 - a. August 15, 2012 Meeting
2. **Reliability Standards Status Report***
 - a. Reorganization of NERC's Standards Department
 - b. Review and Analysis of Upcoming Actions on Standards
 - c. Status of Projects
 - d. Projected 2013 Work Plan
 - e. Standards Committee Report
3. **Information Technologies Update***
 - a. ERO Enterprise Strategy, Activities and Challenges
 - b. Princeton Data Center Update
 - c. Future Updates

*Background materials included.

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:

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- 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.

Draft Minutes

Standards Oversight and Technology Committee

August 15, 2012 | 8:30 a.m. Eastern

Hilton Quebec
1100, Rene-Levesque Blvd East
Quebec, QC
Canada G1R 4P3

Chair Ken Peterson convened a duly noticed open meeting of the Standards Oversight and Technology Committee (the Committee) of the North American Electric Reliability Corporation on August 15, 2012 at 8:30 a.m. local time, and a quorum was declared present. The agenda is attached as **Exhibit A**.

Present at the meeting were: All Committee members, being Ken Peterson, Chair, David Goulding, Paul Barber, Tom Berry, Bruce Scherr and John Q. Anderson; Board members, Fred Gorbet, Jan Schori, Vicky Bailey, Janice Case, Roy Thilly; and NERC staff members Gerry Cauley, Michael Walker, Herb Schrayshuen, Marvin Santerfeit, Charlie Berardesco, David Cook, and Tina McClellan.

NERC Antitrust Compliance Guidelines

Mr. Peterson directed the participants' attention to the NERC Antitrust Compliance Guidelines.

Minutes

The Committee approved the May 8, 2012 meeting minutes.

Reliability Standards Status Report

Mr. Schrayshuen provided a status report reviewing the anticipated reliability and regional standards and interpretations to be presented for Board action over the next year (through August 2013). He also reviewed the Summary of Directive Activity through July 2012. Mr. Peterson requested additional information be presented in the summary report that more clearly defines the breakdown of the status of FERC directives.

Standards Committee Report

Mr. Mosher presented highlights from his report contained in the Agenda package. At the conclusion of Mr. Mosher's report, Mr. Peterson led an active discussion on the current standards process, requesting input on potential enhancements, with several areas being identified. Mr. Mosher agreed to relay a summary of comments to the Standards Committee.

NERC Technology Update

Mr. Marvin Santerfeit, director information technology and services, provided an update on NERC technology issues, which included a report on the Compliance Reporting, Analysis, and Tracking System (CRATS) and an overview of the NERC public website enhancements. He noted that violations data was backfilled in webCDMS+ in May, discrepancy reports have been run for all Regions and the clean-up effort is underway and violation document synchronization in SharePoint will occur in fourth quarter 2012.

Standards Oversight and Technology Committee Mandate

Mr. Peterson reviewed the proposed amendments to the Standards Oversight and Technology Committee mandate, and upon motion duly made and seconded, the Committee approved the amendments and recommended approval by the Corporate Governance and Human Resources Committee.

Adjournment

There being no further business, upon motion duly made and seconded, the meeting was adjourned at 9:21 a.m. local time.

Submitted by,

A handwritten signature in black ink, appearing to read 'Charles A. Berardesco', written in a cursive style.

Charles A. Berardesco
Secretary

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Reliability Standards

Standards Oversight and Technology Committee Status Report

November 6, 2012

RELIABILITY | ACCOUNTABILITY



3353 Peachtree Road NE
Suite 600, North Tower
Atlanta, GA 30326
404-446-2560 | www.nerc.com

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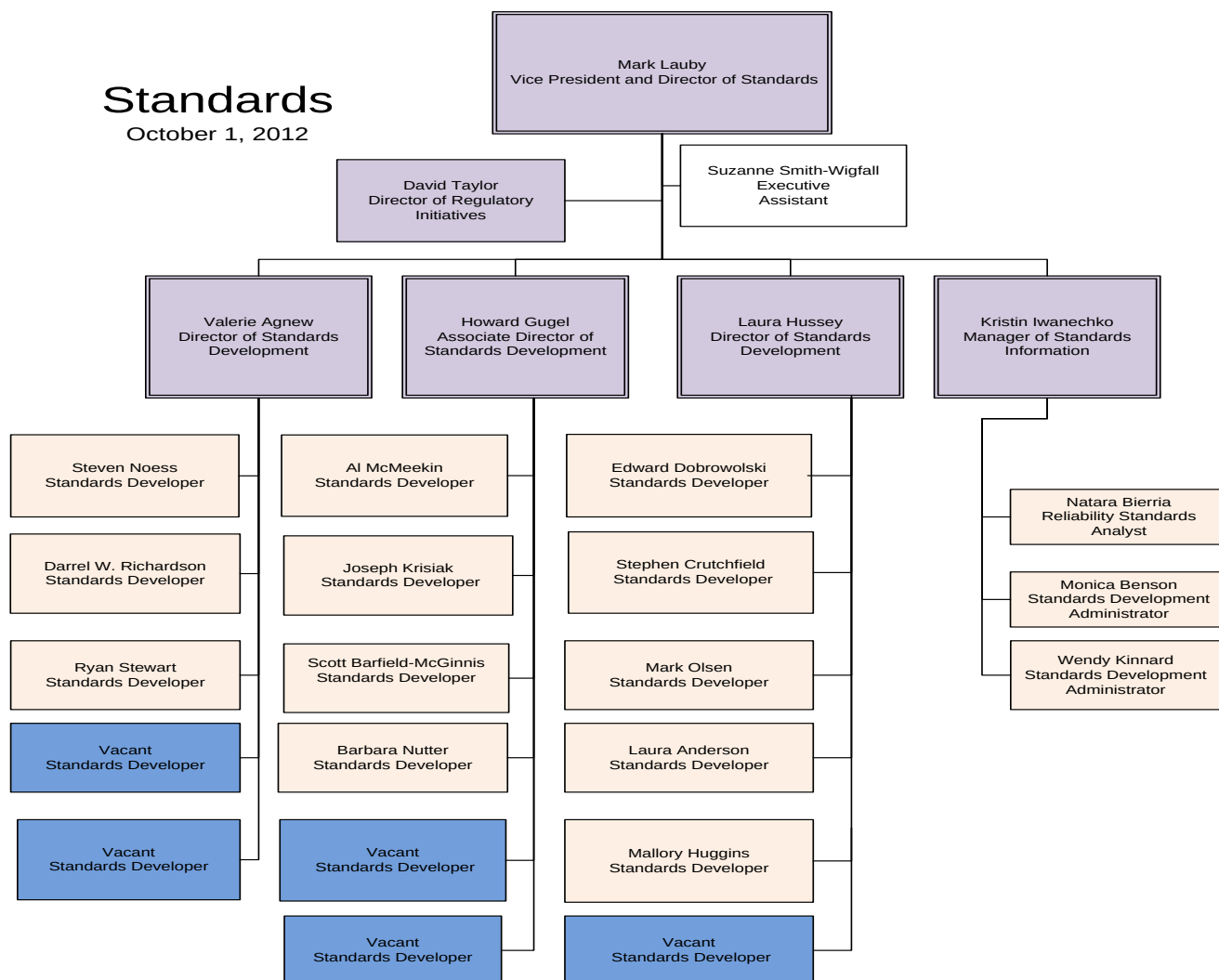
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Standards Organization

As part of NERC's ongoing efforts to ensure the Standards Department increases its effectiveness enabling NERC to achieve the desired results, the Standards Department was reorganized. First, Valerie Agnew, Howard Gugel, and Laura Hussey now lead three Standards Development Teams. The goal of this re-alignment is to unlock the additional production potential from existing resources, along with adding additional resources as budgeted now and in 2013.

Further Kristin Iwanechko will lead a team responsible for Standards Information activities, key in the posting, balloting, and updating of NERC's standards activities on NERC's website. Below is an updated organizational chart, with new team assignments.



Standards Development Forecast (Continent-wide)

Board of Trustees (Board) Meetings Forecast

November 2012

- 2006-06 Reliability Coordination (COM-001 and COM-002)
- Project 2007-17 Protection System Maintenance and Testing – PRC-005-2
- Project 2009-01 Disturbance and Sabotage Reporting – CIP-001 and EOP-004
- Project 2010-INT-01 Interpretation of TOP-006-2
- Project 2009-19 Interpretation of BAL-002-0 R4 and R5
- Other: Standards Process Manual Revisions
- Other: Reliability Standards Development Plan

December 2012

- 2008-06 Cyber Security Order 706¹

February 2013

- 2007-02 Operating Personnel Communications Protocols - COM-0032007-09 Generator Verification
- 2010-14.1 Phase 1 of Balancing Authority Reliability-Based Controls: Reserves (partial for BAL-012; remainder August 2013)
- 2007-12 Frequency Response
- Project 2010-11, TPL Footnote b
- Project 2013-02 Paragraph 81, Phase I
- Project 2012-INT-02 TPL-003-0a & TPL-004-0 for SPCS
- Other: VRF/VSL Revisions

May 2013

- 2010-14.1 Phase 1 of Balancing Authority Reliability-Based Controls: Reserves (remainder)
- 2007-06 System Protection Coordination – PRC-027
- 2010-05.1 Phase 1 of Protection Systems: Misoperations²

¹ See addendum 1 for additional project information.

² Rescheduled to the May BOT meeting to address comments received during the formal comment period and initial ballot that ended on September 7, 2012 with a 37.68% approval rating.

August 2013

- Project 2010-13.2 Generator Reloadability
- Project 2010-17 DBES Phase 2

Additional Information for Selected Projects – See Addendum 1

- 2008-06 Cyber Security Order 706 (CIP V5) – March 2013 filing requirement
- Project 2007-02 – COM-003-1 Operating Personnel Communications Protocols – BOT requested action
- Frequency Response/BARC – May 2013 filing requirement
- TPL footnote b - February 2013 BOT presentation requirement
- TOP standards – BOT requested information

Regulatory Directives — Update

Summary of directive activity 2012 year-to-date:

Summary	
Standards-related directives as of January 1, 2012 (174 Directives from Order 693)	272
Directives issued in 2012 year-to-date	11
Directives filed in 2012 year-to-date	-20
Net	263
% Reduction Y-T-D	3.3%
Directives Issued in 2012	
FERC Order 758	2
FERC Order 759	1
FERC Order 761	2
FERC Order 762	3
FERC Order 763	3
Total Y-T-D	11
Directives Filed or Completed in 2012	
Compliance Filing for Order approving FAC-013-2 (Jan 17)	4
Project 2010-17 Definition of Bulk Electric System (Jan 25)	5
Regional (Feb 1)	1
Informational Filing of NERC in Response to Order 754 (Mar 15)	1
Informational Filing in Compliance with Order No. 758 (Apr 12)	1
Presentation to FERC Staff - Reliability Indicators (June 12)	1
Quarterly report on CIP Version 5 development (July 2)	1
Compliance Filing in Resp. to Order 763 (UFLS)	2
Resolved by NERC/FERC Coordination Effort (Closed #10026 and #10695: Deleted #10601 and #10274)	4
Total Y-T-D	20

Standards Committee Report

This report highlights some of the key activities of the Standards Committee (SC) and its associated subcommittees in support of ERO Enterprise goals. The SC meets monthly and its meeting minutes are posted at <http://www.nerc.com/filez/scmin.html>.

Standards Committee Strategic Vision and Workplan

The SC has formed a small group to work with NERC staff to develop a strategic vision for the SC, which will be used to recommend governance and scope changes to better align the Committee's work with ERO strategic direction. The SC expects to bring this strategic vision, and a work plan that will include metrics and specific milestones, to the Board in February 2013.

Implementation of Standards Process Improvement Group (SPIG) Recommendations 1, 4, and 5

The SC is continuing to implement process improvements recommended by the Member Representatives Committee's (MRC) SPIG to the Board in May. An initial ballot of revisions to the NERC Standard Processes Manual (Appendix 3A of NERC's Rules of Procedure) concluded on October 12 and achieved a 63.17 percent approval and a 87.23 percent quorum. The SC and its subcommittees are analyzing stakeholder comments to identify opportunities to achieve consensus.

In addition, the SC has identified revisions to certain documents that provide guidance to drafting teams as well as procedures that support the standards process. Work on the documents will be finalized after priorities are established in the strategic work plan.

Reliability Standards Development Plan for 2013-2015

In support of developing the Reliability Standards Development Plan (RSDP) for 2013-2015, the SC solicited stakeholder input on new standards development projects for 2013-2015 as well as the prioritization of standards projects. Following these solicitations, the SC discussed three major initiatives for 2013 that collectively address the priorities included in the 2013 Work Plan section of this report. One or more SC members have been assigned to act as liaisons with each initiative.

The RSDP is being revised to incorporate these initiatives prior to filing with regulatory authorities.

Cold Weather Preparedness

To continue ERO efforts to address lessons learned from the February 2011 cold weather event, the SC posted a draft Standards Authorization Request (SAR) for stakeholder comment. The SAR will define the scope and intended reliability benefit of any standards development project. A SAR drafting team is being formed to review stakeholder comments and recommend revisions to the SAR to the SC. The SC chair has also nominated cold weather preparedness as a reliability risk issue for consideration by the Reliability Issues Steering Committee.

Regional Standards Group October 2012 Report

The Regional Standards Group has been disbanded by order of the Executive Management Group. This report highlights the key activities of NERC and the Regions.

Regional Standards Activity–2012

Regional standards and variances filed by NERC with FERC

- IRO-006-TRE-01 - IROL and SOL Mitigation in the ERCOT Region (TRE Regional Standard)
- PRC-006-SERC-01 - Automatic Underfrequency Load Shedding Requirements (SERC Regional Standard)
- PRC-006-NPCC-01 - Automatic Underfrequency Load Shedding (NPCC Regional Standard)

Regional standard adopted by the NERC Board with filings under development for FERC and the applicable Governmental Authorities in Canada

- VAR-001-3 – Voltage and Reactive Control (WECC Variance)

Regional standards and variances approved by Regional Entity Board (not included above)

- MOD-25-RFC-01 *ReliabilityFirst* (RFC) has requested NERC staff to delay filing this standard with FERC until a RFC Board directed evaluation of the need for regional standards is completed. RFC and NERC staff are recommending that the NERC BOT withdraw their approval of MOD-25-RFC-01 that was approved at the November 3, 2011 NERC BOT meeting and direct NERC staff to cease working on appropriate filings of MOD-25-RFC-01 with applicable regulatory authorities.

Regional Standards in Process

2012

- BAL-002-WECC-2
- PRC-006-SPP-01
- BAL-004-WECC-02
- BAL-001-1a WECC Variance

2013

- IRO-006-WECC-02

2013 Work Plan

Along with the current Standards Development Plan, which is being developed in conjunction with an overall review of the standards development process, NERC staff and the Standards Committee plan to address:

1. **All remaining FERC Directives:** An industry Standard Development Team will be requested to address the remaining directives. This will include categorization into high priority items, those already being addressed by the end of the year, and those that no action is required. The goal is to address these with one filing by the end of 2013.
2. **Paragraph 81, Phase II:** Complete the five year reviews and Paragraph 81 Phase II candidates. Phase I of the project identifies Reliability Standard requirements that clearly meet the criteria set forth in the SAR and do not require extensive technical research. Phase II will address Reliability Standard requirements that require additional technical research before retirement or modification. The goal is to seek Board approval of Phase I by February 2013 and Phase II by the end of 2013.
3. **Finish remaining open standards projects:** Establish milestones on all open projects for completion in 2013. Also review the prioritization of currently identified potential projects.
4. **2003 blackout report recommendations:** Review and address recommendations made in the 2003 Blackout Report.

Addendum 1

Additional Information for Selected Projects

2008-06 Cyber Security Order 706 (CIP V5) – March 2013 Filing Requirement

CIP Version 5 includes CIP-002-5 through CIP-009-5, CIP-010-1, and CIP-011-1. The project is committed to a FERC filing deadline of March 31, 2013 (imposed by FERC Order No. 761). Draft 3 of the project was posted for successive ballot from October 1 through October 10, 2012. All ballots passed, with approval ratings ranging from 74.85 percent to 94.00 percent. The anticipated schedule to complete the project is:

- Expected Recirculation: November 2012
- Expected Board consideration: December 2012

The third draft was enhanced to include the ability to correct CIP deficiencies in certain requirements to address the zero defect concerns expressed by commenters.

Potential Issues

The main concern for this standard is achieving the FERC filing deadline. Although success is not certain until the recirculation ballot is complete, the approval ratings for the successive ballot indicate that the recirculation ballots may pass. If the standard does not pass, there are two potential scenarios: 1) all 12 ballots receive at least a 2/3 approval rating during the recirculation ballot, in which case the filing date could be met or 2) one or more of the standards do not receive sufficient approval during the recirculation ballot. As all of the standards must be filed at the same time, even one not receiving approval could delay the project.

Option for Proceeding

In the event that one or more ballots do not receive a 2/3 or higher approval rating during the recirculation ballot, the BOT may determine if an expedited method for completing the standard is necessary in order to meet the deadline.

Project 2007-02 – COM-003-1 Operating Personnel Communications Protocols – Board Requested Action

COM-003-1 addresses using communication protocols when issuing Operating Instructions.³

COM-003-1 is part of a communications package that includes COM-001-2 and COM-002-3.

The third draft of this standard incorporated an entity's ability to correct deficiencies in certain requirements to address the zero defect concerns expressed by commenters. This, in essence, allows industry to find and correct deficiencies without compliance penalty, thereby creating established routines for entities to use for protocols in communications. This standard complements COM-002-3, which requires an entity to use three-part communication whenever an entity identifies a communication as a Reliability Directive.⁴

There is no imposed deadline for this project; however, in February 2012, when the NERC Board adopted the COM-002-2 interpretation, the Board requested that COM-003-1 be expedited:

"FURTHER RESOLVED, that the board directs the Standards Committee to complete developmental activities on proposed Reliability Standard COM-003 on a high priority basis; ..."

The last successive ballot received a 50.57 percent approval rating and thus will require another formal comment period and ballot before it can go to the recirculation ballot. The current state is:

5. Drafting team met the week of October 1 to consider the comments received during the last comment period
6. Next expected formal comment period and ballot: October/November 2012
7. Recirculation: December 2012 or January 2013
8. Expected Board consideration: February 2013

Potential Issues

The main concerns for this standard is 1) the time it may take to complete and file the COM package and 2) if the standard is not completed, whether COM-002-3 is sufficient for reliability without COM-003-1.

The purpose of the COM-002-3 is *"To ensure Emergency communications between operating personnel are effective."* However, the standard does not require any emergency communications be identified as a Reliability Directive unless action by the recipient is necessary to prevent or limit the failure of transmission facilities or generation supply that

³ Operating Instruction —Command from a System Operator to change or preserve the state, status, output, or input of an Element of the Bulk Electric System or Facility of the Bulk Electric System.

⁴ Reliability Directive: A communication initiated by a Reliability Coordinator, Transmission Operator, or Balancing Authority where action by the recipient is necessary to address an Emergency or Adverse Reliability Impact.

could adversely affect the reliability of the Bulk Electric System (BES) or address the impact of an event that results in BES instability or cascading. Thus, there may be very limited situations in which a registered entity identifies a communication as a Reliability Directive, leaving the majority of communications not subject to requirements to use either three-part communication or other communication protocols. Therefore, COM-002-3 may not be sufficient for reliability without COM-003-1.

Proceeding with COM-001 and COM-002

Currently, NERC is seeking Board adoption of the proposed COM-001-2 and COM-002-3 standards and will file with regulatory authorities for approval after Board adoption.

Options for Proceeding with COM-003

1. The proposed COM-003 standard is proceeding through the standards development process and is anticipated to be presented to the Board for adoption at the February 2013 meeting. That standard will be filed with regulatory authorities for approval upon Board adoption.
2. If the COM-003 standard fails the industry ballot, based on the result, the BOT may determine if an expedited method for completing the standard is necessary.

Frequency Response / BARC – May 2013 Filing Requirement

In Order No. 693 (March 2007), the Commission approved BAL-003-0 and directed NERC to develop a modification to BAL-003-0 through the Reliability Standards development process that *“defines the necessary amount of Frequency Response needed for Reliable Operation for each balancing authority with methods of obtaining and measuring that the frequency response is achieved.”* The standard drafting team (SDT) for Project 2007-12 is developing a revision to the BAL-003 standard that will address the first part of the directive (i.e., *“define the necessary amount of Frequency Response needed for Reliable Operation for each Balancing authority”*). The Project 2010-14.1 SDT is developing a proposed BAL-012-1 standard that will address the second part of the directive (i.e., *“with methods of obtaining and measuring that the frequency response is achieved.”*).

The deadline for responding to the Order No. 693 directives is May 31, 2013. Both SDTs are on schedule to deliver to the Board no later than its May 9, 2013 meeting.

Potential Issues

The primary concern is whether the standards will achieve necessary industry consensus in order for NERC to meet the FERC filing deadline. NERC has been working on developing a Frequency Response Standard since 2007 and is currently under a Commission deadline to file a revised standard by no later than May 31, 2013.

Options for Proceeding

The standards are expected to be approved through the existing process and the scheduled ballots. If the necessary consensus is reached by the final ballot, NERC staff will present the draft standard(s) to the Board for approval at the May 9, 2013 Board meeting and file them with FERC by the May 31, 2013 deadline.

In the event that the successive ballots do not receive a 2/3 or higher approval rating, the BOT may determine if an expedited method for completing the standard is necessary in order to meet the deadline.

TPL footnote b - February 2013 Board Presentation Requirement

On April 19, 2012, FERC issued Order No. 762 remanding NERC's proposed Transmission Planning (TPL) Reliability Standard TPL-002-2b. The TPL-002-2b standard includes a provision (*footnote b*) that provides for planned load shed for a single contingency provided that the plan is documented and alternatives are considered and vetted in an open and transparent stakeholder process. In its remand, the Commission determined that the proposed footnote is vague, unenforceable, and not responsive to the directives.

The Project 2010-11, TPL Table 1, footnote b standard drafting team is revising footnote b responsive to Order No. 762. The initial comment and ballot (last 10 days of comment period) is scheduled for October 5 through November 19.

There is no regulatory deadline to respond to Order No. 762. However, NERC has committed to filing a revised *footnote b* by February 2013. To meet this deadline, in order to complete the balloting process, the time period will be reduced from the usual 30 days to 15 days. Assuming approval of the revised *footnote b*, NERC staff will ask the Board for approval at the February 7, 2013 meeting.

Potential Issues

The primary challenge is to achieve the necessary industry consensus for the revised *footnote b* to meet the target filing date of February 2013. To meet the NERC schedule, there is no time for additional ballots beyond those included in the project schedule.

Options for Proceeding

The standards are expected to be approved through the existing process and the scheduled ballots. If the necessary consensus is reached by the final ballot, NERC staff will present the revised *footnote b* to the Board for approval at the February 9, 2013 meeting, and file with the Commission by the end of February. If the revised *footnote b* does not achieve the necessary consensus by February 2013, the BOT may determine if an expedited method for completing the standard is necessary in order to meet the deadline.

TOP standards – Board Requested Information

Project 2007-03 - Real-time Transmission Operations

At its May 2012, the Board approved the following proposed reliability standards and Implementation Plan addressed in Project 2007-03:

- Reliability Standard TOP-001-2 Transmission Operations, effective consistent with the Implementation Plan for Project 2007-03;
- Reliability Standard TOP-002-3 Operations Planning, effective consistent with the Implementation Plan for Project 2007-03;
- Reliability Standard TOP-003-2 Operational Reliability Data, effective consistent with the Implementation Plan for Project 2007-03;

At the time of approval, the BOT asked NERC staff to review the TOP standards with regards to Interconnection Reliability Operating Limits (IROLs) and ensuring that the lessons learned from the Pacific Southwest blackout were addressed by the standards.

Potential Issues

The main question for these standards is whether the newly approved standards meet or exceed the currently effective TOP standards in supporting the reliability of the bulk power system, based on lessons learned from the Pacific Southwest blackout. In the event it is determined the newly approved TOP standards should be remanded for additional work due to identified reliability gaps, the delay in the regulatory filing would also delay the regulatory filing of the Board approved IRO standards.

NERC is currently conducting an internal review to determine if any reliability gaps are identified.

Options for Proceeding

1. If it is determined that no reliability gaps are created by the newly approved TOP standards, proceed with the regulatory filing.
2. If it is determined that reliability gaps are created by the newly approved TOP standards, either:
 - Proceed with the regulatory filing and propose a phase 2 to address the reliability gaps, or
 - Request the Board to remand the TOP standards for additional work and hold the regulatory filing of the IRO standards pending subsequent approval of the revised TOP standards.

Project 2010-INT-01 Rapid Revision of TOP-006-2 in Response to FMPP's Request for Interpretation

A related issue is the revision of TOP-006-2, which addressed two questions originally raised through the interpretation process:

- For Requirement 1.2, since the Balancing Authority (BA) is not responsible for transmission, is the BA responsible for reporting generation resources available for use and is the Transmission Operator (TOP) responsible for reporting transmission resources that are available for use?
- For Requirement 3, does “*appropriate technical information concerning protective relays*” refer to protective relays for which the entity has responsibility?

Potential issues

There are two existing Compliance Application Notices (CANs) on the topics covered by these revisions. CAN-0026 addresses protective relay information referenced in Requirement R3, and CAN-0028 addresses the reporting responsibilities of the TOPs and BAs referenced in Requirement R1.2.

Proposed TOP-006-3 differs from CAN-0026 in that it specifies entities need to provide technical information for protective relays within their respective areas, whereas the CAN, based on TOP-006-2, specifies that the Compliance Enforcement Authority (CEA) will assess compliance based on whether the entity provided technical information for protective relays that may impact the RC, TOP, or BA, regardless of whether the entity has ownership or maintenance responsibility for those relays.

Proposed TOP-006-3 differs from CAN-0028 in that reporting responsibilities differ. The proposed standard provides that BAs report generating resources available for use to the RC; the CAN, based on TOP-006-2, specifies that the CEA will assess compliance based on whether the entity also provided reporting to other affected BAs and TOPs. Regarding TOPs, the standard requires reporting to the RC and other affected TOPs; the CAN specifies that the CEA will assess compliance based on whether the entity also provided reporting to other affected BAs.

This project was pursued in parallel with a larger project (Project 2007-03) that is revising the suite of TOP standards and which addresses the issues in question.

Information Technology Update

Marvin Santerfeit, Director of Information Technology and Services
Standards Oversight and Technology Committee
November 6, 2012

RELIABILITY | ACCOUNTABILITY



- ERO Enterprise Strategy, Activities, Accomplishments and Challenges
- Princeton Data Center Update
- Future Updates

- Technology solution for common ERO applications and data needs hosted in the cloud
- Individual vendor contracts versus one size fits all for every specific application
- Well-defined application interface for simplified integration
- Improve efficiency and cost management across ERO applications and databases

Four key ERO PMO initiatives:

- Event Information Data System (EIDS) – RFP November 2012
- CRATS – Violation document synchronization in SharePoint for all Regions
- Bulk Electric System Exception –RFP November 2012
- Reliability Assessment Database – Project Charter under review by Project Sponsors

- Single repository of consistent data across the ERO
- Provide (secure) access to industry, promote culture of learning
- Investment in hardware, software, data analysis
- Phase I investment reflected in 2013 Business Plan and Budget

- Restructured and strengthened IT resource support following industry best practices
- Developed long term Enterprise IT strategy and architecture plan
- Renegotiated enterprise software and service support agreement to achieve significant savings
- Established processes and controls to enhance technology decision-making and project management
- Implemented SharePoint 2010
 - Deployed application supporting Regional Entity CMEP reporting
 - Additional applications in process

- Building NERC and Regional Entity consensus on application priorities and requirements
- Balancing operating area needs against the resources and timeframe required to fully execute on IT strategy
- Significant infrastructure start up and maintenance cost; will be closely monitored and managed
- Can't be rushed: "Garbage In - Garbage Out"

- 50 Legacy applications/59 SQL databases
 - 4 retired/7 may be moved to vendors
 - 15 applications will be moved by NERC IT
- Management is conducting an in-depth analysis of remaining applications
- Dell selected to assist in analysis and transition of remaining essential applications

- ERO centralized “Co-Operative” application/database strategy
- Cloud vendor capability and presentation
- ERO Enterprise application status
- Data Warehouse Phase I kick-off
- Relocation or shut down of remaining applications in Princeton



Thank you

Member Representatives Committee

November 6, 2012 | 1:00-5:00 p.m. Central

JW Marriott New Orleans

614 Canal Street

New Orleans, LA 70130

504-525-6500

Notes de Sylvain

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines and Public Meeting Notice

Consent Agenda

1. Minutes* — Approve

- a. October 5, 2012 Conference Call
- b. August 15, 2012 Meeting

- *Approved unanimously.*

2. Future Meetings*

- *May 2013 moved from Philadelphia to Boston.*

3. Elections and Nominations*

- a. Election of MRC Officers for 2013 and Sector Elections

- *John A Anderson elected as vice-chair*
- *Carol Chinn elected as chair*

- b. Update on MRC Sector Nominations and Election

- c. Update from the Board of Trustees Nominating Committee

- *Nominating Committee met yesterday and selected a slate of candidates to go to interviews at the beginning of December.*

4. Remarks from Gerry Cauley, NERC President and CEO

- a. Strategic initiatives
- b. FERC restructuring

- *Gerry noted that the 2013 Budget and Business Plan was approved by FERC last Friday. He really appreciated the order.*
- *For the GMD NOPR, Gerry noted it is a natural demonstration of the tension of the roles of regulators, the ERO and industry. It is a test of “getting this done” and of the standard process.*

- *Gerry said he appreciates the creation of the new Office at FERC. It is the next logical step. He looks forward to work with Joe McLelland, the director.*
- *On CIP version 5 ballots, Gerry said it was a good demonstration that we have good focus, we can get results.*
- *On the compliance and standard, Gerry started by saying that when Hurricane Sandy hit, it reminded him of the importance of reliability. But our job is addressing things we can control and making sure failures don't happen again. He keeps hearing from CEOs that we don't seem to get reliability benefits in relations with the investment on compliance (risk and benefits). The current course is not a sustainable model because if costs and compliance burdens outweigh reliability benefits, then it's not a sustainable model. We need to change course. In the compliance aspect, we need to demonstrate compliance every day, every hour for every transaction. What records should really need to keep? It creates a separate parallel universe of compliance documentation from operations. There must be a better way. We assume that every violation must be processed and filed at FERC. For enforcement, we need this to be a strategic process. In many respects, we're completely re-modelling our compliance and enforcement processes. He thinks the March 2013 filing is a possible goal, but we do have to be careful to gain sufficient inputs from stakeholders and industry to ensure design will be effective.*
- *For the standard part, Gerry said he believes the work of SPIG, RISC activity, SPM modifications get at a number of key issues and are positive steps. We can't let the rigour of the standards process from performing work on a timely basis. We're just looking for accountability from SC to Board. First piece is modifying the governance. Second piece is making SDTs smaller and populated by the right participants. Third piece is re-thinking work flow and timeline. We need to structure work to tackle challenges more effectively and directly (e.g. retirement of standards, addressing outstanding directives, moving to results-based standards). These are all doable. We're close to finish line, in terms of achieving necessary reform.*
- *He acknowledged that the compliance piece will be much more difficult.*

5. Status Reports on Policy Initiatives*

a. Standards process reform

i. Standards Process Input Group (SPIG)

- *Mark Lauby makes a presentation about the changes at the standard development process and conclude by saying he suggests the MRC support the resolution for the Board.*
- *John Seelke disagrees that the process is working. It not working because it is not designed to work. Is it a matter a better management issue? We need to understand what is not working before trying to fix it.*
- *Jason Marshall supports the proposal but sees issues. What is clear, excellent standard? What does a good reliability requirements look like? About small drafting team, it is not the first time we try it. We must figure out what is at play.*

- *Berry Lawson wants more on the accountability to the board vs the accountability of the SC members to their organization. He would like to see a little more balance on this issue.*

b. Compliance Enforcement Initiative

i. CEI Endstate Input Group

- *Earl Shockley, Senior Director of Compliance Operations makes a presentation on a road map to a refined program. We start with documenting everything as Gerry said. It is a “zero defect approach” where all findings are treated equally. We have an inflexible audit design – one size fits all approach. It happened that we spend 32k\$ to deal with a 7k\$ penalty violation with no impact on reliability.*
 - *A sustainable model includes:*
 - *Consolidated alignment of the ERO Enterprise*
 - *Working with Industry to identify and mitigate risk*
 - *Distinctions in the application of compliance and enforcement given the risk to reliability*
 - *We want to rebrand Compliance Enforcement Initiative (CEI) to Reliability Assurance Initiative to reflect actions like the FFT.*
 - *Change state elements:*
 - *Restyle the compliance monitoring approach*
 - *Establish compliance data requirements*
 - *Define compliance and enforcement flow*
 - *Redesign the enforcement strategy*
 - *Auditors could also evaluate the internal controls in place and would adjust the audit accordingly.*
- *Carol Chinn talked about the working group of the MRC that worked on that.*
- *Tom Bowes expected more details at this point. Spreading the group to include regions will make things move. We must have people in a room to exchange ideas.*
- *Gerry Cauley advised stakeholders not to fear the targeted March 2013 deadline. He hasn’t heard disagreement from senior industry executives that current course is unsustainable. The key item now is therefore determining how we – between now and March – finalize a desired endstate and ensure it can gain industry support. (He emphasized that this does not mean NERC will be turning this into a consensus process. NERC is ultimately responsible for compliance). Gerry also expressed a preference for sticking with the targeted deadline.*

c. ERO Scope of Activities Input Group

- *Mike Walker reviewed the six key objectives of this group (see the presentation slides).*
- *With respect to the Section 215 guidelines that are being developed, they will be posted for public posting and comment (later this month). Additional informal input from industry will also be sought prior to submittal of these guidelines to FERC on Feb. 1, 2013. Mike Walker also stressed that, just because an activity is indicated as falling within section 215, that does not necessarily mean that this activity will be undertaken by NERC.*

- *One stakeholder (Bill Gallagher) stressed that this exercise should not seek to put NERC into a box and unreasonably tie NERC's hands.*

6. Initial Report on Reliability Issues Steering Committee (RISC) Activities Priorities*

- *Christine Schwab presented the RISC mission, activity and tools. The RISC will continue to develop the contextual framework to prioritize.*
- *RISC provided input on the Cold Weather SAR.*

7. Discussion and Policy Input for Select Standards Projects*

a. Review of select Reliability Standards projects

- *On the Cold Weather SAR, Berry Lawson asks what will be the way forward considering the RISC recommends this should not be a standard and there is a SAR.*
- *Allan Mosher said the SC will not decide the priority or whether it should be a standard.*
- *Tom Bowes doesn't see that as a contradiction. OC will work to prepare this winter.*
- *John Seelke believes it is a section 215 issue (within NERC's role).*

b. Reliability Standards status report

- *17 projects active*
- *14 completed Q2 2013 (projected)*
 - *4 have additional phases*
- *7 projects active Q3 2013 (projected)*
- *Currently 263 directives are pending resolution*
- *89 projected 2012 filings NERC Board adoption*

c. Adequate Level of Reliability

- *Allan Mosher presented the revised Definition on ALR.*
- *Ed Schwerd congratulates Allan's team and appreciates the nuanced approach. He believe outside this room these nuances may be ignored or overlooked and could ignite unnecessary fires. He suggests retiring the assessment objectives. He wants to retain them, but independently/outside of the revised definition itself.*
- *Gerry struggles with the fact that the definition is deterministic in a sense that if the system performs as designed then it is ok. He is not suggesting going to a probabilistic assessment, but that would deal with issue like GMD and risks. For example, if a relay setting causes often grief but performs as designed shouldn't we be doing something?*

8. Revisions to Rules of Procedure Appendix 4D on Technical Feasibility Exception*

- *It will be filed with regulatory authorities early 2013*

9. Additional Discussion of MRC Informational Session Items, October 30

10. Follow-Up Activities from the Arizona-Southern California Outage*

11. Regulatory Update*

12. Comments by Outgoing Chair and Chair-Elect

Sylvain Clermont

6 novembre 2012

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File Type	Item	Description
Acrobat Acrobat	Agenda Package-Complete	Member Representatives Committee Meeting -- November 6, 2012 Presentations - NEW
Acrobat	Agenda Only	Agenda Only -- November 6, 2012
Acrobat	Agenda Item 1a	Draft Minutes --October 5, 2012
Acrobat	Agenda Item 1b	Draft Minutes -- August 15, 2012
Acrobat	Agenda Item 2	Future Meetings
Acrobat	Agenda Item 3a	Election of MRC Officers for 2013 and Sector Elections
Acrobat	Agenda Item 3b	Update on MRC Sector Nominations and Election
Acrobat	Agenda Item 3c	Update from the Board of Trustees Nominating Committee
Acrobat Acrobat Acrobat	Agenda Item 5a Attachment 1 Attachment 2	Standards Process Reform Resolution Supporting Proposal
Acrobat Acrobat Acrobat	Agenda Item 5b Attachment 1 Attachment 2	CEI Update Compliance Enforcement Initiative - Milestone Deliverables Draft White Paper
Acrobat Acrobat Acrobat	Agenda Item 5c Attachment 1 Attachment 2	ERO Scope of Activities Input Group 2013 and 2014 Business Planning and Budget Preparation Schedule NERC Bylaws
Acrobat	Agenda Item 6	Initial Report on Reliability Issues Steering Committee Activities Priorities
Acrobat Acrobat	Agenda Items 7a and b Attachment 1	Standards Status Items Reliability Standards Report
Acrobat	Agenda Item 7c	Adequate Level of Reliability Definition and Technical Report

Acrobat	Attachment 1	Definition of Adequate Level of Reliability
Acrobat Acrobat Acrobat Acrobat	Agenda Item 8 Attachment 1 Attachment 2 Attachment 3	Proposed Revisions to TFE Exception Process Summary of Proposed Revisions Redline of Proposed Revisions Notice of Proposed Revisions to NERC Rules of Procedure, Appendix 4D
Acrobat Acrobat Acrobat	Agenda Item 10 Attachment 1 Attachment 2	Follow-up Activities from the 2011 Southwest Outage Email Letter from Mark Maher, WECC to NERC President and CEO, Gerry Cauley WECC Response to September 8, 2011 Southwest Outage
Acrobat	Agenda Item 11	Regulatory Update
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A New Jersey Nonprofit Corporation

Board of Trustees

November 7, 2012 | 8:00 a.m.-Noon Central

JW Marriott New Orleans

614 Canal Street

New Orleans, LA 70130

504-525-6500

Notes de Sylvain

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines and Public Announcement

Consent Agenda — Approve

1. Minutes*

a. August 16, 2012

2. Committee Membership Appointments and Charter Amendments *

3. Future Meetings*

- *Dave Nevius is retiring. The Board approves resolution to convey its deepest recognition for its commitment to reliability.*
- *The consent agenda is approved.*

Regular Agenda

4. Welcoming Remarks by Rod West, Executive Vice President, Chief Administrative Officer, Entergy

5. Remarks by Commissioner Cheryl LaFleur

- *I get a lot from attending these meetings. She highlights the recent NOPR on GMD to require NERC to submit standards to prepare for solar storm. Clearly FERC has the power under section 21. She knows it is a lot of work to write these standards. She tries not to ask for unrealistic outcomes.*
- *She reflects on the conversation at the MRC about compliance, reliability and standard. She especially likes the push to make the system more sustainable. Tensions are built into the model by virtue of 215 and industry participation but we should make it sustainable. It is like solving the Gordian knot of entities fearing the compliance part. She invites for changes, not only tweaking the edge.*
- *As for the new name for Compliance Enforcement Initiative (Reliability Assurance Initiative), she appreciates the approach based on risk instead of just checking boxes. Her concerns are that the whole process must be audited (not necessary at the box checking level). It must be more than a name change and must be able to know things are getting better.*

6. President's Report

- *Gerry thanks Commissioner LaFleur and the Commission for the budget and business plan approval. We must shift away from programs to the value proposition (shifting from talking about ourselves to having impact on reliability). A key enabler to this is risk*

evaluation. And so is Event analysis with information from industry. We must look at actual performance. Are the standards adequate? Can we identify any gap that would have prevented the event? We should be able to measure our success by reliability improvements.

- *He sees 2 major challenges*
 - *We must get standards right. And get the accountability right. We must have active control and leadership.*
 - *As for compliance, he appreciates all the inputs. It is not only about efficiency but having an impact on reliability.*

7. Standards*

a. Proposed Continent-wide Standards for Adoption

i. COM-001-2—Communications — Adopt

- *Approved without discussion.*

ii. COM-002-3—Communication and Coordination — Adopt

- *Not withholding the other COM standards. They will come later.*
- *Is there a shift going to COM-002-3 and it may it affect operations. How does it fit with COM-003?*
- *John Seelke explains two protocols in parallel. There must be a determination of the mode we are in to choose the right protocol.*
- *Approved unanimously.*

iii. COM-003-1—Operating Personnel Communications Protocols — Update

- *Covered in COM-002-3*

iv. PRC-005-2—Protection System Maintenance — Adopt

- *Approved without discussion.*

v. EOP-004-2—Event Reporting — Adopt

- *In response to Order 693*
- *Approved without discussion.*

vi. Project 2008-06 – Cyber Security, Order 706 (CIP Version 5) — Update

- *Nothing reported.*

b. Proposed Interpretations and Standards Addressing Interpretation Requests for Adoption

i. Rapid Revision of TOP-006-2 in response to FMPP Request for Interpretation — Adopt

- *Approved without discussion.*

ii. Interpretation of BAL-002-0 R4 and R5 by NWPP Reserve Sharing Group — Adopt

- *Approved without discussion.*

c. Proposed Regional Standards for Action

i. PRC-006-SPP-01 — SPP Automatic Underfrequency Load Shedding — **Adopt**

- *Roy Thilly explains that we should focus on continent wide standards.*
- *Members have a discussion on whether there should be regional standards at all.*
- *Concerns that the national standard may be inadequate and that we are writing regional standards to address the inadequacy. John Q Anderson reminds everyone that during ballot the regional standard had strong support.*
- *Approved*

ii. BAL-002-WECC-1 Order 740 Remand — **Adopt**

- *Approved without discussion.*

iii. MOD-025-RFC-01—Verification and Data Reporting of Generator Gross and Net Reactive Power Capability — **Withdraw Approval**

- *Approved without discussion.*

d. Proposed Definition for Action

i. Definition of Adequate Level of Reliability — **Discussion**

- *Was discussed yesterday at the MRC meeting.*
- *Gerry likes the definition and thanks the team and reminds the remarks he made at the MRC yesterday.*
- *Dave Goulding likes the definition, but we should determine what we will do with it before approving it.*
- *It thus was not put to vote.*

e. Reports for Action or Information

i. Report on Standards Process Improvements — **Approve**

- *The resolution is approved with the understanding that the Board is not approving the associated White Paper.*

8. ReliabilityFirst Corporation Bylaws Amendments to Reflect New 501(c)(3) Status — Approve

- *Approved without discussion.*

9. 2012 Frequency Response Initiative Report — Review and Accept

- *Approved*

10. Critical Infrastructure Update — Information

a. CIP Activities

b. Electricity Sector Information Sharing and Analysis Center (ES-ISAC): Security Brief

Committee Reports* (Item 11)

- a. Operating Committee
- b. Planning Committee
- c. Critical Infrastructure Protection Committee
- d. Member Representatives Committee
- e. Personnel Certification Governance Committee
- f. Reliability Issues Steering Committee
- g. Standards Committee
- h. Compliance and Certification Committee
- i. Electricity Sub-Sector Coordinating Council

Forum and Group Reports* (Item 12)

- a. North American Energy Standards Board
- b. Regional Entity Management Group
- c. North American Transmission Forum
- d. North American Generator Forum

Board Committee Reports**13. Corporate Governance and Human Resources**

- a. Finance and Audit Committee Mandate —**Approve**
- b. Standards Oversight and Technology Committee Mandate —**Approve**

14. Compliance**15. Finance and Audit**

- a. Third Quarter Statement of Activities and Year-end Forecasts — **Accept**
- b. Exercise of Option for Atlanta Office Space —**Approve**

16. Nominating**17. Standards Oversight and Technology**

Sylvain Clermont
7 novembre 2012

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Agenda Items		
File Type	Item	Description
Acrobat Acrobat Acrobat Acrobat	Agenda Package - Complete	Board of Trustees Meeting --November 7, 2012 - UPDATED Presentations - NEW Policy Input - NEW Schedule of Events - NEW
Acrobat		Agenda Only - November 7, 2012 = UPDATED
Acrobat	Agenda Item 1	Board of Trustees Draft Minutes -- August 15, 2012
Acrobat	Agenda Item 2a	PCGC Membership Appointment - ADDED
Acrobat	Agenda Item 2b	CIPC Membership Appointments
Acrobat	Agenda Item 3	Future Meetings
Acrobat	Agenda Item 7	Standards
Acrobat Acrobat	Agenda Item 8 Attachment 1	Proposed Amendments to RFC Delegation Agreement RFC Amended and Restated Bylaws
Acrobat	Agenda Item 9	2012 Frequency Response Initiative Report
Acrobat Acrobat	Agenda Item 10a Agenda Item 10b	Critical Infrastructure Update — CIP Activities Electricity Sector Information Sharing and Analysis Center (ES-ISAC) Security Brief
Acrobat Acrobat	Agenda Item 11a Agenda Item 11b	Operating Committee Report Planning Committee Report
Acrobat	Agenda Item 11c	Critical Infrastructure Protection Committee Report
Acrobat Acrobat Acrobat Acrobat	Agenda Item 11e Agenda Item 11f Agenda Item 11g Agenda Item 11h	Personnel Certification Governance Committee Report Reliability Issues Steering Committee Report Standards Committee Report Compliance and Certification Committee Status Report
Acrobat	Agenda Item 11i	Electricity Sub-Sector Coordinating Council Report
Acrobat Acrobat	Agenda Item 12b Agenda Item 12c	Regional Entity Management Group Report North American Transmission Forum Report

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From: [Tina Buzzard](#)
To: [Tina Buzzard](#)
Subject: NERC: UPDATED - POSTED: Board of Trustees, Board Committees, and MRC Meeting Agendas
Date: Wednesday, October 24, 2012 11:24:45 PM

UPDATED

Meeting Agendas — Posted

November 6-7, 2012 | New Orleans, LA

**[Corporate Governance and Human Resources Committee
Conference Call Agenda](#)**

October 29, 2012 – 3:00 p.m. Eastern

[Member Representatives Committee Informational Webinar - ADDED](#)

October 30, 2012 – 11:00 a.m. Eastern

[Finance and Audit Committee Conference Call Agenda](#)

October 31, 2012 – 11:00 a.m. Eastern

[Compliance Committee Meeting Agenda](#)

November 6, 2012 – 9:15 a.m. Central, New Orleans, LA

[Standards Oversight and Technology Committee Meeting Agenda](#)

November 6, 2012 – 11:00 a.m. Central, New Orleans, LA

[Member Representatives Committee Meeting Agenda - ADDED](#)

November 6, 2012 – 1:00 p.m. Central, New Orleans, LA

[Board of Trustees Meeting Agenda](#)

November 7, 2012 – 8:00 a.m. Central, New Orleans, LA

For more information or assistance, please contact [Tina McClellan](#) (via email) or 404-446-2564.

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Reliability Issues Steering Committee (RISC)

Agendas, Highlights, and Minutes			
File Type	Size	Date	Description
Acrobat Word Acrobat Word	202 KB 41 KB 123 KB 354 KB	10/24/12 10/24/12 11/01/12 10/24/12	Reliability Issues Steering Committee - November 7, 2012 (New Orleans, LA) RISC Meeting Agenda - November 7, 2012 (New Orleans, LA) 1.a - RISC Strategic Focus Exercise 1.a - RISC Strategic Focus Exercise - Consolidated Results 1.b - Reliability Issue Report - Cold Weather Preparedness
Acrobat Word Acrobat Acrobat	200 KB 36 KB 233 KB 233 KB	10/04/12 10/04/12 10/05/12 10/05/12	Reliability Issues Steering Committee - October 22, 2012 (Atlanta, GA) RISC Meeting Agenda - October 22, 2012 (Atlanta, GA) RISC Strategic Focus Exercise - October 22, 2012 (Atlanta, GA) RISC Nomination Form - A. Mosher RISC Nomination Form - A. Ireland
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Agenda Reliability Issues Steering Committee

November 7, 2012 | 12:15pm– 5:00pm

JW Marriott New Orleans Hotel
614 Canal Street
New Orleans, LA

Welcome, Introductions, and Chair's Remarks

NERC Antitrust Compliance Guidelines and Public Announcements

Agenda

1. Unfinished Items

- a. Prioritize all strategic risk categories
- b. Review Cold Weather Report (limited to 15 minutes of discussion)

2. Action Item Review

3. Future Meetings

- a. December 17, 2012 – Tampa, FL (Tentative)
- b. January 24, 2013 – Houston, TX (Tentative)
- c. Additional meetings TBD

4. Adjourn

REMINDER: As mentioned previously, NERC will be hosting a Reliability Issues Information Sharing Conference in Washington, DC, on November 28, 2012. Members of the RISC are cordially invited to attend, and will be offered reserved VIP seating to encourage your active participation.

Note: No new Reliability Issue Nominations were received prior to the October 24 posting deadline. Any nomination received after this date will be reviewed at a future meeting of the RISC.

From: NERC Standards Announcements (Do Not Reply) <NERC-StandardsAnnouncements-DoNotReply@nerc.net>
Sent: Monday, September 10, 2012 9:00 AM
To: monica.benson@nerc.net
Subject: NERC: Standards Bulletin - September 10-16, 2012

Standards Bulletin

September 10-16, 2012

This weekly bulletin compiles a list of current and upcoming standards, interpretations, and other standards items posted for industry comment or ballot, along with recent FERC approvals and upcoming standards-related postings and events. Please email [Monica Benson](mailto:Monica.Benson@nerc.net) with questions about standards commenting and balloting and [Mallory Huggins](mailto:Mallory.Huggins@nerc.net) with feedback on this bulletin.

The current bulletin is always available on the [Standards Under Development page](#), and previous bulletins are available on the [Standards page](#).

If you would like to be added to the distribution list for a particular standards project to stay informed about drafting team meetings and calls, please email [Mallory Huggins](mailto:Mallory.Huggins@nerc.net).

STANDARDS ITEMS

Current Ballots (ballot periods close at 8 p.m. ET)

- [Project 2006-06: Reliability Coordination](#) (COM-001) – Open September 6-17, 2012 ([Recirculation Ballot](#))
- [Project 2007-02: Operating Personnel Communications Protocols](#) (COM-003-1) – Open September 11-20, 2012 ([Successive Ballot and Non-binding Poll](#))

Posted for Comment (comment periods close at 8 p.m. ET)

- [Definition of Adequate Level of Reliability](#) – Open August 15 - September 13, 2012 ([Comment Form](#))
- [2013-2015 Reliability Standards Development Plan](#) – Open August 17 - September 18, 2012 ([Comment Form](#))
- [Project 2007-02: Operating Personnel Communications Protocols](#) (COM-003-1) – Open August 22 - September 20, 2012 ([Comment Form](#))
- [Project 2009-01 — Disturbance and Sabotage Reporting](#) – Open August 29 – September 27, 2012 ([Comment Form](#))

- [Regional Reliability Standard PRC-006-SPP-01](#) – August 15 - September 28, 2012 ([Comment Form](#))
- [Order 754](#) – Open August 31 - October 5, 2012 ([Data Request for Transmission Planners – Acknowledgement](#))
- [Regional Reliability Standards: MRO Standards Process Manual](#) – Open August 28 - October 11, 2012 ([Comment Form](#))
- [Standard Processes Manual Revisions to Implement SPIG Recommendations](#) – August 29 – October 12, 2012 ([Comment Form](#))
- [Revisions to Outstanding VRFs and VSLs](#) – September 5 - October 19, 2012 ([Comment Form](#))

Join Ballot Pools (ballot pool windows close at 8 a.m. ET)

- [Standard Processes Manual Revisions to Implement SPIG Recommendations](#) – August 29 –September 28, 2012 ([Join Ballot Pool](#))
- [Revisions to Outstanding VRFs and VSLs](#) – September 5 - October 4, 2012 ([Join Ballot Pool](#))

Pending Ballots (ballot periods close at 8 p.m. ET)

- [Project 2009-01: Disturbance and Sabotage Reporting](#) (CIP-001 and EOP-004) – Open September 18-27, 2012 ([Successive Ballot and Non-binding Poll](#))
- [Standard Processes Manual Revisions to Implement SPIG Recommendations](#) – October 3-12, 2012 ([Initial Ballot](#))
- [Revisions to Outstanding VRFs and VSLs](#) – October 10-19, 2012 ([Non-binding Poll](#))

Standard Drafting Team Vacancies

Any industry stakeholders interested in participating on a standards drafting team can view vacant appointments on the [Drafting Team Vacancies page](#) on NERC's website and submit a self-nomination form to sarcomm@nerc.com.

- [Project 2007-02: Operating Personnel Communications Protocols](#): Seeking an individual with transmission operating center, Reliability Coordinator, or Balancing Authority experience from WECC. Candidates should have experience with standard compliance for verbal or written communication protocols for real-time operating personnel or managing real-time Bulk Electric System operations, or be a member of the Reliability Coordinator Working Group.
- [Project 2007-06: System Protection Coordination](#): Seeking an individual from a Canadian entity with experience in coordination of Protection Systems (new installations and revisions).
- [Project 2007-12: Frequency Response](#): Seeking individual representing Transmission Dependent Utilities with experience in analyzing or modeling frequency response.

OTHER ITEMS

Entity Impact Evaluation Template Posted for Comment through September 13, 2012

The Entity Impact Evaluation (EIE) (formerly referred to as the Entity Assessment or Entity

Risk Assessment) Template has been posted for a 45-day industry comment period. This has been a joint effort with NERC, Regional Entity (RE) and industry participation over the last 18 months. NERC staff greatly appreciates the participation and efforts of the NERC Compliance and Certification Committee working group and the registered entity representatives who participated in the risk-based compliance monitoring focus groups. Please review and provide your feedback via the comment form by September 13, 2012. You may submit a completed Microsoft Word form by email to eietemplate@nerc.net. The following documents are posted:

- [Entity Impact Evaluation Template](#)
- [Comment Form](#)
- [Internal Control Defined](#)
- [Risk-Based Reliability Compliance Monitoring](#)
- [Contacts](#)

Upcoming Events

- Industry Webinars
 - Version 5 CIP Standards (1 of 2): A Focus on “Correcting Deficiencies,” September 11, 2012, 2:00-4:00 p.m. ET ([Register](#))
 - Revisions to Outstanding VRFs and VSLs, September 17, 2012, 2:00-3:00 p.m. ET (announcement to be sent later today)
 - Version 5 CIP Standards (2 of 2): Successive Ballot Update, September 21, 2012, 1:00-3:00 p.m. ET ([Register](#))
- ERO Industry Seminar, September 20-21, 2012, NERC Atlanta Office ([Register](#)) ([Announcement](#))
- Fall Reliability Standards and Compliance Workshop, October 23-25, 2012, Westin Buckhead, Atlanta, GA ([Register](#)) ([Details](#))

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.

Lesson Learned

Wind Farm Winter Storm Issues

Category: Bulk Power System Operations

Primary Interest Groups

Balancing Authorities (BA)

Generator Operators (GOP)

Generator Owners (GO)

Problem Statement

During an extreme cold weather event, a wind farm with 100 wind turbines and a total capacity of over 200 Mw experienced the loss of 75 percent of its generation for over 100 hours due to turbine faults. The lost generation could have helped to prevent a Balancing Authority (BA) and Reliability Coordinator (RC) from having to implement rotating load sheds.

Details

A wind farm experienced rigid winter conditions of temperatures below freezing, ice, as well as snow for over four days. At times the sustained winds were over 20 mph with gusts much higher which created wind chills in the single digits. These weather conditions had been predicted a week earlier by weather services in long range forecasts.

Before the event, the wind facility implemented its Standard Operating Procedure (SOP), "Icing Conditions Action Plan," that established guidelines and steps to be taken during icing conditions. This procedure, among other things, emphasized safety of the crew and turbine equipment both during a winter event and as ice begins to shed from the turbines and turbine blades. Also, in preparation for the upcoming storm, a major upgrade to the Supervisory Control and Data Acquisition (SCADA) server was delayed and the additional manpower for the upgrade was used for restoration efforts. It should be pointed out that the wind facility had established minimum and maximum operating temperatures and during the event the ambient temperature sensors on the turbines reported that the ambient temperature stayed within those parameters.

When the winter storm first began, lightning knocked out many turbine anemometers and related equipment. Because wind turbines require at least one functioning anemometer, the wind turbines could not run. They set for a period because crews were unable to physically get to the faulted turbines during the weather event due to snow and ice covered roads. As repairs from the lightning strikes were completed and turbines were going through their restart procedure, the temperature had been falling and snow and ice had been accumulating on the nacelle-mounted radiators* of each of the wind turbines. Due to not running in a while, oil was not circulating and being stationary in the radiator passages, the oil temperature quickly plummeted and its viscosity increased. Radiator cooling fans had been left on and this added to the rapid cooling of the oil. When the turbines were returned to service from the lightning repairs and the gearboxes heated up, the bypass valves (operating due to high pressure differentials across the radiators) diverted the oil, which was hot now due to cooling the generator parts, directly to the gearbox and the turbines with cold radiators faulted on high gearbox oil temperature. As a result, a majority of the turbines faulted. There were no operator-initiated shutdowns.

Corrective Actions

Besides clearing snow and ice off of the radiators, the wind farm facility personnel consulted with the turbine manufacturer about various methods to heat up the cold oil. Generator tests were performed to warm the valves and bleed heat through to the cold oil. Parameters were also changed to force cooling fans off that normally were on during circulation of gearbox oil. Crews also climbed turbines with electric heaters to warm the oil. Also, crews manually removed the ice that could be reached from a safe position (standing inside the nacelle, reaching through the top hatch.) The remote operations 24/7 control center was instructed that if the facility should be curtailed, control center personnel should cycle curtailed turbines back online to minimize cooling of the radiators.

Lessons Learned

This event brought forward numerous lessons learned:

- Wind turbine nacelle-mounted oil coolers can accumulate ice quickly in a snowstorm if the oil isn't circulating and creating heat to melt the winter precipitation. During an extreme cold weather event, even if wind turbines are not being used, they should be cycled online to provide flow of cooling oil and therefore aid in the warming of that cooling oil. Owners should consult with manufacturers about the timing needed for this cycling.
- All cooling equipment for radiators on wind turbines should be disabled for cold weather events.
- Entities should investigate the purchase of cold weather packs for wind turbines which enable them to run during extremely cold weather. The cold weather packs provide heat where needed to keep oil and other vital components at operating temperature.
- During preparation for winter operation, generator owners should evaluate their vehicle plans and ensure they have all the necessary equipment to be able to travel safely on winter roads.
- Major updates and upgrades to SCADA and other critical data servers, communications equipment and computers should be delayed if bad weather is forecasted.

*On a wind turbine the nacelle is the enclosure at the top of wind turbine tower which houses the generator and gearbox, and supports the rotor and blades at the hub of the wind turbine generator. In wind turbines both engines and gearboxes in the nacelle need cooling. Often this is done by installing a radiator package either inside or outside the nacelle along with fans to aid the cooling. In very cold winters the same installations that are used for cooling may also be needed for warming. Such were the conditions for this cold weather event.

For more information please contact:

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404-446-2560

David Penney
Senior Reliability Engineer
david.penney@texasre.org
512-583-4958

Source of Lesson Learned: TRE

This document is designed to convey lessons learned from NERC's various activities. It is not intended to establish new requirements under NERC's Reliability Standards or to modify the requirements in any existing reliability standards. Compliance will continue to be determined based on language in the NERC Reliability Standards as they may be amended from time to time. Implementation of this lesson learned is not a substitute for compliance with requirements in NERC's Reliability Standards.

Lesson Learned

Transformer Oil Level Issues During Cold Weather

Category: Bulk Power System Operations

Primary Interest Groups

Transmission Operators (TOP)

Transmission Owners (TO)

Balancing Authorities (BA)

Generator Operators (GOP)

Generator Owners (GO)

Problem Statement

During a winter event, two substation transformers tripped off-line due to low oil levels during the extreme low temperatures. One transformer outage affected over 100 MW at a wind generation facility and the second transformer outage occurred at a major 345kV/138kV substation.

Details

During a winter event, over half of a wind farm facility (approximately 100 MW) could not generate after a substation transformer tripped due to low oil level. This situation could not be resolved for six days because crews were not able to access the facility due to icy roads.

The cold temperatures caused the oil, which was already low in the transformer, to condense resulting in inadequate flow across a sensor. This produced an oil low level protection system trip on the transformer that could only be corrected by adding oil to the transformer.

The investigation found that the low oil level was caused by a contractor not using proper procedures when filling the oil after a repair was made early in the project's history. The oil level did not become an issue until the cold weather event. Evidently the oil level was near the alarm set point for an extended period of time but never reached the set point because of mild temperatures up to that time. It was the first time the transformer had been subjected to very cold temperatures since the work had been completed. There had been no overheating problems with the transformer.

At a major 345kV/138kV substation, an autotransformer also tripped due to low oil level in the conservator tank. The transformer was off-line for a period of 3 ½ hours before crews were able to get to the facility and fix the problem.

Corrective Actions

After accessing the two sites, crews were able to fill the transformers to the proper level and complete the procedures necessary to allow the transformers to be returned to service and allow the curtailed generators to come back online.

Lessons Learned

This event brought forward the following lessons learned:

- Before winter, equipment which may be affected by cold temperatures should be checked to ensure the facility can continue to operate at those temperatures
- Transformers and other equipment oil levels should be checked periodically to ensure they are at the proper level.
- Contractors should be expected to follow proper procedures when performing maintenance activities.

For more information please contact:

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Lesson Learned

Winter Storm Inlet Air Duct Icing

Category: Generation Facilities

Primary Interest Groups

Generator Operators (GOP)

Generator Owners (GO)

Problem Statement

During the morning load ramp of an extremely cold winter weather event in which there was not sufficient generation to meet the load demand and a load shed was being implemented, a large gas fired generator turbine (GT) facility had to be taken offline. Plant operations personnel had witnessed abnormal conditions at the GT's exhaust stack. The loss of this generation at a critical load ramp time added further complications for operations to manage the load shed.

Details

Air enters the inlet ductwork of this GT through a mesh "bird screen" at the top of the ductwork. Freezing temperatures and precipitation were experienced for several hours before this event occurred. Ice was gradually accumulating on the mesh of the intake bird screen, decreasing the cross-sectional area of the air inlet to the GT. After a significant amount of intake air was blocked due to the icing conditions, inlet duct pressure dropped and caused the duct to implode. Maintenance personnel saw the condition of the duct and had the unit taken offline.

Corrective Actions

Plant maintenance personnel removed the damaged mesh screen, inspected the GT air inlet and exhaust ducts, determined it was safe to put the unit back online and released the GT to dispatch to be brought back online. The GT inspection doors were also opened which allowed additional intake air and a more balanced pressure situation in the duct preventing this type of event from occurring. They also notified two other similar units of this change and modified their freeze protection guidelines. The inlet air duct damage was repaired later when the unit was offline.

Lesson Learned

- If they are not in place already, air duct sensors should be considered to provide operations warning of air pressure problems.
- Procedures for winter storm operation should include the hourly visual inspection of air intake systems to insure they do not clog with frozen precipitation.
- GOPs /GOs should evaluate their plants to determine if leaving their GT inspection doors open during a winter precipitation event will help in preventing air duct clogging from precipitation. If so, they should modify their plant freeze protection guidelines to require the GT inspection doors to be opened when operating in freezing precipitation conditions.

- Care should be taken to make sure that this additional airway is also protected by mesh “bird screens” to limit the chance of debris entering the GT and measures should be taken to keep it clear of frozen precipitation.

For more information please contact:

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Source of Lesson Learned: TRE

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Lesson Learned Capacity Awareness during an Energy Emergency Event

Category: Bulk Power System Operations

Primary Interest Groups

Transmission Owners (TO)
Transmission Operators (TOP)
Reliability Coordinator (RC)
Generation Owners (GO)
Generation Operators (GOP)
Balancing Authority (BA)
Interchange Authority (IA)
Purchase-Selling Entity (PSE)

Problem Statement

During a severe winter weather storm, an Energy Emergency Alert 3 (EEA 3) lasted longer than it should have because the BA, TOP and the RC did not have situational awareness of the generation capacity available.

Details

In a BA area, a winter storm with near zero temperatures was affecting the operation of many generators causing some to trip due to icing problems and as well as others being delayed in coming online. The rapidly changing status of the BA's generation fleet made it difficult to plan for meeting the load. Compounding the problem was the sudden loss of the BA's largest generation plant which placed the BA into a capacity and energy deficiency. The inability to start additional generation and to import power into the balancing area due to transmission congestion outside the balancing area caused the RC to call an EEA 3. After the EEA 3 was called, transmission interface capability improved allowing room for purchased energy to be obtained. Although power purchases were made, the BA, TOP or RC did not know they had been obtained and therefore did not include them in their planning. As a result, the EEA3 continued for six hours longer than necessary. The entity was able to meet the load and reserve requirements without implementing load sheds.

Corrective Actions

Communication procedures between the BA, the IA and the PSE were reviewed addressing the communication issue which occurred. Also, the entities developed a real time calculation tool for their System Operators to keep them informed of the BA capacity resources on a real time basis thus allowing them to maintain system awareness of the generation capacity used and available.

Lesson Learned

System Operators must have situation awareness of the BA's generation, power purchases and sales and transmission capacity available for importing power at all times.

- In an operation where various functions are split between entities, in order to maintain situational awareness by the operators, operators must have:
 - Procedures and tools in place to be able to communicate under extreme time pressure situations
 - An understanding of the critical nature of the information they must communicate for other entities to do the jobs properly
 - The necessary training to ensure all entities communicate to each other the information needed for each entity to perform their function. Training should also include scenarios, under time pressure, which require all entities to communicate in order to solve the problem. Scenario simulation training involving all entities to solve problems requiring information from each other is a must in effective training.
- System operators must have tools which provide them up-to-date information on all generation resources available to the BA to allow them to plan to meet the load requirements. This information includes forecasts of hour by hour schedules of generation resources which will allow them not only to meet the minute to minute load but to plan for the load in future hours.

For more information please contact:

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 Senior Director of Reliability Risk Management
earl.shockley@nerc.net
 404-446-2560

Alan Wahlstrom
 Lead Engineer Event Analysis & Reliability Assessments
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 501-688-1624

Source of Lesson Learned: Southwest Power Pool

This document is designed to convey lessons learned from NERC's various activities. It is not intended to establish new requirements under NERC's Reliability Standards or to modify the requirements in any existing reliability standards. Compliance will continue to be determined based on language in the NERC Reliability Standards as they may be amended from time to time. Implementation of this lesson learned is not a substitute for compliance with requirements in NERC's Reliability Standards.

Lesson Learned

Electricity and Natural Gas Interdependency

Category: Bulk Power System Operations

Primary Interest Groups

Reliability Coordinator (RC)
Balancing Authorities (BA)
Generator Operators (GOP)
Generator Owners (GO)
Transmission Owners (TO)
Transmission Operators (TOP)
Distribution Providers (DP)

Problem Statement

During a winter cold weather event a generation capacity deficiency caused rolling load sheds to be implemented in one region which contributed to a natural gas shortage. This shortage caused the notification by natural gas suppliers of a possible curtailment of firm natural gas supplies to some natural gas fired generating facilities in another region. This notification required a BA to implement emergency procedures to provide the generation that might be lost if gas was curtailed.

Details

Extremely cold temperatures contributed to the lost of generation due to freezing problems and increased loads across a large area caused operations to have to implement and manage rolling load sheds on a region basis. Some natural gas compressor stations and gas processing plants were affected by these regional load sheds because of the interruption of electricity to them. Gas compressor and processing facilities, which had to be restarted after losing electricity, combined with regional supply freeze-offs*, created gas shortages and caused the interstate and intrastate natural gas pipeline transportation suppliers to notify a BA in another region that they might not be able to meet scheduled firm deliveries of natural gas to generation facilities.

Due to this notice, the BA made plans for potential re-dispatch to maximize available non gas-fired generation and for potential fuel switching and began implementing steps of its Emergency Operations Plan. These steps included:

- Loading all available non gas generating capacity,
- Determining status of adjacent BAs for potential assistance,
- Informing the RC and adjacent BAs of system status,
- Reducing load through public appeals and curtailment of interruptible loads,
- Declaration of Energy Emergency Alert through its RC.

Through these steps, as well as the use of alternative fuels, the BA was able to carry all firm load and the required level of operating reserves.

Corrective Actions

No corrective actions identified by the operating entity to implement since its practices and procedures provided the sources of energy needed to meet the demand. In the region which had to implement the regional load sheds,

there were changes implemented to improve coordination between its gas and electricity entities to insure service was not interrupted to critical natural gas facilities.

Lessons Learned

This event brought forward lessons learned which are:

- TOPs and DP's should conduct critical load review of natural gas production and transmission facilities and determine the level of protection such facilities should be accorded in the event of system stress or load shedding. This review should take into account the importance of pipelines which supply fuel to entities outside the region. Electric-powered instrumentation, compression pumps and processing equipment are essential links in the process of creating and moving gas to the end customer. In some instances, even the brief, temporary loss of electric power can put a gas production, processing, compression, or storage facility out of service for long periods of time, especially where weather conditions delay access to those facilities.
- Because gas pipeline and production facilities change which also changes their dependence on electricity, it is critical the natural gas facility review of dependence on electricity be conducted yearly to ensure all key gas facilities are identified and protected from load shed or stressed system conditions.
- Generation dependent on gas should insure it has sufficient storage capability readily accessible to meet generation demands and if it is dependent on "long haul" gas delivery, it should have access to alternative fuels.
- BAs and GOPs should seasonally review all generation capacity and load balancing plans to ensure the plans:
 - Efficiently maximize generation with available firm gas supply and minimize non-firm gas supply generation with alternatives in place if gas becomes unavailable.
 - Address the usage of alternative fuels where available.
 - Reduce loads (interruptible load, demand side management, etc.) when possible to allow continuing service to all firm loads with no interruptions.

*A freeze-off occurs because the natural gas coming out of the well contains a varying amount of water in the mix. When temperatures get cold enough, even though the gas comes out of the ground quite warm, this water can freeze. When it does it blocks the flow channels, and the well is shut-in until it thaws.

For more information please contact:

Earl Shockley
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404-446-2560

Alan Wahlstrom
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501-688--1624

Source of Lesson Learned: SPP

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From: [NERC Standards Announcements \(Do Not Reply\)](#)
To: monica.benson@nerc.net
Subject: NERC: Standards Bulletin - September 17-23, 2012
Date: Monday, September 17, 2012 9:26:13 AM

Standards Bulletin

September 17-23, 2012

This weekly bulletin compiles a list of current and upcoming standards, interpretations, and other standards items posted for industry comment or ballot, along with recent FERC approvals and upcoming standards-related postings and events. Please email [Monica Benson](mailto:monica.benson@nerc.net) with questions about standards commenting and balloting and [Mallory Huggins](#) with feedback on this bulletin.

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STANDARDS ITEMS

Current Ballots (ballot periods close at 8 p.m. ET)

- [Project 2006-06: Reliability Coordination](#) (COM-001-2) – Open September 6-17, 2012 ([Recirculation Ballot](#))
- [Project 2007-02: Operating Personnel Communications Protocols](#) (COM-003-1) – Open September 11-20, 2012 ([Successive Ballot and Non-binding Poll](#))
- [Interpretations 2010-INT-01: Rapid Revision of TOP-006-2 in Response to FMPP's Request for Interpretation](#) – Open September 12-21, 2012 ([Recirculation Ballot](#))
- [Project 2009-01: Disturbance and Sabotage Reporting](#) (EOP-004-2) – Open September 18-27, 2012 ([Successive Ballot and Non-binding Poll](#))

Posted for Comment (comment periods close at 8 p.m. ET)

- [2013-2015 Reliability Standards Development Plan](#) – Open August 17 - September 18, 2012 ([Comment Form](#))
- [Project 2007-02: Operating Personnel Communications Protocols](#) (COM-003-1) – Open August 22 – September 20, 2012 ([Comment Form](#))
- [Project 2009-01 — Disturbance and Sabotage Reporting](#) (EOP-004-2) – Open August 29 – September 27, 2012 ([Comment Form](#))
- [Regional Reliability Standard PRC-006-SPP-01](#) – August 15 – September 28, 2012 ([Comment Form](#))
- [Order 754](#) – Open August 31 – October 5, 2012 ([Data Request for Transmission Planners – Acknowledgement](#))
- [Project 2008-06: Cyber Security Order 706](#) (CIP-002-5 through CIP-009-5, CIP-010-1, and CIP-011-1) – Open September 11 – October 10, 2012 ([Successive Ballot](#))
- [Regional Reliability Standards: MRO Standards Process Manual](#) – Open August 28 – October 11, 2012 ([Comment Form](#))
- [Standard Processes Manual Revisions to Implement SPIG Recommendations](#) – August 29 – October 12, 2012 ([Comment Form](#))
- [Revisions to Outstanding VRFs and VSLs](#) – September 5 – October 19, 2012 ([Comment Form](#))

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- [Standard Processes Manual Revisions to Implement SPIG Recommendations](#) – August 29 – September 28, 2012 ([Join Ballot Pool](#))
- [Revisions to Outstanding VRFs and VSLs](#) – September 5 – October 4, 2012 ([Join Ballot Pool](#))

Pending Ballots (ballot periods close at 8 p.m. ET)

- [Project 2008-06: Cyber Security Order 706](#) (CIP-002-5 through CIP-009-5, CIP-010-1, and CIP-011-1) – Open October 1-10, 2012 ([Successive Ballot](#))
- [Standard Processes Manual Revisions to Implement SPIG Recommendations](#) – October 3-12, 2012 ([Initial Ballot](#))
- [Revisions to Outstanding VRFs and VSLs](#) – October 10-19, 2012 ([Non-binding Poll](#))

Standard Drafting Team Vacancies

Any industry stakeholders interested in participating on a standards drafting team can view vacant appointments on the [Drafting Team Vacancies page](#) on NERC's website and submit a self-nomination form to sarcomm@nerc.com.

- [Project 2007-02: Operating Personnel Communications Protocols](#): Seeking an individual with transmission operating center, Reliability Coordinator, or Balancing Authority experience from WECC. Candidates should have experience with standard compliance for verbal or written communication protocols for real-time operating personnel or managing real-time Bulk Electric System operations, or be a member of the Reliability Coordinator Working Group.
- [Project 2007-06: System Protection Coordination](#): Seeking an individual from a Canadian entity with experience in coordination of Protection Systems (new installations and revisions).
- [Project 2007-12: Frequency Response](#): Seeking individual representing Transmission Dependent Utilities with experience in analyzing or modeling frequency response.

OTHER ITEMS

Upcoming Events

- Industry Webinars
 - Revisions to Outstanding VRFs and VSLs, September 17, 2012, 2:00-3:00 p.m. ET ([Register](#))
 - Version 5 CIP Standards (2 of 2): Successive Ballot Update, September 21, 2012, 1:00-3:00 p.m. ET ([Register](#))
- ERO Industry Seminar, September 20-21, 2012, NERC Atlanta Office ([Register](#)) ([Announcement](#))
- Fall Reliability Standards and Compliance Workshop, October 23-25, 2012, Westin Buckhead, Atlanta, GA ([Register](#)) ([Details](#)) ([Agenda](#))

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

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From: [NERC Standards Announcements \(Do Not Reply\)](#)
To: monica.benson@nerc.net
Subject: NERC: Standards Bulletin - September 24-30, 2012
Date: Monday, September 24, 2012 9:41:47 AM

Standards Bulletin

September 24-30, 2012

This weekly bulletin compiles a list of current and upcoming standards, interpretations, and other standards items posted for industry comment or ballot, along with recent FERC approvals and upcoming standards-related postings and events. Please email [Monica Benson](mailto:monica.benson@nerc.net) with questions about standards commenting and balloting and [Mallory Huggins](#) with feedback on this bulletin.

The current bulletin is always available on the [Standards Under Development page](#), and previous bulletins are available on the [Standards page](#).

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STANDARDS ITEMS

Current Ballots (ballot periods close at 8 p.m. ET)

- [Project 2009-01: Disturbance and Sabotage Reporting](#) (EOP-004-2) – Open September 18-27, 2012 ([Successive Ballot and Non-binding Poll](#))

Posted for Comment (comment periods close at 8 p.m. ET)

- [Project 2009-01 — Disturbance and Sabotage Reporting](#) (EOP-004-2) – Open August 29 – September 27, 2012 ([Comment Form](#))
- [Regional Reliability Standard PRC-006-SPP-01](#) – August 15 – September 28, 2012 ([Comment Form](#))

- [Order 754](#) – Open August 31 – October 5, 2012 ([Data Request for Transmission Planners – Acknowledgement](#))
- [Project 2008-06: Cyber Security Order 706](#) (CIP-002-5 through CIP-009-5, CIP-010-1, and CIP-011-1) – Open September 11 – October 10, 2012 ([Successive Ballot](#))
- [Regional Reliability Standards: MRO Standards Process Manual](#) – Open August 28 – October 11, 2012 ([Comment Form](#))
- [Standard Processes Manual Revisions to Implement SPIG Recommendations](#) – August 29 – October 12, 2012 ([Comment Form](#))
- [Revisions to Outstanding VRFs and VSLs](#) – September 5 – October 19, 2012 ([Comment Form](#))

Join Ballot Pools (ballot pool windows close at 8 a.m. ET)

- [Standard Processes Manual Revisions to Implement SPIG Recommendations](#) – August 29 – September 28, 2012 ([Join Ballot Pool](#))
- [Revisions to Outstanding VRFs and VSLs](#) – September 5 – October 4, 2012 ([Join Ballot Pool](#))

Pending Ballots (ballot periods close at 8 p.m. ET)

- [Project 2008-06: Cyber Security Order 706](#) (CIP-002-5 through CIP-009-5, CIP-010-1, and CIP-011-1) – Open October 1-10, 2012 ([Successive Ballot](#))
- [Standard Processes Manual Revisions to Implement SPIG Recommendations](#) – October 3-12, 2012 ([Initial Ballot](#))
- [Revisions to Outstanding VRFs and VSLs](#) – October 10-19, 2012 ([Non-binding Poll](#))

FERC Approvals and NERC Website Updates

FERC approved the following seven errata changes on September 13, 2012: [BAL-005-0.2b-Automatic Generation Control](#); [EOP-001-0.1b-Emergency Operations Planning](#); [EOP-001-2.1b-Emergency Operations Planning](#); [EOP-002-3.1-Capacity and Energy Emergencies](#); [IRO-005-3.1a-](#)

[Reliability Coordination — Current Day Operations](#); [PER-001-0.2- Operating Personnel Responsibility and Authority](#) and [TOP-002-2.1b-Normal Operations Planning](#).

The Reliability Standards page, Enforcement Dates page, Complete Set of Reliability Standards, and VRF Matrix on NERC's website have been updated accordingly.

Standard Drafting Team Vacancies

Any industry stakeholders interested in participating on a standards drafting team can view vacant appointments on the [Drafting Team Vacancies page](#) on NERC's website and submit a self-nomination form to sarcomm@nerc.com.

- [Project 2007-02: Operating Personnel Communications Protocols](#): Seeking an individual with transmission operating center, Reliability Coordinator, or Balancing Authority experience from WECC. Candidates should have experience with standard compliance for verbal or written communication protocols for real-time operating personnel or managing real-time Bulk Electric System operations, or be a member of the Reliability Coordinator Working Group.
- [Project 2007-06: System Protection Coordination](#): Seeking an individual from a Canadian entity with experience in coordination of Protection Systems (new installations and revisions).
- [Project 2007-12: Frequency Response](#): Seeking individual representing Transmission Dependent Utilities with experience in analyzing or modeling frequency response.

Standards Committee Vacancies

A nomination period to identify candidates to fill the Standards Committee 2013-2014 term closed September 14, 2012. An election to fill the vacancies in Segments 1 and 3 will begin on Tuesday, September 25 and remain open through 8:00 p.m. ET on Thursday, October 4, 2012. If there is a tie, there will be a run-off election. An announcement to stakeholders eligible to vote in the Segment 1 and 3 elections will be circulated on September 25. Once the results of the election are final, the results will be announced.

OTHER ITEMS

Upcoming Events

- Fall Reliability Standards and Compliance Workshop, October 23-25, 2012, Westin

Buckhead, Atlanta, GA ([Register](#)) ([Details](#)) ([Agenda](#))

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

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From: [NERC Standards Announcements \(Do Not Reply\)](#)
To: [Wendy Kinnard](#)
Subject: NERC: Standards Bulletin - October 1-7, 2012
Date: Monday, October 01, 2012 11:21:01 AM

Standards Bulletin October 1-7, 2012

This weekly bulletin compiles a list of current and upcoming standards, interpretations, and other standards items posted for industry comment or ballot, along with recent FERC approvals and upcoming standards-related postings and events. Please email [Monica Benson](#) with questions about standards commenting and balloting and [Mallory Huggins](#) with feedback on this bulletin.

The current bulletin is always available on the [Standards Under Development page](#), and previous bulletins are available on the [Standards page](#).

If you would like to be added to the distribution list for a particular standards project to stay informed about drafting team meetings and calls, please email [Mallory Huggins](#).

STANDARDS ITEMS

Current Ballots (ballot periods close at 8 p.m. ET)

- [Project 2009-19: Interpretation of BAL-002-0 NWPP Reserve Sharing Group](#) – Open September 28 – October 8, 2012 ([Recirculation Ballot](#))
- [Project 2008-06: Cyber Security Order 706](#) (CIP-002-5 through CIP-009-5, CIP-010-1, and CIP-011-1) – Open October 1-10, 2012 ([Successive Ballot](#))
- [Standard Processes Manual Revisions to Implement SPIG Recommendations](#) – October 3-12, 2012 ([Initial Ballot](#))

Posted for Comment (comment periods close at 8 p.m. ET)

- [Order 754](#) – Open August 31 – October 5, 2012 ([Data Request for Transmission Planners – Acknowledgement](#))
- [Project 2008-06: Cyber Security Order 706](#) (CIP-002-5 through CIP-009-5, CIP-010-1, and CIP-011-1) – Open September 11 – October 10, 2012 ([Successive Ballot](#))
- [Regional Reliability Standards: MRO Standards Process Manual](#) – Open August 28 – October 11, 2012 ([Comment Form](#))
- [Standard Processes Manual Revisions to Implement SPIG Recommendations](#) – August 29 – October 12, 2012 ([Comment Form](#))
- [Revisions to Outstanding VRFs and VSLs](#) – September 5 – October 19, 2012 ([Comment Form](#))
- [Project 2013-01: Cold Weather Preparedness](#) – Open September 25 – October 24, 2012 ([Comment Form](#))
- [Project 2007-09: Generator Verification](#) – Open September 28 – October 29, 2012
 - MOD-025-2 ([Comment Form](#))
 - MOD-026-1 ([Comment Form](#))
 - MOD-027-1 ([Comment Form](#))
 - PRC-019-1 ([Comment Form](#))
 - PRC-024-1 ([Comment Form](#))

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- [Revisions to Outstanding VRFs and VSLs](#) – September 5 – October 4, 2012 ([Join Ballot Pool](#))

Pending Ballots (ballot periods close at 8 p.m. ET)

- [Revisions to Outstanding VRFs and VSLs](#) – October 10-19, 2012 ([Non-binding Poll](#))
- [Project 2007-09: Generator Verification](#) (MOD-025-2, MOD-026-1, MOD-027-1, PRC-019-1, and PRC-024-1) – Open October 19-19, 2012 ([Successive Ballots and Non-binding Polls](#))

Standard Drafting Team Vacancies

Any industry stakeholders interested in participating on a standards drafting team can view vacant appointments on the [Drafting Team Vacancies page](#) on NERC's website and submit a self-nomination form to sarcomm@nerc.com.

- [Project 2007-02: Operating Personnel Communications Protocols](#): Seeking an individual with transmission operating center, Reliability Coordinator, or Balancing Authority experience from WECC. Candidates should have experience with standard compliance for verbal or written communication protocols for real-time operating personnel or managing real-time Bulk Electric System operations, or be a member of the Reliability Coordinator Working Group.
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Standards Committee Vacancies

A nomination period to identify candidates to fill the Standards Committee 2013-2014 term closed September 14, 2012. An election to fill the vacancies in Segments 1 and 3 began on Tuesday, September 26 and will remain open through 8:00 p.m. ET on Friday, October 5, 2012. The slate of nominees for each of these segments is shown below and detailed information on each of these candidates is posted on the [Standards Committee's Nominations and Elections webpage](#). If there is a tie, there will be a run-off election. Once the results of the election are final, the results will be announced.

OTHER ITEMS

Upcoming Events

- Industry Webinar: Facility Ratings Alert Recommendation Update, October 3, 2012, 1:00-2:00 p.m. Eastern ([Register](#))
- Fall Reliability Standards and Compliance Workshop, October 23-25, 2012, Westin Buckhead, Atlanta, GA ([Register](#)) ([Details](#)) ([Agenda](#))

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From: [NERC Standards Announcements \(Do Not Reply\)](#)
To: monica.benson@nerc.net
Subject: NERC: Standards Bulletin - October 9-14, 2012
Date: Tuesday, October 09, 2012 9:25:39 AM

Standards Bulletin

October 9-14, 2012

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STANDARDS ITEMS

Current Ballots (ballot periods close at 8 p.m. ET)

- [Project 2009-19: Interpretation of BAL-002-0 NWPP Reserve Sharing Group](#) – Open September 28 – October 8, 2012 ([Recirculation Ballot](#))
- [Project 2008-06: Cyber Security Order 706](#) (CIP-002-5 through CIP-009-5, CIP-010-1, and CIP-011-1) – Open October 1-10, 2012 ([Successive Ballot](#))
- [Standard Processes Manual Revisions to Implement SPIG Recommendations](#) – October 3-12, 2012 ([Initial Ballot](#))
- [Revisions to Outstanding VREs and VSLs](#) – October 10-19, 2012 ([Non-binding Poll](#))

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- [Project 2008-06: Cyber Security Order 706](#) (CIP-002-5 through CIP-009-5, CIP-010-1, and CIP-011-1) – Open September 11 – October 10, 2012 ([Successive Ballot](#))
- [Regional Reliability Standards: MRO Standards Process Manual](#) – Open August 28 – October 11, 2012 ([Comment Form](#))
- [Standard Processes Manual Revisions to Implement SPIG Recommendations](#) – August 29 – October 12, 2012 ([Comment Form](#))
- [Revisions to Outstanding VRFs and VSLs](#) – September 5 – October 19, 2012 ([Comment Form](#))
- [Project 2013-01: Cold Weather Preparedness](#) – Open September 25 – October 24, 2012 ([Comment Form](#))
- [Project 2007-09: Generator Verification](#) – Open September 28 – October 29, 2012
 - MOD-025-2 ([Comment Form](#))
 - MOD-026-1 ([Comment Form](#))
 - MOD-027-1 ([Comment Form](#))
 - PRC-019-1 ([Comment Form](#))
 - PRC-024-1 ([Comment Form](#))
- [Project 2010-17: Definition of Bulk Electric System \(Phase 2\)](#) – Open October 4 – November 5, 2012 ([Comment Form](#))
- [Project 2010-3.2: Phase 2 of Relay Loadability: Generation](#) (PRC-025-1) – Open October 5 – November 5, 2012 ([Comment Form](#))
- [Project 2007-12: Frequency Response](#) (BAL-003-1) – Open October 5 – November 5, 2012 ([Comment Form](#))
- [Regional Reliability Standard IRO-006-WECC-2](#) – Open October 3 – November 16, 2012 ([Comment Form](#))
- [Project 2010-11: TPL Table 1, Footnote B](#) – Open October 5 – November 19, 2012 ([Comment Form](#))

Join Ballot Pools (ballot pool windows close at 8 a.m. ET)

- [Project 2010-11: TPL Table 1, Footnote B](#) – Open October 5 – November 5, 2012 ([Join Ballot Pool](#))

Pending Ballots (ballot periods close at 8 p.m. ET)

- [Project 2007-12: Frequency Response](#) (BAL-003-1) – Open October 26 – November 5, 2012 ([Successive Ballot and Non-binding Polls](#))
- [Project 2010-11: TPL Table 1, Footnote B](#) – Open November 9-19, 2012 ([Initial Ballot](#))

Standard Drafting Team Vacancies

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- [Project 2007-12: Frequency Response](#): Seeking individual representing Transmission Dependent Utilities with experience in analyzing or modeling frequency response.

OTHER ITEMS

Upcoming Events

- Industry Webinar: Bulk Electric System Guidance Document, October 18, 2012, 11:00

a.m.-1:00 p.m. ET ([Register](#))

- Industry Webinar: Project 2010-11 TPL Footnote 'B', October 18, 2012, 3:00 – 5:00 p.m. ET ([Register](#)) ([Project Page](#))
- Fall Reliability Standards and Compliance Workshop, October 23-25, 2012, Westin Buckhead, Atlanta, GA ([Register](#)) ([Details](#)) ([Agenda](#))

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

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NERC News

September 2012

Headlines

NERC Begins Hiring Search for Two Leadership Positions

Cauley Speaks to WECC Board on Anniversary of September 2011 Outage

Compliance

NERC Posts Second Quarter 2012 Vegetation Outage Report

Critical Infrastructure

Make Plans to Attend GridSecCon

Standards

Cold Weather Preparedness SAR Posted for Formal Comment

NERC's Standards and Compliance Workshop Agenda Posted

Reminder: Order 754 Request for Data Acknowledgement Due October 5

Standard Drafting Team Vacancies

NERC Filings

Documents Filed with FERC and/or Canada during the Month

Careers

NERC Seeks Talented Professionals

Headlines

NERC Begins Hiring Search for Two Leadership Positions

The North American Electric Reliability Corporation (NERC) begins its search for senior industry leaders to fill the roles of senior vice president and chief operating officer, and vice president of Reliability Assessment and Performance Analysis.

The chief operating officer is responsible for working with the chief executive officer to provide strategic vision, planning, leadership, and oversight for the reliability operating groups. The vice president for Reliability Assessment and Performance Analysis is responsible for overseeing NERC's reliability assessments and risk analysis.

"We're at a critical point in the development and execution of a risk-based approach for the electric reliability organization," said Gerry Cauley, president and chief executive officer at NERC. "The additional leadership from an operating officer will assist with oversight of programs and lead to improved reliability. We also have an opportunity to attract a senior leader for our RAPA program to ensure NERC continues providing the industry with valuable assessments, forecasts and metrics."

The talent search will be coordinated through Russell Reynolds Associates, who will work closely with NERC leadership and Human Resources throughout the selection process. Cauley will bring his recommendation to the NERC Board of Trustees when candidates are identified.

To submit a candidate or apply for either position, candidate names and appropriate contact information should be submitted to [Lawrence Klock](#), managing director at Russell Reynolds Associates or [Thomas Linquist](#), executive director, no later than October 31. A full position description and qualification requirements is available by emailing Klock or Linquist.

Cauley Speaks to WECC Board on Anniversary of September 2011 Outage

One year ago, a power outage affected nearly three million customers in Southwest California, Arizona and Baja California, Mexico. Since the September 8, 2011 event, activities have been underway to address the causes of the outage and to take steps to prevent similar future events. NERC President and Chief Executive Officer Gerry Cauley spoke at the WECC board meeting today reiterating his support of WECC's actions taken to date, while recognizing more remains to be done.

Cauley thanked WECC for a responsive preliminary report to a July 26 letter he sent to the region, which requested a detailed report outlining near-term remediation actions completed or in progress to date, and plans for additional actions going forward. Although still evaluating the report, Cauley said he was pleased with the scope of strategic review by the region. The structural and governance issues are key in ensuring the future reliability in the West. WECC provided its [Preliminary Response to the "Arizona-Southern California Outages on September 8, 2011"](#) report to NERC on August 31.

Cauley noted the ongoing cooperative working relationship with WECC and with the Federal Energy Regulatory Commission (FERC), referencing the collaborative effort on the [joint report](#) by NERC and FERC issued in April of this year. The report identified 27 findings and recommendations for addressing the issues that led to the outage.

"Many of the findings of the April report pointed to underlying systemic concerns with the management of interconnected operations and planning," Cauley said. "In reviewing WECC's preliminary response report, there appear to be substantive and responsive actions already being undertaken, and a clear commitment and sense of urgency to resolving the remaining reliability issues. I encourage the WECC board to continue their steps forward in fully addressing the recommendations."

The preliminary report identifies gaps in current procedures and highlights best practices in the following areas: next-day planning responsibilities; situational awareness capabilities; seasonal, near- and long-term planning; identification and recognition of Interconnection Reliability Operating Limits (IROLs); review, analysis and coordination of protection systems; and procedures for reclosing transmission lines.

Some key accomplishments and next steps highlighted in the preliminary report include:

Accomplishments

- Next-day studies now posted on the Reliability Coordinator secure website.
- Development of a five-year plan to address gaps.
- Enhanced methodology to address Interconnection Reliability Operating Limits (IROL) identification process.
- New relay setting changes on transformers.

Next Steps

- Strengthen Reliability Coordinator staff, tools and training.
- Expand reliability data sharing and communication.
- Address any related reliability issues identified by other Regional Entities.
- Develop overall NERC lessons learned, guidelines and procedures, training and education materials and standards as necessary to identify reliability issues.

The final WECC report is expected to be submitted to NERC on September 30. ■■■

Compliance

NERC Posts Second Quarter 2012 Vegetation Outage Report

NERC posted the Second Quarter 2012 Vegetation-Related Transmission Outage Report on September 17. Click [here](#) for the full report. ■■■

Critical Infrastructure

Make Plans to Attend GridSecCon

NERC's Grid Security Conference (GridSecCon) 2012 will be October 16-18 in San Diego at the San Diego Marriott Del Mar. Gerry Cauley, NERC's president and chief executive officer, will deliver the opening keynote address. The Honorable Paul Stockton, assistant secretary for Homeland Defense and Americas' Security Affairs in the Department of Defense, will discuss the topic "Electricity Sector Public Private Partnership," and retired Coast Guard Admiral Thad Allen, senior vice president at Booz Allen Hamilton, will provide insight into crisis response.

Additionally, Idaho National Laboratory and SANS Institute will lead training sessions. Seating is limited – register now.

Click [here](#) for the latest agenda, registration, and hotel information. Contact [Bill Lawrence](#) for any question on the conference. ■■■

Standards

Cold Weather Preparedness SAR Posted for Formal Comment

A draft Standards Authorization Request (SAR) to address cold weather preparedness (Project 2013-01—Cold Weather Preparedness) has been posted for a formal 30-day comment period through 8 p.m. Eastern on October 24. Stakeholders should use this [electronic form](#) to submit comments. An off-line, unofficial copy of the comment form is posted on the [project page](#). Additionally, [nominations](#) are being accepted through October 8 for a drafting team to refine the SAR in response to industry comments. The

Standards Committee will appoint the drafting team after the nomination period closes.

In the aftermath of the cold weather event affecting the Southwest region of the United States in February 2011, NERC announced it would work with the affected Regional Entities to prepare an event analysis examining the adequacy of preparations for the event and identifying potential improvements and lessons learned. On February 14, 2011, FERC initiated an inquiry into the outages and service disruptions. On May 9, 2011, FERC and NERC announced a joint task force to combine inquiries. Among the key findings of [the joint report](#), the task force found the “lack of any state, regional or reliability standards that directly require generators to perform winterization left winter-readiness dependent on plant or corporate choices. While reliability standards EOP-001 R.4 and R.5 refer to winterization as a consideration in emergency plans, these requirements apply only to balancing authorities, transmission owners and transmission operators.”

On June 13, 2012, an industry Cold Weather Review team assembled at NERC offices in Atlanta to discuss the findings of the report. The SAR to address cold weather preparedness was created with input from team participants to address the key finding above.

NERC’s Standards and Compliance Workshop Agenda Posted

[NERC has posted an agenda](#) for the upcoming Standards and Compliance Workshop on October 23-25 at the Westin Buckhead Atlanta. Both [in-person](#) and [webinar registrations](#) will be accepted until the week before the workshop, but the Westin group rate is only available until October 2. Act quickly to secure your room using [the detailed information posted on NERC’s site](#). Please contact [Mallory Huggins](#) with any questions about the workshop.

Reminder: Order 754 Request for Data Acknowledgement Due October 5

NERC transmission planners are reminded that the Order No. 754 Single Point of Failure on Protection Systems data request acknowledgement deadline is

October 5. [The original announcement](#), issued August 31, is available on the [Order No. 754 project page](#).

Fulfillment of the data request is mandatory for all transmission planners in the United States; however, Canadian entities are strongly encouraged to submit data so that decisions regarding the concern will be based on complete data across North America. If you are among the 25 percent of required transmission planners that have not yet responded to the data request (check the list of received acknowledgements on [the project page](#) to confirm), you must take action to acknowledge the data request by October 5, using this link: [Transmission Planner Acknowledgement](#). (Note that the original deadline was extended to account for the Labor Day holiday in the United States.) Entities with questions may contact NERC at DataRequest754@nerc.net.

Standard Drafting Team Vacancies

Any industry stakeholder meeting the indicated qualifications for one of the following three vacant appointments may submit a self-nomination form to sarcomm@nerc.com. Further instructions can be found on the [Drafting Team Vacancies page](#) on NERC’s website.

Project 2007-02 Operating Personnel Communications Protocols

Seeking an individual with transmission operating center, Reliability Coordinator, or Balancing Authority experience from WECC. Candidates should have experience with standard compliance for verbal or written communication protocols for real-time operating personnel or managing real-time Bulk Electric System operations, or be a member of the Reliability Coordinator Working Group.

Project 2007-06 System Protection Coordination

Seeking an individual from a Canadian entity with experience in coordination of protection systems (new installations and revisions).

Project 2007-12 Frequency Response

Seeking an individual representing Transmission Dependent Utilities with experience in analyzing or modeling frequency response.

Please contact [Val Agnew](#) with questions regarding the vacancies. ■■■

Filings

NERC Filings to FERC

(click on the link for full filing)

September 4, 2012

[Comments in Response to NOPR on Revisions to the ERO Definition of Bulk Electric System and Rules of Procedure](#)

NERC submits comments in response to the NOPR proposing to approve NERC's modifications to the definition of the "Bulk Electric System." *Docket Nos. RM12-6-000 and RM12-7-000*

September 5, 2012

[Response to Motion of EEI to Extend Comment Period for the 2013 NERC and Regional Business Plans and Budgets](#)

NERC submits a response to the motion of EEI to extend period for filing comments until September 28, 2012 and to shorten time to respond to the 2013 Business Plans and Budgets of NERC and the eight Regional Entities. *Docket No. RR12-13-000*

September 10, 2012

[Update to NERC's Request for Acceptance of the 2013 Business Plan and Budgets of NERC and the Regional Entities and for Approval of Proposed Assessments to Fund Budgets](#)

NERC submits an Update to NERC's Request for Acceptance of the 2013 Business Plans and Budgets of NERC, the eight Regional Entities and the Western Interconnection Regional Advisory Body, and approval of the proposed assessments to fund the 2013 budgets, which was originally filed in this docket on August 24, 2012. *Docket No. RR12-13-000*

September 20, 2012

[Errata to Reply Comments of NERC in Response to NOPR on ERO Definition of the Bulk Electric System and Rules of Procedure](#)

NERC submits errata to the September 19, 2012 reply comments to the comments submitted in response to the NOPR on the Revisions to the ERO Definition of Bulk Electric System and Rules of Procedure. *Docket Nos. RM12-6-000 and RM12-7-000*

September 24, 2012

[Filing of NERC in Support of the SERC Reliability Corporation Response to the Notice of Proposed Rulemaking on Regional Reliability Standard PRC-006-SERC-01](#)

NERC files comments in support of SERC Reliability Corporation's response to the Notice of Proposed Rulemaking, issued on July 19,

2012, proposing to approve regional Reliability Standard PRC- 006-SERC-01 - Automatic Underfrequency Load Shedding Requirements. *Docket No. RM12-9-000*

September 28, 2012

[2012 Annual Report of NERC on Wide-Area Analysis of Technical Feasibility Exceptions](#)

NERC submits the 2012 Annual Report on Wide-Area Analysis of Technical Feasibility Exceptions in compliance with Paragraphs 220 and 221 of the Federal Energy Regulatory Commission's Order No. 706, FERC's January 21, 2010 Order Approving TFE Procedures and Ordering Compliance Filing, and Appendix 4D of the NERC Rules of Procedure. *Docket No. RR10-1-001*

NERC Filings in Canada, click [here](#)

(click on the link above for full filing)

August 31, 2012

[Notice of Filing of the Proposed Regional Reliability Standard MOD-028-2 – Area Interchange Methodology](#)

NERC submitted a notice of filing for approval of proposed Reliability Standard MOD-028-2 - Area Interchange Methodology.

[Notice of Filing of the Second Quarter 2012 Application for Approval of Reliability Standards in Nova Scotia](#)

September 24, 2012

[Notice of Filing of the NERC 2013 Business Plan and Budget and the 2013 Business Plan and Budget of the Regional Entity and of Proposed Assessments to Fund the Budget](#)

NERC submitted its notice of filing of NERC's 2013 Business Plan and Budget Filing and the 2013 Business Plans and Budgets of the Regional Entities and for the approval of proposed assessments to fund budgets. ■■■

Careers at NERC

Meeting Planner Specialist

Location: Atlanta

[Details](#)

Compliance Enforcement Coordinator

Location: Washington, DC

[Details](#)

ES-ISAC Cybersecurity Specialist

Location: Washington, DC

[Details](#)

CIP Security Specialist

Location: Washington, DC

[Details](#)

CIP Compliance Auditor

Location: Washington, DC

[Details](#)

Compliance Auditor

Location: Atlanta

[Details](#)

Senior Compliance Operations Auditor

Location: Atlanta

[Details](#)

Bulk Power System Awareness Engineer

Location: Atlanta

[Details](#)

Senior Reliability Engineer (Relay)

Location: Atlanta

[Details](#)

Senior Reliability Engineer (EMS)

Location: Atlanta

[Details](#)

Attorney

Location: Washington, DC

[Details](#)

Senior Systems Administrator

Location: Atlanta

[Details](#)

Engineer of Reliability Risk Controls

Location: Atlanta

[Details](#)

Performance Analysis Engineer

Location: Atlanta

[Details](#) ■ ■ ■

From: [NERC Standards Announcements \(Do Not Reply\)](#)
To: monica.benson@nerc.net
Subject: NERC: Standards Bulletin - October 15-21, 2012
Date: Monday, October 15, 2012 9:15:50 AM

Standards Bulletin

October 15-21, 2012

This weekly bulletin compiles a list of current and upcoming standards, interpretations, and other standards items posted for industry comment or ballot, along with recent FERC approvals and upcoming standards-related postings and events. Please email [Monica Benson](mailto:monica.benson@nerc.net) with questions about standards commenting and balloting and [Mallory Huggins](#) with feedback on this bulletin.

The current bulletin is always available on the [Standards Under Development page](#), and previous bulletins are available on the [Standards page](#).

If you would like to be added to the distribution list for a particular standards project to stay informed about drafting team meetings and calls, please email [Mallory Huggins](#).

STANDARDS ITEMS

Current Ballots (ballot periods close at 8 p.m. ET)

- [Revisions to Outstanding VRFs and VSLs](#) – October 10-19, 2012 ([Non-binding Poll](#))
- [Project 2007-09: Generator Verification](#) (MOD-025-2, MOD-026-1, MOD-027-1, PRC-019-1, PRC-024-1) – Open October 19-29, 2012 ([Successive Ballot and Non-binding Poll](#))

Posted for Comment (comment periods close at 8 p.m. ET)

- [Revisions to Outstanding VRFs and VSLs](#) – September 5 – October 19, 2012 ([Comment Form](#))

- [Project 2013-01: Cold Weather Preparedness](#) – Open September 25 – October 24, 2012 ([Comment Form](#))
- [Project 2007-09: Generator Verification](#) – Open September 28 – October 29, 2012
 - MOD-025-2 ([Comment Form](#))
 - MOD-026-1 ([Comment Form](#))
 - MOD-027-1 ([Comment Form](#))
 - PRC-019-1 ([Comment Form](#))
 - PRC-024-1 ([Comment Form](#))
- [Project 2010-17: Definition of Bulk Electric System \(Phase 2\)](#) – Open October 4 – November 5, 2012 ([Comment Form](#))
- [Project 2010-3.2: Phase 2 of Relay Loadability: Generation](#) (PRC-025-1) – Open October 5 – November 5, 2012 ([Comment Form](#))
- [Project 2007-12: Frequency Response](#) (BAL-003-1) – Open October 5 – November 5, 2012 ([Comment Form](#))
- [Regional Reliability Standard IRO-006-WECC-2](#) – Open October 3 – November 16, 2012 ([Comment Form](#))
- [Project 2010-11: TPL Table 1, Footnote B](#) – Open October 5 – November 19, 2012 ([Comment Form](#))

Join Ballot Pools (ballot pool windows close at 8 a.m. ET)

- [Project 2010-11: TPL Table 1, Footnote B](#) – Open October 5 – November 5, 2012 ([Join Ballot Pool](#))

Pending Ballots (ballot periods close at 8 p.m. ET)

- [Project 2007-12: Frequency Response](#) (BAL-003-1) – Open October 26 – November 5, 2012 ([Successive Ballot and Non-binding Polls](#))

- [Project 2010-11: TPL Table 1, Footnote B](#) – Open November 9-19, 2012 ([Initial Ballot](#))

Standard Drafting Team Vacancies and Nominations

Any industry stakeholders interested in participating on a standards drafting team can view vacant appointments on the [Drafting Team Vacancies page](#) on NERC's website and submit a self-nomination form to sarcomm@nerc.com.

OTHER ITEMS

Upcoming Events

- Industry Webinar: Bulk Electric System Guidance Document, October 18, 2012, 11:00 a.m.-1:00 p.m. ET ([Register](#))
- Industry Webinar: Project 2010-11 TPL Footnote 'B', October 18, 2012, 3:00 – 5:00 p.m. ET ([Register](#)) ([Project Page](#))
- Fall Reliability Standards and Compliance Workshop, October 23-25, 2012, Westin Buckhead, Atlanta, GA ([Register](#)) ([Details](#)) ([Final Agenda](#))

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

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From: [NERC Standards Announcements \(Do Not Reply\)](#)
To: monica.benson@nerc.net
Subject: NERC: Standards Bulletin - October 22-28, 2012
Date: Monday, October 22, 2012 9:42:30 AM

Standards Bulletin

October 22-28, 2012

This weekly bulletin compiles a list of current and upcoming standards, interpretations, and other standards items posted for industry comment or ballot, along with recent FERC approvals and upcoming standards-related postings and events. Please email [Monica Benson](mailto:Monica.Benson@nerc.net) with questions about standards commenting and balloting and [Mallory Huggins](mailto:Mallory.Huggins@nerc.net) with feedback on this bulletin.

The current bulletin is always available on the [Standards Under Development page](#), and previous bulletins are available on the [Standards page](#).

If you would like to be added to the distribution list for a particular standards project to stay informed about drafting team meetings and calls, please email [Mallory Huggins](mailto:Mallory.Huggins@nerc.net).

STANDARDS ITEMS

Current Ballots (ballot periods close at 8 p.m. ET)

- **Ballot extended until quorum is reached:** [Revisions to Outstanding VRFs and VSLs](#) – October 10-22, 2012 ([Non-binding Poll](#))
- [Project 2007-17: Protection System Maintenance and Testing](#) (PRC-005-2) – Open October 15-24, 2012 ([Recirculation Ballot](#))
- [Project 2007-09: Generator Verification](#) (MOD-025-2, MOD-026-1, MOD-027-1, PRC-019-1, PRC-024-1) – Open October 19-29, 2012 ([Successive Ballot and Non-binding Poll](#))
- [Project 2007-12: Frequency Response](#) (BAL-003-1) – Open October 26 – November 5, 2012 ([Successive Ballot and Non-binding Polls](#))

Posted for Comment (comment periods close at 8 p.m. ET)

- [Project 2013-01: Cold Weather Preparedness](#) – Open September 25 – October 24, 2012 ([Comment Form](#))
- [Project 2007-09: Generator Verification](#) – Open September 28 – October 29, 2012
 - MOD-025-2 ([Comment Form](#))
 - MOD-026-1 ([Comment Form](#))
 - MOD-027-1 ([Comment Form](#))
 - PRC-019-1 ([Comment Form](#))
 - PRC-024-1 ([Comment Form](#))
- [Project 2010-17: Definition of Bulk Electric System \(Phase 2\)](#) – Open October 4 – November 5, 2012 ([Comment Form](#))
- [Project 2010-13.2: Phase 2 of Relay Loadability: Generation](#) (PRC-025-1) – Open October 5 – November 5, 2012 ([Comment Form](#))
- [Project 2007-12: Frequency Response](#) (BAL-003-1) – Open October 5 – November 5, 2012 ([Comment Form](#))
- [Regional Reliability Standard IRO-006-WECC-2](#) – Open October 3 – November 16, 2012 ([Comment Form](#))
- [Project 2010-11: TPL Table 1, Footnote B](#) – Open October 5 – November 19, 2012 ([Comment Form](#))

Join Ballot Pools (ballot pool windows close at 8 a.m. ET)

- [Project 2010-11: TPL Table 1, Footnote B](#) – Open October 5 – November 5, 2012 ([Join Ballot Pool](#))

Pending Ballots (ballot periods close at 8 p.m. ET)

- [Project 2010-11: TPL Table 1, Footnote B](#) – Open November 9-19, 2012 ([Initial Ballot](#))

Standard Drafting Team Vacancies and Nominations

Any industry stakeholders interested in participating on a standards drafting team can view vacant appointments on the [Drafting Team Vacancies page](#) on NERC's website and submit a self-nomination form to sarcomm@nerc.com.

Upcoming Events

- Industry Webinar: Project 2009-01: Disturbance Sabotage Reporting, October 22, 2012, 2:00-3:30 p.m. ET ([Register](#))

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

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Standards Bulletin: October 29 – November 4, 2012

This weekly bulletin compiles a list of current and upcoming standards, interpretations, and other standards items posted for industry comment or ballot, along with recent FERC approvals and upcoming standards-related postings and events. Please email [Monica Benson](#) with questions about standards commenting and balloting and [Mallory Huggins](#) with feedback on this bulletin.

The current bulletin is always available on the [Standards Under Development](#) page, and previous bulletins are available on the [Standards](#) page.

If you would like to be added to the distribution list for a particular standards project to stay informed about drafting team meetings and calls, please email [Mallory Huggins](#).

STANDARDS ITEMS

Current Ballots (ballot periods close at 8 p.m. ET)

- [Project 2007-09: Generator Verification](#) (MOD-025-2, MOD-026-1, MOD-027-1, PRC-019-1, PRC-024-1) – Open October 19-29, 2012 ([Successive Ballot and Non-binding Poll](#))
- [Project 2009-01: Disturbance and Sabotage Reporting](#) (EOP-004-2) – Open October 24 – November 2, 2012 ([Recirculation Ballot and Non-binding Poll](#))
- [Project 2007-12: Frequency Response](#) (BAL-003-1) – Open October 26 – November 5, 2012 ([Successive Ballot and Non-binding Polls](#))
- [Project 2008-06: Cyber Security Order – Order 706](#) (CIP-002-5 through CIP-009-5, CIP-010-1, CIP-011-1) – Open October 26 – November 5, 2012 ([Recirculation Ballots and Non-binding Poll](#))

Posted for Comment (comment periods close at 8 p.m. ET)

- [Project 2007-09: Generator Verification](#) – Open September 28 – October 29, 2012
 - MOD-025-2 ([Comment Form](#))
 - MOD-026-1 ([Comment Form](#))
 - MOD-027-1 ([Comment Form](#))
 - PRC-019-1 ([Comment Form](#))
 - PRC-024-1 ([Comment Form](#))
- [Project 2010-17: Definition of Bulk Electric System \(Phase 2\)](#) – Open October 4 – November 5, 2012 ([Comment Form](#))
- [Project 2010-13.2: Phase 2 of Relay Loadability: Generation](#) (PRC-025-1) – Open October 5 – November 5, 2012 ([Comment Form](#))
- [Project 2007-12: Frequency Response](#) (BAL-003-1) – Open October 5 – November 5, 2012 ([Comment Form](#))

- [Project 2008-06: Cyber Security Order – Order 706](#) (CIP-002-5 through CIP-009-5, CIP-010-1, CIP-011-1) – Open October 26 – November 5, 2012 ([Comment Form for VRFs and VSLs](#))
- [Regional Reliability Standard IRO-006-WECC-2](#) – Open October 3 – November 16, 2012 ([Comment Form](#))
- [Project 2010-11: TPL Table 1, Footnote B](#) – Open October 5 – November 19, 2012 ([Comment Form](#))
- [Interpretation 2012-INT-02: Interpretation of TPL-003-0a and TPL-004-0 for SPCS](#) – Open October 22 – December 5, 2012 ([Comment Form](#))
- [Project 2013-03: Paragraph 81](#) – Open October 25 – December 10, 2012 ([Comment Form](#))

Join Ballot Pools (ballot pool windows close at 8 a.m. ET)

- [Project 2010-11: TPL Table 1, Footnote B](#) – Open October 5 – November 5, 2012 ([Join Ballot Pool](#))
- [Interpretation 2012-INT-02: Interpretation of TPL-003-0a and TPL-004-0 for SPCS](#) – Open October 22 – November 20, 2012 ([Join Ballot Pool](#))
- [Project 2013-03: Paragraph 81](#) – Open October 25 – November 23, 2012 ([Join Ballot Pool](#))

Pending Ballots (ballot periods close at 8 p.m. ET)

- [Project 2010-11: TPL Table 1, Footnote B](#) – Open November 9-19, 2012 ([Initial Ballot](#))
- [Interpretation 2012-INT-02: Interpretation of TPL-003-0a and TPL-004-0 for SPCS](#) – Open November 26 – December 5, 2012 ([Initial Ballot](#))
- [Project 2013-03: Paragraph 81](#) – Open November 30 – December 10, 2012 ([Initial Ballot](#))

Standard Drafting Team Vacancies and Nominations

Any industry stakeholders interested in participating on a standards drafting team can view vacant appointments on the [Drafting Team Vacancies page](#) on NERC's website and submit a self-nomination form to sarcomm@nerc.com.

Standards and Compliance Workshop Slides Posted

- Slides for the October 23-25, 2012 Standards and Compliance Workshop [are now posted to the workshop web page](#). NERC staff thanks all those who attended in-person and via webinar.

From: monica.benson@nerc.net
To: [Lee R. Pedowicz](#)
Subject: RE: NERC: Standards Announcement | Storm Contingencies for Standards Balloting and Commenting
Date: Monday, November 05, 2012 12:49:01 PM

Lee,

Yes I just sent out the bulletin with updated information, you should be getting it shortly. I'll copy that section below.

Standards Bulletin

November 5-11, 2012

This weekly bulletin compiles a list of current and upcoming standards, interpretations, and other standards items posted for industry comment or ballot, along with recent FERC approvals and upcoming standards-related postings and events. Please email [Monica Benson](mailto:monica.benson@nerc.net) with questions about standards commenting and balloting and [Mallory Huggins](#) with feedback on this bulletin.

The current bulletin is always available on the [Standards Under Development page](#) (Will be posted shortly), and previous bulletins are available on the [Standards page](#).

If you would like to be added to the distribution list for a particular standards project to stay informed about drafting team meetings and calls, please email [Mallory Huggins](#).

For those individuals in areas affected by Hurricane Sandy, we will accept late comments via [email](#) through 5 p.m. ET November 7, 2012 on the following projects that have comment periods ending on November 5, 2012:

[Project 2010-13.2: Phase 2 of Relay Loadability: Generation](#) (PRC-025-1)

[Project 2010-17: Definition of Bulk Electric System \(Phase 2\)](#)

[Project 2008-06: Cyber Security Order – Order 706](#) (VRFs and VSLs)

In addition, the following successive ballot, non-binding poll and comment period will be extended by one additional day ending at 8 p.m. ET Tuesday, November 6, 2012:

[Project 2007-12: Frequency Response](#)

Regards,

Monica Benson
Standards Development Administrator, Standards
North American Electric Reliability Corporation
3353 Peachtree Road NE, Suite 600 – North Tower
Atlanta, GA 30326
404-446-2573 office | 609-651-5334 cell
monica.benson@nerc.net
Reliability | Accountability

From: Lee R. Pedowicz [<mailto:lpedowicz@npcc.org>]
Sent: Monday, November 05, 2012 12:46 PM
To: Monica Benson
Subject: RE: NERC: Standards Announcement | Storm Contingencies for Standards Balloting and Commenting

Good afternoon, Monica.

Any word on this?

Lee

From: monica.benson@nerc.net
Sent: Monday, November 05, 2012 7:55 AM
To: Lee R. Pedowicz
Cc: laura.hussey@nerc.net; Valerie Agnew; howard.gugel@nerc.net
Subject: RE: NERC: Standards Announcement | Storm Contingencies for Standards Balloting and Commenting
Importance: High

Hi Lee,

I'm so sorry to hear that your offices/homes were affected by Sandy. I hope you, your families and colleagues get power back quickly and that everyone is safe. I have copied management to make a decision on your request regarding extensions.

Regards,

Monica Benson
Standards Development Administrator, Standards
North American Electric Reliability Corporation
3353 Peachtree Road NE, Suite 600 – North Tower
Atlanta, GA 30326
404-446-2573 office | 609-651-5334 cell
monica.benson@nerc.net
Reliability | Accountability

From: Lee R. Pedowicz [<mailto:lpedowicz@npcc.org>]
Sent: Saturday, November 03, 2012 4:18 PM
To: Monica Benson
Subject: FW: NERC: Standards Announcement | Storm Contingencies for Standards Balloting and Commenting

Good afternoon, Monica.

Hope all is well. Hurricane Sandy did a number on us up here. The NPCC offices were closed all week because of a power outage, and I, along with many other NPCC Staff still don't have power. I couldn't connect with the Internet until yesterday because of cell tower and other problems. Can the Nov. 5 comment form due date for projects posted be extended? I'm going to put together what I've got, but I know there are NPCC members who haven't been able to get me their comments.

Best regards,

Lee

From: NERC Standards Announcements (Do Not Reply) [<mailto:NERC-StandardsAnnouncements-DoNotReply@nerc.net>]
Sent: Monday, October 29, 2012 9:57 AM
To: monica.benson@nerc.net
Subject: NERC: Standards Announcement | Storm Contingencies for Standards Balloting and Commenting

Standards Announcement

To: Members of the NERC Registered Ballot Body

With Hurricane Sandy approaching the East Coast, and predictions of widespread power outages, you may experience interruption of service on the Standards balloting and electronic commenting software systems, email and various NERC webpages.

We will be monitoring the projects open for ballot and comment throughout the week. If we

experience downtime, we will evaluate each project on a case-by-case basis, and determine whether any adjustments to ballot or comment period end dates are necessary once we have additional information on the length of the disruption.

We will keep you informed via email, and by posting any changes made to deadline dates on the [Standards Under Development](#) webpage and on each individual project page. Should NERC's email and website be affected by prolonged power outages, we will announce any changes in deadlines as soon as communications are restored.

Thank you for your patience.

Standards staff

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

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From: [NERC Standards Announcements \(Do Not Reply\)](#)
To: monica.benson@nerc.net
Subject: NERC: Standards Bulletin - November 12-18, 2012
Date: Tuesday, November 13, 2012 9:26:53 AM

Standards Bulletin

November 12-18, 2012

This weekly bulletin compiles a list of current and upcoming standards, interpretations, and other standards items posted for industry comment or ballot, along with recent FERC approvals and upcoming standards-related postings and events. Please email [Monica Benson](mailto:monica.benson@nerc.net) with questions about standards commenting and balloting and [Mallory Huggins](#) with feedback on this bulletin.

The current bulletin is always available on the [Standards Under Development page](#), and previous bulletins are available on the [Standards page](#).

If you would like to be added to the distribution list for a particular standards project to stay informed about drafting team meetings and calls, please email [Mallory Huggins](#).

STANDARDS ITEMS

Current Ballots (ballot periods close at 8 p.m. ET)

- [Project 2010-11: TPL Table 1, Footnote B](#) – Open November 9-19, 2012 ([Initial Ballot](#))
 1. Note that, aside from the proposed revisions to the footnote and changes to conform the Enforcement Dates section to the current language approved by NERC legal to cover all of the jurisdictions in which NERC standards are mandatory, no other revisions have been made to either standard. The scope of the drafting team's assignment is limited to addressing changes to the single footnote.
- [Project 2008-06 — Cyber Security — Order 706](#) – Non-binding Poll Extended One Additional Day to Achieve a Quorum – Open until 8 p.m. ET November 13, 2012

Posted for Comment (comment periods close at 8 p.m. ET)

- [Regional Reliability Standard IRO-006-WECC-2](#) – Open October 3 – November 16, 2012 ([Comment Form](#))
- [Project 2010-11: TPL Table 1, Footnote B](#) – Open October 5 – November 19, 2012 ([Comment Form](#))
- [Interpretation 2012-INT-02: Interpretation of TPL-003-0a and TPL-004-0 for SPCS](#) – Open October 22 – December 5, 2012 ([Comment Form](#))
- [Interpretation 2012-INT-04: Interpretation of CIP-007 for ITC](#) – Open November 9 – December 10, 2012 ([Comment Form](#))
- [Interpretation 2012-INT-06: Interpretation of CIP-003 for Consumers Energy](#) – Open November 9 – December 10, 2012 ([Comment Form](#))
- [Project 2013-03: Paragraph 81](#) – Open October 25 – December 10, 2012 ([Comment Form](#))
- [Interpretation 2012-INT-05: Interpretation of CIP-002-3 for OGE](#) – Open November 6 – December 20, 2012 ([Comment Form](#))

Join Ballot Pools (ballot pool windows close at 8 a.m. ET)

- [Interpretation 2012-INT-02: Interpretation of TPL-003-0a and TPL-004-0 for SPCS](#) – Open October 22 – November 20, 2012 ([Join Ballot Pool](#))
- [Project 2013-03: Paragraph 81](#) – Open October 25 – November 23, 2012 ([Join Ballot Pool](#))
- [Interpretation 2012-INT-05: Interpretation of CIP-002-3 for OGE](#) – Open November 6 – December 5, 2012 ([Join Ballot Pool](#))

Pending Ballots (ballot periods close at 8 p.m. ET)

- [Interpretation 2012-INT-02: Interpretation of TPL-003-0a and TPL-004-0 for SPCS](#) – Open November 26 – December 5, 2012 ([Initial Ballot](#))
- [Project 2013-03: Paragraph 81](#) – Open November 30 – December 10, 2012 ([Initial Ballot](#))
- [Interpretation 2012-INT-05: Interpretation of CIP-002-3 for OGE](#) – Open December 11-20, 2012 ([Initial Ballot](#))

Standard Drafting Team Vacancies and Nominations

Any industry stakeholders interested in participating on a standards drafting team can view vacant appointments on the [Drafting Team Vacancies page](#) on NERC's website and submit a self-nomination form to sarcomm@nerc.com.

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

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From: [NERC Standards Announcements \(Do Not Reply\)](#)
To: monica.benson@necr.net
Subject: NECR: Standards Bulletin - November 19-25, 2012
Date: Monday, November 19, 2012 9:56:25 AM

Standards Bulletin

November 19-25, 2012

This weekly bulletin compiles a list of current and upcoming standards, interpretations, and other standards items posted for industry comment or ballot, along with recent FERC approvals and upcoming standards-related postings and events. Please email [Monica Benson](mailto:monica.benson@necr.net) with questions about standards commenting and balloting and [Mallory Huggins](#) with feedback on this bulletin.

The current bulletin is always available on the [Standards Under Development page](#), and previous bulletins are available on the [Standards page](#).

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STANDARDS ITEMS

Current Ballots (ballot periods close at 8 p.m. ET)

- [Project 2010-11: TPL Table 1, Footnote B](#) – Open November 9-19, 2012 ([Initial Ballot](#))
 - Note that, aside from the proposed revisions to the footnote and changes to conform the Enforcement Dates section to the current language approved by NECR legal to cover all of the jurisdictions in which NECR standards are mandatory, no other revisions have been made to either standard. The scope of the drafting team's assignment is limited to addressing changes to the single footnote.

Posted for Comment (comment periods close at 8 p.m. ET)

- [Project 2010-11: TPL Table 1, Footnote B](#) – Open October 5 – November 19, 2012 ([Comment Form](#))

- [Interpretation 2012-INT-02: Interpretation of TPL-003-0a and TPL-004-0 for SPCS](#) – Open October 22 – December 5, 2012 ([Comment Form](#))
- [Interpretation 2012-INT-04: Interpretation of CIP-007 for ITC](#) – Open November 9 – December 10, 2012 ([Comment Form](#))
- [Interpretation 2012-INT-06: Interpretation of CIP-003 for Consumers Energy](#) – Open November 9 – December 10, 2012 ([Comment Form](#))
- [Project 2013-02: Paragraph 81](#) – Open October 25 – December 10, 2012 ([Comment Form](#))
- [Project 2007-02: Operating Personnel Communications Protocols](#) (COM-003) – Open November 14 – December 13, 2012 ([Comment Form](#))
- [Project 2007-06: System Protection Coordination](#) (PRC-001 and PRC-027) – Open November 16 – December 17, 2012 ([Comment Form](#))
- [Interpretation 2012-INT-05: Interpretation of CIP-002-3 for OGE](#) – Open November 6 – December 20, 2012 ([Comment Form](#))
- [Standard Processes Manual Revisions to Implement SPIG Recommendations](#) – (Announcement Coming Soon)

Join Ballot Pools (ballot pool windows close at 8 a.m. ET)

- [Interpretation 2012-INT-02: Interpretation of TPL-003-0a and TPL-004-0 for SPCS](#) – Open October 22 – November 20, 2012 ([Join Ballot Pool](#))
- [Project 2013-02: Paragraph 81](#) – Open October 25 – November 23, 2012 ([Join Ballot Pool](#))
- [Interpretation 2012-INT-05: Interpretation of CIP-002-3 for OGE](#) – Open November 6 – December 5, 2012 ([Join Ballot Pool](#))

Pending Ballots (ballot periods close at 8 p.m. ET)

- [Interpretation 2012-INT-02: Interpretation of TPL-003-0a and TPL-004-0 for SPCS](#) – Open November 26 – December 5, 2012 ([Initial Ballot](#))

- [Project 2013-02: Paragraph 81](#) – Open November 30 – December 10, 2012 ([Initial Ballot](#))
- [Project 2007-02: Operating Personnel Communications Protocols](#) (COM-003) – Open December 4-13, 2012 ([Successive Ballot](#))
- [Project 2007-06: System Protection Coordination](#) (PRC-001 and PRC-027) – Open December 7-17, 2012 ([Successive Ballot](#))
- [Interpretation 2012-INT-05: Interpretation of CIP-002-3 for OGE](#) – Open December 11-20, 2012 ([Initial Ballot](#))

Board of Trustees Adoptions and NERC Website Updates

On November 7, 2012, the NERC Board of Trustees adopted Reliability Standards [BAL-002-WECC-2: Contingency Reserve](#), [COM-001-2: Communications](#), [COM-002-3: Communication and Coordination](#), [EOP-004-2: Event Reporting](#), [PRC-005-2: Protection System Maintenance](#), and [PRC-006-SPP-01: SPP Automatic Underfrequency Load Shedding](#). The Board also approved an interpretation to BAL-002, resulting in [BAL-002-1a: Disturbance Control Performance](#), and a rapid revision of TOP-006-2 in response to an FMPP Request for Interpretation, resulting in [TOP-006-3: Monitoring System Conditions](#). Finally, the Board withdrew its approval of [MOD-025-RFC-01-Verification and Data Reporting of Generator Gross and Net Reactive Power Capability](#).

Standard Drafting Team Vacancies and Nominations

Any industry stakeholders interested in participating on a standards drafting team can view vacant appointments on the [Drafting Team Vacancies page](#) on NERC's website and submit a self-nomination form to sarcomm@nerc.com.

Standards Webinars

- [Project 2007-02: Operating Personnel Communications Protocols](#) (COM-003) Industry Webinar – November 27, 2012, 1:30-3:30 p.m. EDT (Announcement Coming Soon)
- [Project 2010-13.2: Phase 2 of Relay Loadability: Generation](#) (PRC-025) Industry Webinar –December 13, 2012 from 2:00-4:00 p.m. EDT (Announcement Coming Soon)

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

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From: anthony.jablonski@rfirst.org
To: [rsg](#)
Subject: ReliabilityFirst Board Action - ReliabilityFirst Regional Criteria Board Approved August 29, 2012
Date: Friday, September 07, 2012 11:17:30 AM

Ladies and Gentleman,

ReliabilityFirst Regional Criteria Board Approved August 29, 2012

The ReliabilityFirst Board of Directors (Board) approved the conversion of four Board approved standards (and one reformatted Regional Criteria) into ReliabilityFirst Regional Criteria during the August 29, 2012 Board meeting. The converted and reformatted Regional Criteria (RFC_Criteria_BAL-002-02, RFC_Criteria_EOP-007-01, RFC_Criteria_MOD-024-01, RFC_Criteria_MOD-025-01 and RFC_Criteria_PRC-002-01) can be found on the new ReliabilityFirst Regional Criteria [webpage](#). The Board also approved a [process for developing Regional Criteria](#) and conforming changes to the [Standards Committee Governance Document](#) which gives the Standards Committee the oversight role of developing Regional Criteria. All Board approved standards are also actively being removed from the associated NERC process as well. This includes the NERC BoT approved MOD-025-RFC-01 standard. Please note, the FERC approved BAL-502-RFC-02 Standard was not converted to a Regional Criteria and will remain a Regional Standard.

ReliabilityFirst Regional Criteria are ReliabilityFirst Board approved good utility practice documents which are not reliability standards. ReliabilityFirst Regional Criteria may also address issues not within the scope of reliability standards, ReliabilityFirst Regional Criteria may include specific acceptable operating or planning parameters, guides, agreements, protocols or other documents used to enhance the reliability of the regional Bulk Electric System. ReliabilityFirst Regional Criteria will typically provide benefits by promoting more consistent implementation of the NERC reliability standards within the Region. ReliabilityFirst Regional Criteria are not NERC reliability standards, regional reliability standards, or regional variances, and therefore are not enforceable under authority delegated by NERC pursuant to delegation agreements and do not require NERC approval. The [background and history](#) of the conversion to Regional Criteria can be found on ReliabilityFirst Regional Criteria webpage as well. Thank you and have a great day.

Regards,

Anthony Jablonski
Standards Process Manager
ReliabilityFirst Corporation
Anthony.Jablonski@rfirst.org
Office: (330) 247-3054
Cell: (330) 933-5609

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Media Release

Cauley Speaks to WECC Board on Anniversary of September 2011 Outage

September 6, 2012

ATLANTA – One year ago, a power outage affected nearly three million customers in Southwest California, Arizona and Baja California, Mexico. Since the September 8, 2011 event, activities have been underway to address the causes of the outage and to take steps to prevent similar future events. NERC President and Chief Executive Officer Gerry Cauley spoke at the WECC board meeting today reiterating his support of WECC's actions taken to date, while recognizing more remains to be done.

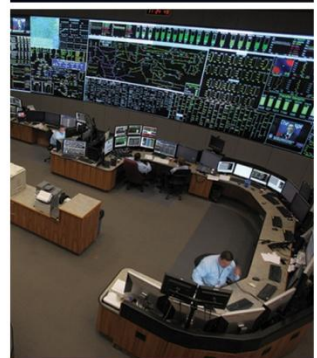
Cauley thanked WECC for a responsive preliminary report to a July 26 letter he sent to the region, which requested a detailed report outlining near-term remediation actions completed or in progress to date, and plans for additional actions going forward. Although still evaluating the report, Cauley said he was pleased with the scope of strategic review by the region. The structural and governance issues are key in ensuring the future reliability in the West. WECC provided its [Preliminary Response to the "Arizona-Southern California Outages on September 8, 2011"](#) report to NERC on August 31.

Cauley noted the ongoing cooperative working relationship with WECC and with the Federal Energy Regulatory Commission (FERC), referencing the collaborative effort on the [joint report](#) by NERC and FERC issued in April of this year. The report identified 27 findings and recommendations for addressing the issues that led to the outage.

"Many of the findings of the April report pointed to underlying systemic concerns with the management of interconnected operations and planning," Cauley said. "In reviewing WECC's preliminary response report, there appear to be substantive and responsive actions already being undertaken, and a clear commitment and sense of urgency to resolving the remaining reliability issues. I encourage the WECC board to continue their steps forward in fully addressing the recommendations."

CONTACT:
Kimberly.Mielcarek@nerc.net

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The preliminary report identifies gaps in current procedures and highlights best practices in the following areas: next-day planning responsibilities; situational awareness capabilities; seasonal, near- and long-term planning; identification and recognition of Interconnection Reliability Operating Limits (IROLs); review, analysis and coordination of protection systems; and procedures for reclosing transmission lines.

Some key accomplishments and next steps highlighted in the preliminary report include:

Accomplishments

- Next-day studies now posted on the Reliability Coordinator secure website.
- Development of a five-year plan to address gaps.
- Enhanced methodology to address Interconnection Reliability Operating Limits (IROL) identification process.
- New relay setting changes on transformers.

Next Steps

- Strengthen Reliability Coordinator staff, tools and training.
- Expand reliability data sharing and communication.
- Address any related reliability issues identified by other Regional Entities.
- Develop overall NERC lessons learned, guidelines and procedures, training and education materials and standards as necessary to identify reliability issues.

The final WECC report is expected to be submitted to NERC on September 30.

###

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

From: Kimberly Mielcarek <Kimberly.Mielcarek@nerc.net>
Sent: Thursday, September 06, 2012 3:57 PM
To: Kimberly Mielcarek
Subject: NERC - Cauley Speaks to WECC Board on Anniversary of September 2011 Outage

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION



ATLANTA – One year ago, a power outage affected nearly three million customers in Southwest California, Arizona and Baja California, Mexico. Since the September 8, 2011 event, activities have been underway to address the causes of the outage and to take steps to prevent similar future events. **NERC President and Chief Executive Officer Gerry Cauley** spoke at the WECC board meeting today reiterating his support of WECC's actions taken to date, while recognizing more remains to be done.

For more information or assistance, please contact [Kimberly Mielcarek](#).

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July 26, 2012

Mr. Mark Maher
Western Electricity Coordinating Council
155 North 400 West, Suite 200
Salt Lake City, UT 84103

Dear Mark,

On May 1, 2012, the Federal Energy Regulatory Commission (FERC) and NERC released a joint report summarizing the causes and findings of our eight-month review of the September 8, 2011 Southwest event affecting nearly three million customers in Southern California, Arizona, and Baja California, Mexico. The report identified 27 recommendations for preventing similar future events in the West.

I appreciate your responsive leadership since the issuance of the report to initiate quick remediation of many of the most urgent issues needed to ensure a reliable Western Interconnection through the peak summer period. The weekly calls to review progress have also been helpful. I understand also that you are working on longer term plans to address all of the recommendations in the report.

Additionally, I want to thank you for the timely response to the June 5, 2012 letter issued by David Nevius, NERC's executive director of the event review, requesting a status report on follow-up actions by registered entities and WECC itself. To date there appears to be substantive and responsive actions to remediate a number of the specific causes of the September 8 event. I have also had a number of follow-up meetings with senior executives from the West, including with the WECC board in late June and the Western Electric Industry Leaders group in July, and I am pleased with the level of acknowledgement of a need for substantive changes and improvements to the management of reliability in the Western Interconnection.

I believe, however, that many of the findings of the report point to underlying systemic or institutional issues with the management of reliable interconnected operations and planning, and with the culture of reliability in the Western Interconnection. These concerns are reinforced by some of the initial gaps identified in your July 20 white paper outlining aggregated responses to a survey conducted by WECC. The responses indicate broad gaps involving entities beyond the parties involved in the September 8 event with regard to situational awareness, reliability information sharing, system reliability analysis and planning, and system protection coordination, to name a few.

The purpose of this letter is to request that you provide to NERC, no later than August 31, 2012, a detailed report outlining near-term remediation actions completed or in progress to date, and plans for additional actions going forward. The forward-looking portion of the report should provide a description of the objectives and deliverables planned to address the 27 recommendations from the FERC-NERC report, as well as the eight broader systemic issues I have outlined below. I understand that by August 31, some of the longer-term actions may only have a plan of action, but may not yet

have been initiated. For each recommendation and issue below, the report should provide a summary of actions planned and a timetable of milestones by which we can track progress with you.

Although there may be other specific remediation plans with individual entities directly involved in the September 8 event, I think there is a great opportunity for WECC, under your leadership, to pull together the comprehensive, Interconnection-wide response to address the recommendations and issues from this event.

The systemic or institutional concerns that I have identified are summarized below. Some of these issues are related to one or more of the recommendations from the FERC-NERC report, while others address broader underlying concerns:

1. WECC Reliability Coordinator Tools, Authorities, Capabilities and Support

- Ensure sufficient staff resources, tools, and training.
- Ensure that registered entities understand and expect reliability coordinator authority will be exercised when needed, and with the appropriate degree of urgency in cases of potential cascading situations.
- Ensure the reliability coordinator is willing to assert authority when a reliability issue is identified.
- Ensure reliability coordinator has situational awareness of the entire bulk electric system in the Western Interconnection.
- Benchmark reliability coordinator capabilities and performance compared to other reliability coordinators.

2. WECC Organization, Governance and Conflict of Interest

- Consider separating governance of functions delegated by NERC from registered entity functions.
- Consider establishing a smaller, more effective board for the regional entity functions; consider what is an effective balance of independent directors and stakeholder directors.
- Ensure additional roles for the region (e.g. reliability coordinator, planning coordinator, energy imbalance market, etc.) are separated from NERC delegated functions; NERC has no opinion on the governance of these other functions.

3. WECC Path Ratings and Interconnection Reliability Operating Limits (IROLs)

- Ensure all IROLs are identified and updated dynamically based on changing system configuration.
- Ensure path limits are updated; not depending solely on long-term or seasonal studies.
- Resolve path operator responsibilities – who has Transmission Operator (TOP)/Transmission Owner (TO) responsibilities for all facilities that comprise each rated path.

4. System Protection, Remedial Action Schemes, and Special Protection Systems

- Evaluate any potential risks introduced by a proliferation of remedial and special protection schemes and safety nets; ensure all schemes are coordinated with each other and general system protection.
- Ensure awareness, recognition, and communication of operating limits created by relay settings.

5. Data Sharing, Non-Disclosure and Data Confidentiality Agreements

- Establish a culture of trust in reliability data sharing; overcome current barriers to data sharing.
- All reliability coordinators, transmission operators, and balancing authorities should have access to all reliability data necessary to perform their next-day and real-time reliability assessments; includes neighboring systems and in some cases interconnection-wide data.
- Complete the execution of the universal NDA to allow data sharing for next-day studies among all transmission operators, balancing authorities and reliability coordinators.

6. Roles and Responsibilities of Reliability Coordinator (RC), Balancing Authorities, and TOPs

- Evaluate and clarify roles and responsibilities of all entities, including small, local entities.
- Ensure transmission operators, including small ones, have adequate situational awareness and system visibility and are conducting same-day real-time contingency analysis.
- De-register entities not capable of performing functions for which registered and transfer their responsibilities or require joint registration organizations.

7. Awareness and Recognition of Impacts of Sub-100 kV Systems on Bulk Power System Reliability

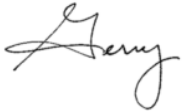
- Evaluate the entire system to identify any sub-100 kV facilities that could potentially lead to cascading outages.
- Ensure active monitoring and alarming of all such facilities by the WECC RC.

8. ERO/Regional Entity (RE) Processes

- In collaboration with NERC, review the history of ERO and WECC RE reliability oversight to understand why underlying conditions were not identified and addressed; to include regional studies and modeling; compliance monitoring activities and what actions should be taken going forward.

Once again, thank you for your responsive leadership at this critical time in addressing the issues outlined in the report and in this letter. I also want to thank the executive leadership within the Western Interconnection for stepping up at this critical time to help you lead these efforts, particularly the Western Electric Industry Leaders group, whom I have copied on this letter.

Sincerely,



Gerry Cauley
President and CEO

cc: Western Electric Industry Leaders
Chairman Jon Wellinohoff, Federal Energy Regulatory Commission
Honorable Phillip D. Moeller, Federal Energy Regulatory Commission
Honorable John R. Norris, Federal Energy Regulatory Commission
Honorable Cheryl A. LaFleur, Federal Energy Regulatory Commission
Honorable Tony Clark, Federal Energy Regulatory Commission
Mr. Jim Pederson, Federal Energy Regulatory Commission
Mr. Norman Bay, Federal Energy Regulatory Commission
Mr. Mike Bardee, Federal Energy Regulatory Commission
Mr. Joseph McClelland, Federal Energy Regulatory Commission
NERC Board of Trustees
NERC Executive Management Group

**Testimony of Joseph McClelland
Director, Office of Electric Reliability
Federal Energy Regulatory Commission
Before the Committee on Homeland Security
Subcommittee on Emerging Threats, Cybersecurity,
and Science and Technology
United States House of Representatives
September 12, 2012**

Mr. Chairman, Ranking Member and Members of the Committee:

Thank you for this opportunity to appear before you to discuss the security of the electric grid. My name is Joseph McClelland. I am the Director of the Office of Electric Reliability (OER) of the Federal Energy Regulatory Commission (FERC or Commission). The Commission's role with respect to reliability is to help protect and improve the reliability of the Nation's bulk power system through effective regulatory oversight as established in the Energy Policy Act of 2005. I am here today as a Commission staff witness and my remarks do not necessarily represent the views of the Commission or any individual Commissioner.

The Commission is committed to protecting the reliability of the nation's bulk electric system. The Commission is considering actions that it can take under its current authority to address national security threats to the reliability of our transmission and power system from electromagnetic pulses. These types of threats pose an increasing risk to our Nation's electric grid, which undergirds our government and economy and helps ensure the health and welfare of our citizens. I will describe how limitations in Federal authority may not fully protect the grid against security threats due to electromagnetic pulse and summarize the Commission's oversight of the electric grid under section 215 of the Federal Power Act.

Background

In the Energy Policy Act of 2005 (EPAct 2005), Congress entrusted the Commission with a major new responsibility to oversee mandatory, enforceable reliability standards for the Nation's bulk power system (excluding Alaska and Hawaii). This authority is in section 215 of the Federal Power Act. Section 215 requires the Commission to select an Electric Reliability Organization (ERO) that is responsible for proposing, for Commission review and approval, reliability standards or modifications to existing reliability standards to help protect and improve the reliability of the Nation's bulk power system. The Commission has certified the North American Electric Reliability Corporation (NERC) as the ERO. The reliability standards apply to the users, owners and operators of the bulk power system and become mandatory in the United States only after Commission approval. The ERO also is authorized to impose, after notice and opportunity for a hearing, penalties for violations of the reliability standards, subject to Commission review and approval. The ERO may delegate certain responsibilities to "Regional Entities," subject to Commission approval.

The Commission may approve proposed reliability standards or modifications to previously approved standards if it finds them “just, reasonable, not unduly discriminatory or preferential, and in the public interest.” The Commission itself does not have authority to author or modify proposed standards. Rather, if the Commission disapproves a proposed standard or modification, section 215 requires the Commission to remand it to the ERO for further consideration. The Commission, upon its own motion or upon complaint, may direct the ERO to submit a proposed standard or modification on a specific matter but it does not have the authority to modify or author a standard and must depend upon the ERO to do so.

Limitations of Section 215 and the Term “Bulk Power System”

Currently, the Commission’s jurisdiction under section 215 is limited to the “bulk power system,” as defined in the FPA, and therefore excludes Alaska and Hawaii, including any federal installations located therein. It also excludes all local distribution facilities, including those facilities connected to defense infrastructure. The current interpretation of “bulk power system” also excludes some transmission, including virtually all of the grid facilities in certain large cities such as New York, thus precluding Commission action to mitigate cyber or other national security threats to reliability that involve such facilities and major population areas. The Commission directed NERC to revise its interpretation of the bulk power system to eliminate inconsistencies across regions, eliminate the ambiguity created by the current discretion in NERC’s definition of bulk electric system, provide a backstop review to ensure that any variations do not compromise reliability, and ensure that facilities that could significantly affect reliability are subject to mandatory rules. NERC has recently filed a revised definition of the term bulk power system, and the Commission has solicited comments on its proposal to accept NERC’s revised definition. However, it is important to note that section 215 of the FPA excludes local distribution facilities from the Commission’s reliability jurisdiction, so any revised bulk electric system definition developed by NERC will still not apply to local distribution facilities, including those connected to defense infrastructure.

The NERC Process

As an initial matter, it is important to recognize how mandatory reliability standards are established. Under section 215, reliability standards must be developed by the ERO through an open, inclusive, and public process. The Commission can direct NERC to develop a reliability standard to address a particular reliability matter. However, the NERC process typically requires years to develop standards for the Commission’s review.

NERC’s procedures for developing standards allow extensive opportunity for stakeholder comment, are open, and are generally based on the procedures of the American National Standards Institute. The NERC process is intended to develop consensus on both the need for, and the substance of, the proposed standard. Although inclusive, the process is relatively slow, open and unpredictable in its responsiveness to the Commission’s directives. This process requires public disclosure regarding the reason for the proposed standard, the manner in which the standard will address the issues, and

any subsequent comments and resulting modifications in the standards as the affected stakeholders review the material and provide comments. NERC-approved standards are then submitted to the Commission for its review.

The procedures used by NERC are appropriate for developing and approving routine reliability standards. The process allows extensive opportunities for industry and public comment. The public nature of the reliability standards development process can be a strength of the process. However, it can be an impediment when measures or actions need to be taken to address threats to national security quickly, effectively and in a manner that protects against the disclosure of security-sensitive information. The current procedures used under section 215 for the development and approval of reliability standards do not provide an effective and timely means of addressing urgent national security risks to the bulk power system, particularly in emergency situations. Certain circumstances, such as those involving national security, may require immediate action, while the reliability standard procedures take too long to implement efficient and timely corrective steps.

FERC rules governing review and establishment of reliability standards allow the agency to direct the ERO to develop and propose reliability standards under an expedited schedule. For example, FERC could order the ERO to submit a reliability standard to address a reliability vulnerability within 60 days. Also, NERC's rules of procedure include a provision to develop a new or modified Reliability Standard using an expedited reliability standard development process that can be completed within 60 days and which may be further expedited by a written finding by the NERC board of trustees that an extraordinary and immediate threat exists to bulk power system reliability or national security. However, it is not clear NERC could meet this schedule in practice. Moreover, faced with a national security threat to reliability, there may be a need to act decisively in hours or days, rather than weeks, months or years. That would not be feasible even under the expedited process. In the meantime, the bulk power system would be left vulnerable to a known national security threat. Moreover, existing procedures, including the expedited action procedure, could widely publicize both the vulnerability and the proposed solution, thus increasing the risk of hostile actions before the appropriate solutions are implemented.

In addition, a reliability standard submitted to the Commission by NERC may not be sufficient to address the identified vulnerability or threat. Since FERC may not directly modify a proposed reliability standard under section 215 and must either approve or remand it, FERC would have the choice of approving an inadequate standard and directing changes, which reinitiates a process that can take years, or rejecting the standard altogether. Under either approach, the bulk power system would remain vulnerable for a prolonged period.

Finally, the open and inclusive process required for standards development is not consistent with the need to protect security-sensitive information. For instance, a formal request for a new standard would normally detail the need for the standard as well as the proposed mitigation to address the issue, and the NERC-approved version of the standard would be filed with the Commission for review. This public information could help

potential adversaries in planning attacks.

Physical Security and Other Threats to Reliability

The existing reliability standards do not extend to physical threats to the grid, but physical threats can cause equal or greater destruction than cyber attacks. While the Commission is considering actions that it can take under its current authority, this authority may not be sufficient in cases where quick mandatory action is needed to protect the United States from the EMP threat or other national security threats to the reliability of our transmission and power system. The Federal government should have no less ability to act to protect against potential damage from physical threats to the grid than from cyber attacks.

One example of a physical threat is an electromagnetic pulse (EMP) event. EMP events can be generated from either naturally occurring or man-made causes. In the case of the former, solar magnetic disturbances periodically disrupt the earth's magnetic field which in turn, can generate large induced ground currents on the electric grid. This effect, also termed the "E3" component of an EMP, can simultaneously damage or destroy bulk power system transformers over a large geographic area. Regarding man-made events, EMP can also be generated by weapons. Equipment and plans are readily available that have the capability to generate high-energy bursts, termed "E1", that can damage or destroy electronics such as those found in control and communication systems on the power grid. These devices can be portable and effective, facilitating simultaneous coordinated attacks, and can be reused, allowing use against multiple targets. The most comprehensive man-made EMP threat is from a high-altitude nuclear explosion. It would affect an area defined by the "line-of-sight" from the point of detonation. The higher the detonation the larger the area affected, and the more powerful the explosion the stronger the EMP emitted. The first component of the resulting pulse E1 occurs within a fraction of a second and can destroy control and communication electronics. The second component is termed "E2" and is similar to lightning, which is well-known and mitigated by industry. Toward the end of an EMP event, the third element, E3, occurs. This causes the same effect as solar magnetic disturbances. It can damage or destroy power transformers connected to long transmission lines and cause voltage problems and instability on the electric grid, which can lead to wide-area blackouts. It is important to note that effective mitigation against solar magnetic disturbances and non-nuclear EMP weaponry provides effective mitigation against a high-altitude nuclear explosion.

In 2001, Congress established a commission to assess the threat from EMP, with particular attention to be paid to the nature and magnitude of high-altitude EMP threats to the United States; vulnerabilities of U.S. military and civilian infrastructure to such attack; capabilities to recover from an attack; and the feasibility and cost of protecting military and civilian infrastructure, including energy infrastructure. In 2004, the EMP commission issued a report describing the nature of EMP attacks, vulnerabilities to EMP attacks, and strategies to respond to an attack.¹ A second report was produced in 2008

¹ Graham, Dr. William R. et al., *Report of the Commission to Assess the Threat to the United States from Electromagnetic Pulse (EMP) Attack* (2004).

that further investigated vulnerabilities of the Nation's infrastructure to EMP.² The reports concluded that both electrical equipment and control systems can be damaged by EMP. The reports also pointed out how the interdependencies among the various infrastructures could become vulnerabilities after an EMP. In particular, they point to the electrical infrastructure's need of the communication and natural gas infrastructures.

An EMP may also be a naturally-occurring event caused by solar flares and storms disrupting the Earth's magnetic field. In 1859, a major solar storm occurred, causing auroral displays and significant shifts of the Earth's magnetic fields. As a result, telegraphs were rendered useless and several telegraph stations burned down. The impacts of that storm were muted because semiconductor technology did not exist at the time. Were the storm to happen today, according to an article in *Scientific American*, it could "severely damage satellites, disable radio communications, and cause continent-wide electrical black-outs that would require weeks or longer to recover from."³ Although storms of this magnitude occur rarely, storms and flares of lesser intensity occur more frequently. Storms of about half the intensity of the 1859 storm occur every 50 years or so according to the authors of the *Scientific American* article, and the last such storm occurred in November 1960, leading to world-wide geomagnetic disturbances and radio outages. The power grid is particularly vulnerable to solar storms, as transformers are electrically grounded to the Earth and susceptible to damage from geomagnetically induced currents. The damage or destruction of numerous transformers across the country would result in reduced grid functionality and even prolonged power outages.

In March 2010, Oak Ridge National Laboratory (Oak Ridge) and its subcontractor Metatech released a study that explored the vulnerability of the electric grid to EMP-related events. This study was a joint effort contracted by FERC staff, the Department of Energy and the Department of Homeland Security and expanded on the information developed in other initiatives, including the EMP commission reports. The series of reports provided detailed technical background and outlined which sections of the power grid are most vulnerable, what equipment would be affected, and what damage could result. Protection concepts for each threat and additional methods for remediation were also included along with suggestions for mitigation. The results of the study support the general conclusion that EMP events pose substantial risk to equipment and operation of the Nation's power grid and under extreme conditions could result in major long term electrical outages. In fact, solar magnetic disturbances are inevitable with only the timing and magnitude subject to variability. The study assessed the 1921 solar storm, which has been termed a 1-in-100 year event, and applied it to today's power grid. The study concluded that such a storm could damage or destroy up to 300 bulk power system transformers, interrupting service to 130 million people for a period of years.

In February 2012, NERC released its Interim Report: Effects of Geomagnetic

² Dr. John S. Foster, Jr. et al., *Report of the Commission to Assess the Threat to the United States from Electromagnetic Pulse (EMP) Attack* (2008).

³ Odenwald, Sten F. and Green, James L., *Bracing the Satellite Infrastructure for a Solar Superstorm*, *Scientific American Magazine* (Jul. 28, 2008).

Disturbances on the Bulk Power System. In it, NERC concluded that the most likely worst-case system impact from a severe geomagnetic disturbance is voltage instability and voltage collapse with limited equipment damage.

On April 30, 2012, the Commission held a technical conference to discuss issues related to reliability of the bulk power system as affected by geomagnetic disturbances. The conference explored the risks and impacts from geomagnetically induced currents to transformers and other equipment on the bulk power system, as well as options for addressing or mitigating the risks and impacts. The Commission is considering the comments filed after that conference and what actions it can take under its current authority to address national security threats to the reliability of our transmission and power system from electromagnetic pulses.

The existing reliability standards do not address EMP vulnerabilities. Protecting the electric generation, transmission and distribution systems from severe damage due to an EMP-related event would involve vulnerability assessments at every level of electric infrastructure.

Conclusion

Although the Commission's current authority allows it to require the submission by the ERO of proposed standards to address the EMP threat to the United States, it does not allow the Commission the ability to author the standard, thereby limiting its effectiveness. The Commission is considering actions that it can take under its current authority. This authority, however, does not allow it to author standards or to require quick action to protect the United States from the EMP threat or other national security threats to the reliability of our transmission and power system. Any new legislation should address several key concerns, including allowing the federal government to take action before a cyber or physical national security incident has occurred, ensuring appropriate confidentiality of sensitive information submitted, developed or issued under new authority, and allowing cost recovery for costs entities incur to mitigate vulnerabilities and threats.

These types of threats pose an increasing risk to the power grid that serves our Nation, which undergirds our government and economy and helps ensure the health and welfare of our citizens. Thank you again for the opportunity to testify today. I would be happy to answer any questions you may have.



NORTHEAST POWER COORDINATING COUNCIL, INC.
1040 AVE. OF THE AMERICAS, NEW YORK, NY 10018 (212) 840-1070 FAX (212) 302-2782

**BOARD OF DIRECTORS
AGENDA
October 30, 2012
10:00 a.m. – 12:30 p.m.**

Meeting via Teleconference

Dial-In: 877-260-3999

Code: 6945#

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1. Introductions/Quorum/Antitrust Compliance Statement	10:00
2. President's Report	10:05
3. Report by the Treasurer	10:15
a) FAC Charter for Consideration	<i>[Action Required]</i>
b) Finance and Audit Committee Status Update	
c) 3 rd Quarter RE Statement of Activities	
4. Consideration of draft NPCC Board of Directors Minutes of September 19, 2012 Meeting	10:25 <i>[Action Required]</i>
5. Organizational Matters	10:30
a) Membership, Board and Committee Changes	<i>[Action Required]</i>
b) Board Committee Status Updates	
6. NERC Matters	
a) MRC and BOT – November 6-7, 2012 Agenda (to be posted by NERC approximately October 22 nd)	11:00
b) NPCC BOD Policy Input	<i>[Action Required]</i>
7. Administrative Matters	11:30
a) Board of Directors Charter for Consideration	<i>[Action Required]</i>
b) CGNC Charter for Consideration	<i>[Action Required]</i>
c) MDCC Charter for Consideration	<i>[Action Required]</i>
d) Pension Committee Charter for Consideration	<i>[Action Required]</i>
8. Regulatory Matters	12:00
a) Process for Regulatory and/or Governmental Filings	
b) Regional Entity Ballot Process on NERC Standards	
9. Other Matters	12:10
10. 2012 Board of Director Meeting (Followed by Annual and General Meetings)	12:30
• Wednesday, November 28, 2012 – (7:30 a.m. to 10:30 a.m. Montreal, Québec)	



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Northeast Power Coordinating Council, Inc. (NPCC)

Chairman: **Harvey J. Reed**
President and CEO: **Edward A. Schwerdt**
Chief Operating Officer: **Jennifer Budd Mattiello**
Secretary: **Andrianne S. Payson, Esq.**
Treasurer: **Christopher Weir, CPA**

DIRECTORS

SECTOR 1 – Transmission Owners

William G. Longhi (O&R)
André Boulanger (HQ TE)

SECTOR 2 – Reliability Coordinators

Peter Brandien (ISO-NE)
Bruce B. Campbell (IESO)

SECTOR 3 – TDUs, Dist., LSEs

David H. Boguslawski (Northeast Utilities)
Michael Penstone (Hydro One)

SECTOR 4 – Generator Owners

Andrew Barrett (OPG)
Brad Van Auken (NYPA)

SECTOR 5 – Marketers, Brokers, Aggregators

Glen McCartney (CECG)
Daniel Whyte (Brookfield)

SECTOR 6 – State and Provincial Regulatory and/or Governmental Authorities

Tammy Mitchell (NYS DPS)

SECTOR 7- Sub-Regional Reliability Councils, Customers, Other Regional Entities and Interested Entities

Michael Forte (NYSRC)
Jeffrey Fenn – (SGC Engineering)

SECTOR 8 – Independent Directors

Donald L. Correll
Jan L. Newton



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Northeast Power Coordinating Council, Inc. (NPCC)

Antitrust Compliance Guidelines

It is NPCC's policy and practice to obey the antitrust laws and to avoid all conduct that unreasonably restrains competition. The antitrust laws make it important that meeting participants avoid discussion of topics that could result in charges of anti-competitive behavior, including: restraint of trade and conspiracies to monopolize, unfair or deceptive business acts or practices, price discrimination, division of markets, allocation of production, imposition of boycotts, exclusive dealing arrangements, and any other activity that unreasonably restrains competition.

It is the responsibility of every NPCC participant and employee who may in any way affect NPCC's compliance with the antitrust laws to carry out this commitment.

Participants in NPCC activities (including those participating in its committees, task forces and subgroups) should refrain from discussing the following throughout any meeting or during any breaks (including NPCC meetings, conference calls and informal discussions):

- Industry-related topics considered sensitive or market intelligence in nature that are outside of their committee's scope or assignment, or the published agenda for the meeting;
- Their company's prices for products or services, or prices charged by their competitors;
- Costs, discounts, terms of sale, profit margins or anything else that might affect prices;
- The resale prices their customers should charge for products they sell them;
- Allocating markets, customers, territories or products with their competitors;
- Limiting production;
- Whether or not to deal with any company; and
- Any competitively sensitive information concerning their company or a competitor.

Any decisions or actions by NPCC as a result of such meetings will only be taken in the interest of promoting and maintaining the reliability and adequacy of the bulk power system.

Any NPCC meeting participant or employee who is uncertain about the legal ramifications of a particular course of conduct or who has doubts or concerns about whether NPCC's antitrust compliance policy is implicated in any situation should call NPCC's Secretary, Andrianne S. Payson at 212-335-4765.



President's Report

October 30, 2012

Board of Directors Teleconference Meeting

Report Items:

- ERO Scope Input Group (ESIG)
- ERO Enterprise 2013 – 2016
Values, Goals, Objectives and
Measures



*Board of Directors Meeting
October 30, 2012
Agenda Item #3.*

Report by the Treasurer

*October 30, 2012
Meeting of the Board of Directors*

Report Items:

- ***Finance & Audit Committee Charter for BOD Consideration***
- ***Budget Status to 9/30/12***



NORTHEAST POWER COORDINATING COUNCIL, INC.

FINANCE AND AUDIT COMMITTEE CHARTER

June 24, 2008
(amended as of October ~~30~~²⁶, 201~~2~~⁴)

The Board of Directors ("the Board") of Northeast Power Coordinating Council, Inc. ("NPCC") has formed the Finance and Audit Committee to assist the Board in fulfilling certain of the Board's oversight responsibilities. The Board has adopted this Charter to establish the governing principles of the Finance and Audit Committee.

I. Role of the Finance and Audit Committee

The role of the Finance and Audit Committee is to act on behalf of the Board in fulfilling the following responsibilities of the Board:

- A. To oversee all material aspects of NPCC's financial reporting, internal control and audit functions, except any of those that are specifically delegated to another committee of the Board;
- B. To monitor the independence, qualifications and performance of NPCC's independent auditors; and
- C. To provide a means for open communication between and among NPCC's independent auditors, financial and senior management and the Board.

Although the Finance and Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Finance and Audit Committee to plan or conduct audits or to determine that NPCC's financial statements are complete and accurate or that they are in accordance with generally accepted accounting principles. The responsibility to plan and conduct audits is that of NPCC's independent auditors. NPCC's management has the responsibility to determine that NPCC's financial statements are complete, accurate and in accordance with generally accepted accounting principles and that adequate internal controls are maintained.

II. Composition of the Finance and Audit Committee

- A. The Board shall designate the members of the Finance and Audit Committee from time to time, and each member shall serve until his or her successor is designated by the Board.
- B. The Finance and Audit Committee shall be chaired by the NPCC Treasurer and shall consist of at least three members, at least one of whom is a director and all of whom are free of any relationship that, in the opinion of the Board, would interfere with their exercise of independent judgment as Committee members. Committee members shall have a basic understanding of finance and accounting and shall be able to read and understand financial statements.

III. Meetings of the Finance and Audit Committee

The Finance and Audit Committee shall meet at least two times annually, or more frequently as circumstances may require. A quorum requires the presence, in person or by telephone, of a majority of the members of the Committee. The affirmative vote of a majority of the Finance and Audit Committee shall be required to take any action.

The Chair of the Finance and Audit Committee shall be responsible for meeting with the independent auditors at least twice each fiscal year, initially to review the scope and focus of the annual audit prior to the beginning of the audit, and, after the audit, to discuss the results of the audit.

IV. Responsibilities of the Finance and Audit Committee

The Finance and Audit Committee shall have responsibility with respect to:

A. NPCC's Independent Auditors:

- To select an independent accounting firm as NPCC's auditors.
- To have a constructive and positive working relationship with the independent auditors because the ultimate responsibility of the independent auditors is to the Board and the Finance and Audit Committee, as representative of the Board;
- To evaluate annually the effectiveness and objectivity of NPCC's independent auditors, and to reengage or replace the independent auditors;
- To receive annually from NPCC's independent auditors the information about any of the relationships between the independent auditors and NPCC that the independent auditors are required to provide to the Finance and Audit Committee, to actively engage in a dialogue with the independent auditors about any relationships between the independent auditors and NPCC or any services that the independent auditors provide or propose to provide that may impact upon the objectivity and independence of the independent auditors and, after dialogue with the independent auditors, to take, or recommend that the Board take, any appropriate action to oversee the independence of the independent auditors; and

- To approve the fees and other compensation paid to the independent auditors.

B. NPCC's Financial Reporting Process:

- To oversee NPCC's selection of and major changes to its accounting policies;
- To discuss with NPCC's management and independent auditors the integrity of NPCC's financial reporting processes and controls, particularly the controls in areas representing significant financial, business, and regulatory compliance risks;
- To meet with NPCC's independent auditors and financial management both to discuss the proposed scope of the audit and to discuss the conclusions of the audit, including any items that the independent auditors are required by generally accepted auditing standards to discuss with the Finance and Audit Committee, such as any significant changes to NPCC's accounting policies, the integrity of NPCC's financial reporting processes and any proposed changes or improvements in financial, accounting or auditing practices; and
- To review and discuss with NPCC's management and independent auditors NPCC's audited financial statements.

C. Other Matters:

- To review and reassess the adequacy of this Charter on an annual basis;
- To review the IRS Form 990 annually, prior to submission;
- To review reports and any financial information submitted by NPCC to a government body or the public;
- To ensure that appropriate processes are in place for identifying and monitoring compliance with regard to conflicts of interest, related-party transactions, and illegal acts;
- To act as external point of contact for any whistle-blowing issues, and, if necessary, to initiate special investigations of policies, procedures, and practices;
- To report to the Board the matters discussed at each meeting of the Finance and Audit Committee through an annual report presented at an in person Board meeting each year;
- To keep an open line of communication with senior management, the independent auditors, and the Board;
- To retain, at NPCC's expense, special legal, accounting or other consultants or experts it deems necessary in the performance of its duties; and
- To perform such other responsibilities as the Board shall assign to the Committee from time to time by resolution or other authorized action.

V. Approval and Adoption

As adopted by the Finance and Audit Committee and approved by the NPCC Board of
| Directors on October ~~30~~²⁶, 201~~1~~²¹.



Northeast Power Coordinating Council, Inc. Board of Directors Meeting Draft Minutes for Approval

September 19, 2012 | 10:00 a.m.

NPCC's Offices: 1040 Avenue of the Americas, New York, NY 10018

The Chairman called to order a duly noticed meeting of the Board of Directors (*Board*) of Northeast Power Coordinating Council, Inc. (*NPCC*) held at NPCC's office on September 19, 2012, at 10:00 a.m. A quorum was declared present during the meeting by the President and CEO, Edward Schwerdt. Andrianne Payson acted as Recording Secretary. The meeting announcement, agenda and list of attendees are attached as **Exhibits A, B, and C**, respectively.

NPCC Antitrust Compliance Guidelines

At the Chairman's request, a motion to waive the reading of the *NPCC Antitrust Compliance Guidelines* that were distributed via email with the Board agenda package was duly made, seconded and unanimously approved by the Directors in each active Sector of the Board.

Minutes

The President and CEO presented for approval a draft of the minutes of the Board teleconference held on August 7, 2012. Board members proposed two revisions to the draft minutes. A motion to approve the minutes, as revised, of the NPCC Board of Directors meeting held on August 7, 2012 was duly made, seconded and unanimously approved by the Directors in each active Sector of the Board.

President's Report

The President and CEO presented a brief report that covered the following three (3) items:

- *Southwest Outage* – On August 30, 2012, NPCC sent NERC a summary assessment prepared by the Task Forces of the actions being taken within the Northeast to address applicable lessons learned from the joint FERC-NERC Summary Report on the Southwest Outage of September 8, 2011. NERC's June 5, 2012 request letter was divided into Next-Day and Real-Time Operating issues; and Longer-Term and Seasonal Planning considerations, including planning processes and modeling. WECC issued press releases regarding its responses to the FERC-NERC recommendations, which highlighted the following: (i) WECC had expanded its sharing of next-day studies to improve Situational Awareness; (ii) WECC had identified and calculated Interconnection Reliability Operating Limits or IROLs; (iii) WECC had conducted preliminary analyses of sub-100 kV elements that could impact the Bulk Electric System (*BES*); and (iv) WECC had initiated a review of all Remedial Action Schemes. In addition, a fundamental assessment of the WECC corporate structure was underway that would most likely lead to an organizational separation of the Regional Entity and Reliability Coordinator functions within WECC by June 2013.
- *NERC's Compliance Enforcement Initiative* – As an extension of NERC's initial *Find, Fix, Track and Report* filing with FERC last September 2011, NERC will begin exploring with the industry a proposal to expand the risk-based focus introduced in its compliance enforcement initiative so that there is more discretion within the monitoring of compliance with standard requirements. The

proposed approach includes: (i) developing more robust feedback from compliance monitoring and enforcement activities so that the revised standards development process could facilitate the development of Reliability Standards based on risk; (ii) conducting audits based on risk; (iii) prioritizing and treating violations in accordance with their risk; and (iv) utilizing penalties to send meaningful signals relative to the level of risk. It is expected that the implementation of NERC's proposed approach would encourage registered entities to take proactive measures to reduce risk by rewarding those registered entities that establish internal controls and compliance programs since these internal controls and compliance programs would reduce ERO monitoring and enforcement activity.

- *2014 ERO Strategic Goals and Common Business Plan Assumptions* – NERC's President and CEO, Gerry Cauley, will be meeting with the chief executive officers of all of the Regional Entities at NPCC's offices on Friday, September 21, 2012 to engage in the initial development of the 2014 ERO Strategic Goals and Common Business Plan Assumptions. In addition to the standards and compliance concepts referenced above, the following value propositions on an ERO Enterprise-wide basis will be discussed at the meeting: (i) utilizing a risk-based approach to identify and prioritize key reliability issues, including prioritizing from a cost perspective; (ii) analyzing and learning from system events; (iii) identifying and targeting unreliability trends; (iv) effectively addressing security vulnerabilities and cyber threats; and (v) establishing effective and efficient ERO processes.

Following the President and CEO's request for additional strategic goals, one Board member questioned whether establishing requirements for cyber security should be treated differently from developing other Reliability Standards since at least 7 out of the 10 most violated standards are Critical Infrastructure Protection (*CIP*) standards. One Board member noted that a zero defect approach to compliance was arguably ineffective and that there existed a level of distrust of compliance auditors in some regions of NERC that affected collaboration between auditors and the registered entities being audited. Other Board members questioned whether zero tolerance in the cyber area was more important than zero tolerance in the operations and planning reliability area. The President and CEO noted that NERC's expanded compliance enforcement initiative would be outlined in a March 2013 compliance filing with FERC. Board members asked that the President and CEO raise concerns regarding cyber security as a stand-alone issue at Friday's meeting with the NERC President and other Regional Entity Presidents.

Report by the Treasurer

Finance and Audit Committee (FAC) Update – Mr. Weir informed the Board that the FAC met in June and then over the summer months performed a review via email of the draft Form 990 for 2011 and had approved the Form 990 electronically, which was then circulated in the Board agenda package. As requested by the FAC, he highlighted one related party disclosure in the 2011 Form regarding an independent compliance contractor who additionally is NPCC's Vice President and COO's brother. The President and CEO noted that a few years ago, prior to retaining this auditing expertise, the familial relationship had been disclosed to the Board and the Board endorsed the contractor's services to NPCC, with the appropriate processes in place to assure separation of responsibilities and authorities. He also indicated that questions regarding independent, exclusive contract auditor agreements and any conflict of interest concerns would be addressed by the Corporate Governance and Nominating Committee (*CGNC*). In response to questions from the Board, Mr. Weir explained that there were no material changes in the information filed and tax law applied in the 2011 Form 990 compared with the prior year's Form 990.

Ms. Mattiello informed the Board that the next meeting of the FAC would be held by teleconference on October 1, 2012 to discuss NPCC's operating cash reserves, review and potential update of the FAC charter, and recommendations from the ongoing FERC audit.

A motion to approve the filing of NPCC's 2011 Form 990 was duly made, seconded and unanimously approved by the Directors in each active Sector of the Board. Mr. Weir indicated that the Form would be submitted electronically to the IRS within a week or two of this meeting.

Committee Membership Changes

The President and CEO informed the Board that there were several changes to NPCC's Board and technical committees:

- Pension Committee – Mr. Donald Correll, NPCC Independent Director, to serve as a new committee member, replacing Mr. Hans Mertens who recently retired from the Vermont Public Service Commission and resigned from the NPCC Board and Pension Committee. (The Board noted that Mr. Correll's appointment would take effect immediately so that he could participate in the in-person Pension Committee meeting scheduled for November 15th, 2012 at the New York City offices of Bank of America-Merrill Lynch).
- Compliance Committee –
 - o Sector 2 (*Reliability Coordinators*): Mr. James (Jim) Grant to serve as a New York Independent System Operator alternate.
 - o Sector 4 (*Generator Owners*): Mr. Chantel Haswell to serve as the PSEG Power Connecticut LLC representative and Ms. Christina Koncz to serve as the alternate; Ms. Silvia Parada Mitchell to serve as the NextEra Resources, LLC representative, replacing Mr. Chantel Haswell (formerly of NextEra Resources, LLC).
- Reliability Coordinating Committee – Sector 4 (*Generator Owners*): Ms. Polina Adelson to serve as a Long Island Power Authority alternate.

A motion to approve these committee changes was duly made, seconded and unanimously approved by the Directors in each active Sector of the Board.

NPCC Technical Committee Reports

Reliability Coordinating Committee (RCC) – Mr. Philip Fedora, NPCC AVP – Reliability Services, presented a brief status report on RCC activities, a copy of which had been included in the Board agenda package. He informed the Board that (i) NPCC had contracted with the Marriott Hotel to host the next RCC meeting; (ii) more than 60 comments on the BES Standard had been filed with FERC; and (iii) representatives from NERC staff and the Regional Entities are working on the logistics for the BES exceptions process. Mr. Fedora then presented the *NPCC 2012 Corporate Goals and Measures Scorecard*, noting a delay until early 2013 in the studies to support a NPCC load modeling report.

Regional Standards Committee (RSC) – Mr. Gerard Dunbar, NPCC Manager, Reliability Criteria, presented a brief status report on RSC activities, a copy of which had been included in the Board agenda package. In response to questions from the Board, Mr. Dunbar informed the Board that there was a lively discussion during a recent RCC meeting on the Disturbance Monitoring–Regional Standard and that the RCC was working with the Task Force on System Protection (*TFSP*) to address concerns with (i) interpretation of the standard, and (ii) the length of time for the implementation plan to take effect. The Board noted that there was no FERC-approved NERC “Disturbance Monitoring” reliability standard and that NPCC's Regional Reliability Standard PRC-002-NPCC-01 (Disturbance Monitoring) was the only one in North America. The President and CEO informed the Board that any NPCC proposed interpretation of the applicability of Regional Reliability Standard PRC-002-NPCC-01 (Disturbance Monitoring) would be subject to a full membership vote to ensure there was NPCC Member support before it was submitted to NERC and FERC.

He reminded Board members that there was no cross-over between the applicability of NPCC's more-stringent Regionally specific criteria and the revised NERC BES definition, and that the NPCC criteria will remain only applicable to A-10 facilities. In response to additional questions from the Board, the President and CEO explained that Mark Lauby, NERC's new Vice President and Director of Standards, is committed

to incorporating the principles in the Cost Effectiveness Analysis Procedure (CEAP) into a new NERC Reliability Standards process. The President and CEO noted that this item was on the agenda for Friday's meeting with the NERC President and CEO and the other Regional Presidents. He offered to provide a summary report on those discussions at the October 30th Board call, but was asked by one Board member to provide the summary report sooner. The Board applauded the efforts of the President and CEO for having discussions on CEAP and other priority items in the standards area with NERC.

Compliance Committee (CC) – Mr. Kopman, NPCC AVP – Compliance Registration and Enforcement, presented a brief status report on CC activities, a copy of which had been included in the Board agenda package. He informed the Board that with the potential reorganization of WECC, NPCC would no longer serve as WECC's Compliance Enforcement Authority and that there would be no impact on NPCC financially. Mr. Kopman then presented the *Compliance Dashboard* highlighting (i) the Case Load Index including NERC/FERC processing times (in months), (ii) the Yearly Higher Impact Violations and the status of their associated mitigation plans, (iii) the Percentage of FFTs, NOCVs, Settlements or Dismissals, and (iv) the Average NPCC Internal Processing Durations to reach FFTs, NOCVs, Settlements or Dismissals. He explained that the caseload index was a NERC metric that measured as a rolling average the number of months it takes to close out violations if no new violations arise. He noted that recommendations had been made to NERC to improve the accuracy of the current caseload index by changing the 6-month rolling average to a 12-month rolling average. Mr. Kopman then explained that the number of yearly higher impact violations was the result of an impact assessment performed during the enforcement process to identify higher impact violations and ensure that related mitigation plans have been finalized and approved. He added that to date there were 196 compliance violations this year, of which 9 (or approximately 5%) were identified as "higher impact." He noted that there was an overall increase in violations, particularly with respect to CIP requirements. In response to a Board request, Mr. Kopman agreed to depict separately historical trends from processing times for new violations.

Following Mr. Kopman's report, the Board Chairman excused the NPCC AVPs and Ms. Halper from the meeting.

NPCC Board Committee Reports

CGNC Committee Report – The Board Chairman presented a brief status report on CGNC activities, a copy of which had been included in the Board agenda package. He explained that the CGNC met by teleconference on August 7, 2012 and had approved draft versions of the 2012 Board self-assessment form and a performance evaluation form for the independent Board chairman and the two Independent Directors. He noted that the CGNC also made certain recommendations to (i) fill the vacancy on the Pension Committee with Mr. Donald Correll and (ii) reorganize the Pension Committee beginning in 2013. He explained that the CGNC agreed that (1) the President and CEO would step down as Pension Committee Chair but remain on the committee as a non-voting member, (2) the Vice President and COO, currently a voting member of the Pension Committee, would withdraw as a member of the committee but continue to support committee needs, (3) Robert DeAngelo, NPCC's Assistant Treasurer, would serve as Pension Committee Chair, and (4) Andrew Fawbush, NPCC's Assistance Secretary, who is an ERISA and pension benefits attorney would continue as the Pension Committee secretary and as a resource to the committee. The Board Chairman noted that the next CGNC teleconference was scheduled for October 11, 2012.

Pension Committee Report – The President and CEO presented a brief status report on Pension Committee activities, a copy of which had been included in the Board agenda package. He explained that the committee met by teleconference on August 23, 2012 to review the performance of the NPCC Pension Fund and, acting in its settlor function, had unanimously approved recommendations for (i) investing the remaining budgeted \$300,000 in 2012 pension contributions, (ii) contributing 8% of base pay for 2012 for those 401(k) plan participants who were not participants in the NPCC Pension Plan, and (iii) filling the vacancy on the committee and changing the committee structure in 2013, as proposed by the CGNC. The President and CEO noted that the next Pension Committee meeting was scheduled for November 15, 2012 at the Bank of America-Merrill Lynch New York City offices.

The Vice President and COO then presented the Board resolutions approving a discretionary contribution for 2012 for those 401(k) plan participants who were not participants in the NPCC Pension Plan. She explained that the Board previously supported the 2007 freeze of NPCC's defined benefit pension plan to new entrant participants, which was implemented to mitigate uncertainty and potential significant increases to pension funding requirements as NPCC's staff continued to grow. She reminded the Board that employees hired after February 6, 2007 are not eligible to participate in NPCC's defined benefit pension plan, but are permitted to participate in NPCC's defined contribution savings plan. Upon completion of a full calendar year of employment, each NPCC employee hired after February of 2007 is eligible to receive annually a discretionary contribution to the NPCC 401(k) plan at the level established in the NPCC Business Plan and Budget process as approved by the Board of Directors for that year. For 2012 the contribution level established in the Business Plan and Budget was 10%. Ms. Mattiello explained that based on management's recommendation, the Pension Committee approved the recommendation for an 8% discretionary contribution to the 401(k) plan, which was reflected in the Board resolutions. She noted that up to 20 current employees could be eligible if there were no turnover and that approximately \$190,000 of the budgeted \$216,000 in discretionary contributions could be accrued to the 2012 budget. A motion to approve the 2012 discretionary contribution to the 401(k) plan amounting to 8% of annual base pay was duly made, seconded, and unanimously approved by the Directors in each active Sector of the Board.

MDCC Report – The Board Chairman presented the Management Development and Compensation Committee (MDCC) Annual Report to the Board, a copy of which had been included in the Board agenda package. He explained that since the last Board meeting, the MDCC addressed three (3) issues: (i) the committee met with the President and CEO to conduct the annual review of the succession plan and a revised succession plan was prepared and included in the Board agenda package for Board approval; (ii) the committee met with Pay Governance LLC and had accepted the total compensation study it prepared, a summary of which was attached to the MDCC Annual Report; and (iii) the committee had approved the resolution of a legacy life insurance settlement with George C. Loehr, a former executive director of NPCC's predecessor voluntary organization. In response to questions from the Board, Ms. Mattiello confirmed that NPCC's liability was capped in connection with the life insurance obligation, and that Mr. Loehr and NPCC had executed a Separation Agreement and General Release by which the parties agreed that NPCC would pay Mr. Loehr \$68,500 from the 2012 criteria services divisional budget as settlement in lieu of the \$137,500 life insurance obligation. The Board Chairman noted that the compensation study would be discussed during the *in camera* Executive Board Session and reminded the Board that additional activities of the MDCC during the year were summarized at the end of the MDCC Annual Report.

A motion to approve the Executive Leadership Succession Plan for NPCC, as revised, was duly made, seconded and approved by the majority of the Directors in each active Sector of the Board with one abstention by Mr. Fenn.

The Board Chairman then asked the President and CEO and the Vice President and COO to leave the meeting.

Executive Board Session

The Board met *in camera* to discuss the Pay Governance compensation study and related findings.

The meeting adjourned temporarily for lunch at 12:15 p.m. and re-convened at 1:00 p.m.

Regulatory Matters

Summary of BES NOPR Comments – The President and CEO reported that NERC's comments in response to the Notice of Proposed Rulemaking (NOPR) were filed with FERC on September 4, 2012. In summarizing the industry comments he indicated that there was continued, broad support from the industry for the BES Definition and for the inclusion of blackstart resources in the BES Definition as proposed by

NERC, but there was (i) a general consensus that FERC should not be involved in identifying BES facilities and (ii) no general support for a contiguous system requirement in the BES Definition. He noted that NPCC and the other Regional Entities had also filed comments on the BES NOPR on September 4, 2012 in support of the definition and the revisions to the NERC Rules of Procedure. He noted that NPCC was committed to working with each of the Canadian Provinces in the NPCC footprint with respect to implementation of the BES definition. The Board acknowledged the request of one Board member seeking “comfort” that NERC would accept the potential Canadian processes for granting exceptions to the BES Definition as agreed to by NPCC and its Canadian Members. The President and CEO informed the Board that the current estimate for a FERC order related to the BES Definition was late fourth quarter of 2012.

Status of FERC Audit – Ms. Mattiello informed the Board that the FERC audit team had contacted NPCC by email on September 6, 2012 to advise NPCC that the FERC audit was still in the documentation stage. She noted that the audit seemed to be going well and that FERC was continuing its review of information provided by NPCC and had developed questions for additional follow-up. During discussions between NPCC and FERC in mid-July 2012, the focus of the audit was on NPCC expenditures and FERC had provided NPCC with a list of related areas for review. NPCC has since been advised that FERC will provide NPCC with another list of follow-up questions by the end of this month. Ms. Mattiello noted that based on discussions with other Regional Entities, there was a consensus that the FERC audit process had been lengthened because the NERC audit results were still being vetted.

NERC Matters

NERC Reorganization – The President and CEO informed the Board that there were several NERC management changes that went into effect on September 1, 2012: (i) Mark Lauby would serve as NERC Vice President and Director, Standards, and was tasked with revising the standards development process; (ii) Michael Moon would serve as NERC Senior Director, Reliability Risk Management and would focus on Event Analysis, Situation Awareness and Training; (iii) Earl Shockley would serve as NERC Senior Director, Compliance Operations, and would focus on reforming existing compliance monitoring and assurance processes to focus industry on the management of reliability risk instead of documenting compliance; and (iv) that Mr. Herb Schrayshuen, Vice President, Director of Standards and Training announced that he would be leaving NERC and relocating back to Syracuse, New York. The President and CEO noted that there were no developments regarding recruiting for and identifying a new position at NERC, that of Chief Operating Officer.

Administrative Matters

Board of Directors 2012 Self-Assessment Form – The Board Chairman previously informed the Board that the self-assessment form had been revised and approved by the CGNC.

A motion approving the revised 2012 Board self-assessment form was duly made, seconded and approved by the majority of Directors in each active Sector of the Board with one abstention by Mr. Fenn.

Independent Directors and Board Chairman 2012 Performance Evaluation Form – Ms. Payson presented the draft performance evaluation form for the independent Board Chairman and the two Independent Directors. She explained that this form is commonly used by boards to identify the strengths and weaknesses in the governance of the organization with the addition of independent directors and an independent board chair, and to determine the value added by these individuals. She noted that this form would also help the Board assess the performance of these individuals against their respective obligations set forth in their individual contract agreements with NPCC. She asked Board members to provide constructive comments in their responses to questions on the evaluation form since this feedback could help improve the performance of these individuals and ultimately improve the effectiveness of the Board. The President and CEO informed the Board that the review period to evaluate the independent Board Chairman and Independent Directors was January 1 through October 31, 2012. He added that (i) comments were due back to Ms. Payson by November 1, 2012, (ii) the CGNC would then meet in mid-November to discuss the

evaluations, and (iii) the evaluation results would be presented to the full Board at the November Board meeting.

A motion approving the performance evaluation form for the independent Board Chairman and the Independent Directors was duly made, seconded and approved by the majority of Directors in each active Sector of the Board (other than Sector 8–Independent Directors) with three abstentions by Ms. Newton, Mr. Correll and Mr. Fenn.

Proposed 2013 Board Meeting Dates

The President and CEO presented the schedule of Board meetings for calendar year 2013 for further consideration and approval by the Board. Mr. Correll indicated that he had a conflict with the September 10, 2013 in-person meeting date, but that he would try to participate by phone.

A motion approving the calendar of Board meetings in 2013 was duly made, seconded and unanimously approved by the Directors in each active Sector of the Board.

Other Business

NPCC Regulatory Filings – At the request of Mr. Penstone, the Board agreed to consider a new agenda item regarding NPCC’s practice and procedures for determining when to submit a filing with FERC. The Board discussed (i) whether NPCC should submit filings independent of, or jointly with, other Regional Entities when there was general agreement that consistency across Regions was important, (ii) whether NPCC should submit “policy” filings with FERC, and (iii) whether a formal NPCC policy should be adopted to address these issues. The President and CEO indicated that historically NPCC has not frequently filed with governmental and/or regulatory authorities and that it was the practice to keep the Board informed, as appropriate, of potential filings. Following discussion and recommendation by Ms. Newton, the Board agreed that (1) a listing of anticipated regulatory filings by NPCC should be included in the Board meeting agenda package so that the Directors, at a minimum, could stay informed of all potential NPCC filings, and (2) the President and CEO should document the process currently followed by NPCC with respect to submitting governmental and/or regulatory authority filings either on its own or jointly with the other Regional Entities and/or NERC. The Board agreed that this process document should be reviewed by the CGNC to determine whether any further action was required.

FERC Review of NPCC’s UFLS Regional Standard – The President and CEO informed the Board that FERC had announced it would be considering NPCC’s Regional Reliability Standard, PRC-006-NPCC-1 (Automatic Underfrequency Load-Shedding) at its open session meeting the next day (September 20, 2012). He indicated that the FERC staff liaison to NPCC had informally suggested that NPCC file a copy of the SS-38 Underfrequency Load Shedding Support Studies, but NPCC had declined to do so since (i) the SS-38 report contained Canadian data that could not be released without the prior approval of the Canadian members and (ii) the RCC had not been advised that NPCC planned to submit the report to FERC. He explained that NPCC intended to comply with any formal FERC request for data by supplying U.S.-only technical documentation supporting NPCC’s Automatic Underfrequency Load-Shedding Reliability Standard.

Future Meetings

The President and CEO presented the schedule of Board meetings for the remainder of calendar year 2012. He noted that the year-end Board meeting in Montreal was scheduled to begin at 7:30 a.m. with breakfast available at 7:00 a.m. on November 28th, 2012, followed by the Annual Members Meeting and the NPCC General Meeting. A reception and dinner would be held after the prior day’s Reliability Coordinating Committee meeting for all participants the evening of November 27, 2012.

Board In Camera Session

Since the Board previously held an Executive Session to discuss the Pay Governance compensation study, there was no need for a second *in camera* session at the end of the meeting.

Adjournment

There being no further business, the Chairman adjourned the meeting of the NPCC Board of Directors at 2:15 p.m.

Approved by Board action on _____, 2012.

Submitted by,

Andrianne S. Payson
NPCC Secretary

EXHIBIT C
LIST OF ATTENDEES
September 19, 2012

Present:

Harvey J. Reed, Chairman
Edward A. Schwerdt, President and CEO
Jennifer Budd Mattiello, Vice President and COO
Andrianne S. Payson, Esq., Secretary
Christopher Weir, CPA, Treasurer

And the following members of the Board of Directors:

Sector 1 (TOs)

William G. Longhi, Orange and Rockland Utilities, Inc.
André Boulanger, Hydro-Québec TransÉnergie (*by phone*)

Sector 2 (RCs)

Peter Brandien, ISO New England, Inc.
Bruce B. Campbell, Independent Electricity System Operator (*by phone*)

**Sector 3 (TDUs, DPs,
LSEs)**

David H. Boguslawski, Northeast Utilities
Michael Penstone, Hydro One (*by phone*)

Sector 4 (GOs)

Andrew Barrett, Ontario Power Generation, Inc. (*by phone*)
Brad Van Auken, NYPA

**Sector 5 (Marketers,
Brokers and Aggregators)**

Glen McCartney, Constellation Energy Commodities Group, Inc.
Daniel Whyte, Brookfield Power (*by phone*)

Sector 6 (Regulatory)

Tammy Mitchell, NYS Department of Public Service (*by phone*)

**Sector 7 (Sub-Regional
RCs, Customers, Other
REs)**

Michael Forte, New York State Reliability Council, LLC
Jeffrey Fenn, SGC Engineering (*by proxy to the President and CEO*)

Sector 8 (Independents)

Donald L. Correll
Jan L. Newton

NPCC

Gerry Dunbar, NPCC Manager, Reliability Criteria
Stanley Kopman, NPCC Assistant Vice President – Compliance
Phil Fedora, NPCC Assistant Vice President – Reliability Services (*by phone*)
Kristin Halper, NPCC Regulatory Counsel



NORTHEAST POWER COORDINATING COUNCIL, INC.
1040 AVE. OF THE AMERICAS, NEW YORK, NY 10018 (212) 840-1070 FAX (212) 302-2782

COMMITTEE MEMBERSHIP CHANGES

Regional Standards Committee (RSC)

Sector (1) Transmission Owners

- Mr. Brian Shanahan to succeed Mr. Michael L. Schiavone, both of National Grid, as a member.

Sector (4) Generator Owners and Operators

- Ms. Christina Koncz of PSEG Power LLC as a member.

October 5, 2012

Mr. Scott Helyer, Chair
NERC Member Representatives Committee
Vice President, Transmission
Tenaska, Inc.
1701 E. Lamar Blvd.
Arlington, Texas 76006

Re: Policy Input to NERC Board of Trustees

Dear Scott:

At our last Board meeting, the Member Representatives Committee (MRC) shared some initial comments and questions regarding potential changes to the NERC standards development process. In addition, I noticed the Adequate Level of Reliability (ALR) definition, which has been a significant project of interest to industry, is scheduled for Board acceptance on November 7. I welcome the MRC to provide comment on these and other issues, as noted below:

Standards Development Process – The Standards Process Input Group (SPIG), whose recommendations the Board adopted at its last meeting, has continued to review the progress in implementing those recommendations, and may be suggesting some further adjustments. The MRC is encouraged to share feedback regarding these efforts to improve the timeliness and quality of the current standards development process.

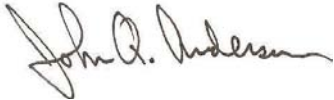
Compliance Enforcement Initiative – NERC and the Regional Entities are working on further improvements to the NERC Compliance and Enforcement programs and plan to file with FERC in March specific changes to those programs. At its last meeting the MRC formed a small task force to provide input to these efforts. NERC Staff has met with this group on October 1 to discuss the Compliance Enforcement Initiative (CEI) whitepaper. The Board is particularly interested in how the MRC views the progress to date and any suggestions for program improvements that should be included in the March 2013 filing.

Operator Communications – At the August 2012 MRC and Board meetings, there was considerable discussion regarding operator communications, when the use of “three-part” communication should be required in NERC standards, and how compliance with such standards should be audited. Given the critical importance of operator communications in the prevention of and response to system events, the Board is interested in the MRC’s input on where we stand regarding these standards and how compliance with them should be judged.

Definition of ALR – The ALR Task Force will be presenting their report on the definition of ALR for Board acceptance. As part of this acceptance, NERC staff would be requested to file this report for information to FERC and provincial authorities. The board is interested in the MRC’s views on the revised definition and the issues that industry previously identified as areas of concern: (1) the inclusion of “adequacy” given the ERO’s statutory limitations in Section 215 and (2) how the definition of ALR will be utilized.

Of course, please provide input into any other issues that are meaningful and timely to industry and stakeholders, including discussion of the standards being proposed for Board adoption in the near future. Written comments should be sent to Holly Mann, MRC Secretary (holly.mann@nerc.net) **by October 26, 2012** so the Board may receive and review in advance of their November 7 meeting. I understand the agendas for the MRC and Board meetings are expected to be posted by October 23, 2012.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "John Q. Anderson". The signature is fluid and cursive, with the first name "John" being the most prominent.

John Q. Anderson, Chair
NERC Board of Trustees

cc: NERC Board of Trustees
Member Representatives Committee
Regional Executives



NORTHEAST POWER COORDINATING COUNCIL, INC.
BOARD OF DIRECTORS CHARTER AND GOVERNANCE GUIDELINES

June 24, 2008
(amended as of October ~~30~~26, 2012~~4~~)

The Board of Directors (“Board” or “Directors”) of Northeast Power Coordinating Council, Inc. (“NPCC” or the “Corporation”) has adopted this Charter and Governance Guidelines (“Charter”) to assist the Directors and the Board’s committees in the exercise of their collective responsibilities. The Charter is part of the Board’s commitment to achieve high standards of corporate governance in fulfilling the objectives of Section 215 of the Federal Power Act, as well as comparable objectives included in Memoranda of Understanding and Agreements with Canadian Provincial regulatory and/or governmental authorities.

This Charter describes the Board’s functions and responsibilities, composition, procedures, and operation. The principles and policies in this Charter are in addition to, and are not intended to change or interpret, any applicable state laws or the application of the Amended and Restated Bylaws of NPCC (“Bylaws”) and the Certificate of Incorporation of NPCC, as amended.

BOARD ROLES AND RESPONSIBILITIES

- A. **Purpose and Mission.** The Board is responsible for overseeing NPCC's business activities, which include promoting and enhancing the reliable and efficient operation of the international, interconnected bulk power system within Northeastern North America. Through oversight, review and counsel, the Board exercises business judgment in acting in what the Directors reasonably believe to be the best interests of NPCC, its Members, officers, employees and volunteer technical experts.
- B. **Powers and Duties.** The Board oversees the management of the business and affairs of NPCC. The Board is not responsible for the day-to-day management and operation of NPCC, as this responsibility has been delegated to senior management. The Bylaws prescribe that the Board’s primary responsibilities are to (i) adopt NPCC policies, (ii) oversee the direction of NPCC activities, (iii) accept additional entities as members, (iv) review, approve or modify Stakeholder voting sector assignments, and (v) make assignments to the committees of NPCC.

In furtherance of these primary responsibilities, the Board shall also:

- Consider and approve an annual business plan and budget;

- Retain the President and CEO of NPCC, approve his or her compensation, and assess his or her performance;
- Recommend to Members a list of NPCC officers for election;
- Establish Board committees, as necessary and appropriate;
- Review regularly with senior management the emergence of new risks and opportunities for NPCC, and approve corporate goals and strategies that take into account these risks and opportunities;
- Undertake succession planning;
- Require timely and accurate reporting from committees and staff and regularly review the quality of management reports;
- Monitor NPCC's financial performance to ensure its financial viability and the efficient and effective use of its resources;
- Adopt officer and management salary structures;
- Ensure responsible corporate governance;
- Assess its own effectiveness in fulfilling its responsibilities, including monitoring the effectiveness of the individual Directors;
- Approve a Regional Delegation Agreement with the Electric Reliability Organization ("ERO") which delegates authority from the Federal Energy Regulatory Commission ("FERC") in the United States, and approve additional agreements with appropriate Canadian provincial regulatory and/or governmental authorities;
- Approve and oversee NPCC's Regional Reliability Standards Development Process and submit such regional standards to the ERO for adoption by FERC and appropriate Canadian provincial regulatory and/or governmental authorities;
- Approve the NPCC Compliance Monitoring and Enforcement Program ("CMEP") and oversee the assessment and enforcement of mandatory compliance with reliability standards consistent with the Regional Delegation Agreement and agreements with Canadian provincial regulatory and/or governmental authorities;
- Oversee NPCC's assessment and enforcement of mandatory compliance with regionally-specific more stringent reliability criteria through administration of the NPCC Reliability Compliance and Enforcement Program; and
- Consider and resolve budgetary matters, including (i) the levying of any special assessments, (ii) approving the application of any monetary penalties collected through the CMEP to the following year's business plan and budget, and (iii) determining any assessments for full members which are Independent System Operators or Balancing Authority Areas.

C. **Prohibited Board Actions.** The Bylaws proscribe the Board from amending the Bylaws or establishing, modifying, or eliminating any of NPCC's regional reliability standards, regionally-specific more stringent reliability criteria, guides, programs or procedures. The Board also may not add, modify, or eliminate voting sectors established pursuant to the Bylaws.

BOARD STRUCTURE

- A. **Hybrid Board.** NPCC has a Board consisting of Stakeholder Directors balanced by sector, an independent sector consisting of two (2) Independent Directors, and an independent Chair (who shall serve as Chair of the Board), two (2) Co-Vice Chairs (who shall be from different voting sectors and shall be elected by a vote of the entire membership), and the President and CEO, *ex officio*. In the temporary absence of the Chair, a Vice-Chair designated by a two-thirds (2/3) vote of the Directors shall perform the duties of the Chair.
- B. **Board Size and Composition.** The Board is comprised of the following eight (8) voting sectors, which reflect a maximum of sixteen (16) Directors serving on the Board:
- (1) Transmission Owners (maximum of 2, with no more than 1 per Balancing Authority Area);
 - (2) Reliability Coordinators (maximum of 2);
 - (3) Transmission Dependent Utilities, Distribution Companies, and Load-Serving Entities (maximum of 2);
 - (4) Generator Owners (maximum of 2);
 - (5) Marketers, Brokers, and Aggregators (maximum of 2);
 - (6) Regulators (maximum of 2);
 - (7) Sub-Regional Reliability Councils, Customers, other Regional Entities, and Interested Entities (maximum of 2); and,
 - (8) Independent Directors (maximum of 2).

The Board's composition should be reviewed annually by the Board in order to ensure that the Directors collectively provide the range of skills, knowledge and expertise necessary to direct NPCC going forward.

- C. **Term Limits.** There are no limits on the number of terms that may be served by any Stakeholder Director. Term limits would provide the disadvantage of losing the contribution of Stakeholder Directors who have been able to accumulate, over a period of time, increasing insight into NPCC's purpose and operations, and therefore provide a significant contribution to the Board as a whole. NPCC Stakeholder Directors may serve consecutive terms on the Board. The term of office of each Independent Director shall be two (2) years. Independent Directors may serve up to three (3) terms for a maximum of six (6) years.
- D. **Term Length.** The Bylaws prescribe that the term of office of the Directors shall be two (2) years. Initial terms of Stakeholder Directors shall be staggered by the Board so that members serve initial terms of one (1) or two (2) years. In any year, the number of Directors at the end of their term may approximate one-half, in order to ensure continuity of Board members.

E. **Director Compensation.** The Bylaws prescribe that the Stakeholder Directors serve without compensation, including when performing the duties of a Co-Vice Chair or temporary Chair. Each Independent Director shall be entitled to receive compensation as the Board may from time to time determine in its sole discretion.

F. **Roles and Responsibilities of the Chair.** The Chair shall generally oversee, manage, and assist the Board in fulfilling its duties and responsibilities in an effective manner. As such, the Chair will preside at all meetings of the Board and the annual meeting of NPCC Members, coordinate and direct the activities of the Board, and perform all such other duties as required by the Bylaws or as the Board shall determine from time to time. The Chair is responsible for ensuring that Board meetings are conducted competently. In addition, the Chair shall be responsible for such other tasks as the Board of Directors and/or the President and CEO shall require from time to time, including participating in certain industry meetings.

DIRECTOR CHARACTERISTICS, QUALIFICATIONS AND EXPECTATIONS

A. **Characteristics and Qualifications.** As a general matter, the Board will assure itself that it is comprised of Directors with diverse backgrounds and personal characteristics, competencies and expertise that add value to NPCC, and that each Director will serve the Board to best discharge its responsibilities. At a minimum, all Stakeholder Directors elected by their respective voting sectors and Independent Directors elected by the Members should possess:

- A reputation for the highest ethical and moral standards in their professional and personal dealings;
- Informed judgment;
- A positive record of achievement;
- If on other boards, an excellent reputation for preparation, attendance, participation, interest, and initiative;
- Business knowledge and experience relevant to NPCC, including the ability to monitor and evaluate the financial performance of the Corporation; and
- A willingness and ability to devote sufficient time to carrying out all duties and responsibilities effectively.

B. **Expectations for Director Conduct.** To enable the Board to discharge its collective supervisory responsibilities for NPCC, each Director shall:

- Be committed to, and understand, NPCC's mission and purpose;
- Act honestly, fairly, ethically, and in good faith;
- Exercise the due diligence and skill that a reasonably prudent person would exercise in comparable circumstances;
- Ensure that the best interests of NPCC are considered paramount to the interests of any individual Director, member, or any other interests;
- Devote sufficient time to Board affairs;

- Assist NPCC in the achievement of its corporate objectives;
- Report any circumstances which are or may be likely to be perceived as incompatible with his or her independence;
- Monitor potential conflicts of interest he or she may have with regard to any matters before the Board, and declare any potential conflicts promptly to the Board and abstain from discussion and voting on any related matter;
- Maintain objectivity;
- For Stakeholder Directors, represent the collective views of their respective sector;
- Contribute views based on his or her unique skills and experience;
- Act consistently with U.S. statutory and contractual obligations of NPCC;
- Exercise authority as a Director only at meetings of the Board or Committees or as specifically delegated to the Board;
- Address any requests of the President and CEO and senior management; and
- Monitor his or her continued ability to meet these expectations.

C. **Board Independence.** The Board shall consist of fourteen (14) Stakeholder Directors, two (2) Independent Directors, an independent Board Chair and the President and CEO.

OFFICERS

A. **Officers.** The Bylaws prescribe that the officers of NPCC shall consist of a President, Secretary, and Treasurer, with assistants as appropriate, and such additional officers as may be approved by the Members. The President and CEO is appointed by the Board. Officers, except for the President and CEO, hold office for one (1) year or until the next annual meeting of Members of NPCC when their successors are duly elected and qualified.

The President may be assisted by a Vice President and Chief Operating Officer, and the latter may perform certain duties of the former in the former's temporary absence. The Secretary and Treasurer may also be assisted by at least one (1) Assistant Secretary or Assistant Treasurer, and such assistants may perform the duties of the Secretary or Treasurer, respectively, in their temporary absence. Neither the Secretary nor any Assistant Secretary shall have signing authority on behalf of NPCC, except with respect to certain employment-related documents such as the Form 5500~~s~~ for the NPCC Savings and Pension Plan and minutes of NPCC board and committee meetings.

By Board resolution, only the President and CEO, Secretary, Assistant Secretary or another Board member may serve as a proxy designee of any Board member.

B. **Delegation to President and CEO.** The Board delegates responsibility for day-to-day management of NPCC to the President and CEO subject to any limits to such delegated authority as determined by the Board from time to time. However, the President must consult the Board on matters that are sensitive, extraordinary or of a strategic nature. The President's duties include:

- Being accountable for planning, coordinating and directing the operations of NPCC to achieve strategic, financial and operating objectives as agreed with the Board, consistent with the executed Regional Delegation Agreement and agreements with appropriate Canadian Provincial regulatory and/or governmental authorities;
- Formulating and recommending business and financial strategies and plans to further NPCC's mission, and implementing these plans to achieve agreed performance targets;
- Promoting the interests of NPCC and its members; and
- Faithfully and diligently performing the duties and exercising the powers consistent with a President and CEO and as assigned by the Board.

C. **Annual Compensation Review.** The Management Development and Compensation Committee evaluates the performance of the President and CEO each year and recommends his compensation (including any incentive compensation) to the Board for consideration and approval.

BOARD COMMITTEES

A. **Number and Type of Committees.** The Board has four (4) standing committees, three (3) technical committees and a Public Information Committee. The four (4) standing committees are (i) the Management Development and Compensation Committee, (ii) the Pension Committee, (iii) the Finance and Audit Committee and (iv) the Corporate Governance and Nominating Committee, each of which is delegated specific Board function duties and responsibilities and is comprised of one or more Directors. The three (3) technical committees are (1) the Regional Standards Committee, (2) the Compliance Committee and (3) the Reliability Coordinating Committee. These committees support NPCC's operations and are staffed with non-Directors, although Directors may participate if they so elect. The Public Information Committee is responsible for disseminating and coordinating the release of NPCC related information to the media and is comprised of media relations and public information staff from NPCC, its members, NERC and the other Regional Entities. The Board may ~~dissolve~~establish ~~remove~~add new committees or existing committees as it deems advisable in the fulfillment of its responsibilities. Each committee performs its duties as assigned by the Board in compliance with the Bylaws and its respective charter or scope of work as approved by the Board.

BOARD AND COMMITTEE MEETINGS

- A. **Regular Board Meetings and Special Meetings.** Regular Board meetings and special meetings may be held in accordance with the Bylaws.
- B. **Attendance and Proper Preparation and Discharge of Duties.** Any individual who accepts a position as Director shall agree to attend Board meetings and meetings of the Committees on which they serve. Repeated and unexplained absenteeism by a Director may cause the Board to reconsider his or her appointment.

Directors shall spend the time necessary and meet as frequently as necessary to properly discharge their responsibilities. Directors are expected to be fully prepared for each

Board and Committee meeting, which requires that, at a minimum, each Director review the agenda and supporting materials in advance of the Board meeting, and take an active role in discussion and decision-making. The Chair shall be responsible for fostering an atmosphere conducive to an open and candid dialogue.

- C. **Invitees.** The Chair, President and CEO, or Committee Chairs may, from time to time, invite corporate officers, other NPCC employees, advisors or consultants to attend Board or Committee meetings whenever deemed appropriate, in order to assist in the discussion and examination of matters under consideration by the Board.
- D. **Agenda Items for Board and Committee Meetings.** The President and CEO establishes the agenda for each Board meeting. At the beginning of each year, the President and CEO will prepare a schedule of agenda items to be discussed during the year (to the extent such agenda items can be identified). Each Director may propose agenda items and may submit, during any Board meeting, additional items to be added to the agenda for Board discussion and approval. Subject to any applicable notice requirements, Directors are encouraged to advise the Chair of any additional agenda items well in advance of meetings. A board package containing a detailed agenda and, to the extent feasible, supporting documentation and any proposed resolutions, will be distributed by the President and CEO to the Directors not less than five (5) business days prior to each Board meeting.

The Chair of each Committee, in consultation with the Committee members, will determine the frequency of the Committee meetings, consistent with any requirements set forth in the Committee's charter or scope of work. The Chair of each Committee, in consultation with the appropriate members of the Committee and management, will develop the Committee's agenda. At the beginning of each year, each Committee will establish a schedule of agenda items to be discussed during the year (to the extent such agenda items can be identified). A detailed agenda and, to the extent feasible, supporting documentation and proposed resolutions will be provided to the Committee members not less than five (5) business days prior to each Committee meeting.

- E. **Minutes.** The Secretary, Assistant Secretary or, in their absence, a secretary *pro tempore* designated by the Chair or the President, shall formally record all activities of the Board in minutes of meetings. The activities of each Committee meeting shall also be formally recorded by a person designated by the Chair of each Committee to act as a secretary. Draft minutes of the proceedings and deliberations of the Board and its Committees will generally be delivered to the Directors for review and comment two (2) weeks following each meeting.
- F. **Board Action Without Meeting.** The Bylaws prescribe that any action required, or permitted to be taken at a meeting of the Board, may be taken without a meeting if the action is taken by all Directors. The action must be evidenced by one or more written consents (which may be in electronic form) describing the action taken, signed by each Director, and included in NPCC's minute book. Any action taken without a meeting shall be effective on the date that the last Director signs the consent, unless such consent specifies a different effective date.

LIABILITY AND INDEMNIFICATION

- A. **Limitation of Liability.** To the extent permissible by applicable law, a Director will not be liable to the Corporation or its members. While Directors will not be liable for monetary damages for breach of their fiduciary duty, liability will not be limited for breach of a Director's duty of loyalty to the Corporation or its members, or for acts or omissions that are not in good faith or which involve intentional misconduct or a knowing violation of the law.
- B. **Indemnification.** The Bylaws prescribe that, subject to the limitation set forth below, NPCC shall indemnify its Directors, officers, employees, and other corporate agents, including volunteers participating in good faith in the activities of the Corporation and persons serving on its Committees (collectively, "NPCC Indemnitees"), in each case, to the full extent from time to time permitted by applicable law. Such right of indemnification shall inure to the benefit of the legal representative of any NPCC Indemnatee. The foregoing right of indemnification shall be in addition to, and not in restriction or limitation of, any right such NPCC Indemnatee may have under applicable law.
- C. **Limitation on Indemnification.** The maximum amount of losses (*i.e.*, damages, judgments, fines, penalties, liability, costs and expenses, including reasonable attorneys' fees and expenses) for which NPCC will be obligated to indemnify the NPCC Indemnitees under the Bylaws will be the policy limit set forth in the directors and officers' ("D&O") liability insurance policy maintained by NPCC.

OTHER BOARD PRACTICES AND PROCEDURES

- A. **Director Access to Officers, Employees and Independent Advisors.** In order to discharge their duties and responsibilities in connection with any meeting of the Board or Committee, the Directors shall have full and unfettered access to officers and employees of NPCC. Any meetings or contacts that a Director wishes to initiate may be arranged directly by such Director or through the President or Secretary. Directors will use their judgment to ensure that any such contact is not disruptive to the operations of the Corporation and will, to the extent not inappropriate, copy the President on any written communications with an officer or employee of NPCC.

The Board and its Committees also shall have the right at any time to retain independent outside financial, legal, or other advisors. NPCC shall provide appropriate funding, as determined by the Board or Committee, for payment of compensation to any independent advisor retained by the Board.

- B. **Confidentiality.** Each Director shall maintain the confidentiality of any information received in connection with his or her service as a Director, until any such information is made publicly available. No Director shall use such confidential information for personal gain or use. This obligation survives the Director's termination from the Board.
- C. **No Personal Loans to Directors or Officers.** NPCC shall not make any personal loans or extensions of credit to Directors, officers, or employees.

D. **Service on Other Boards.** The Chair must inform the Board of any invitation or nomination to another board of directors or similar structure (including NERC committees), and the Board must endorse the Chair's participation prior to the Chair's acceptance.

E. **Ethics and Conflict of Interest.** The Board expects its Directors, as well as NPCC's officers and employees, to act ethically at all times and adhere to the policies comprising NPCC's Code of Conduct, which sets forth NPCC policies with respect to, among other things, conflicts of interest. The Bylaws prescribe that, on an annual basis, Directors shall evidence their compliance with NPCC's conflict of interest principles by either: (1) signing an Individual Participant Implementation Agreement, thereby agreeing to comply with the Code of Conduct to the best of his or her ability; or (2) agreeing that the execution of a Member Entity Implementation Agreement by the employer of such Director evidences the individual's agreement to be bound by the Code of Conduct.

If an actual or potential conflict of interest arises between a Director's personal or professional activities, and his or her position as a Director, such Director shall promptly inform the Chair and shall refrain from voting on or participating in the discussion of the matter respecting an actual or potential conflict of interest. If it is determined that a significant conflict of interest exists and cannot be resolved, the Director should resign.

A Director that has concerns about his or her own conduct or the conduct of another Director regarding compliance with this Charter or the Code of Conduct should raise any such concerns with the Chair. The Chair may seek the advice of other Directors or advisors and will communicate his or her decision directly to the Director whose conduct is at issue.

F. **Evaluations and Assessments.** The Board and each of the Committees will perform an annual self-evaluation to determine whether they are functioning effectively. In the last quarter of each year, Directors will be requested to provide their assessments on the performance and effectiveness of the Board and the Committees upon which they serve. The individual assessments will be organized and summarized by NPCC legal counsel for discussion with the Board and Committees each year. The assessment will focus on the Board's contribution to the Company and potential areas of improvement.

The Corporate Governance and Nominating Committee ("CGNC") will also conduct an annual evaluation of the performance and contributions of the Chairman and each Independent Director in light of expected skills and competencies, in order to provide each Directors with constructive feedback to help them improve their performance. The CGNC will present the Board with a summary of the evaluation results of the Chair and the Independent Directors each year.

G. **Reports to the Board.** The Board will require reports, advice, and other information to make decisions and keep informed on significant issues relating to NPCC. Information will be provided from such sources, at such frequency, and in such form as may be satisfactory to the Board.

H. **Antitrust Compliance Guidelines.** Participants in Board meetings are required to avoid discussion of any topics that could result in charges of anti-competitive behavior,

including: (i) restraint of trade and conspiracies to monopolize, (ii) unfair or deceptive business acts or practices, (iii) price discrimination, (iv) division of markets, (v) allocation of production, (vi) imposition of boycotts, and (vi) exclusive dealing arrangements. Meeting participants are also reminded that they should not discuss any of the following during meetings or any breaks: (1) their company's prices for products or services, or prices charged by competitors; (2) costs, discounts, terms of sale, profit margins or anything else that might affect prices; (3) the resale prices customers are charged for products sold by their company; (4) allocating markets, customers, territories or products with any competitors; (5) limiting production; (6) whether or not to deal with their company; and (7) any competitively sensitive information concerning their company or a competitor.

- I. **Annual Review of Charter.** The Board shall review and assess this Charter at least annually and, if necessary or appropriate, revise this Charter from time to time.
- J. **Disclosure of Charter.** This Charter will be made available for review on NPCC's website.

APPROVAL AND ADOPTION

As adopted and approved by the NPCC Board of Directors on October 27, 2010 and as amended on October 26, 2011 and amended on October 30, 2012.



NORTHEAST POWER COORDINATING COUNCIL, INC.
CORPORATE GOVERNANCE AND NOMINATING COMMITTEE CHARTER

April 27, 2010
(amended as of October ~~30~~²⁶, 201~~2~~¹)

The Board of Directors (the "*Board*") of Northeast Power Coordinating Council, Inc. ("*NPCC*") has established a Corporate Governance and Nominating Committee (the "*Committee*" or "*CGNC*") with general responsibility and specific duties as described below.

PURPOSE

The primary purpose of the Committee shall be to support the Board in discharging its responsibilities relating to corporate governance and nomination efforts relating to Board composition for both Stakeholder and Independent Directors.

MEMBERSHIP

The Committee shall comprise no fewer than three (3) directors and the NPCC President and CEO. The members of the CGNC shall be appointed or reappointed by the Board at the regular meeting of the Board preceding each Annual Meeting of the Members. Each member of the CGNC shall continue to be a member thereof until his or her successor is appointed, unless he or she shall resign or be removed or shall cease to be a director-or officer of NPCC. When a vacancy occurs in the membership of the CGNC, it may be filled by the Board. The members of the CGNC, shall appoint a chair from among its members. The NPCC Secretary or Assistant Secretary shall act as Committee secretary.

MEETINGS

Members of the Committee shall attend meetings in person or via teleconference. The date and place of meetings of the Committee and the procedures for such meetings will be as determined by the members of the Committee. At least three (3) Committee members shall constitute a quorum. Any action by the Committee may be taken at any duly called meeting at which a quorum is present upon the vote of a majority of the members present, each member of the Committee, including the Chairman, being entitled to one vote. The CGNC shall meet as required, but no less often than twice a year.

Minutes of each meeting shall be prepared by the Committee secretary and approved by Committee members, and made available to the Board. Minutes of Committee meetings will be kept in the minute book of NPCC.

DUTIES AND RESPONSIBILITIES

The Committee shall have authority to:

1. Develop and recommend, in consultation with management, NPCC's general policies relating to corporate governance, and establish and oversee the implementation of Board nominating processes for both Stakeholder and Independent Directors.
2. Develop and periodically review the criteria governing the overall composition of the Board, and recommend changes to the Board as appropriate.
3. Develop the Board of Directors' Code of Conduct and Conflict of Interest protocols for adoption by the Board; and periodically review such Code of Conduct and Conflict of Interest protocols and recommend changes, as appropriate.
4. Review the actions of the Board and advise the Board to ensure that its duties of care, of obedience and of loyalty to the mission of NPCC are fully met at all times so that qualifications under applicable laws are maintained, and that specific situations of conflict of interest are avoided.
5. Recommend to the Board the appointment of Board members to serve on each standing committee.
6. Annually update the Board Self-Assessment Survey and coordinate an annual effectiveness evaluation of the Board, its structure, and processes.
7. Complete a self-assessment annually to determine how effectively the CGNC is meeting its responsibilities.
8. Review the annual self-assessment results from the Board and its standing committees to ensure that they are completed on a consistent basis.
9. Assess management's support of the Board and its standing committees.
10. Develop recommendations for the Board regarding director vacancies and successions.
11. Develop the governance process for selecting Independent Directors and an independent Board Chair. Review the preliminary recommendations of any duly appointed search committee and develop the final recommendation to the Board for the appointment of an independent Board Chair and the nomination to the Membership of Independent Directors.
12. Annually Regularly evaluate~~review~~ the performance of the Chairman of the Board and Independent Directors and provide feedback to the Board as appropriate.
13. Recommend to the Board the retainer and per diems associated with contracting with the Chairman of the Board and the Independent Directors.

14. Review and approve, as appropriate, a Board of Directors Handbook.
15. Conduct an evaluation of the Committee's Charter at least annually, and recommend to the Board such changes to the Committee Charter as appropriate.
16. Regularly report to the Board regarding the Committee's activities, provide a written annual report to be presented to the Board at an in person meeting, and provide such recommendations as appropriate.
17. Perform such other functions as may be delegated from time to time by the Board.

APPOINTMENT OF ADVISORS

The Committee shall have the authority, within budgetary constraints, to direct NPCC to retain legal and other advisors it deems necessary for the fulfillment of its responsibilities.

APPROVAL AND ADOPTION

As amended by the Corporate Governance and Nominating Committee and approved by the NPCC Board of Directors on October ~~30~~²⁶, 201~~2~~¹.



NORTHEAST POWER COORDINATING COUNCIL, INC.
MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE
CHARTER

April 29, 2008
(amended as of October ~~26, 2011~~30, 2012)

The Board of Directors (the "Board") of Northeast Power Coordinating Council, Inc. ("NPCC") has established a Management Development and Compensation Committee (the "Committee") with general responsibility and specific duties as described below:

PURPOSE

The primary purpose of the Committee shall be to have oversight of all NPCC's general policies relating to employee compensation and benefits and to be responsible for making recommendations to the Board concerning the President and CEO's compensation and succession planning. The Committee will also assist the Board in discharging its responsibilities relating to compensation of NPCC senior officers and employees (as a group).

MEMBERSHIP

The Committee shall be comprised of at least three (3) directors. One of the Committee members shall be the Independent Chair, who shall serve as the Committee's chair. The other Committee members shall be elected by the Board and shall serve until his/her successor is duly elected unless such Committee member shall have resigned or is removed by the Board.

MEETINGS

Members of the Committee shall attend meetings in person or by telephone. The time and place of meetings of the Committee and the procedures for such meeting will be as determined by the members of the Committee, provided that (i) ~~at least two (2)~~more than 50% of the Committee members shall constitute a quorum, (ii) each member of the Committee, including the Chairman, shall be entitled to one vote on each matter presented before the Committee, and (iii) any action by the Committee may be taken at any duly called meeting at which a quorum is present upon the vote of a majority of the members present.

Minutes of each meeting shall be prepared and sent to Committee members and presented to NPCC directors who are not members of the Committee. Minutes of Committee meetings will be archived.

DUTIES AND RESPONSIBILITIES

The Committee shall have authority to:

1. In consultation with management, oversee NPCC's general policies relating to employee compensation, and benefits and the development and implementation of compensation programs as set forth below.
2. Recommend to the full Board for approval the President and CEO's compensation, and, in furtherance thereof, adopt and review individual goals and objectives relevant to the President and CEO's compensation, evaluate the President and CEO's performance in light of individual and corporate goals and objectives, set the President and CEO's compensation level based on this evaluation, and provide to the Board the results of such evaluation for the purpose of an annual performance review of the President and CEO.
3. Assess the competitiveness and appropriateness of, and recommend to the full Board, the salaries, incentive plans, terms of employment, retirement or severance benefits and perquisites of the President and CEO.
4. Review with management the proposed corporate goals for Board approval. Annually evaluate the level of achievement of the corporate goals.
5. Assess and recommend to the full Board the incentive compensation pool for other NPCC employees, and delegate to the President and CEO, to the extent the Committee deems appropriate, the authority to allocate such awards among employees (other than the President and CEO), subject to the limitations set forth in the applicable plans pursuant to which such compensation or awards are to be granted.
6. Annually, review with management the succession plan and long-range planning for executive development and succession and report to the Board.
7. Assess and recommend employee compensation plans to ensure fair and competitive compensation commensurate with skill and responsibility.
8. Recommend to the Board, and review from time to time, NPCC's retirement plan and any other significant benefit plans.
9. Perform other review functions relating to management compensation, as the Committee deems appropriate.
10. Conduct an evaluation of the Committee's performance and charter at least annually, and recommend to the Board such changes to the Committee Charter as it deems appropriate.

11. Regularly report to the Board regarding the Committee's activities and present a written annual report to the Board at an in-person meeting.

12. Retain consultants to advise the Committee on compensation matters, as appropriate.

APPOINTMENT OF ADVISORS

The Committee shall have the sole authority to retain, and approve the fees and other retention terms of, executive compensation, legal and other advisors, as it deems necessary for the fulfillment of its responsibilities.

APPROVAL AND ADOPTION

As adopted by the Management Development and Compensation Committee and approved by the NPCC Board of Directors on October ~~26, 2011.~~ 30, 2012.

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NORTHEAST POWER COORDINATING COUNCIL, INC.
PENSION COMMITTEE CHARTER

April 29, 2008
(amended as of October ~~30~~²⁶, 201~~2~~⁴)

The Board of Directors (the "Board") of Northeast Power Coordinating Council, Inc. ("NPCC") has established a Pension Committee (the "Pension Committee") with general responsibility and specific duties as described below:

PURPOSE

The primary purpose of the Pension Committee is to serve as the entity that is (i) designated by the Board as the Plan Administrator under the Northeast Power Coordinating Council, Inc. Retirement Plan (the "Retirement Plan") and the Northeast Power Coordinating Council, Inc. 401(k) Savings Plan (the "401(k) Plan") (collectively, the "Plans") sponsored by NPCC (the "Sponsor"), and (ii) delegated all of the duties of such Plan Administrator, including serving as the Named Fiduciary with respect to the Plans.

DUTIES AND RESPONSIBILITIES

A. The Pension Committee shall have such functions and duties that are specifically conferred upon it by: (a) the Retirement Plan and the 401(k) Plan, both of which are regulated by the Employee Retirement Income Security Act of 1974, as amended ("ERISA") or any related trust agreement thereto, as the Plans or related trust agreements may be amended from time to time; or (b) the Sponsor, as may be delegated to the Pension Committee pursuant to this Charter or any other valid delegation. These duties and responsibilities include:

- Determining the short-term and long-term liquidity needs of the Retirement Plan in order that the trustee may exercise any investment discretion in a manner designed to accomplish specific investment objectives;
- Keeping a record of all actions taken and all other books of account, records, policies and other data that may be necessary for proper administration of the Plans, and be responsible for providing all information and reports to the Internal Revenue Service, Department of Labor, participants, beneficiaries and others as required by law;
- Appointing counsel, specialists, advisers, agents (including non-fiduciary agents) and other persons as necessary or desirable in connection with the administration of the Plans, including, but not limited to agents and advisers to assist with the

administration and management of the Plans and thereby provide assistance with maintaining Plan records and providing investment information to the Plans' investment fiduciaries;

- Appointing and removing trustees for the Plans;
- Overseeing compliance with ERISA in the areas of responsibility delegated to the Pension Committee;
- Interpreting the provisions of the Plans and making and publishing such rules for regulations of the Plans as are consistent with the terms thereof;
- Monitoring and reviewing the administrative costs associated with maintaining and administering the Plans; and
- Executing and delivering, or causing the execution and delivery of, all documents (including trust documents), instructions, certifications or undertakings deemed necessary or appropriate by the Pension Committee to carry out its duties.

B. The Pension Committee also shall be charged with the selection and assessment of the 401(k) Plan investment offerings. In its settlor capacity, not in its fiduciary capacity, the Pension Committee may recommend to the Board from time to time the contribution to be budgeted for a fiscal year, and contributions during a fiscal year in excess of the budgeted amount, for the Pension Plan and ~~amount of money necessary or desirable to be contributed to the 401(k) Plan as~~ the discretionary profit-sharing contribution to be budgeted for the 401(k) Plan. Also in its settlor capacity, not in its fiduciary capacity, the Pension Committee may recommend to management the timing of the payment to the Pension Plan of the budgeted contributions ~~and the contribution to the Pension Plan.~~

C. As a Named Fiduciary, the Pension Committee is subject to certain requirements that govern the conduct of fiduciaries. Under ERISA, a fiduciary is responsible for discharging its duties in accordance with certain requirements which would require the Pension Committee to:

- Act solely in the interest of the Plan's participants and beneficiaries;
- Act for the exclusive purpose of providing benefits and defraying reasonable administrative expenses;
- Diversify investments in the Plan to minimize the risk of large losses; and
- Operate with the care, skill and diligence of a prudent person familiar with such matters and act in accordance with the documents and instructions governing the Plan unless compliance with such documents otherwise causes a violation of ERISA.

MEMBERSHIP

The Pension Committee, effective January 1, 2013, shall be comprised of at least three (3) ~~members~~ directors, and the NPCC Assistant Treasurer, who shall serve as Chair. one of whom

~~shall be~~ The NPCC President and CEO ~~who~~ shall also serve as a non-voting member of the Pension Committee ~~as Chair of the Pension Committee~~. Each other Pension Committee member shall be elected by the Board and shall serve until his/her successor is duly elected and qualified unless such Pension Committee member shall have resigned or is removed by the Board. The President and CEO ~~Chair~~ shall perform such duties as the Pension Committee may assign and shall be the designated agent for service of legal process on the Plan.

The Pension Committee shall appoint a Secretary, who may or may not be a member of the Pension Committee, to be responsible for keeping minutes of the meetings and records of the transactions of the Pension Committee. The Secretary shall act as the official custodian of Pension Committee records, which, subject to certain confidentiality and/or privacy rules established by the Pension Committee, shall be open at all times for inspection by participants or for the purpose of making copies by any person designated by the Sponsor. The President and CEO and/or the Vice President and COO ~~Chair~~ and Secretary are authorized by the Pension Committee to execute any Board approved funding instruments necessary for the Pension Committee to conduct business.

DISCLOSURE AND CONFLICT OF INTEREST

Notwithstanding any provision of law, no Pension Committee member shall vote or participate in the determination of any matter in which the Pension Committee member shall receive a special private gain, except in the case of voting matters pertaining to benefits applicable to all members of the Plan. No individual member of the Pension Committee, when acting in his or her capacity as a member of the Pension Committee, shall have any right to vote or decide on any matter relating solely to himself or herself or his or her rights or benefits under the Plan. In addition, no individual member shall take any action for the purposes of benefiting a third party. Pension Committee members shall have a duty of loyalty that precludes them from being influenced by motives other than the accomplishment of the purposes of the Plan. Pension Committee members, in the performance of their duties, must conform and act pursuant to the documents and instruments establishing and governing the Plan and Trust.

MEETINGS

Members of the Pension Committee shall attend meetings in person or by telephone. The Pension Committee shall set its own schedule of meetings. Special meetings may be called by the Pension Committee Chair or by a majority of the Pension Committee members. The Pension Committee shall meet at least twice annually, at such time and such place as it shall determine. Notices of meetings shall not be required if waived in writing by all members of the Pension Committee or if all members are present at the meeting.

A majority of the members of the Pension Committee at the time in office shall constitute a quorum for the transaction of business. Any action of the Pension Committee may be taken at any duly called meeting at which a quorum is present upon the affirmative vote of a majority of the members in attendance. The Pension Committee may also act through unanimous written consent of all of its members.

Minutes of each Pension Committee meeting shall be prepared and sent to Pension Committee members. The Pension Committee shall, and presented to the NPCC Board, provide a written annual report to be presented to the Board at an in person Board meeting. Minutes of Pension Committee meetings shall be kept in the minute book of NPCC and shall be open at all

times for inspection by participants or for the purpose of making copies by any person designated by the Sponsor.

APPOINTMENT OF ADVISORS

The Pension Committee shall have the sole authority to retain as it deems necessary for the fulfillment of its responsibilities, and approve the fees within the approved budget, and other retention terms of, its legal adviser and of its investment advisors and trustees which investment advisor and trustees can provide the Pension Committee with investment insights and information to assist its members regarding relevant issues effecting the investment market and the performance of the Plans' assets.

ADOPTION PROCEDURES

All rules to be adopted by the Pension Committee shall be in writing and shall be adopted by a majority vote of the Pension Committee. The Pension Committee shall review its rules and regulations on a periodic basis. The rules and regulations of the Pension Committee shall be reproduced and made available to each participant upon request. No rule or regulation of the Plan may conflict with ERISA or the Internal Revenue Code and any related regulations or state law.

FIDUCIARY INSURANCE AND INDEMNIFICATION

The Sponsor shall purchase fiduciary liability insurance to insure members of the Pension Committee for errors and omissions. No member of the Pension Committee shall be personally liable by reason of any contract or any other instrument executed by him or her, or on his or her behalf, as a member of the Pension Committee, for any mistake of judgment made in good faith. The Sponsor shall indemnify and hold harmless each member of the Pension Committee and each other officer, employee or Director of NPCC to whom any duty or power relating to administration or interpretation of the Plan is delegated or allocated against any unreimbursed or uninsured cost or expense (including any sum paid in settlement of a claim with the prior written approval of the Pension Committee) arising out of any act or omission to act in connection with the Plan, unless the expense arises out of an individual's own fraud, bad faith, willful misconduct or gross negligence.

APPROVAL AND ADOPTION

As amended by the Pension Committee and approved by the NPCC Board of Directors
on October ~~30~~²⁶, 201~~2~~¹.



NORTHEAST POWER COORDINATING COUNCIL, INC.
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Process for the Development of Regulatory and/or Governmental Filings

1. Guiding Principles

NPCC's mission to promote and enhance the reliable and efficient operation of the international, interconnected bulk power systems in Northeastern North America will guide decisions regarding the submittal of any comments and/or participation in proceedings before regulatory and/or governmental agencies.

When appropriate, NPCC, as a member organization and cross-border Regional Entity, will provide input on reliability matters in support of NPCC's international reliability objectives, and in order to maintain and preserve its qualifications for delegated authorities.

NPCC's comments and participation in proceedings before regulatory and governmental agencies will be consistent with the policy positions approved by the Board.

2. Responsibilities

Decisions regarding the scope of NPCC's participation in regulatory proceeding or the content of submissions will be the responsibility of the President and Chief Executive Officer.

As appropriate, the President and Chief Executive Officer will seek advice from the Board of Directors, technical committees, task forces, working groups and staff, among others when developing the content of regulatory filings or pleadings.

In determining NPCC's position and level of advocacy, the President and Chief Executive Officer will consider recommendations from its Members, representing different and sometimes multiple NERC Sector perspectives, as well as, its own independent, unbiased, technical evaluation of potential reliability impacts from a Regional Entity perspective.

The submission of regulatory filings is handled by NPCC regulatory counsel or outside counsel as needed. Prior to filing, the President and Chief Executive Officer may apprise interested parties, as appropriate, of the decision to file and the content of the pleadings.

3. Considerations for Regulatory Filings

NPCC determines its level of participation and possible actions based on numerous considerations, including:

- Will NPCC's or NPCC's Members' reliability interests be affected by action or inaction as a result of the current matter at issue and if so, how?
- What is NPCC's current involvement or role in the matter at issue? Has NPCC taken a position or advocated for or against the matter previously?
- Are there any operational or economic impacts to NPCC or its Members?
- Is this a policy issue that could be informed by consultation and advice from the Board of Directors?
- Is this a technical matter that could be informed by consultation and advice from committees, task forces or working groups?
- Is intervention/comment necessary and effective at this phase of the proceeding?
- Are NPCC's or NPCC's Members' interests adequately represented elsewhere? Is there another forum available for more effective interest advocacy?
- Have informal advocacy efforts been effectively utilized?
- Are others similarly interested or affected? Would a consensus approach be possible and advantageous in the present environment?
- What is the specific relief or remedy NPCC would be seeking? Have requests for stay or requests for extension of time been considered, and the basis for that relief?

4. Regulatory Filing Characteristics

- NPCC, as a cross-border Regional Entity, has the authority under the Regional Delegation Agreement and Provincial MOUs to conduct standards development, reliability assessments and compliance activities. As a corollary, NPCC has provided feedback and input on regulatory developments and proceedings affecting these activities, at times through formal pleadings.
- Many regulatory filings are formal, on the record, and mandatory (e.g., compliance filings as directed by the U.S. Federal Energy Regulatory Commission). Notification of the due dates for formal, on the record comments is received 30-60 days in advance, typically.
- Other regulatory submissions are informal and require less managerial involvement and review (e.g., informational emails, and status reports).
- Joint filings require a collaborative, consensus-driven approach to drafting, therefore, the negotiated result often reflects core tenets of agreement amongst the parties and may differ from the pleading as initially envisioned by individual parties.
- NPCC filings, at times, do not necessarily represent the opinion of the entire NPCC Region, but rather, are intended to represent NPCC's unique perspective as a Regional Entity, after careful consideration of the totality of the circumstances and inputs.
- Respectful of NPCC's Members' interests in the matter and the basis for intervention, NPCC may limit the scope of its comments and involvement accordingly.

October 11, 2012



NORTHEAST POWER COORDINATING COUNCIL, INC.
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Regional Entity Ballot Process on NERC Standards

Background

NPCC, as a cross-border Regional Entity, has the authority under the Regional Delegation Agreement and Provincial MOUs to conduct standards development, reliability assessment and compliance activities. As part of its standards development efforts, NPCC has the responsibility to participate in, comment on, and cast ballots for NERC standards within Sector #10 of the NERC Registered Ballot Body.

NPCC also regularly solicits input and coordinates consensus comments, wherever possible, on proposed NERC standards from its Members through the Regional Standards Committee.

In determining its vote, NPCC considers both recommendations from Members, representing different and sometimes multiple NERC Sector perspectives, as well as, its independent, unbiased, technical evaluation of potential reliability impacts of a proposed standard from a Regional Entity perspective.

Responsibilities

Decisions regarding how NPCC's ballot as a Regional Entity in Sector #10 will be cast are the responsibility of the President and Chief Executive Officer, as informed by the aforementioned input.

In casting NPCC's ballot for posted NERC standards, the President and Chief Executive Officer considers the following in making a decision:

- Does the standard provide an incremental, cost-effective benefit to reliability in Northeastern North America? Although a standard may not be perfect, is there some improvement to the "Status Quo"?
- Were reliability directives received by NERC from Provincial, Governmental and/or Regulatory Authorities addressed?
- Did NPCC or its Member(s) participate in the drafting of the standard and effectively promote critical reliability objectives of Northeastern North America?
- Did NPCC provide comments during the development of the standard, and were NPCC's substantive comments addressed satisfactorily?

- Did NPCC persuade the NERC standard drafting team to address critical reliability related issues (fatal flaws) of importance to its Members and the reliability of the Northeastern North America?
- Did the NPCC Task Forces, Committees and Board of Directors offer any opinions?
- Did NPCC Members offer their proposed voting positions in their respective Sector(s) to NPCC?

October 11, 2012

**NPCC Task Force on Coordination of Operation
Final Meeting Minutes
Thursday, August 30, 2012-8:00 AM to 5:00 PM
Nova Scotia Power Offices
Halifax, Nova Scotia**

In attendance:

Jim Castle*	New York ISO
Dave Daley* (Chair)	NBSO
Frank Koza	PJM
Leonard Kula*	IESO
Daniel Lefebvre*	TransÉnergie
Richard Mailhot*	TransÉnergie
Jerry Mosier	Northeast Power Coordinating Council
John Norden (Vice-chair)*	ISO-New England
Paul Roman	Northeast Power Coordinating Council
Michael Schiavone*	National Grid
David Stanford*	Nova Scotia Power
Dan Taft (telephone)	Con Edison
Paul Tremblay*	Hydro One
Greg Campoli (telephone)	New York ISO
Gerry Dunbar (telephone)	Northeast Power Coordinating Council
Pat Doran (telephone)	NPCC Consultant
Jim Helton	ISO-New England
Mike Potishnak (telephone)	ISO-New England

* Voting TFCO member or proxy.

1. Administrative Items

Determination of Quorum

Quorum requirements were satisfied as there were nine TFCO voting members in attendance.

Approval of the “Draft for Comment” Minutes of the Task Force on Coordination of Operation Meeting of May 16-17, 2012

The draft minutes were approved as revised and will be issued and posted on the NPCC web site.

Roster Changes

Dan Taft's information was added.

TFCO 2012 Meeting Dates and Locations

- TFCO-October 17-18 in Toronto (10/17 8:00 AM to 5:00 PM and 10/18 8:00 AM to 1:00 PM)
- TFCO-November 29-30 in Montreal (11/29 8:00 AM to 5:00 PM and 11/30 8:00 AM to 1:00 PM). RCC and NPCC general and members meetings the two days before.

TFCO 2013 Meeting Dates and Locations

These tentative meeting dates and locations were chosen. As more information on other NERC and NPCC meetings is obtained the dates may need to be adjusted.

- TFCO-January 17-18 in Montreal (1/23 8:00 AM to 5:00 PM and 1/24 8:00 AM to 1:00 PM)
- TFCO-March 20-21 New York (3/20 8:00 AM to 5:00 PM and 3/21 8:00 AM to 1:00 PM).
- TFCO-May 15-16 in Syracuse (5/16 8:00 AM to 5:00 PM and 5/17 8:00 AM to 1:00 PM)
- TFCO-August 28-29 in Halifax (8/28 8:00 AM to 5:00 PM and 8/29 8:00 AM to 1:00 PM).
- TFCO-October 17-18 in Toronto (10/17 8:00 AM to 5:00 PM and 10/18 8:00 AM to 1:00 PM)
- TFCO-December 5-6 in a Boston (12/5 8:00 AM to 5:00 PM and 12/6 8:00 AM to 1:00 PM).

NPCC Website Access-Restricted Member Documents

TFCO members confirmed that they can access the restricted "Facilities for Notification" lists at the CO-8 page on the NPCC web site. If any members have difficulties they can contact Paul Roman for assistance.

2. Operating Conditions

Report by each RC

New Brunswick—there were no significant operating problems during the summer. One event occurred in which a special protection system was inadvertently left in the off position when it should have been on. The condition

occurred where the SPS should have operated to cause a DC runback. An investigation is underway to determine why the SPS was left off. NBSO is now checking quarterly to confirm all SPSs are in service and at the correct settings. The Pt. Lepreau nuclear unit is expected to return to service during the first week of October.

Nova Scotia—wind curtailments have been necessary during very light load conditions. There was also a reportable vegetation contact incident on a 230 kV line.

PJM—PJM had hot weather but did not reach an all-time peak. NERC conducted a performance audit and there were many recommendations related to cyber security. The report on the audit will be made public soon. NERC does not agree with PJM's application of the SOL definition (PJM applies for 230 kV and above facilities).

New England—New England did not exceed the all-time peak load but set a July record. The Mystic 8 & 9 Liquefied Natural Gas (LNG) gas supply was reduced during the late spring and early summer. ISO New England worked with the generation owner to ensure that transmission security was not negatively impacted during the reduced availability of LNG.

Gas supply to New England gas-fired generators is becoming a concern in the summer as well as an on-going concern during winter.

New York—there were no significant operating problems during the summer. Even though there were hot temperatures New York did not set an all-time peak. Demand response resources were activated.

Ontario—there had been many warm days but the loads did not approach the high levels from past years. The 2012 summer peak load was about a thousand MW less than last year for similar temperatures. Excess generation problems had been anticipated but did not develop because the return to service of two Bruce A nuclear units (2 x 800 MW) has been delayed.

Quebec—there have been many warm days in the Montreal and Quebec City areas with higher than normal temperatures. The 735 kV lines between Montreal and Quebec City have been heavily loaded and have, at times, approached their thermal limits.

The program to replace the current transformers (CTs) at 200 substations is continuing. Outages were taken during the Spring and about half of the CTs were replaced. The target is to replace 70 more of the CTs during 2013. The Gentilly 2 Nuclear Plant (680 MW) is reaching its end of life and refurbishment similar to

what was done at Point Lepreau will be necessary. The cost will be 3 to 4 billion dollars and the Quebec government will decide what course of action to follow.

Off-Peak Voltage Control

It was reported that prior to the occurrence of the India Blackout 28 lines had been taken out of service for voltage control.

New England—in ISO-New England voltage surveys are conducted with the Transmission Operators twice a day. At Coolidge substation in Vermont new shunt reactors were recently installed. Some shunt reactors have recently been added to the system in Maine.

Ontario—over the past several years, due to the retirements of the coal-fired generators, many voltage support reinforcements have been made to the system. There are large peak to off-peak voltage swings but the voltage control devices have made it possible to manage the voltage fluctuations. The Planning Groups have continued to look at ways to provide additional voltage control capability.

NERC Definition of System Operating Limits (SOL)

New England—there is a pilot program on SOL voltage violations (i.e. 30 minutes outside of voltage limit range).

New Brunswick—except for the Point Lepreau station the system is controlled pre-contingency to $\pm 5\%$. Post-contingency it is controlled to $\pm 10\%$. A timer is not used for these conditions. However, there is a timer for IROLs.

PJM—A clock is used for SOLs (30 minute on the occurrence of the SOL event and 15 minutes for actual SOL exceedence). This is limited to facilities 230 kV and above.

Other Areas—Some have clocks some do not. All have procedures and try to stay within prescribed voltage limits.

3. Southwest Power Outage-September 8, 2011

The preliminary response on operation-related items was provided to NERC on July 5. Following that submittal NERC commented that the NPCC responses were very thorough and far exceeded what other Regions had provided. The preliminary responses were reviewed, slight refinements were made and the final responses, along with the planning-related response, were provided to NERC at the end of August.

4. NPCC Regional Reliability Reference Directory 5, “Reserve”

Action Item: The revised Directory 5 is being submitted to the Reliability Coordinating Committee for approval at the September 12 meeting. After the anticipated RCC approval it will be submitted to the NPCC membership for final approval.

5. New England – New Brunswick Reserve Sharing Agreement

Dave Daley and John Norden presented information on the New England – New Brunswick Reserve Sharing Agreement. New Brunswick will reduce reserve by up to 200 MW in accordance with the agreement; New England will not. Simultaneous Activation of Reserve will take precedence over reserve sharing. The reserve sharing energy will be activated for 59 minutes and will avoid the need for a transaction tag. ISO-New England and New Brunswick System Operator will register with NERC as a Reserve Sharing group. TFCO approval is being sought.

The presentation addressed how each requirement in Directory 6 is being met.

A key item in Directory 6 involves Requirement R4:

R4. Each RSG shall provide the Regional Entity with a quantitative estimate of the change in reliability risk related to a reserve sharing agreement for review before their RSG Agreement is implemented.

New Brunswick System Operator and ISO-New England provided this quantitative risk estimate based on the Megawatt Loss Probability Method. The SAR data base of generator outages, which includes all outages going back to 1997, was used to support the analysis. There were a total of 292 reportable generation outage events for New Brunswick and New England in that period. The analysis showed:

New Brunswick analysis of probability of MW loss—98.2 years without reserve sharing down to 97.9 years with reserve sharing. This is considered a very small difference and is not significant.

New England analysis of MW Loss—12.156 years without reserve sharing down to 12.148 years with reserve sharing, also not considered a significant difference.

New England will not be reducing the amount of reserve on-line and will cover 125 % of the first contingency. There is a testing program in place to regularly test response of reserve units.

TFCO approved the Reserve Sharing Agreement. **Action Item: The supporting information on the Reserve Sharing Agreement will be submitted to the Reliability Coordinating Committee for approval at the September 12 meeting.**

6. Revised C-17, “Procedures for Monitoring and Reporting Critical Operating Tool Failures” Document

The C-17 Document had been posted from March 23, 2012 to May 7, 2012. The main changes are the inclusion of a reporting requirement for EMS systems for Transmission Owners, coordination with EMS failures in the Event Analysis Process and clarification on the reporting for a Backup Power Supply failure. Two comments were received; one from the IESO and one from Con Edison. The CO-10 Working Group provided TFCO with a draft response to the comments. Following discussion the TFCO agreed that the original wording in the C-17 revised version on Backup Power Supply will be kept, as the change suggested in a comment would change the definition. TFCO accepted the CO-10 response to the comments and that will be posted on the NPCC web site.

The TFCO approved the revised C-17 document and it will be provided to the RCC at their September 12 meeting for consent.

7. NPCC Regional Reliability Reference Directory 1, “Design and Operation of the BPS”

The TFCO continued discussion on the Directory 1 operations-related content. Members indicated that the previous version of Directory 1 and the previous A-2 Basic Criteria have been proven to provide a good measure of reliability in operations over a long period of time. TFCO members discussed remaining concerns with the document. It was agreed that the revised Directory 1 should not increase or decrease the level of operations requirements. It should focus on wide-area impacts. There was some concern that the language in the present draft can be interpreted so that IROL requirements were being placed on SOLs because of the use of a 30-minute clock, and that the revised wording should make sure that does not happen. Major changes were not envisioned to accommodate the concerns.

A plan was developed to try to conclude revisions to the document sections related to operations. A subgroup will be formed to develop adequate language to cover the major TFCO concerns. Members named to the subgroup include Pat Doran, Jim Helton (ISO-NE), Jonathan Pollack (NBSO) and Dave Mahlmann (NYISO). Members from IESO, TransÉnergie and Nova Scotia Power will be named.

8. Event Analysis

India July 30 and 31, 2012 Blackouts

There is presently little reliable information available on this event. TFCO will address this at the October meeting or when an official report becomes available.

Texas-Winter Cold Weather Analysis

NERC had requested all regions to respond to a set of detailed questions regarding practices for cold weather operation. In NPCC operation during cold weather

with very low temperatures is the normal course of operation. NPCC entities have a great deal of experience with this. In Texas the design of generators and transmission system equipment in place does not include the same features to withstand cold weather compared to within NPCC and the effects of cold temperatures are not comparable.

This topic and any response to NERC will be discussed at the Joint Task Force Chairs meeting on September 11.

New England June 23 Event-Northern Massachusetts 45 MW Load Shedding

John Norden discussed this event.

- Initial conditions included: hot, humid weather, 3-115 kV lines feeding a 305 MW load pocket, Mystic 9 in service and Mystic 8 out.
- At 18:28h, a storm passing through the Northeast Massachusetts area caused the simultaneous loss of two 115 kV circuits. That left one generator and one transmission cable (#211-514) remaining in service supplying the load pocket.
- The actual loading on the circuit was below the LTE rating; however, the N-1 contingency (loss of the generator) loading was over the DAL (Drastic Action Limit) rating. There were limited actions available to re-prepare the system in 30 minutes.
- Based on New England criteria within ISO-New England OP-19, about 45 MW had to be shed to bring the loading down to an acceptable level to re-prepare the system for the next contingency.
- The loading was successfully reduced in time.
- 25,000 customers were lost at the time of the initial transmission disturbance. When 50 MW of firm load was shed, an additional 29,250 customers were lost.

New England Lake Road Event-December 19, 2012

At 07:15 on 12/19/2011, three Lake Road generators (combined output of 474 MW) tripped due to the unintended activation of an SPS caused by incorrect wiring of a reclosing relay. The proper action of the SPS would trip Lake Road generation for a line outage to avoid excessive delta P and possible torsional shaft stress on the Lake Road generators.

The Operators needed to either shut down the three Lake Road generators or switch out of service the #347 Killingly-Sherman Road 345kV transmission line. During the switching of the #347 345 kV transmission line, the SPS operated due to the improper reclosing relay wiring. The three generators were given permission to restart at 08:10 when system conditions allowed their return to

service. No SOL, IROL or firm load loss occurred as a result of the actions above. The full report on the event has been issued to NPCC.

Churchill Falls Loss of 3,184 MW Event-July 15, 2012

The event occurred at the Churchill Falls GS in Labrador at 14:09:20 EDT during a thunderstorm. A lighting strike on a station service transformer caused the closure of several intake gates of the hydro units, resulting in the loss of 3,184 MW of generation over a 2 minute period. The frequency was stabilized in 15 minutes after the loss and no load in Québec was lost. Hydro-Quebec TransÉnergie curtailed 291 MW of a firm delivery to New England. The reason why a single common component failure resulted in the loss multiple generators is still under investigation.

Action Item: A presentation will be provided to TFCO once more information is provided by Churchill Falls Labrador Corporation, the owner of the Generators.

9. Review of Performance during Recent Simultaneous Activation of Reserve (SAR) Events

Mike Potishnak discussed the detailed reports for recent SAR events.

There were no events in May 2012.

There were 5 events in June:

- 6/6/12 New York event—the contingency for this SAR event was the loss of Indian Point 2 at 1,108 MW. The system frequency rose to 60.064 Hz. The schedules went in properly and on time. There was a large overshoot.
- 6/19/12 New York event—the contingency for this SAR event was the loss of the Chateaugay connection due to a current transformer fire at Massena. Some participants were a little slow getting the shares in. Overall, there was good performance.
- 6/21/12 New England event—the contingency for this SAR event was the Chateaugay DC loss with a portion sinking in New England. Everything was done correctly in applying the Radial Source Contingency SAR procedure. There was a problem with New York ACE data and there was a large overshoot. The CO-1 Working Group will investigate this further.
- 6/22/12 New Brunswick event—the contingency for this SAR event was a loss of the Madawaska DC interconnection at 358 MW. A SAR share was submitted late and reversed for 20 seconds. It was observed that this could indicate a need to reinforce training in SAR implementation.
- 6/25/12 Ontario event—the contingency for this SAR event was the Darlington G4 generator. Execution of this SAR event went well.

In July there were 6 events:

- 7/1/12 New York event—the contingency for this SAR event was the loss of the Chateauguay tie at 1,500 MW. 1,300 MW was sinking in New York and 200 MW was sinking in New England. The SAR shares were entered and implemented correctly and there was a 1,600+ MW overshoot.
- 7/12/12 New York event—the contingency for this SAR event was the loss of the Nine Mile Pt. 2 generator at 1,194 MW; one of the participants got the shares in after 5 minutes.
- 7/15/12 Ontario Event—the contingency for this SAR event was a runback of Bruce generation of 800 MW. There were timing errors in the data since the runback initiation time should have been designated as SAR time T=0, but it was not submitted that way. **Action Item: Corrected data will be submitted and the event will then be re-reviewed.**
- 7/17/12 New York Event—the contingency for this SAR event was the loss of the Nine Mile Pt. 1 generator at 600 MW. This was a well-executed event. The participant schedules and shares were activated quickly.
- 7/18/12 New England Event—the contingency for this SAR event was the loss of New England Lake Road 750 MW generation; the overshoot was large (1,700+ MW).
- 7/26/12 Ontario Event—the contingency for this SAR event was the loss of 945 MW of generation in Ontario. Submission and activation of SAR shares was done in a timely manner. The overshoot was not excessive.

The execution of the SAR events appears to be improving, however, some of the SAR implementation in the events showed that reinforcing the existing training may still be needed. It was recommended that the CO-2 Working Group should include training on the revisions to the NPCC Directory #5 document and on the application of SAR as part of the 2012 Fall System Operator Seminar agenda. **Paul Roman will convey that message to the CO-2 Working Group at the September CO-2 September 20-21 Working Group Meeting, which includes planning the Seminar agenda. The information from the Seminar training will also be used by each of the NPCC Areas in the operator training programs of each RC and BA.**

10. EMS System Modeling Between Neighboring Reliability Coordinators

Following previous TFCO meeting discussions a request had been made to the CO-10 Working Group to develop a process to review and coordinate inter-RC modeling. CO-10 had considered this request but felt that it was sufficient to handle coordination through RC to RC coordination agreements. TFCO accepted this recommendation to not pursue the development of the process at this time. It is possible that development of a process may still be needed to satisfy a possible recommendation coming from the NERC Southwest Outage Event Investigation.

11. CIP-002-4 BES Cyber System Categorization

Greg Campoli called in and discussed the Interpretation of Reliability Standard CIP-002-4 – Critical Cyber Asset Identification with regard to the proposed categorization of facilities. The interpretation applies to all versions of the CIP-002 standard and makes reference to the phrase “Examples at control centers and backup control centers include systems and facilities at master and remote sites that provide monitoring and control, automatic generation control, real-time power system modeling, and real-time inter-utility data exchange”. In NPCC TFIST is seeking assistance from the other Task Forces, including TFCO, on how to provide guidance to the NPCC entities to augment existing lists of facilities that are subject to compliance with the various NERC CIP standards. This is to provide more consistency in how each standard is applied throughout NPCC.

This is also needed to communicate the requirements and facilities subject to compliance to generation and transmission owners. It indicates that exposure to BPS requirements expands for CIP standards. Generators may not be obligated to comply but Transmission Owners will be and there may be large cost exposure.

Action Item: TFCO members are requested to review the types of facilities suggested by TFIST in a request to the NPCC Task Forces and whether they are reasonable. The NPCC Areas should make a summary of the facilities that apply for the CIP standards using the table provided by TFIST. At the October TFCO meeting TFCO will discuss the value of an NPCC guidance document to achieve consistency of application across NPCC.

This topic will be discussed at the September 11 Joint Task Force Chairs meeting.

12. Solar Magnetic Disturbances (SMDs)

Frank Koza presented information on the analysis to determine locations for Sunburst nodes on the power system. EPRI is seeking to add data on GIC events to a common depository for the electric power system.

Locations of Geomagnetically Induced Current (GIC) detectors in NPCC were reviewed:

- Quebec—HQT can detect GICs at many locations through DC current calculation based on measurements of wave asymmetry.
- New England—One location (Chester substation in Maine).
- Ontario—Many locations. IESO will determine what GIC information can be shared.
- New York—Several locations with monitoring done by the NY Transmission Owners.
- Nova Scotia—6 locations.

- New Brunswick—No locations.

EPRI will be contacting each area to obtain more information on the GIC monitoring and GIC data.

Previous Meeting Action Items:

Action Item: The CO-8 Working Group will review the C-15 document at their next meeting.

Action Items: Keep the SMD item on future TFCO agendas. At the next New York City TFCO meeting Con Edison will arrange to have an SMD expert attend the meeting and provide a presentation.

13. Update of NPCC Facilities for Notification Lists

TFCO members were reminded to provide the updated information on their Facilities for Notification lists.

Action Item: Prior to the October 17-18, 2012 TFCO meeting each RC should review and update the current NPCC list and provide updates to NPCC staff.

14. Verification of Actual Field Ratings vs. Design Ratings (FAC-003)

NERC made a request, based on the FAC-003 standard, to Transmission Owners to check and verify or revise facility ratings based on a priority impact on the power system. This rating verification should be done during the years 2011, 2012 and 2013. The NPCC July status of rating verification activity shows that all high priority and most medium priority facilities in NPCC have had their ratings reviewed. The review indicated the need for many deratings of facilities or remediation efforts to maintain or upgrade ratings. It was agreed that no new reliability issues have been identified through this review, as the derated facilities do not impact reliability and any that could impact reliability have already been remediated to maintain their ratings.

Action Item: NPCC staff will provide a letter for the September RCC meeting summarizing the TFCO review of field ratings versus design ratings.

Action Item: All TFCO members will confirm at the October TFCO meeting that there are no new reliability issues because of any identified deratings.

15. Status of NERC Activities

Most Recent Status on NERC Bulk Electric System (BES) Definition Group Activities

Work is continuing on the BES exclusion process for facilities >100 kV. The NERC BES Definition Drafting Team BES Guidance Document is expected to be posted soon. For the exclusion process NPCC's position requires radial exclusions.

June 19-20 NERC Operating Committee

Jerry Mosier discussed the highlights from the NERC Operating Committee (OC) meeting:

- The NERC Operating Committee approved the recommendation of the Operating Reliability Subcommittee that the Transmission Emergency Alert (TEA) and the Security Emergency Alert (SEA) no longer be issued.
- The OC approved the revised Reliability Plan of the Midwest ISO subject to the successful certification of the MISO, necessitated by the transfer of the Entergy Balancing Authority from the SPP footprint to the MISO footprint.
- The NERC OC approved the scope of the proposed Events Analysis Subcommittee. OC also rejected the suggestion of another name for the EAS and retained "Events Analysis Subcommittee."
- The OC expressed concerns with the Human Performance Subcommittee initiative due to its focus on "best practices" and its potential for compliance implications, and it did not vote on the proposed scope. The OC suggested that alternative venues were available through which to disseminate lessons learned associated with human performance incidents. They did not want best practices to be implied as a quasi-standard.
- Reliability Guideline: System Operator Verbal Communications Current Industry Practices—The OC approved the draft for posting to receive public comment. This complements the COM-002 standard and points out what is being done now regardless of standard presence.
- The "COM-003-1 Operating Communications Protocols White Paper" is being transmitted to the Standards Drafting Team for its consideration.
- Requirement 1 of NERC Reliability Standard PRC-001, "System Protection Coordination" states: "Each Transmission Operator, Balancing Authority, and Generator Operator shall be familiar with the purpose and limitations of protection system schemes applied in its area." Each Subcommittee of the OC was charged to discuss its interpretation of the phrase "...shall be familiar with". This may require some additional training of system operators on SPS operation at the NPCC Transmission Operators and Balancing Authorities.

Situation Awareness-SAFNR Phase 2

In SAFNR Phase 2, New York, New England and PJM system data are now being streamed to NERC and FERC through Smartcloud and Power World. NERC is presently staffing their control room.

Balancing Authority Reliability-Based Control Standard Drafting Team July 17-20 Meeting Highlights

The prospective BAL-012 standard is the Operating Reserve Planning Standard, for the current and next day planning of regulating, contingency, and frequency responsive reserve. Its origin is from a FERC directive, and industry comments overwhelmingly oppose it. The review of industry comments was not completed for this standard. In the comments processed thus far, there did not seem to be an understanding of how much work will be required for most Balancing Authorities to meet the new frequency responsive reserve requirements. This work may involve real-time calculations and commitments for frequency reserve. It may necessitate supplemental commitment of thermal generation to meet the requirements.

Its final requirement calls for validating that the three reserve types will all be sufficient when blended together during actual operations.

The prospective BAL-013 standard basically develops a mirror image of BAL-002 (Disturbance Control Standard) for the loss of load. Its origin is from a FERC directive, and industry comments overwhelmingly oppose it.

Frequency Response Reliability-based Control Standard Drafting Team July 17-20 Meeting Highlights

Mike Potishnak indicated that there are still concerns with the content in the draft frequency response standard. FERC gave NERC an extension in May to develop an improved frequency response standard.

17. TFCO Work Plan for 2012-2013

The status of the TFCO Work Plan tasks will be provided to the RCC for their September 12, 2012 meeting.

18. TFCO Action Items

The action items from recent TFCO meetings were included in the meeting agenda actions. These actions are generally on schedule.

- 1. The revised Directory 5 will be submitted to the Reliability Coordinating Committee for approval at the September 12 meeting.**

- 2. The supporting information on the New Brunswick-New England Reserve Sharing Agreement will be submitted to the Reliability Coordinating Committee for approval at the September 12 meeting.**
- 3. A presentation will be provided to TFCO on the July 15, 2012 Churchill Falls generator loss event once more information is provided by Churchill Falls Labrador Corporation, the owner of the Generators.**
- 4. Corrected data will be submitted for the July 15, 2012 SAR event and the event will then be re-reviewed.**
- 5. Paul Roman will convey that message to the CO-2 Working Group at the September CO-2 Working Group September 20-21 Meeting, which includes planning the Seminar agenda. The information from the Seminar training will also be used by each of the NPCC Areas in the operator training programs of each NPCC RC and BA.**
- 6. TFCO members are requested to review the types of facilities suggested by TFIST in a request to the NPCC Task Forces and whether they are reasonable. The NPCC Areas should make a summary of the facilities that apply for the CIP standards using the table provided by TFIST. At the October TFCO meeting TFCO will discuss the value of an NPCC guidance document to achieve consistency of application across NPCC.**
- 7. The CO-8 Working Group will review the C-15 document at their next meeting.**
- 8. Keep the SMD item on future TFCO agendas. At the next New York City TFCO meeting Con Edison will arrange to have an SMD expert attend the meeting and provide a presentation.**
- 9. Prior to the October 17-18, 2012 TFCO meeting each RC should review and update the current NPCC Facilities for Notification list and provide updates to NPCC staff.**
- 10. NPCC staff will provide a letter for the September RCC meeting summarizing the TFCO review of NPCC field ratings versus design ratings.**
- 11. All TFCO members will confirm at the October TFCO meeting that there are no new reliability issues because of any identified de-ratings.**

Prepared by Paul A. Roman
Draft for Comment Minutes issued on October 2, 2012.
Draft for Approval minutes issued on October 12, 2012.
Final minutes issued on October 19, 2012.

EXHIBIT 1
2012 MEETING SCHEDULE

Date	Meeting	Location
<u>OCTOBER</u>		
October 17-18, 2012	TFCO (October 17 th : 8 AM-5 PM; October 18 th : 8 AM-1 PM)	Toronto, Ontario
<u>NOVEMBER</u>		
October 30-31, 2012	CO-12	NPCC Office
November 7-8, 2012	Fall Operators Seminar (Québec)	Montréal, Québec
November 8-9, 2012	CO-10	Boston, Massachusetts
November 13-14, 2012	NERC ORS	
November 14-15, 2012	CO-08	Toronto, Ontario
November 27-28, 2012	RCC and General Meeting	Montréal, Québec
November 29-30, 2012	TFCO (November 29 th : 8 AM-5 PM; November 30 th : 8 AM-1 PM)	Montréal, Québec
<u>DECEMBER</u>		
December 6-7, 2012	CO-11	Toronto, Ontario
December 11-12, 2012	NERC OC	
December 12-14, 2012	CO-01	Toronto, Ontario

10/2/2012

EXHIBIT 2
2013 MEETING SCHEDULE

Date	Meeting	Location
<u>JANUARY</u>		
January 17-18, 2013	TFCO	Montréal, Québec
<u>FEBRUARY</u>		
February, 27, 2013	RCC	New York, NY

Final Minutes
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<u>MARCH</u>		
March 6-7, 2013	NERC OC	TBD
March 20-21, 2013	TFCO	NPCC-New York, NY
<u>APRIL</u>		
<u>MAY</u>		
May 15-16, 2013	TFCO	Syracuse, NY
<u>JUNE</u>		
June 5, 2013	RCC	New York, NY
June 10, 2013	NERC OC	TBD
<u>JULY</u>		
<u>AUGUST</u>		
August 28-29, 2013	TFCO	Halifax, NS
<u>SEPTEMBER</u>		
September 11, 2013	RCC	New York, NY
September 16, 2013	NERC OC	TBD
<u>OCTOBER</u>		
TFCO	October 17-18, 2013	Toronto, Ont.
<u>NOVEMBER</u>		
<u>DECEMBER</u>		
December 3, 2013	RCC	Boston, Ma.
December 5-6, 2013	TFCO	Boston, Ma.
December 9, 2013	NERC OC	TBD

10/2/2012



NORTHEAST POWER COORDINATING COUNCIL, INC.
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October 9, 2012

NPCC Member Representatives and Alternates
NPCC Board of Directors
Members, Reliability Coordinating Committee
Members, Regional Standards Committee
Members, Compliance Committee
Members, Public Information Committee
Members, Governmental/Regulatory Affairs Advisory Group

Ladies/Gentlemen:

Attached is the Agenda for the upcoming NPCC General Meeting to be held at the Omni Mount Royal Hotel, Montreal, Quebec. The meeting begins on Wednesday, November, 28, 2012 at 1:00 p.m. Following the welcoming remarks of Mr. Edward Schwerdt, President & CEO of NPCC, Mr. Harvey Reed, NPCC's Chairman, will highlight NPCC's recent activities and accomplishments and outlook for the future. Mr. David Nevius, Senior President of NERC will share NERC's current reliability initiatives and vision moving forward.

In the Keynote Session, "Defining the Bulk Electric System (BES)", Mr. Peter Heidrich, Manager of Reliability Standards, Florida Reliability Coordinating Council and Chair of the BES Standard Drafting Team and Mr. Justin Lofquist, Project Manager, NERC will summarize recent developments in the revision of the BES Definition and the software tool being developed for the BES Exception Process.

A roundtable panel discussion, moderated by Mr. Richard Levitan, President of Levitan & Associates will address Gas/Electric Industry dependencies; panelist include Mr. Peter Brandien, Vice President, System Operations, ISO-NE, Mr. Wesley Yeomans, Vice President of Operations, NYISO, Mr. Kim Warren, Vice-President, Operations and Chief Operating Officer, IESO, Mr. Tom Kiley, President & CEO, Northeast Gas Association, and Mr. John Moura, Associate Director, Reliability Assessments, NERC.

The meeting will conclude with an update on recent activities for implementing the Cyber-Security Standard by Mr. Gregory Goodrich, Supervisor, Enterprise Security, NYSIO and Chair of NPCC's Task Force on Infrastructure Security & Technology.

The Honorable Jean-Paul Théorêt, Chairman of the Régie de l'énergie du Québec will speak at a reception and dinner the previous evening, following the meetings of the NPCC Reliability Coordinating Committee, and the Governmental/Regulatory Affairs Advisory Group (reception starts at 5:30 pm, with dinner at 6:30 pm).

If you haven't done so by now, please make your plans to attend. A block of rooms has been reserved at the Hotel Omni Mont-Royal for the evenings of Monday, November 26-Thursdays, November 30, 2012 at a group rate of \$149.00 (Canadian) for Single/Double occupancy. Please call the Hotel directly at 1-514-284-1110 to make a reservation and referring to the group and meeting name **"Northeast Power Coordinating Council Annual/General Meeting"**. Reservations must be made on or before November 5, 2012 to obtain this special group rate. After that date rooms will be released and will be subject to space and rate availability.

Please return the attached NPCC Registration form to NPCC either by Fax (212) 302-2782 or e-mail to mfeliciano@npcc.org.

Feel free to contact me at (212) 840-4909 (pfedora@npcc.org) if you have any questions.

Sincerely,

Phil Fedora

Philip A. Fedora
Assistant Vice President
Reliability Services

Attachments

cc: NPCC Officers
NPCC Staff
NERC Regional Communication Group



*Dress Will
Be
Business
Casual*

Agenda

Northeast Power Coordinating Council, Inc. 2012 General Meeting

“Opportunities for Reliability”

***Omni Mount Royal
1050 Sherbrooke Street West
Montreal, Quebec H3A 2R6***

1:00 PM to 5:00 PM – Wednesday, November 28, 2012

Welcome & Opening Remarks

Harvey Reed, NPCC Chairman of the Board

Edward A. Schwerdt, NPCC President & CEO

David Nevius, Senior Vice President, NERC

Defining the Bulk Electric System

***Peter Heidrich, Chair, NERC BES Drafting Team
Florida Reliability Coordinating Council***

***Justin Lofquist, Project Manager
North American Electric Reliability Corporation***

Break

Addressing Gas/Electric Industry Dependencies

***Roundtable Discussion – Richard Levitan, Moderator
Peter Brandien, ISO-NE, Wesley Yeomans, NYISO, Kim Warren, IESO,
Tom Kiley, NGA, John Moura, NERC***

Implementing Cyber-Security Standards

***Greg Goodrich
Chair, NPCC Task Force on Infrastructure Security & Technology
New York ISO***

Closing Remarks

***Philip A. Fedora, Assistant Vice President of Reliability Services
NPCC***



**Complete Registration Form and Fax to NPCC at (212) 302-2782
or Email to: mfeliciano@npcc.org**

Name: _____ Company: _____

RCC Member ☐
RCC Alternate ☐

Member Representative ☐
Member Representative Alternate ☐

RSC Member ☐
RSC Alternate ☐

CC Member ☐
CC Alternate ☐

Board of Directors ☐
Regional Standards Committee ☐ Compliance Committee ☐

Task Force on Coordination of Operation ☐

Guest ☐ Press ☐

- Sector 1, Transmission Owners ☐
Sector 2, Reliability Coordinators ☐
Sector 3, TDUs, Dist. And LSE ☐
Sector 4, Generator Owners ☐
Sector 5, Marketers, Brokers, Aggregators ☐
Sector 6, State and Provincial Regulatory and/or Governmental Authorities ☐
Sector 7, Sub-Regional Reliability Councils, Customers, Other Regional Entities and Interested Entities ☐
Sector 8, Independent Directors ☐

- Yes ☐ No ☐ I will attend the Reliability Coordinating Committee (RCC) Meeting on November 27, 2012 **(NPCC Members only)**
- Yes ☐ No ☐ I will attend the NPCC Governmental/Regulatory Affairs Advisory Group meeting on November 27, 2012 **(Open to the Public)**
- Yes ☐ No ☐ I will attend the Reception on November 27, 2012 **(Open to the Public)**
- Yes ☐ No ☐ I will attend the Dinner on November 27, 2012 **(Open to the Public)**
- Yes ☐ No ☐ I will attend the Board Meeting on November 28, 2012 **(NPCC Board Members only)**
- Yes ☐ No ☐ I will attend the NPCC Annual Meeting of Members November 28, 2012 **(NPCC Members only)**
- Yes ☐ No ☐ I will attend the General Meeting on November 28, 2012 **(Open to the Public)**

Yes ☐ No ☐ I will attend the Compliance Committee Meeting on November 29 and 30, 2012
(NPCC Members only)

Yes ☐ No ☐ I will attend the Regional Standards Committee Meeting on
November 29 and 30, 2012 **(Open to the Public)**

Yes ☐ No ☐ I will attend the Task Force on Coordination of Operation Meeting on
November 29 and 30, 2012 **(NPCC Members only)**