

Agenda

Board of Trustees

November 7, 2013 | 8:30 a.m.-1:00 p.m. Eastern

The Westin Buckhead Atlanta
3391 Peachtree Road, N.E.
Atlanta, GA 30326
Phone: 800-253-1397

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines and Public Announcement

Consent Agenda — Approve

1. **Minutes***
 - a. August 15, 2013 Meeting
2. **Committee Membership and Charter Changes***
 - a. Standing Committee Membership Changes
 - i. Compliance and Certification Committee
 - ii. Critical Infrastructure Protection Committee
 - iii. Reliability Issues Steering Committee
 - iv. Standards Committee
 - b. Standing Committee Charter Amendments
 - i. Critical Infrastructure Protection Committee
 - ii. Operating Committee
 - iii. Planning Committee
3. **Southwest Power Pool, Inc. Regional Entity Regional Standards Development Process Manual***

Regular Agenda

4. **Welcome Remarks**
5. **Remarks by Commissioners Cheryl LaFleur and John Norris, FERC**
6. **Remarks by Mr. Ken Quesnelle, CAMPUT**
7. **President's Report**

8. Standards*

- a. Geomagnetic Disturbance Mitigation—EOP-010-1 — **Adoption**
- b. Protection System Maintenance and Testing – Phase 2—PRC-005-3 — **Adoption**
- c. Transmission Relay Loadability—PRC-023-3 — **Adoption**
- d. Interpretation of CIP-003 for Consumers Energy — **Adoption**
- e. Interpretation of CIP-007 for ITC — **Adoption**
- f. SPP RE Withdrawal of PRC-006-SPP-1 — **Adoption**
- g. 2014-2016 Reliability Standards Development Plan — **Adoption**
- h. Definition of Bulk Electric System – Phase 2 — **Review**
- i. Operating Personnel Communication Protocols — COM-003-1 — **Action**

9. **2013 Special Reliability Assessment: Maintaining Bulk Power System Reliability While Integrating Variable Energy Resources to Meet Renewable Portfolio Standards*** — **Approve**

10. **Proposed Amendments to Technical Feasibility Exception Procedure*** — **Approve**

11. **Critical Infrastructure***

- a. CIP Transition Study — **Discussion**
- b. GridSecCon 2013 — **Update**
- c. Executive Order (NIPP, NIST Framework) — **Information**

12. **Canadian Affairs – Jim Burpee – Information**

Committee Reports* (Item 13)

- a. Operating Committee
 - i. 2014-2018 Operating Committee Strategic Work Plan — **Approve**
- b. Planning Committee
- c. Critical Infrastructure Protection Committee
- d. Member Representatives Committee
- e. Personnel Certification Governance Committee
- f. Standards Committee
 - i. 2014-2016 Standards Committee Strategic Work Plan — **Approve**
 - ii. Response to Board’s Resolution on the Independent Experts Review Panel Report
- g. Reliability Issues Steering Committee
- h. Compliance and Certification Committee
- i. Electricity Sub-Sector Coordinating Council

Forum and Group Reports* (Item 14)

- a. North American Energy Standards Board
- b. Regional Entity Management Group
- c. North American Transmission Forum
- d. North American Generator Forum

Board Committee Reports

15. **Corporate Governance and Human Resources**

16. **Compliance**

17. **Finance and Audit**

- a. Third Quarter Statement of Activities and Year End Projections —**Accept**

18. **Standards Oversight and Technology**

19. **Nominating Committee**

*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 Board of Trustees

August 15, 2013 | 8:00 a.m.-Noon local time

Fairmont The Queen Elizabeth
900 Rene Levesque Blvd. W
Montreal, QC H3B 4A5 Canada

Chair Fred Gorbet called to order a duly noticed open meeting of the North American Electric Reliability Corporation Board of Trustees on August 15, 2013 at 8 a.m., local time, and a quorum was declared present. The agenda is attached as **Exhibit A**.

Present at the meeting were: All Board members, being Fred Gorbet, Chair, Paul Barber, Janice Case, Gerry Cauley, Bob Clarke, Dave Goulding, Doug Jaeger, Ken Peterson, Jan Schori, Bruce Scherr, and Roy Thilly.

A listing of industry attendees is attached as **Exhibit B**.

Mr. Gorbet welcomed special guests Mr. André Boulanger, President, Hydro-Québec TransÉnergie and Mr. Ray Gorman, Chair of the New Brunswick Energy and Utilities Board and Chair of CAMPUT.

Mr. Gorbet provided an overview of the initial meeting of members of the regulatory community in Canada with the NERC Board and senior management. He noted that a key objective of these meetings, which will be held annually in August, is to enhance interaction between Canadian regulators and the NERC Board.

Executive Session

Mr. Gorbet reported that before the open meeting, as is its custom, the Board met in closed session with management and then in executive session without management, to review management activities.

NERC Antitrust Compliance Guidelines

Mr. Berardesco, senior vice president and general counsel, directed participants' attention to the NERC Antitrust Compliance Guidelines included in the agenda.

Consent Agenda

Upon motion duly made and seconded, the Board approved the consent agenda, as follows:

Minutes

The May 9, May 15, and June 18, 2013 draft minutes were approved as presented at the meeting, with minor typographical revisions.

Committee Membership Appointments and Charter Changes

Planning Committee, Operating Committee, Compliance and Certification Committee Membership Changes

RESOLVED, that the Board hereby approves the proposed appointments and changes to the membership of the Planning Committee, Operating Committee, and Compliance and Certification Committee, as presented to the Board at this meeting.

Personnel Certification Governance Committee Charter Amendments

WHEREAS, the Personnel Certification Governance Committee (“PCGC”) has proposed amendments to the current PCGC charter to clarify regular meeting requirements of the PCGC and reporting requirements to the Board for periodic assessments.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees approves the amended PCGC charter, substantially in the form presented to the Board at this meeting, to replace the PCGC charter approved by the Board of Trustees on May 2, 2007.

Future Meetings Schedule

The slate of approved meeting dates for 2014 and 2015 (**Exhibit C**).

Welcoming Remarks by Mr. André Boulanger, President, Hydro-Québec TransÉnergie

Mr. Boulanger welcomed the audience to Montreal and presented highlights on Hydro-Québec, and Hydro-Québec’s focus on increased reliability, as well as reviewed the importance of the regulatory approach to ensuring the reliability of the bulk electric system.

Remarks by Ray Gorman, Chair of the New Brunswick Energy and Utilities Board and Chair of CAMPUT

Mr. Gorman’s comments centered on the meeting between the Canadian regulators and the Board, stating the feedback from the regulators was quite positive and they look forward to the continuation of the meetings, the Canadian participation at the Federal Energy Regulatory Commission (FERC) Technical Conference on July 9, 2013, and the recognition of NERC’s efforts on the final proposed business plan and budget.

President’s Remarks

Mr. Cauley, NERC president and CEO, opened his remarks by recognizing the ongoing initiatives at NERC to advance relations with and engagement of Canadian partners, which include outreach and coordination with Canadian entities and regulators.

Mr. Cauley commented on the recent FERC Technical Conference, noting that it provided the ERO Enterprise an opportunity to discuss progress in key reliability areas, highlight the metrics identified in the 2013 State of Reliability Report, and comment on the Bulk Electric System (BES) definition and the strong support for Cybersecurity.

Mr. Cauley recognized that the Board will discuss the restructuring of **Western Electricity Coordinating Council (WECC)** and the reassessment and re-scoping of the Electricity Sub-sector Coordinating Council (ESCC) during the meeting. The WECC restructuring demonstrates a split between delegated/oversight functions and operational responsibilities and serves as a strong model for the ERO.

Mr. Cauley announced that NERC plans to issue a Level 1 advisory 345kV circuit breaker alert. He stated the North American Transmission Forum and the North American Generator Forum will be asked to coordinate with NERC to provide a 6- and 12-month survey/report that documents progress in this area. Mr. Cauley stated the ERO Enterprise continues successful progression of voluntary event analysis reporting and there is tremendous value in the assurance that these types of issues are being identified and adequately addressed.

Standards

Mr. Lauby, vice president and director of standards, provided an overview of the Reliability Standards Program and presented the following items for Board action. After discussion, and upon motion duly made and seconded, the following resolutions were approved:

Operating Personnel Communication Protocols – COM-003-1

WHEREAS, the Federal Energy Regulatory Commission's (the "Commission") Order No. 693 directed that NERC develop a Reliability Standard that requires tightened communication protocols for emergency operating conditions, especially for communications during alerts and emergencies (the "FERC Reliability Standard") and the same Order also suggested that enhanced communication protocols should be applied in 'normal' circumstances.

WHEREAS, the Board, at its February 9, 2012 meeting, approved an interpretation of the COM-002-2 Reliability Standard that such Standard pertains solely to emergency operations, and at the same meeting approved a resolution directing the Standards Committee to complete development activities on the proposed COM-003 Reliability Standard on a high priority basis.

WHEREAS, the proposed COM-002-3 Reliability Standard addresses tightened communication protocols for emergency operating conditions, and was approved by the Board on November 7, 2012.

WHEREAS, the draft COM-003-1 Reliability Standard, which is intended to address tightened communication protocols for those operations that are not emergency operations (as defined in COM-002-2) but are nonetheless operations that if not followed can lead to an emergency has been balloted six times, and has received the support of a majority of the ballot body on four successive ballots, but failed to achieve the approval of 2/3 of the ballot body.

NOW, THEREFORE, BE IT RESOLVED, the Board hereby agrees to consider at its meeting of November 2013 how best to act with respect to the disposition of the approved interpretation of the approved COM-002-2 Reliability Standard, the Board-approved COM-002-3 Reliability Standard and the draft COM-003-1 Reliability Standard, including whether to exercise the authority it has with respect to actions it can take under Section 321 of the NERC Rules of Procedure.

FURTHER RESOLVED, that the Board, in order to inform itself with respect to decisions contemplated by the foregoing resolution, hereby directs the Reliability Issues Steering Committee (the “RISC”), the Independent Experts Review Panel (the “Independent Experts Panel”), and NERC management to respond to the following questions related to the draft COM-003-1 Reliability Standard:

1. Proposed COM-002-3 Reliability Standard provides a standard that addresses communication protocols in an emergency. Are there circumstances that are not an emergency (as defined in COM-002-3) that can lead to reliability risks if not appropriately addressed by a standard? If so, what are these circumstances and how important is it that there be a standard to address them?
2. Does the latest draft of the COM-003-1 Reliability Standard address such circumstances appropriately? Is it a “quality standard” on the basis of the criteria that are being used to assess existing and future standards by the Independent Experts Panel?
3. Are there changes you would recommend to improve the current draft of the COM-003-1 Reliability Standard? Describe how the enhancements would address any gaps in bulk-power system reliability.
4. Should the proposed COM-002-3 Reliability Standard approved by the Board be rescinded and a new standard developed that addresses communications during both emergency and non-emergency conditions? If so, what key issues would it address, including an appropriate definition of “non-emergency conditions”?
5. Do you have any additional input regarding the development of the COM-003-1 Reliability Standard for the Board to consider in its deliberations on next steps?

FURTHER RESOLVED, that the RISC, the Independent Experts Panel, and NERC management are hereby directed to prepare responses to the questions set forth in the foregoing resolution and transmit a copy of their responses to the Chair of the NERC Board of Trustees and Chief Executive Officer of NERC no later than September 6, 2013, at which point the responses shall be transmitted by the Chair to (i) the Standards Drafting Team for the draft COM-003-1 Reliability Standard, and publicly posted on the NERC website on the COM-003-1 Reliability Standard development page, with a request for industry comment and (ii) the Operating Committee, with a request that the Committee review the questions and responses and provide their input to the Board.

Phase 2 of Relay Loadability: Generation – PRC-025-1

RESOLVED, that the Board hereby adopts the PRC-025-1 – Generator Relay Loadability Reliability Standard, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the associated implementation plan, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the Violation Risk Factors and Violation Severity Levels for the proposed PRC-025-1 Reliability Standard, as presented to the Board at this meeting.

FURTHER RESOLVED, that NERC management is hereby authorized and directed to make the appropriate filings with ERO governmental authorities.

Phase 1 of Balancing Authority Reliability-Based Controls: Reserves – BAL-001-2

RESOLVED, that the Board hereby adopts the BAL-001-2 – Real Power Balancing Control Performance Reliability Standard, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the associated implementation plan, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the following three new definitions, as presented to the Board at this meeting:

- Regulation Reserve Sharing Group
- Reserve Sharing Group Reporting Area Control Error Reporting ACE
- Reporting ACE

FURTHER RESOLVED, that the Board hereby approves a revised definition for “Interconnection”, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the Violation Risk Factors and Violation Severity Levels for the proposed BAL-001-2 Reliability Standard, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the retirement of the Bal-001-0.1b – Real Power Balancing Control Performance Reliability Standard at midnight of the day immediately prior to the effective date of BAL-001-2.

FURTHER RESOLVED, that NERC management is hereby authorized and directed to make the appropriate filings with ERO governmental authorities.

Primary Frequency Response in the ERCOT Region –BAL-001-TRE-01

RESOLVED, that the Board hereby adopts the BAL-001-TRE-1 – Primary Frequency Response in the ERCOT Region Reliability Standard, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the associated implementation plan, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the following definition as regional definitions for the ERCOT region, as presented to the Board at this meeting:

- Frequency Measurable Event (FME)
- Governor
- Primary Frequency Response (PFR)

FURTHER RESOLVED, that the Board hereby approves the Violation Risk Factors and Violation Severity Levels for the proposed BAL-001-TRE-1 Reliability Standard, as presented to the Board at this meeting.

FURTHER RESOLVED, that NERC management is hereby authorized and directed to make the appropriate filings with ERO governmental authorities.

Independent Experts Review Panel Report

WHEREAS, the Board has received the report of the Independent Experts Review Panel (the “Report”);

WHEREAS, the Board desires to have the Standards Committee promptly consider the findings contained in the Report, and to advise the Board at its November 2013 meeting, as to how the Committee intends to implement the findings and on what proposed timeline.

NOW, THEREFORE, BE IT RESOLVED, the Board hereby directs the Standards Committee to (i) promptly review the findings contained in the Report, (ii) determine how the Committee will include those findings in its 2014-2016 work plans, including, but not limited to, how it will approach the retirement of candidate standard requirements and address the identified priority gaps in standards and (iii) provide a report at the Board’s November 2013 meeting as to the Committee’s implementation plan, including proposed timelines.

NERC and Regional Entity Proposed 2014 Business Plans and Budgets and Associated Assessments and Capital Financing

Mr. Thilly, chair of the Finance and Audit Committee, reported that the Committee met in open session the day prior, and approved, and recommended Board approval of, the 2014 business plans and budgets and associated assessments for the ERO Enterprise and the capital financing credit transaction with PNC Bank.

Upon motion duly made and seconded, the Board approved the following resolutions:

Business Plan and Budget

RESOLVED, that the Board hereby approves the following, substantially in the form presented to the Board at this meeting:

1. The proposed NERC 2014 business plan and budget;
2. The proposed 2014 business plans and budgets of the eight Regional Entities and the Western Interconnection Regional Advisory Board; and
3. The proposed 2014 assessments to recover the costs of the approved 2014 budgets, subject to adjustments to reflect final Net Energy for Load numbers, together with such other adjustments as may be necessary to reflect the anticipated dissolution of the New Brunswick System Operator and the transfer of its functions to other entities.

FURTHER RESOLVED, that NERC management is hereby authorized and directed to file the 2014 business plans, budgets, and assessments with ERO governmental authorities, together with such additional explanatory material as is appropriate.

Financing Plan

RESOLVED, that the Board hereby approves NERC entering into a capital financing credit transaction with PNC Bank (the "Bank"), on substantially the terms and conditions presented to the Board at this meeting, subject to the approval of NERC's Chief Financial Officer and General Counsel as to the final documentation thereof (the "Credit Documents"), and that such Credit Documents may be executed on behalf of NERC by any of the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer or General Counsel, and each such officer of NERC is hereby authorized to take any other action requested, required or deemed advisable by the Bank in order to effectuate this resolution, all such other actions being hereby approved, ratified and confirmed.

FURTHER RESOLVED, that in connection with any extension of credit referenced or authorized by the Credit Documents, which permit NERC to effect multiple advances or draws there under, any of NERC's Chief Executive Officer, Chief Operating Officer or Chief Financial Officer (or any other person designated in writing by any of such officers) shall be authorized to request such advances or draws.

FURTHER RESOLVED, that all past acts of officers of NERC in borrowing or obtaining credit from the Bank and in executing documents or otherwise entering into agreements and giving security on behalf of NERC are hereby ratified and confirmed.

FURTHER RESOLVED, that the Bank is authorized to take any action authorized hereunder based upon: (i) the telephonic or electronic request (including e-mail request) of any person purporting to

be a person authorized to act hereunder, (ii) the signature of any person authorized to act hereunder that is delivered to the Bank personally or by facsimile transmission, or (iii) the telex originated by any of such persons, tested in accordance with such testing procedures as may be established between NERC and the Bank from time to time.

FURTHER RESOLVED, that a certified copy of these resolutions be delivered to the Bank and that they and the authority vested in the persons specified herein will remain in full force and effect until a certified copy of a resolution of NERC revoking or modifying these resolutions and such authority has been delivered to the Bank, and the Bank has had a reasonable time to act thereon.

WECC Restructuring

Mr. Berardesco provided an update on the WECC restructuring including the proposal to establish Reliability Coordination Company (RCCo) as a separate, independent company and to transfer responsibility to RCCo for the Reliability Coordinator and Interchange Authority functions that are currently performed by WECC. Mr. Berardesco stated NERC staff has agreed to use, on at least a transition basis, the existing funding mechanism, which includes the submission of the RCCo budget as part NERC's overall annual budget filing with FERC. However, NERC would not be responsible for reviewing the RCCo budget or for collecting any delinquent or unpaid RCCo funds.

After discussion, and upon motion duly made and seconded, the following resolutions were approved:

WHEREAS, the Western Electricity Coordinating Council ("WECC") board of directors has endorsed the bifurcation of WECC into two companies: (1) the Reliability Coordination Company ("RCCo") to serve as the Reliability Coordinator ("RC") and Interchange Authority ("IA") for the Western Interconnection; and (2) the WECC Regional Entity.

WHEREAS, on March 12, 2013, WECC filed a Petition for Declaratory Order with the Federal Energy Regulatory Commission ("FERC") seeking confirmation that RCCo may continue to fund the RC and IA functions under Federal Power Act Section 215 ("Section 215"), and after these functions are transferred to RCCo, that WECC will be able to exercise compliance and enforcement authority over RCCo, effective January 1, 2014.

WHEREAS, on June 20, 2013, FERC conditionally granted WECC's Petition for Declaratory Order, confirming that RCCo is eligible for continued Section 215 funding and that, after separation, WECC will be able to exercise compliance and enforcement authority over RCCo.

WHEREAS, on June 27, 2013, the WECC Board approved amendments to the: (1) NERC-WECC Regional Delegation Agreement ("RDA"); and (2) WECC bylaws; and (3) new RCCo bylaws.

WHEREAS, the new RCCo bylaws provide that by the end of the second year after RCCo begins operation, the RCCo board shall develop an alternative funding mechanism.

WHEREAS, WECC will execute an agreement to terminate its agreement with the Northeast Power Coordinating Council, Inc. ("NPCC") whereby NPCC currently performs compliance monitoring and enforcement responsibilities for WECC's registered functions.

NOW, THEREFORE, BE IT RESOLVED, that the NERC Board of Trustees approves, substantially in the form presented to the NERC Board at this meeting, amendments to the NERC-WECC RDA and WECC bylaws, subject to finalization of the amendments and authorization by NERC's chief executive officer.

Critical Infrastructure

ESCC Charter

Mr. Cauley provided an overview of the proposed new ESCC membership structure, requirements, and duties and recommended continued Board participation in the ESCC meetings in a non-official, observer role. He further recommended the Board direct the CEO to submit a letter to the Department of Energy indicating NERC's support of the new scope of the ESCC. Concluding, Mr. Cauley offered his appreciation to the current and previous ESCC members for their service.

After discussion, and upon motion duly made and seconded, the following resolutions were approved:

WHEREAS, industry stakeholders have proposed a new Electricity Sub-Sector Coordinating Council ("ESCC") Charter to amend the ESCC membership structure, requirements, and duties.

WHEREAS, the NERC CEO currently serves as the chairman of the ESCC and, under the proposed new ESCC charter, the NERC CEO will serve as a member of the ESCC and its Steering Committee.

WHEREAS, the new ESCC charter enables continued collaboration of the ESCC with NERC in effectuating communications to and with the Electricity Sector and enhancing the ability of the sector to prepare for and respond to cyber and physical threats, vulnerabilities, and incidents.

NOW, THEREFORE, BE IT RESOLVED, that the Board endorses the new ESCC Charter, substantially in the form presented to the Board at this meeting.

FURTHER RESOLVED, that the Board terminates the current ESCC Charter, approved by the Board on August 16, 2012, effective upon the establishment of the new ESCC including appointment of the new ESCC members, subject to periodic review by the Board of the ESCC goals, objectives and accomplishments to ensure the new ESCC is performing effectively and efficiently and consider whether an alternative arrangement is warranted.

Metcalf Substation

Mr. Peterson, senior compliance analyst, Pacific Gas & Electric (PG&E), presented on the recent sabotage to the Metcalf Substation, PG&E's chronicled response, and the current status of the investigation.

GridEx II Executive Session

Mr. Gorbet referenced the materials contained in the agenda package.

Threat Briefing Initiative

Mr. Roxey, director, Electricity Sector Information Sharing and Analysis Center (ES-ISAC), presented on the Regional classified emerging threat briefings conducted from late-June through July 2013, which included presentations by the Federal Bureau of Investigation (FBI), Department of Homeland Security (DHS), Industrial Control Systems Cyber Emergency Response Team (ICS-CERT), and ES-ISAC.

Canadian Affairs

Mr. Burpee, president and CEO, Canadian Electricity Association (CEA), presented an update on the current Canadian reliability-related initiatives. Mr. Cauley has invited Mr. Burpee to present regularly at the Board meetings on Canadian affairs.

Standing Committee Reports

The chairs of the Standing Committees provided reports to the Board highlighting items from their written reports as contained in the Agenda package.

Under the Critical Infrastructure Protection Committee (CIPC) report, Mr. Abell, chair, recommended for Board action the CIPC Strategic Plan/Work Plan 2013-2016, the Personnel Security Clearances Task Force Report, and the Electricity Sector Information Sharing Task Force Report. After discussion, and upon motion duly made and seconded, the following resolutions were approved:

CIPC Strategic Plan/Work Plan 2013-2016

RESOLVED, that the Board hereby accepts the Critical Infrastructure Protection Committee Strategic Plan and associated Work Plan for 2013-2016, substantially in the form presented to the Board at this meeting.

Personnel Security Clearance Task Force Report

RESOLVED, that the Board hereby accepts the proposed Personnel Security Clearance Task Force Report, substantially in the form presented to the Board at this meeting.

Electricity Sector Information Sharing Task Force Report

RESOLVED, that the Board hereby accepts the proposed Electricity Sector Information Sharing Task Force Recommendations for Improving Information Sharing Report, substantially in the form presented to the Board at this meeting.

Under the Reliability Issues Steering Committee (RISC) report, Ms. Schwab, chair, recommended for Board action the ERO Priorities Report, and upon motion duly made and seconded, the following resolutions were approved:

RESOLVED, the Board hereby accepts the updated report of the RISC and expresses its appreciation to the RISC for its efforts.

FURTHER RESOLVED, the Board endorses the RISC's recommendations contained within the updated report.

Forum and Group Reports

North American Energy Standards Board

Mr. Desselle highlighted activities of the North American Energy Standards Board, to include the continued collaboration with NERC staff on initiatives.

Regional Entity Management Group

Ms. Dochoda highlighted recent activities of the key multi-Regional groups, noting detailed summaries were contained in the full written report to Board, and highlighted the continued work with NERC staff on RAI.

North American Transmission Forum

Mr. Galloway referred to the Forum's written report to the Board. In addition to the report, Mr. Galloway stated the Transmission Forum is working with the North American Generator Forum on several operational topics, and is looking forward to the collaboration.

North American Generator Forum

Mr. Schriver referred to the Generator Forum's written report to the Board, and further acknowledged and commented on the collaboration with the Transmission Forum.

Board Committee Reports

Corporate Governance and Human Resources

Ms. Schori, chair, provided a summary report of the Corporate Governance and Human Resources Committee (CGHRC) open meeting from the previous day. She reviewed and requested Board approval of the proposed Board of Trustees compensation approach, and upon motion duly made and seconded, the Board approved the following resolutions:

WHEREAS, the Board's Corporate Governance and Human Resources Committee (the "CGHRC") is required to review annually the compensation program for independent Trustees and to make recommendations to the Board, as appropriate.

WHEREAS, the CGHRC engaged the compensation consulting firm of Towers Watson, to conduct a market study of Board compensation, to aid in its determination of whether to recommend any changes to the Board's compensation program.

WHEREAS, Towers Watson interviewed each Trustee, considered the appropriate market perspectives for Board compensation, and compared current Trustee compensation and the structure of the Board's current compensation structure to those market perspectives, and prepared a report, which has been reviewed and accepted by the CGHRC.

WHEREAS, the CGHRC considered the findings and recommendations in the Towers Watson report, as well as (i) the fact that the Board has not adjusted compensation since 2011, (ii) the IOU and industry data in the report is from 2011, it is now two years later, and it is reasonable to assume from the trends shown in the report, that board compensation has continued to increase, (iii) the need to consider any compensation adjustment in light of NERC's overall budget, (iv) the workload for all Trustees has continued to increase, but that it is no longer necessary to provide additional compensation to the members of the Compliance Committee as the workload across committees has begun to equalize, (v) the Board Chair, Vice Chair, committee chairs and the Trustee assigned to the ESCC have substantial additional responsibilities and time commitments, and there is consensus among the Trustees that the Vice Chair's position, in consideration of its increased responsibility and workload, should also receive additional compensation, (vi) that the current compensation structure, utilizing fixed retainers, is consistent with best practice trends in director compensation, (vii) that it remains important for NERC to be able to recruit and retain qualified and quality individuals to board service, and that NERC competes directly with regional entities, ISOs and RTOs, IOUs, and private sector companies in attempting to attract such individuals to NERC and (viii) the conflict of interest requirements at NERC for Trustees, which include financial interest and investment prohibitions, employment/consulting prohibitions, and industry board service prohibitions, and the fact that NERC is non-profit and offers no stock options or benefits, reinforce the need for NERC to offer competitive compensation to Trustees, understanding the limits NERC places on what might be other opportunities for financial reward.

WHEREAS, based on its review of the Towers Watson report and its deliberations in open session, the CGHRC has recommended modifications to the Trustee compensation program, which recommendations the Board has determined to accept.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the following compensation program for independent Trustees:

1. Annual Retainer: The Board hereby establishes a target annual retainer for each Trustee of \$97,500. The new retainer will be implemented, for all Trustees who are not members of the Compliance Committee, beginning effective third quarter 2013 and phased in over 2013, 2014, and 2015 (for Compliance Committee members, the phase in will begin January 1, 2014) such that the target amount would be reached January 1, 2015, as follows:
 - a. 2013 increase of \$3,750 (for all Trustees other than Compliance Committee members)
 - b. 2014 increase of \$11,250 (\$15,000 for Trustees serving on the Compliance Committee during 2013), such that the annual retainer for all Trustees shall be \$90,000
 - c. 2015 increase of \$7,500, such that the annual retainer for all Trustees shall be \$97,500
2. Committee Chair/ESCC Retainer: The Board hereby retains the current committee chairs and ESCC Trustee annual retainer of \$10,000.

3. Compliance Committee retainer: The Board hereby eliminates, effective January 1, 2014, the additional annual retainer for Compliance Committee members.
4. Vice Chair Retainer: The Board hereby establishes, effective third quarter 2013, an annual retainer of \$5,000 for the Board Vice Chair.
Chair Retainer: The Board hereby retains the annual retainer of \$35,000 for the Board Chair.

Compliance Committee

Mr. Scherr, chair, provided a summary of the Committee's open meeting from the previous day, highlighting updates on the CIP Transition Guidance, RAI, and key compliance and enforcement metrics and trends, noting significant progress has been made towards meeting strategic goals.

Finance and Audit Committee

Mr. Thilly, chair, provided a summary of the Committee's open meeting held the previous day. He reviewed and requested acceptance of the Second Quarter Statement of Activities, and approval of the Proposed Amendment to Policy on Treatment of Penalty Funds. Upon motion duly made and seconded, the Board approved the following resolutions:

RESOLVED, that the Board hereby accepts the NERC Second Quarter 2013 Statement of Activities, as presented to the Board at this meeting.

RESOLVED, the Board hereby approves modifications to the Policy for Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards, as presented to the Board at this meeting.

Standards Oversight and Technology Committee

Mr. Peterson, chair, provided a summary of the Committee's meeting the previous day highlighting discussions on the Standards Independent Experts Review Report, the Cost-Effective Analysis Process, and the Operating Personnel Communication Protocols — COM-003-1. Mr. Cauley recommended that NERC staff hold on filing the original COM-002 and interpretation, until the determination and potential actions on COM-003 are decided at the Board meeting in November.

Nominating Committee

Mr. Goulding, chair, referenced his report provided during the Member Representatives Committee meeting the previous day, noting the conference call of the Committee for September 24 is cancelled and the next meeting will be in Atlanta on November 5.

Closing

Mr. Gorbet closed the meeting by noting the valuable discussions that had led up to the Board meeting, particularly the MRC meeting and the discussions on COM-003-1. He stated that the written policy input provided by industry is beneficial to the Board and requested that industry members continue to submit their comments but also consider providing input through the additional forums of open meetings and conference calls.

Adjournment

There being no further business, and upon motion duly made and seconded, the meeting was adjourned at 11:17 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

Compliance and Certification Committee Membership

Action

The Board of Trustees is requested to approve the appointment of the following member to the Compliance and Certification Committee for a term of three years:

- Jerry Maio, Utah Public Service Commission, US State Sector

Critical Infrastructure Protection Committee Membership

Action

The Board of Trustees is requested to approve the following leadership appointments to the CIPC for a term of two years:

- Charles Abell, Chair
- Jim Brenton, Vice Chair
- Nathan Mitchell, Vice Chair

In addition, due to a recent replacement designation by Florida Reliability Coordinating Council (FRCC) and the additional Canadian Electricity Association (CEA) representation to the Critical Infrastructure Protection Committee, the Board of Trustees is requested to approve the appointment of the following members for a term of two years:

- The Northeast Power Coordinating Council (NPCC) appointment of John Galloway from ISO-New England replacing Michael Puscas.
- The Western Electricity Coordinating Council (WECC) appointment of Allan Wick from Tri-State Generation and Transmission Association replacing Scott Bordenkircher.

Reliability Issues Steering Committee Membership

Action

The Board of Trustees is requested to approve the appointment of the following member to the Reliability Issues Steering Committee (RISC) to finish the term of Jim Castle:

- Jim Case, Vice Chair of the Operating Committee — The Operating Committee has requested that Jim Case replace Jim Castle, Chair of the Operating Committee as the official member of the RISC.

Standards Committee Membership

Action

The Board of Trustees is requested to approve the following leadership appointments to the Standards Committee for a term of two years:

- Mr. Brian Murphy of NextEra Energy to serve as Chair
- Mr. Scott Miller of MEAG Power to serve as Vice Chair

Proposed Amendments to the Critical Infrastructure Protection Committee Charter

Action

Approve

Background

The Critical Infrastructure Protection Committee (CIPC) requests Board of Trustees (Board) approval of amendments to the current CIPC charter, which was approved by the Board on August 5, 2010. The proposed amendments were approved by the CIPC on October 18, 2013. The revisions to the CIPC charter clarify the existing charter language and, in response to the committee's request, align the CIPC charter more closely with the Operating Committee (OC) and Planning Committee (PC) charters. The revisions increase consistency among the charters to help facilitate the committees' joint work.

- Section 2 of the charter was amended to:
 1. Clarify that the CIPC shares information rather than reports information; and
 2. Clarify the role that CIPC has in the development and implementation of Reliability Standards.
- Section 3 of the charter was amended to:
 1. Reflect that members of the committee are expected to maintain, at a minimum, a Secret Clearance;
 2. Remove the requirement that Regional Entity leadership be consulted during the Executive Committee's annual review of the membership; and
 3. Remove the requirement that the appointing organizations review the terms of their members.
- Section 6 of the charter was amended to:
 1. Simplify the quorum language;
 2. Include protocols for voting via facsimile or conference call;
 3. Revise the protocols for designating a proxy to more closely track the OC and PC charter language;
 4. Simplify the protocols for posting agenda materials in advance of a meeting;
 5. Include electronic voting protocols;
 6. Include protocols for conducting actions without a meeting; and
 7. Clarify that Robert's Rules of Order will govern in the absence of specific charter protocols.
- Section 8 of the charter was amended to streamline the protocols for the Nominating Subcommittee.

There are also minor conforming clarifications and corrections reflected in the attached redline.

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Critical Infrastructure Protection Committee Charter

September 2013

RELIABILITY | ACCOUNTABILITY



3353 Peachtree Road NE
Suite 600, North Tower
Atlanta, GA 30326

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Section 1. Purpose

The mission of the Critical Infrastructure Protection Committee (CIPC) is to advance the physical and cyber security of the critical electricity infrastructure of North America.

Section 2. Functions – General

1. Advisory Panel to the NERC Board

Serve as an expert advisory panel to the [North American Electric Reliability Corporation \(NERC\)](#) Board of Trustees and standing committees in the [security](#) areas ~~offor~~ physical ~~and,~~ cyber ~~security, operations, and policy matters~~.

2. Advisory Panel to the Electricity Sector Information Sharing and Analysis Center (ES-ISAC)

Serve as an expert advisory panel to the Electricity Sector Information Sharing and Analysis Center (ES-ISAC).

3. Coordination and Communications

Coordinate and communicate with those responsible for both physical and cyber security in all electric industry segments, including (among others) the American Public Power Association (APPA), Canadian Electricity Association (CEA), Edison Electric Institute (EEI), Electric Power Research Institute (EPRI), Electric Power Supply Association (EPSA), ISO/RTO Council (IRC), National Rural Electric Cooperative Association (NRECA), North American Energy Standards Board (NAESB), the Nuclear Energy Institute (NEI), and the NERC Regional Entities (REs).

- b. Coordinate and communicate with the other critical infrastructure sectors as appropriate.
- c. Liaise with governments on critical infrastructure protection matters.
- d. Coordinate with the other NERC committees and working groups to assure the highest degree of collaboration possible.
- e. CIPC actions, documents, and recommendations will be distributed to the NERC committees and working groups and posted for industry comment (assuming sensitivity so permits, at the discretion of the CIPC. NERC committee, working group, and industry comments will be considered by the CIPC prior to forwarding actions or documents to the NERC Board [of Trustees](#) for approval [if required](#).

4. Information ~~Reporting~~ **Sharing**

~~Establish~~ [Facilitate](#) and ~~maintain an~~ [advocate](#) information ~~reporting procedure~~ [sharing](#) for critical infrastructure protection among industry segments and with governments, ~~as appropriate~~.

5. Security Guidelines

Develop, periodically review, and revise (~~as appropriate~~) security guidelines. Issue guidelines in accordance with the process described in Appendix 1.

6. NERC Standards

- a. Assist in the development and implementation of NERC standards.
 - i. Identify the need for new or revised ~~critical infrastructure protection standards~~ [NERC Reliability Standards](#) and initiate standards actions by submitting standards authorization requests.
 - ii. Assist the standards process by providing expert resources in support of the development of ~~critical infrastructure protection standards~~ [Reliability Standards](#) authorization requests and standards.
 - iii. Assist the standards process by providing a forum for education, sharing of views, and informed debate of ~~critical infrastructure protection standards~~ [Reliability Standards](#).
 - iv. Review draft ~~critical infrastructure protection standards~~ [Reliability Standards](#) authorization requests and standards and provide comments.

- v. Facilitate the implementation of ~~critical infrastructure protection standards~~ Reliability Standards by developing reference documents and performing other activities.
- vi. Coordinate standards work with the NERC Operating and Planning Committees.

7. Forums and Workshops – Conduct forums and workshops related to the scope of CIPC.

Section 3. Membership

1. Owners and Operators

The majority of the members of CIPC will be representatives of the registered entities that own and/or operate the Bulk Electric System infrastructure of North America.

2. Expectations

Committee Voting members [of the CIPC](#) are expected to:

- a. Bring subject matter expertise to the CIPC;
- b. Be knowledgeable about physical and cyber security practices and challenges in the electricity sector;
- c. Attend and participate in all CIPC meetings;
- d. Express their own opinions at committee meetings but also represent the interests of their Regions;
- e. Discuss and debate interests rather than positions;
- f. Complete [assigned](#) Committee, Task Force, and Working Group assignments; and,
- g. [Maintain, at a minimum, a Secret Clearance, or to the extent not already obtained, apply for a Secret Clearance.](#)

3. Selection

- a. There will be a minimum total of ~~30~~[thirty](#) voting members. The maximum will be ~~32~~[thirty-two](#), as described below.
 - b. Twenty-four selected from the eight NERC Regional Entities each of which will appoint three members, one each with expertise in three technical areas - physical security, cyber security, and operations - as well as policy, as defined below:
 - i. Physical Security – primarily focused on electricity sector facilities (including, but not limited to, generation, dams, transmission, substations, critical distribution facilities, and headquarters buildings). Candidates should have a background in corporate or physical security at an asset owner utility, ISO or RTO.
 - ii. Cyber Security – primarily focused on bulk power control systems (including, but not limited to, SCADA, EMS, DCS, and also systems such as OASIS), but with consideration also to systems required for business continuity of control centers. Candidates should have a background in control systems, infrastructure or operations security.
 - iii. Operations – primarily focused on system operations ~~at the balancing authority (control area) and reliability coordinator levels~~. Candidates should have a background in SCADA, EMS, substation or generating plant control equipment operation and administration.
 - iv. Policy – defined as having had regulatory review responsibility, strategic planning, or legislative development, review or advocacy experience positions in a NERC registered entity or an industry trade association.
 - c. minimum of two (more if required as stated later in this paragraph) selected by CEA. The Committee shall contain the number of Canadian voting representatives equal to the percentage of the Net Energy
-

for Load (NEL) of Canada to the total NEL of the United States and Canada, times the total number of voting members on the Committee, rounded up to the next whole number. The Regional Entity representatives can fulfill this requirement. If the Canadian Regional Entity representatives are not in sufficient numbers, then NERC will ask the CEA to select sufficient Canadian representatives to meet the requirement.

- i. Two selected by APPA.
- ii. Two selected by NRECA.

4. Executive Committee Review

The Executive Committee (EC) will annually review the membership to ensure sufficient expertise is represented on the Committee and that the workload of the Committee is fairly distributed. ~~Discussions with Regional Entity leadership to achieve desired Committee membership would occur prior to any changes.~~

5. Terms

Terms are expected to be for at least two years ~~with biannual review by the appointing organizations.~~

6. Alternates

Appointing organizations may appoint non-voting alternates who will have a voice at meetings and can be named as proxies by absent members.

Section 4. Officers

1. Officer Positions

The Committee shall have a [Chairchair](#) and two [Vice Chairs.vice-chairs.](#)

2. Terms

The terms of all officer positions are for two years and shall begin on January 1st following their election and continue through December 31st of the second year following.

3. Timing of Elections

Elections for the chair and vice-chairs shall take place at the September meeting in odd-numbered years.

4. Selection Process

- a. The Committee selects officers using the following process:
 - i. The nominating subcommittee will present its recommended candidate (or candidates if filling the vice chair positions).
 - ii. The secretary will open the floor for nominations.
 - iii. After hearing no further nominations, or upon approval of a motion to close nominations, the secretary will close the nominating process.
 - iv. The committee will then vote on the slate of candidates recommended by the nominating subcommittee. If the slate is approved by a two-thirds majority, the slate shall be deemed elected and the election shall close.
 - v. If the slate fails, the secretary will distribute paper ballots containing the names of all of the candidates, listed in the order in which they were nominated, on which the committee members shall mark their preference(s).
 - vi. The secretary shall collect and tabulate the ballots. Any ballot containing more votes than the number of open positions shall be deemed invalid. Any candidate(s) to garner a two-thirds majority of the Committee's votes will be deemed elected.
 - vii. If open positions remain at the conclusion of the balloting process, the chair may, at his/her discretion, open the floor for additional nominations. The secretary shall prepare new ballots listing the names of the remaining and any newly nominated candidates in the order the nominations were made, and the balloting process shall be repeated until all positions have been filled.
 - viii. The elected leadership will be submitted to the NERC Board of Trustees for approval.
-

Section 5. Non-voting Members

1. Types of Non-voting Members

- a. Governmental agencies at the national, provincial, and state levels;
- b. Other electricity industry associations;
- c. Vendors;
- d. Other critical infrastructure protection sectors;
- e. CIPC secretary and other NERC staff; and
- f. Other observers as appropriate ([e.g. Academia](#)).

Section 6. Meetings

1. Quorum

A CIPC quorum requires two-thirds of the Committee voting roster members, ~~excluding vacant positions, to be present or represented by proxy. Any or all members of the CIPC may participate in a meeting, including being counted as part of the quorum, by means of a communication system by which all persons participating in the meeting are able to hear each other.~~

2. Voting ~~a. Motions carry~~

Voting may take place during regularly scheduled in-person meetings or may take place via electronic mail, facsimile or conference call. All actions by the committee shall be approved upon receipt of the affirmative vote of two-thirds of the total yes members present and no votes cast during the presence of a voting at a meeting at which quorum. Abstentions do not count as votes. is present.

3. Proxies

~~a. Only rostered alternates may be designated as proxy~~ A member of the committee is authorized to designate a proxy. Proxy representatives who may attend and vote at committee meetings provided the absent committee member notifies in writing (letter, facsimile, or email) the Chair, a Vice Chair, committee chair, vice chair or the secretary along with the reason(s) for the proxy. The member shall name the proxy representative and his or her their affiliation shall also be named in the correspondence. Each meeting attendee may only have one vote. In other words, an attendee may not have the normal one vote and also No member of the committee can serve as a proxy for another member of the committee. It is expected that the proxy will adhere to the Voting Members' Expectations and Responsibilities as described in Section 3 of this document.

4. Agenda

~~a. The agenda of actions to be voted upon shall include the general wording of proposed motions. A reasonable effort shall be made by those sponsoring items on a meeting agenda to have the action to be voted on and with background material distributed with the agenda at least two weeks before the meeting.~~

~~a. Agendas with materials to be voted on will be posted two weeks prior to the meeting.~~

~~b. Only a voting member can provideput forth a motion.~~

5. Action without a Meeting

~~a. CIPC may take action without a meeting if, after notice to all members, two thirds of the members consent to the action in writing. Such action without a meeting shall be performed by electronic (facsimile or email) ballot. The EC may initiate the call for such an action. Any member may ask the Chair to arrange for such an action. The Committee may act by mail or electronic (facsimile or e-mail) ballot without a regularly scheduled meeting. Two-thirds of the members present and voting is required to approve any action. A quorum for actions without a meeting is two-thirds of the Committee members. The committee chair or a majority of the Executive Committee (EC) may initiate the request for such action without a meeting. The secretary shall post a notice on the NERC website and shall provide committee members with a written notice (letter, facsimile, or e-mail) of the subject matter for action not less than three business days prior to the date on which the action is to be voted. The secretary shall distribute a written notice to the Committee (letter, facsimile, or e-mail) of the results of such action within five business days following the vote and also post the notice on the NERC website. The secretary shall keep a record of all responses (e-mail, facsimiles, etc.) from the committee members with the committee minutes.~~

6. Regular Meetings

CIPC meetings will be conducted at the discretion of the chair, generally once every three months.

7. Open Meetings

NERC committee meetings are open to the public, except as noted below under Confidential Sessions. Although meetings are open, only voting members may offer and act on motions.

8. Antitrust Guidelines

All persons attending or otherwise participating in the committee meeting shall act in accordance with NERC's Antitrust Compliance Guidelines at all times during the meeting. A copy of the NERC antitrust statement shall be included with each meeting agenda.

9. Confidential Sessions

The chair of a committee may limit attendance at a meeting or portion of a meeting, based on confidentiality of the information to be disclosed at the meeting. Such limitations should be applied sparingly and on a non-discriminatory basis as needed to protect information that is sensitive to one or more parties. A preference, where possible, is to avoid the disclosure of sensitive or confidential information so that meetings may remain open at all times. Confidentiality agreements may also be applied as necessary to protect sensitive information. (See also the following paragraph on Confidential Matters.)

10. Confidential Matters

On occasion, the CIPC may be called upon to provide information or support in relation to a matter that requires confidentiality. Upon such an occasion and with the approval of the NERC President/CEO, the chair of the CIPC may convene a working group to provide such information or support without notice or approval of any other member or group. The existence of such a working group, its mission and results, will be shared with the members only to the degree and at the time deemed appropriate by the NERC President/CEO.

11. Parliamentary Procedures.

~~a. Roberts Rules of Order will apply to the conduct of meetings.~~ In the absence of specific provisions in this scope document, the Committee shall conduct its meetings guided by the most recent edition of Robert's Rules of Order, Newly Revised.

12. Non-Voting Members.

Non-voting members will have a voice at all open meetings.

Section 7. Executive Committee

1. Members

- a. The CIPC shall have an Executive Committee with the following membership:
 - i. Chair
 - ii. Two vice-chairs
 - iii. Secretary (non-voting, NERC staff member)
 - iv. Four Committee members elected by the committee, who are subject matter experts (SMEs) in one of the following areas: Physical Security, Cyber Security, Operations, and Policy.
 - The SME members are selected at the December meeting in odd-numbered years, using the selection process defined in the Officers section above.
 - The terms of the SME member positions are for two years and shall begin on January 1st following their election and continue through December 31st of the second year following.

2. Non-Voting Members

In addition, the EC includes, as non-voting participants, the immediate past CIPC Chair who may serve one year, and named representatives from APPA, CEA, EEI, EPSA, IRC and NRECA. Other recognized and well-established trade associations from the electricity sector that are involved in critical infrastructure protection issues will be considered for nonvoting membership if they are not all ready represented. Additional non-voting members must be approved by the voting members of the EC.

3. Terms

Terms shall be for two years commencing on January 1st of the year following appointment.

4. Duties

Executive Committee duties:

- a. Provide policy direction for the operation of the CIPC and manage task force and working group workload.
 - b. Review Committee member candidates for expertise qualifications.
 - c. Respond to urgent matters by calling conference calls or special meetings.
 - d. Prepare meeting agendas.
 - e. Coordinate CIPC activities with other NERC standing committees and other entities.
 - f. Report to the NERC Board of Trustees.
 - g. Coordinate and collaborate with the Electricity Sector Coordinating Council (ESCC) as needed or requested.
-

Section 8. Subgroups

1. Appointing Subgroups

The EC may appoint technical subgroups to address security-related issues as it deems fit or may assign such issues to its working groups and task forces. Working groups and task forces will take assignments from the EC and all work products will be presented to the CIPC for any further action. Subgroups will be reviewed annually by the EC to ensure that work plans are being accomplished, workload is equitably distributed, and the subgroup is still adding value to the Committee function.

2. Nominating Subcommittee

- a. At the last regular meeting (normally the June meeting) before the selection of a new committee chair (normally the September meeting), the incumbent chair will nominate, for the committee's approval, a chair of the nominating subcommittee. The subcommittee will recommend candidates for the committee's chair, two vice-chairs, and four SME EC members. The ~~subcommittee Chair will then assemble the~~ nominating subcommittee ~~of five Committee members~~. may be formed upon the vacancies.
 - b. The subcommittee chair will then assemble five committee members which shall include the subcommittee chair and four additional members drawn from the larger committee.
 - c. The subcommittee will solicit nominations ~~from the Committee~~ for the Officer and SME EC positions from the voting members of the committee.
 - d. The subcommittee will review the nominations received and develop a slate of seven candidates: one for the committee chair, two for the committee vice-chairs, and four SME members of the EC.
 - e. The subcommittee will present its slate of officers at the committee's September meeting and SME EC members at the committee's December meeting.
-

Appendix 1 – Reliability Guidelines Approval Process

1. Guidelines

Guidelines are documents that suggest approaches or behavior in a given technical area for the purpose of improving reliability. Reliability guidelines are not binding norms or mandatory requirements. Reliability guidelines may be adopted by a responsible entity in accordance with its own facts and circumstances.

2. Approval of Guidelines

Because guidelines contain suggestions that may result in actions by responsible entities, those suggestions must be thoroughly vetted before a new or updated guideline receives approval by a technical committee.

The process described below will be followed by the Critical Infrastructure Protection Committee:

- a. New/updated draft guideline approved for industry posting. The Critical Infrastructure Protection Committee approves for posting for industry comment the release of a new or updated draft guideline developed by one of its subgroups or the committee as a whole.
 - b. Post draft guideline for industry comment. The draft guideline is posted for industry wide comment for forty-five (45) days. If the draft guideline is an update, a redline version against the previous version must also be posted.
 - c. Post industry comments and responses. After the public comment period, the Critical Infrastructure Protection Committee will post the comments received as well as its responses to the comments. The committee may delegate the preparation of responses to a committee subgroup.
 - d. New/updated guideline approval and posting. A new or updated guideline, which considers the comments, received, is approved by the Critical Infrastructure Protection Committee and posted as “Approved” on the NERC website. Updates must include a revision history and a redline version against the previous version.
 - e. Guideline updates. After posting a new or updated guideline, the Critical Infrastructure Protection Committee will continue to accept comments from the industry via a Web-based forum where commenter’s may post their comments. i.e. Each quarter, the Critical Infrastructure Protection Committee will review the comments received. At any time, the Critical Infrastructure Protection Committee may decide to update the guideline based on the comments received or on changes in the industry that necessitate an update.
 - f. Updating an existing guideline will require that a draft updated guideline be approved by the Critical Infrastructure Protection Committee in step “a” and proceed to steps “b” and “c” until it is approved by the Critical Infrastructure Protection Committee in step “d.”
 - g. Standards Committee authorization is required for a reliability guideline to become a supporting document that is posted with or referenced from a NERC Reliability Standard. See Appendix 3A in the NERC’s Rules of Procedure under “Supporting Document.”
-

Proposed Amendments to the Operating Committee Charter

Action

Approve

Background

The Operating Committee (OC) requests Board of Trustees (Board) approval of amendments to the current OC charter, which was approved by the Board on February 16, 2010. The proposed amendments were approved by the OC on September 17, 2013.

The revisions to the OC charter clarify the existing charter language and, in response to the Committee's request, align the OC charter more closely with the Critical Infrastructure Protection Committee (CIPC) and Planning Committee (PC) charters. The revisions increase consistency among the charters to help facilitate the Committees' joint work.

- Section 1 of the charter was amended to clarify that the purpose of the OC is to promote Bulk Electric System-wide operational reliability excellence.
- Section 2 of the charter addresses the function of the OC. Section 2 was amended to:
 - Replace "NERC" with "the Electric Reliability Organization (ERO)";
 - Move language regarding the OC's issuance of reliability guidelines from subsection 2 to subsection 6;
 - Track the technical advice and subject matter expertise language in the PC charter to further align the OC's and PC's work in these areas;
 - Streamline the description of the OC's review and approval of Reliability Coordinator plans; and
 - Describe the OC's review of foundational changes to interconnected operations.
- Section 3 of the charter was amended to reflect the requirement that OC voting members are expected to be knowledgeable in operations and to remove the language stating that OC voting members are expected to discuss and debate interests rather than positions.
- Section 4 of the charter was amended to streamline the quorum language and to include protocols for electronic voting and voting via facsimile or conference call.
- Section 7 of the charter was amended to clarify that the full membership of the OC can ratify, modify or annul decisions of the executive committee.
- Section 8 of the charter was amended to revise the protocols for conducting actions without a meeting to mirror the PC's and CIPC's actions without a meeting protocols.

There are also minor conforming clarifications and corrections reflected in the attached redline.

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Operating Committee Charter

September 2013

RELIABILITY | ACCOUNTABILITY



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Section 1. Purpose

The ~~purpose of the~~ Operating Committee's (OC) ~~mission~~ is to ~~provide the electric reliability organization (ERO)~~ (stakeholders, Board of Trustees, and staff) with the collective and diverse opinions from the experts in interconnected systems operation to help the industry arrive at informed decisions ~~promote continent wide~~ Bulk-eElectricPower sSystem operational reliability excellence.

Section 2. General Overview and Functions

1. General forum.

Provides a general forum for aggregating ideas and interests regarding the operations of the interconnected ~~b~~Bulk-~~p~~Power ~~s~~Systems in North America.

2. Advice and recommendations.

Provides ~~the electric reliability organization (ERO), NERC~~ (stakeholders, Board of Trustees, and staff) with advice, recommendations, and the collective and diverse opinions on matters related to interconnected operations to help the industry arrive at informed decisions. ~~Issue reliability guidelines in accordance with the process described in Appendix 3.~~

3. Support for other NERC programs.

Provide technical advice and subject matter expert support to each of the NERC program areas, and serve as a forum to integrate the outputs of each ~~NERC-ERO~~ program area, including:

- a. Reliability Assessments – Review reliability assessments, assure technical accuracy and completeness of results, and endorse approval of assessments to NERC’s Board of Trustees (Board).
- b. Emerging Issues and Reliability Concerns – Identify emerging issues within the electric industry, address issues in reliability assessments, and address other issues as assigned by ~~NERC’s Board of Trustees~~the Board.
- c. Operational Analyses – Develop operational analyses, model validation, and key reliability areas, resulting in technically accurate and comprehensive reports addressing these areas (i.e., frequency response, intermittent generation, smart grid, etc.). Provide recommendations that facilitate addressing the reliability risks identified. Provide oversight, guidance, and direction to address key planning related issues.
- d. Standards Input – Provide technical expertise and feedback to Standard Authorization Requests (SARs) that have reliability-related impacts, provide foundational technical efforts that support the key reliability operational related standards development, coordinate effectively with the Standards Committee to maintain alignment on priorities of related OC efforts, develop and vet operational guidelines with industry stakeholders, and provide reliability risk information for prioritization of SARs and new Reliability Standards.
- e. Metrics – Provide direction, technical oversight, and feedback on the NERC Adequate Level of Reliability (ALR) metrics.
- f. Event Analysis – Review all event reports to determine lessons learned and good industry practices and promote the dissemination of information to the industry to enhance reliability.
- g. NERC Alerts – Participate in the review and development of requests for industry actions and informational responses.
- a. ~~Guidelines and Technical Reports – Develop guidelines, white papers, technical reports and reference documents to address emerging issues and industry concerns related to system operations.~~

b. ~~Standards~~

- i. **Provide opinions.** Provide the committee's majority and minority opinions to the industry on NERC's standards as those standards are drafted, posted for ballot, and presented to the NERC Board of Trustees (Board) for implementation.
- ii. **Help prioritize standards.** Help the Standards Committee prioritize those standards that are in the drafting queue.
- c. **Compliance.** Review quarterly and annual compliance reports for trends and suggest new or different types of compliance monitoring based on a technical review of system performance trends or as a result of compliance investigations.
- d. **Reliability assessments and performance analysis.** Review reliability assessments and recommend topics that need additional investigation. These include:
 - i. Future adequacy
 - ii. Event analysis
 - iii. Benchmarking
- e. **Personnel training and certification.** Recommend to the Personnel Certification Governance Committee (PCGC) the types of operating personnel that should be certified.
- f.h. **Situation awareness.** Review and recommend control, monitoring, and visualization tools for system operators.

4. Approve the following documents and procedures Review and approval of Reliability Coordinator Plans.

Comply with existing requirements for review and approval of Reliability Coordinator plans.

- a. Reliability Coordinator plans.
- b. Market operations plans that are a part of the Reliability Coordinator plans.
- c. Field test procedures, and the commencement and end of field tests to make sure those tests are "safe and effective."

5. Review of fFoundational cChanges to iInterconnected oOperations.

Review and provide constructive feedback regarding foundational changes to interconnected operations, such as changes to the footprints of reliability coordinators, balancing authorities, transmission operators, Interconnections, field tests and HVDC ties, etc.

6. Review, manage and coordinate the following documents.

- a. The technical content of the NERC Reliability Functional Model.
- d.b. Reliability Guidelines (See Appendix 3).

7. Opinions and interpretations.

Provide technical opinions at the industry stakeholders' request on operating reliability concepts, philosophies, and standards.

Section 3. Membership

1. Goals.

The OC provides for balanced decision making by bringing together a wide diversity of opinions from industry experts with outstanding technical knowledge and experience in the area of interconnected systems operation reliability.

2. Expectations.

OC voting members are expected to:

- a. Bring subject matter expertise to the OC
- b. Be ~~responsible knowledgeable in for operating~~ reliability operations within their organization
- c. Attend and participate in all OC meetings
- d. Express their own opinions, as well as the opinions of the sector they represent, at committee meetings

~~e. Discuss and debate interests rather than positions~~

~~f.e.~~ Complete committee assignments

~~g.f.~~ Inform the secretary of any changes in their status that may affect their eligibility for committee membership. Failure to do so in a timely manner may result in the member's dismissal by the chair~~man~~.

3. Representation.

See Appendix 1, "Committee Members"

- a. Committee members may, but need not be, NERC members. A non-voting representative must meet the requirements defined in Appendix 1. Voting members, with the exception of sector 11 that appoints its members, may hold a position in any sector in which they would be eligible for NERC membership, even if they are a NERC member in another sector. Questions regarding eligibility for committee membership will be referred to the NERC general counsel for final determination of status.
- b. To ensure adequate Canadian representation, the membership to the committee may be increased so that the number of Canadian voting members is equal to the percentage of the net energy for load (NEL) of Canada to the total NEL of the United States and Canada, times the total number of voting members on the committee, rounded to the next whole number.

4. Selection.

With the exception of sector 11, NERC sector members will annually elect voting committee members to committee sectors corresponding to their NERC sector under an election process that is open, inclusive, and fair. The selection process will be completed in time for the secretary to send the committee membership list to the Board for its approval at the Board's August meeting so that new committee members may be seated at the September meeting.

- a. Un-nominated voting member positions will remain vacant until the next annual or special election. If a vacancy in an elected sector is created by a resignation or other cause, a special election will be held unless it would coincide with the annual election process. Special elections shall follow the same procedure as the annual election.
- b. Members may not represent more than one committee sector.

- c. A particular organization, including its affiliates, may not have more than one member on the committee.
- d. If additional Canadian members are added, no more than one additional Canadian voting member shall be selected from a sector unless this limitation precludes the addition of the number of additional Canadian voting representatives required by Section 3.3.b. In this case, no more than two additional Canadian voting members may be selected from the same sector.
- e. The secretary will monitor the committee selection process to ensure that membership specifications are met.
- f. After the secretary announces the election results, the newly elected members will serve on the committee pending approval by the Board. The secretary will submit the newly elected members' names to the Board for approval at the Board's next regular meeting.

5. Terms.

Members' terms are staggered, with one-half of the members' terms expiring each year. Except for the cases described below, a member's term is two years ~~and will commence as stated above and serve two years~~. Members may be re-elected for subsequent terms. Shorter terms may be required for several reasons:

- a. If two members are simultaneously selected to a sector that did not have any existing members, in order to stagger their terms, one member will be assigned a one-year term and the second member will be assigned a two-year term using a fair and unbiased method.
- b. If a member replaces a departed member between elections, the new member will assume the remaining term of the departed member.
- c. If a member fills a vacant member position between elections, his/her term will end when the term for that vacant position ends.

6. Resignations, Vacancies, and Nonparticipation.

- a. Members who resign will be replaced for the time remaining in the member's term. Members will be replaced pursuant to Section 3.4, officers will be replaced pursuant to Section 5, and executive committee members will be replaced pursuant to Section 7.
- b. Newly elected or appointed members will serve on the committee pending approval by the Board. The secretary will submit new members' names to the Board for approval at the Board's next regular meeting.
- c. The committee chair~~man~~ will contact any member who has missed two consecutive meetings (even if the member has sent a proxy) to 1) seek a commitment to actively participate or 2) ask the member to resign from the committee.
- d. The chair~~man~~ may remove any member who has missed two consecutive meetings (even with a proxy).

7. Proxies.

A member of the committee may give a proxy only to a person who:

- a. Meets the member's eligibility requirements (see Section 3.3a) and is not affiliated with the same organization as another committee member (see Section 3.4c), or
- b. Is not another committee member, unless that committee member would represent the proxy's sector instead of his/her own sector at the meeting.

To permit time to determine a proxy's eligibility, proxies must be submitted to the secretary in writing at least one week prior to the meeting (electronic transmittal is acceptable). Any proxy submitted after that time will be accepted at the chairman's discretion, provided that the chairman believes the proxy meets the eligibility requirements.

Section 4. Meetings

See Appendix 2, "Meeting Procedures." ~~In the absence of specific provisions in the Charter document, Unless stated otherwise, the Operating Committee~~OC will follow Roberts Rules of Order, Newly Revised.

1. Quorum.

~~The A~~ quorum ~~requires necessary for the transaction of business (i.e., formal actions) at meetings of the committee is~~ two-thirds of the voting members ~~currently on the committee roster (i.e., does not count vacancies). The committee may engage in discussions without a quorum present.~~

2. Voting.

Except for sector 11, each voting member of the committee shall have one vote on any matter coming before the committee that requires a vote. Sector 11 voting is specified in Appendix 1. Actions by members of the committee shall be approved upon receipt of the affirmative vote of two-thirds of the voting members of the committee present and voting, in person or by proxy, at any meeting at which a quorum is present. The chair~~man~~ and vice chair~~man~~ may vote. Additional voting guidelines are in Appendix 2. Voting may take place during regularly scheduled in-person meetings or may take place via electronic mail, facsimile or conference call

3. Antitrust Guidelines.

All persons attending or otherwise participating in the committee meeting shall act in accordance with NERC's Antitrust Compliance Guidelines at all times during the meeting. A copy of the NERC antitrust statement shall be included with each meeting agenda.

4. Open Meetings.

NERC committee meetings shall be open to the public, except as noted below under Confidential Sessions. Although meetings are open, only voting members may offer and act on motions.

5. Confidential Sessions.

The chair~~man~~ of a committee may limit attendance at a meeting or portion of a meeting, based on confidentiality of the information to be disclosed at the meeting. Such limitations should be applied sparingly and on a non-discriminatory basis as needed to protect information that is sensitive to one or more parties. A preference, where possible, is to avoid the disclosure of sensitive or confidential information so that meetings may remain open at all times. Confidentiality agreements may also be applied as necessary to protect sensitive information.

Section 5. Officers

1. Terms and conditions.

At its first June meeting and every two years thereafter, the committee shall select a chair~~man~~ and vice chair~~man~~ from among its voting members by majority vote of the members of the committee to serve as chair and vice chair of the committee from the end of that June meeting until the end of the June meeting two years later. The newly selected chair and vice chair shall not be representatives of the same sector.

- a. Pending approval by the Board, the newly elected officers will assume their duties as stated above. The secretary will submit the names of the elected officers to the chair of the Board for approval at the ~~B~~board's next regular meeting.
- b. The chair~~man~~ and vice chair~~man~~, upon assuming such positions, shall cease to act as representatives of the sectors that elected them as representatives to the committee and shall thereafter be responsible for acting in the best interests of the members as a whole.

2. Selection.

The committee selects officers using the following process. The chair~~man~~ is selected first, followed by the vice chair~~man~~.

- a. The nominating subcommittee will present its recommended candidate.
- b. The chair~~man~~ opens the floor for nominations.
- c. After hearing no further nominations, the chair~~man~~ closes the nominating process.
- d. The committee will then vote on the candidate recommended by the nominating subcommittee, followed by the candidates nominated from the floor in the order in which they were nominated. The first candidate to garner the majority of the committee's votes will be selected.
- e. If the committee nominates one person, that person is automatically selected as the next chair~~man~~.
- f. If the committee nominates two or more persons, and none receive a majority of the committee's votes, then the secretary will distribute paper ballots for the members to mark their preference.
- g. The secretary will collect the ballots. If the committee nominates three or more candidates, then the winner will be selected using the Instant Runoff Process. (Explained in Roberts Rules of Order)

Section 6. Subcommittees

1. Appointing subgroups.

The OC may appoint technical subcommittees, task forces, and working groups as needed.

2. Nominating subcommittee.

At the first regular meeting following the selection of a new committee chair~~man~~, the chair~~man~~ will nominate, for the committee's approval, a slate of five committee members from different sectors to serve as a nominating subcommittee. The subcommittee will:

- a. Recommend candidates for the committee's chair~~man~~ and vice chair~~man~~, and
- b. Recommend candidates for the executive committee's four "at large" members.

Section 7. Executive Committee

1. Authorization.

The executive committee of the OC is authorized by the OC to act on its behalf between regular meetings on matters where urgent actions are crucial and full committee discussions are not practical. Ultimate OC responsibility resides with its full membership whose decisions cannot be overturned by the executive committee, but retains the authority to ratify, modify, or annul executive committee actions of its parent committee. However, the executive committees may not reverse its parent committee's decisions.

2. Membership.

The committee will elect an executive committee of six members, all from different sectors, as follows:

- a. Chair~~man~~
- b. Vice-chair~~man~~
- c. Four at-large members from different sectors nominated by the nominating subcommittee.

3. Election Process.

The nominating subcommittee will present its slate of candidates for the four “at large” members.

- a. The chair~~man~~ opens the floor for additional nominations.
- b. If the Committee members nominate additional candidates, then the secretary will distribute paper ballots for the members to list their top four candidates.
- c. The four candidates who receive the most votes will be elected, provided that no two candidates may be from the same sector.

4. Terms.

The executive committee will be replaced every two years, with the chair~~man~~ and vice chair~~man~~ replaced at a June meeting and the at-large members replaced at a September meeting.

Section 8. Action Without A Meeting

The OC may act by mail or electronic (facsimile or e-mail) ballot without a regularly scheduled meeting. Two-thirds of the members present and voting is required to approve any action. A quorum for actions without a meeting is two-thirds of the OC members. The OC chair or four members (each from different industry segments) may initiate the request for such action without a meeting. The secretary shall post a notice on the NERC website and shall provide OC members with a written notice (letter, facsimile, or e-mail) of the subject matter for action not less than five business days prior to the date on which the action is to be voted. The secretary shall distribute a written notice to the OC (letter, facsimile, or e-mail) of the results of such action within five business days following the vote and also post the notice on the NERC website. The secretary shall keep a record of all responses (e-mail, facsimiles, etc.) from the OC members with the OC minutes.

Appendix 1 – Committee Members

Name	Definition	Members
Voting Members		
1. Investor-owned utility	This sector includes any investor-owned entity with substantial business interest in ownership and/or operation in any of the asset categories of generation, transmission, or distribution. This sector also includes organizations that represent the interests of such entities.	2
2. State/municipal utility	This sector includes any entity owned by or subject to the governmental authority of a state or municipality, that is engaged in the generation, delivery, and/or sale of electric power to end-use customers primarily within the political boundaries of the state or municipality; and any entity, whose members are municipalities, formed under state law for the purpose of generating, transmitting, or purchasing electricity for sale at wholesale to their members. This sector also includes organizations that represent the interests of such entities.	2
3. Cooperative utility	This sector includes any non-governmental entity that is incorporated under the laws of the state in which it operates, is owned by and provides electric service to end-use customers at cost, and is governed by a board of directors that is elected by the membership of the entity; and any non-governmental entity owned by and which provides generation and/or transmission service to such entities. This sector also includes organizations that represent the interests of such entities.	2
4. Federal or provincial utility/Federal Power Marketing Administration	This sector includes any U.S. federal, Canadian provincial, or Mexican entity that owns and/or operates electric facilities in any of the asset categories of generation, transmission, or distribution; or that functions as a power marketer or power marketing administrator. This sector also includes organizations that represent the interests of such entities. One member will be a U.S. federal entity and one will be a Canadian provincial entity.	2
5. Transmission dependent utility	This sector includes any entity with a regulatory, contractual, or other legal obligation to serve wholesale aggregators or customers or end-use customers and that depends primarily on the transmission systems of third parties to provide this service. This sector also includes organizations that represent the interests of such entities.	2

Appendix 1 – Committee Members

Name	Definition	Members
Voting Members		
6. Merchant electricity generator	This sector includes any entity that owns or operates an electricity generating facility that is not included in an investor-owned utility’s rate base and that does not otherwise fall within any of sectors (i) through (v). This sector includes but is not limited to cogenerators, small power producers, and all other non-utility electricity producers such as exempt wholesale generators who sell electricity at wholesale. This sector also includes organizations that represent the interests of such entities.	2
7. Electricity marketer	This sector includes any entity that is engaged in the activity of buying and selling of wholesale electric power in North America on a physical or financial basis. This sector also includes organizations that represent the interests of such entities.	2
8. Large end-use electricity customer	This sector includes any entity in North America with at least one service delivery taken at 50 kV or higher (radial supply or facilities dedicated to serve customers) that is not purchased for resale; and any single end-use customer with an average aggregated service load (not purchased for resale) of at least 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility. This sector also includes organizations that represent the interests of such entities.	2
9. Small end-use electricity customer	This sector includes any person or entity within North America that takes service below 50 kV; and any single end-use customer with an average aggregated service load (not purchased for resale) of less than 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility. This sector also includes organizations (including state consumer advocates) that represent the interests of such entities.	2
10. Independent system operator/ R regional transmission organization	This sector includes any entity authorized by the Commission to function as an independent transmission system operator, a R regional transmission organization, or a similar organization; comparable entities in Canada and Mexico; and the Electric Reliability Council of Texas or its successor. This sector also includes organizations that represent the interests of such entities.	2
11. Regional reliability organization Entity	This sector includes any regional reliability organization Regional Entity as defined in Article I, Section 1, of the Bylaws of the corporation. In aggregate, this sector will have voting strength equivalent to two members. The voting weight of each R regional member’s vote will be set such that the sum of the weight of all available regional reliability organizations Regional Entity members’ votes is two votes.	2

Appendix 1 – Committee Members

Name	Definition	Members																								
Voting Members																										
	<table border="1"> <thead> <tr> <th></th> <th>Number of Members</th> <th>Proportional Voting</th> </tr> </thead> <tbody> <tr> <td>FRCC</td> <td align="center">1</td> <td align="center">X</td> </tr> <tr> <td>RFC</td> <td align="center">1</td> <td align="center">X</td> </tr> <tr> <td>MRO</td> <td align="center">1</td> <td align="center">X</td> </tr> <tr> <td>NPCC</td> <td align="center">1</td> <td align="center">X</td> </tr> <tr> <td>SERC</td> <td align="center">1</td> <td align="center">X</td> </tr> <tr> <td>SPP</td> <td align="center">1</td> <td align="center">X</td> </tr> <tr> <td>WECC</td> <td align="center">1</td> <td align="center">X</td> </tr> </tbody> </table>		Number of Members	Proportional Voting	FRCC	1	X	RFC	1	X	MRO	1	X	NPCC	1	X	SERC	1	X	SPP	1	X	WECC	1	X	
	Number of Members	Proportional Voting																								
FRCC	1	X																								
RFC	1	X																								
MRO	1	X																								
NPCC	1	X																								
SERC	1	X																								
SPP	1	X																								
WECC	1	X																								
12. State government	(See Government representatives below)	2																								
Officers	Chairman and Vice Chairman	2																								
Total Voting Members		26																								
Non-Voting Members¹																										
Government representatives	This sector includes any federal, state, or provincial government department or agency in North America having a regulatory and/or policy interest in wholesale electricity. Entities with regulatory oversight over the Corporation or any Regional Entity, including U.S., Canadian, and Mexican federal agencies and any provincial entity in Canada having statutory oversight over the Corporation or a Regional Entity with respect to the approval and/or enforcement of Reliability Standards, may be non-voting members of this sector.																									
	United States federal government	2																								
	Canadian federal government	1																								
	Provincial government	1																								
Secretary	The committee secretary will be seated at the committee table	1																								
Subcommittee Chairmen	The chairmen of the subcommittees will be seated at the committee table.																									

¹ Industry associations and organizations and other government agencies in the U.S. and Canada may attend meetings as non-voting observers.

Appendix 2 – Meeting Procedures

1. Voting Procedures for Motions.

- a. The default procedure is a voice vote.
- b. If the chair~~man~~ believes the voice vote is not conclusive, he/she may call for a show of hands.
- c. The chair~~man~~ will not specifically ask those who are abstaining to identify themselves when voting by voice or a show of hands.
- d. The committee may conduct a roll-call vote in those situations that need a record of each member's vote.
 - i. The committee must approve conducting a roll call vote for the motion.
 - ii. The secretary will call each member's name.
 - iii. Members answer "yes," "no," or "present" if they wish to abstain from voting.

2. Minutes.

- a. Meeting minutes are a record of what the committee did, not what its members said.
- b. Minutes should list discussion points where appropriate, but should usually not attribute comments to individuals. It is acceptable to cite the chair~~man~~'s directions, summaries, and assignments.
- c. Do not list the person who seconds a motion.
- d. Do not record (or even ask for) abstentions.

3. Minority Opinions.

All Committees members are afforded the opportunity to provide alternative views on an issue. The meeting minutes will provide an exhibit to record minority opinions. The chair~~man~~ shall report both the majority and any minority views in presenting results to the Board.

4. Personal Statements.

The minutes will also provide an exhibit to record personal statements.

Appendix 3 – Reliability Guidelines Approval Process

1. Reliability Guidelines.

Reliability guidelines are documents that suggest approaches or behavior in a given technical area for the purpose of improving reliability. -Reliability guidelines are not binding norms or mandatory requirements. -Reliability guidelines may be adopted by a responsible entity in accordance with its own facts and circumstances.²

2. Approval of Reliability Guidelines.

Because reliability guidelines contain suggestions that may result in actions by responsible entities, those suggestions must be thoroughly vetted before a new or updated guideline receives approval by [the OCa technical committee](#). -The process described below will be followed by the [Operating CommitteeOC](#):

- a. New/updated draft guideline approved for industry posting. The OC approves for posting for industry comment the release of a new or updated draft guideline developed by one of its subgroups or the committee as a whole.
- b. Post draft guideline for industry comment. The draft guideline is posted as “for industry-wide comment” for forty-five (45) days. If the draft guideline is an update, a redline version against the previous version must also be posted.
- c. Post industry comments and responses. After the public comment period, the OC will post the comments received as well as its responses to the comments. The committee may delegate the preparation of responses to a committee subgroup.
- d. New/updated guideline approval and posting. A new or updated guideline which considers the comments received, is approved by the OC and posted as “Approved” on the NERC website. Updates must include a revision history and a redline version against the previous version.
- e. Guideline updates. After posting a new or updated guideline, the OC will continue to accept comments from the industry via a web-based forum where commenters may post their comments.
 - i. Each quarter, the OC will review the comments received. At any time, the OC may decide to update the guideline based on the comments received or on changes in the industry that necessitate an update.
 - ii. Updating an existing guideline will require that a draft updated guideline be approved by the OC in step “a” and proceed to steps “b” and “c” until it is approved by the OC in step “d.”

3. Review of Approved Reliability Guidelines.

Approved reliability guidelines shall be reviewed for continued applicability by the OC at a minimum of every third year since the last revision.

² Standards Committee authorization is required for a reliability guideline to become a supporting document that is posted with or referenced from a NERC Reliability Standard. See Appendix 3A in the NERC’s *Rules of Procedure* under “Supporting Documents.”

Proposed Amendments to the Planning Committee Charter

Action

Approve

Background

The Planning Committee (PC) requests Board of Trustees (Board) approval of amendments to the current PC charter, which was approved by the Board on February 16, 2010. The proposed amendments were approved by the PC on October 9, 2013.

The revisions to the PC charter clarify the existing charter language and, in response to the Committee's request, align the PC charter more closely with the Operating Committee (OC) and Critical Infrastructure Protection Committee (CIPC) charters. The revisions increase consistency among the charters to help facilitate the Committees' joint work.

Following is a description of the changes proposed in the charter:

- Section 3 of the charter was amended to clarify that a member of the PC is authorized to designate a proxy.
- Section 4 of the charter was amended to: (1) simplify the quorum language, (2) include electronic voting protocols, and (3) include protocols for voting via facsimile or conference call in the context of an action without a meeting.
- Appendix 1, which includes a chart of the PC members, was amended to change the term "Regional Reliability Organization" to "Regional Entity" and to change "ERCOT" to "TRE."

There are also minor conforming clarifications and corrections reflected in the attached redline.

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Planning Committee Charter

October 2013

Board Approved: _____

RELIABILITY | ACCOUNTABILITY



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Atlanta, GA 30326
404-446-2560 | www.nerc.com

Versioning

Version	Date Published	Action History
1.0	6/5/2012	Charter updated to new NERC Template
1.1	11/07/2013	Board approved Charter update

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Planning Committee Charter

Section 1. Purpose

The Planning Committee proactively supports the NERC enterprise mission, vision, and the NERC program areas by carrying out a broad array of functions and responsibilities focused on the reliable planning and assessment of interconnected bulk power systems.

Section 2. General Overview and Functions

1. General forum - Provides a general forum for aggregating ideas and interests regarding the reliable planning and assessment of the interconnected bulk power systems in North America.
2. Advice and recommendations - Provides NERC (stakeholders, Board of Trustees, and staff) with advice, recommendations, and the collective and diverse opinions on matters related to bulk power system planning, reliability, and adequacy to help the industry arrive at informed decisions. Issue reliability guidelines in accordance with the process described in Appendix 4.
3. Support to the priorities of the NERC ERO enterprise – Providing a technical foundation for reliability issues, including:
 - **Reliability Assessments** – Review reliability assessments, assure technical accuracy and completeness of results, and endorse approval of assessments to the NERC’s Board of Trustees.
 - **Emerging Issues and Reliability Concerns** – Identify emerging issues within the electric industry, address issues in reliability assessments, and address other issues as assigned by NERC’s Board of Trustees.
 - **Technical Planning Analyses** – Develop technical analyses, model validation, and key reliability areas, resulting in technically accurate and comprehensive reports addressing these areas (*i.e.*, FDVIR, variable generation, smart grid, etc.). Provide recommendations that facilitate addressing the reliability risks identified. Provide oversight, guidance, and direction to address key planning related issues.
 - **Standards Input** – Provide technical expertise and feedback to Standard Authorization Requests (SARs) that have planning-related impacts, provide foundational technical efforts that support the key reliability planning related standards development, coordinate effectively with the Standards Committee to maintain alignment on priorities of related PC efforts, and provide reliability risk information for prioritization of SARs and new Reliability Standards.
 - **Metrics** – Provide direction, technical oversight, and feedback on the NERC Adequate Level of Reliability (ALR) metrics.
 - **Event Analysis** – Support disturbance reporting and event analysis activities, leading to an emphasis on providing sound lessons learned and insights to the industry to enhance reliability.

-
- **NERC Alerts** – Support the review and deployment of requests for industry actions and informational responses.
 - **Guidelines and Technical Reports** – Develop guidelines, white papers, technical reports and reference documents to address emerging issues and industry concerns related to system planning.
 - **Compliance Input** – Provide technical expertise and feedback on the potential impact of emerging issues on the development of NERC’s annual compliance program.

The PC will develop a Strategic Plan and an associated Work Plan to address the functions described above. As changes emerge, the PC will revisit its Strategic Plan to ensure alignment is maintained with the NERC Electric Reliability Organization (ERO) enterprise. As changes to the PC Strategic Plan become necessary, the PC will advise the BOT of changes in strategies and priorities being considered.

Section 3. Membership

1. **Goals** - The Planning Committees provides for balanced decision making by bringing together a wide diversity of opinions from industry experts with outstanding technical knowledge and experience in the area of interconnected systems planning reliability and reliability assessment.
2. **Expectations** – Planning Committee voting members are expected to:
 - Bring the applicable subject matter expertise to the Planning Committee;
 - Be knowledgeable about planning reliability and reliability assessment;
 - Attend and participate in all Planning Committee meetings;
 - Express their opinions as well as the opinions of the sector they represent at committee meetings;
 - Discuss and debate interests rather than positions;
 - Complete committee assignments; and
 - Inform the secretary of any changes in their status that may affect their eligibility for committee membership. Failure to do so in a timely manner may result in the member’s dismissal by the chair.
3. **Representation** - See Appendix 1, “Committee Members.” Committee members may, but need not be, NERC members. A non-voting representative must meet the requirements defined in Appendix 1. Voting committee members (except for sector 11 that appoints its members) may hold a position in any sector in which they would have been eligible for NERC membership, even if they are a NERC member in another sector. Questions regarding eligibility for committee membership will be referred to the NERC general counsel for final determination of status. To ensure adequate Canadian representation, the membership to the committee may be increased so that the number of Canadian voting members is equal to the percentage of the net energy for load (NEL) of Canada to the total NEL of the United

States and Canada, times the total number of voting members on the committee, rounded to the next whole number.

4. **Selection** – Except for sector 11, NERC sector members will annually elect voting committee members to committee sectors corresponding to their NERC sector under an election process that is open, inclusive, and fair. The selection process will be completed in time for the secretary to send the committee membership list to the board for its approval at the board's August meeting so that new committee members may be seated at the September meeting.

Un-nominated voting member positions will remain vacant until the next annual or special election. If a vacancy in an elected sector is created by a resignation or other cause, a special election will be held unless it would coincide with the annual election process. Special elections shall follow the same procedure as the annual election. Members may not represent more than one committee sector.

A particular organization, including its affiliates, may not have more than one member on the committee.

If additional Canadian members are added, no more than one additional Canadian voting member shall be selected from a sector unless this limitation precludes the addition of the number of additional Canadian voting representatives required by Section 3.3.b. In this case, no more than two additional Canadian voting members may be selected from the same sector.

The secretary will monitor the committee selection process to ensure that membership specifications are met.

After the secretary announces the election results, the newly elected members will serve on the committee pending approval by the board. The secretary will submit the newly elected members' names to the board for approval at the board's next regular meeting.

5. **Terms** - Members' terms are staggered, with one-half of the members' terms expiring each year. Except for the cases described below, a member's term is two years. Members may be re-elected for subsequent terms. Shorter terms may be required for several reasons: (i) If two members are simultaneously selected to a sector that did not have any existing members, in order to stagger their terms, one member will be assigned a one-year term and the second member will be assigned a two-year term using a fair and unbiased method. (ii) If a member replaces a departed member between elections, the new member will assume the remaining term of the departed member. (iii) If a member is selected to fill a vacant member position between elections, his/her term will end when the term for that vacant position ends.

6. Resignations, Vacancies, and Nonparticipation.

Members who resign will be replaced for the time remaining in the member's term. Members will be replaced pursuant to Section 3.4, officers will be replaced pursuant to Appendix 3, and executive committee members will be replaced pursuant to Section 7.

Newly elected or appointed members will serve on the committee pending approval by the board. The secretary will submit new members' names to the board for approval at the board's next regular meeting.

The committee chair will contact any member who has missed two consecutive meetings (even if the member has sent a proxy) to 1) seek a commitment to actively participate or 2) ask the member to resign from the committee.

The chair may remove any member who has missed two consecutive meetings (even with a proxy).

Proxies - A member of the committee is authorized to designate a proxy. A member of the committee may give a proxy only to a person who:

Meets the member's eligibility requirements (see Section 3.3a) and is not affiliated with the same organization as another committee member (see Section 3.4e), or

Is not another committee member, unless that committee member would represent the proxy's sector instead of his/her own sector at the meeting.

To permit time to determine a proxy's eligibility, proxies must be submitted to the secretary in writing at least one week prior to the meeting (electronic transmittal is acceptable). Any proxy submitted after that time will be accepted at the chairman's discretion, provided that the chairman believes the proxy meets the eligibility requirements.

Section 4. -Meetings

See Appendix 2, "Meeting Procedures." Unless stated otherwise, the Planning Committee will follow Robert's Rules of Order, Newly Revised.

1. **Quorum** - ~~The A quorum necessary for the transaction of business (i.e., formal actions) at meetings of the committee requires~~ two-thirds of ~~the~~ voting members, ~~currently on the committee roster (i.e., does not count vacancies). The committee may engage in discussions without a quorum present.~~

—**Voting** -

2. Voting may take place during regularly scheduled in-person meetings or may take place via electronic mail, facsimile or conference call. a-All actions by the Committee shall be approved upon receipt of the affirmative vote of two-thirds of the members present and voting at a meeting at which quorum is present. Actions by members of the committee shall be approved upon receipt of the affirmative vote of two-thirds of the voting members of the committee present and voting, in person or by proxy, at any meeting at which a quorum is present. The chair and vice chair may vote. Additional voting guidelines are in Appendix 2.

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3. **Antitrust Guidelines** - All persons attending or otherwise participating in the committee meeting shall act in accordance with NERC's Antitrust Compliance Guidelines at all times during the meeting. A copy of the NERC antitrust statement shall be included with each meeting agenda.
 4. **Open Meetings** -NERC committee meetings shall be open to the public, except as noted below under Confidential Sessions. Although meetings are open, only voting members may offer and act on motions.
 5. **Confidential Sessions** - The chair of a committee may limit attendance at a meeting or portion of a meeting, based on confidentiality of the information to be disclosed at the meeting. Such limitations should be applied sparingly and on a nondiscriminatory basis as needed to protect information that is sensitive to one or more parties. A preference, where possible, is to avoid the disclosure of sensitive or confidential information so that meetings may remain open at all times. Confidentiality agreements may also be applied as necessary to protect sensitive information.
 6. **Action without a Meeting** -~~The Committee may act by mail or electronic (facsimile or e-mail) ballot without a regularly scheduled meeting. Two-thirds of the -members present and voting is~~are required to approve any action. ~~A quorum for actions without a meeting is two-thirds of the Committee members.~~~~The Committee chair or four members (each from different industry segments) may initiate the request for such action without a meeting. The secretary shall post a notice on the NERC website and shall provide Committee members with a written notice (letter, facsimile, or e-mail) of the subject matter for action not less than five business days prior to the date on which the action is to be voted. The secretary shall distribute a written notice to the Committee (letter, facsimile, or email) of the results of such action within five business days following the vote and also post the notice on the NERC website. The secretary shall keep a record of all responses (mail, facsimiles, etc.) from the Committee members with the Committee minutes.~~

Section 5. Officers

See Appendix 3, "Officer Selection Process"

1. **Selection** – At its first June meeting and every two years thereafter, the committee shall select a chair and vice chair from among its voting members by majority vote of the members of the committee to serve as chair and vice chair of the committee from the end of that June meeting until the end of the June meeting two years later.
2. **Terms** – The chair and vice chair serve two-year terms.
3. **Representation** –
 - a. The newly selected chair and vice chair shall not be from ~~of~~ the same sector.
 - b. The chair and vice chair, upon assuming such positions, shall cease to act as members of the sectors that elected them as members to the committee and shall thereafter be responsible for acting in the best interests of the members as a whole.

-
4. **Board approval** -Pending approval by the board, the newly elected officers will assume their duties. The secretary will submit the names of the elected officers to the chair of the board for approval at the board's next regular meeting.

Section 6. Subcommittees

The Planning Committee may appoint technical subcommittees, task forces, and working groups as needed. The Planning Committee is responsible for directing the work of these subgroups and for their work products.

Section 7. Executive Committees

1. **Authorization** - The executive committee is authorized to act between regular meetings of the Planning Committee. However, the executive committee may not reverse the Planning Committee's decisions.
2. **Membership** - The executive committee is comprised of the chair, the vice chair, and four at-large members. The committee will nominate and elect the four at-large members of the executive committee at its September meeting. No two members may be from the same sector.
3. **Election Process:**
 - a. The chair opens the floor for nominations.
 - b. If the committee members nominated four or fewer candidates, then those candidates are automatically elected.
 - c. If the committee members nominate more than four candidates, then the secretary will distribute paper ballots for the members to list their top four candidates.
 - d. The four candidates who receive the most votes will be elected, provided that no two candidates may be from the same sector.
4. **Terms** - The executive committee will be replaced every two years, with the chair and vice chair replaced at a June meeting and the at-large members replaced at a September meeting.

Appendix 1 – Committee Members

Name	Definition	Members
Voting Members		
1. Investor-owned utility	This sector includes any investor-owned entity with substantial business interest in ownership and/or operation in any of the asset categories of generation, transmission, or distribution. This sector also includes organizations that represent the interests of such entities.	2
2. State/municipal utility	This sector includes any entity owned by or subject to the governmental authority of a state or municipality, that is engaged in the generation, delivery, and/or sale of electric power to end-use customers primarily within the political boundaries of the state or municipality; and any entity, whose members are municipalities, formed under state law for the purpose of generating, transmitting, or purchasing electricity for sale at wholesale to their members. This sector also includes organizations that represent the interests of such entities.	2
3. Cooperative utility	This sector includes any non-governmental entity that is incorporated under the laws of the state in which it operates, is owned by and provides electric service to end-use customers at cost, and is governed by a board of directors that is elected by the membership of the entity; and any non-governmental entity owned by and which provides generation and/or transmission service to such entities. This sector also includes organizations that represent the interests of such entities.	2
4. Federal or provincial utility/Federal Power Marketing Administration	This sector includes any U.S. federal, Canadian provincial, or Mexican entity that owns and/or operates electric facilities in any of the asset categories of generation, transmission, or distribution; or that functions as a power marketer or power marketing administrator. This sector also includes organizations that represent the interests of such entities. One member will be a U.S. federal entity and one will be a Canadian provincial entity.	2

Name	Definition	Members
Voting Members		
5. Transmission dependent utility	This sector includes any entity with a regulatory, contractual, or other legal obligation to serve wholesale aggregators or customers or end-use customers and that depends primarily on the transmission systems of third parties to provide this service. This sector also includes organizations that represent the interests of such entities.	2
6. Merchant electricity generator	This sector includes any entity that owns or operates an electricity generating facility that is not included in an investor-owned utility's rate base and that does not otherwise fall within any of sectors (i) through (v). This sector includes but is not limited to cogenerators, small power producers, and all other non-utility electricity producers such as exempt wholesale generators who sell electricity at wholesale. This sector also includes organizations that represent the interests of such entities.	2
7. Electricity marketer	This sector includes any entity that is engaged in the activity of buying and selling of wholesale electric power in North America on a physical or financial basis. This sector also includes organizations that represent the interests of such entities.	2
8. Large end-use electricity customer	This sector includes any entity in North America with at least one service delivery taken at 50 kV or higher (radial supply or facilities dedicated to serve customers) that is not purchased for resale; and any single end-use customer with an average aggregated service load (not purchased for resale) of at least 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility. This sector also includes organizations that represent the interests of such entities.	2
9. Small end-use electricity customer	This sector includes any person or entity within North America that takes service below 50 kV; and any single end-use customer with an average aggregated service load (not purchased for resale) of less than 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility. This sector also includes organizations (including state consumer advocates) that represent the interests of such entities.	2

Name	Definition	Members																														
Voting Members																																
10. Independent system operator/regional transmission organization	This sector includes any entity authorized by the Commission to function as an independent transmission system operator, a regional transmission organization, or a similar organization; comparable entities in Canada and Mexico; and the Electric Reliability Council of Texas or its successor. This sector also includes organizations that represent the interests of such entities.	2																														
11. Regional reliability organization Entity	This sector includes any regional reliability organization as defined in Article I, Section 1, of the Bylaws of the corporation. In aggregate, this sector will have voting strength equivalent to two members. The voting weight of each regional member's vote will be set such that the sum of the weight of all available Regional Entity regional reliability organizations members' votes is two votes.	2																														
	<table border="1"> <thead> <tr> <th></th> <th><u>Number of Members</u></th> <th><u>Proportional Voting</u></th> </tr> </thead> <tbody> <tr> <td>RRORE</td> <td>1</td> <td>X</td> </tr> <tr> <td>FRCC</td> <td>1</td> <td>X</td> </tr> <tr> <td>RFC</td> <td>1</td> <td>X</td> </tr> <tr> <td>ERCOT TRE</td> <td>1</td> <td>X</td> </tr> <tr> <td>MRO</td> <td>1</td> <td>X</td> </tr> <tr> <td>NPCC</td> <td>1</td> <td>X</td> </tr> <tr> <td>SERC</td> <td>1</td> <td>X</td> </tr> <tr> <td>SPP</td> <td>1</td> <td>X</td> </tr> <tr> <td>WECC</td> <td>1</td> <td>X</td> </tr> </tbody> </table>		<u>Number of Members</u>	<u>Proportional Voting</u>	RRORE	1	X	FRCC	1	X	RFC	1	X	ERCOT TRE	1	X	MRO	1	X	NPCC	1	X	SERC	1	X	SPP	1	X	WECC	1	X	
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SERC	1	X																														
SPP	1	X																														
WECC	1	X																														
12. State government	(See Government representatives below)	2																														
Officers	Chair and Vice Chair	2																														
Total Voting Members		26																														

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Name	Definition	Members
Non-Voting Members¹		

¹ Industry associations and organizations and other government agencies in the U.S. and Canada may attend meetings as non-voting observers.

Government representatives	This sector includes any federal, state, or provincial government department or agency in North America having a regulatory and/or policy interest in wholesale electricity. Entities with regulatory oversight over the Corporation or any regional entity, including U.S., Canadian, and Mexican federal agencies and any provincial entity in Canada having statutory oversight over the Corporation or a regional entity with respect to the approval and/or enforcement of reliability standards, may be nonvoting members of this sector.	
	United States federal government	2
	Canadian federal government	1
	Provincial government	1
Secretary	The committee secretary will be seated at the committee table	1
Subcommittee Chairs	The chairs of the subcommittees will be seated at the committee table.	

Appendix 2 – Meeting Procedures

Section 1. Voting Procedures for Motions

- a. The default procedure is a voice vote.
- b. If the chair believes the voice vote is not conclusive, he may call for a show of hands.
- c. The chair will not specifically ask those who are abstaining to identify themselves when voting by voice or a show of hands.
- d. The committee may conduct a roll-call vote in those situations that need a record of each member's vote.
 - i. The committee must approve conducting a roll-call vote for the motion.
 - ii. The secretary will call each member's name.
 - iii. Members may answer "yes," "no," or "present" if they wish to abstain from voting.

Section 2. Minutes

1. General guidelines:
 - a. Meeting minutes are a record of what the committee did, not what its members said.
 - b. Minutes should list discussion points where appropriate, but should usually not attribute comments to individuals. It is acceptable to cite the chair's directions, summaries, and assignments.
 - c. Do not list the person who seconds a motion.
 - d. Do not record (or even ask for) abstentions.
2. Minority Opinions - All committee members are afforded the opportunity to provide alternative views on an issue. The meeting minutes will provide an exhibit to record minority opinions. The chair shall report both the majority and any minority views in presenting results to the Board of Trustees.
3. Personal Statements - The minutes will also provide an exhibit to record personal statements.

Appendix 3 – Meeting Procedures

The committee selects officers using the following process. The chair is selected first, followed by the vice chair.

- a. The chair opens the floor for nominations.
- b. After hearing no further nominations, the chair closes the nominating process.
- c. If the committee nominates one person, that person is automatically selected as the next chair.
- d. If the committee nominates two or more persons, then the secretary will distribute paper ballots for the members to mark their preference.
- e. The secretary will collect the ballots. If the committee nominates three or more candidates, then the winner will be selected using the Instant Runoff Process. (Explained in Robert's Rules of Order.)

Appendix 4 – Report/Reliability Guideline Approval Process

General Process for Approval of Reports

Report Category	Review Process	Approval process
Reliability guidelines	<p><i>The specific review process found below for Reliability Guidelines will be followed</i></p> <p>1) A draft guideline will be provided to the PC at a regular meeting.</p> <p>3) After the 45 day public comment period, the comments received as well as draft responses to the comments will be provide to the PC at a regular meeting.</p>	<p><i>The specific approval process found below for Reliability Guidelines will be followed.</i></p> <p>2) At the regular meeting, the PC will consider the draft guideline for approval to post for comments.</p> <p>4) At the regular meeting, the PC will consider the draft guideline, including the comments received and responses for approval to post as final.</p>
Long-term and seasonal reliability assessments	<p><i>The PC will continue to separately approve the schedule for reviewing these documents.</i></p> <p>1) A draft assessment will be provided to the PC at a regular meeting, or if approval is required between regular meetings, the PC will schedule a Web meeting, and the draft made available to the PC for review and comment 10 days prior to the Web meeting.</p>	<p><i>The PC will continue to separately approve the schedule for approving these documents.</i></p> <p>2) At the regular meeting, The PC will consider the draft assessment for approval or during a Web meeting scheduled by the PC.</p>
All other reports developed by a PC subgroup to be posted on NERC’s Website when completed (technical documents, white papers, special assessments, etc.)	<p>1) A draft report will be submitted to the PC at a regular meeting.</p>	<p>2) A draft report will be submitted at one meeting, with the opportunity to provide comments both during and after that meeting. Unless directed by the PC in its review of the draft report, there is no specific requirement for public posting and comment since the PC agenda that contains the draft report is publically noticed.</p> <p>3) A final report may be considered for approval no earlier than the next meeting, unless the PC decides to act sooner.</p>

Report Category	Review Process	Approval process
<p>A report requested by the PC that accompanies or recommends a <i>Rules of Procedure (ROP) Section 1600 - Data or Information Request</i>.</p>	<p><i>Section 1600 requires a description of the data to be requested and why the data is needed.</i></p> <p>1) A Section 1600 data request, with the draft supporting documentation, will be provided to the PC at a regular meeting.</p> <p>3) The subgroup will review and develop responses to comments on the draft report and provide a final draft report, including all required documentation for the final data request, to the PC at a regular meeting.</p>	<p><i>The final draft of the data request must be approved by NERC's BOT, and will include responses to comments received and any modifications made to the data request.</i></p> <p>2) The draft data request and supporting documentation will be considered for approval to post for comments at the PC regular meeting.</p> <p>4) The PC will consider the final draft of the data request and supporting documentation, including comments received and draft responses, at the regular meeting.</p>
<p>Reports with deadlines set by NERC's Board or outside the Planning Committee's control</p>	<p>1) The draft report will be provided to the PC as scheduled by the PC.</p>	<p>2) At the time scheduled by the PC, the PC will consider the report for approval.</p>

The PC and its Executive Committee recognizes the need for flexibility in the review and approval process defined above. As such these are provided as guidelines to be followed by its subgroups.

Requests for exceptions may be brought to the PC at its regular meetings or to the Executive Committee, if the exception cannot wait for a PC meeting. In all cases, a final report may be considered for approval if the PC decides to act sooner.

Approval Process for Reliability Guidelines

1. Reliability Guidelines:

Reliability guidelines are documents that suggest approaches or behavior in a given technical area for the purpose of improving reliability. Reliability guidelines are not binding norms or mandatory requirements. Reliability guidelines may be adopted by a responsible entity in accordance with its own facts and circumstances.²

2. Approval of Reliability Guidelines:

Because reliability guidelines contain suggestions that may result in actions by responsible entities, those suggestions must be thoroughly vetted before a new or updated guideline receives approval by a technical committee. The process described below will be followed by the Planning Committee:

- a. New/updated draft guideline approved for industry posting. The Planning Committee approves for posting for industry comment the release of a new or updated draft guideline developed by one of its subgroups or the committee as a whole.
- b. Post draft guideline for industry comment. The draft guideline is posted for industry-wide comment for forty-five (45) days. If the draft guideline is an update, a redline version against the previous version must also be posted.
- c. Post industry comments and responses. After the public comment period, the Planning Committee will post the comments received as well as its responses to the comments. The committee may delegate the preparation of responses to a committee subgroup.
- d. New/updated guideline approval and posting. A new or updated guideline which considers the comments received, is approved by the Planning Committee and posted as “Approved” on the NERC Web site. Updates must include a revision history and a redline version against the previous version.
- e. Guideline updates. After posting a new or updated guideline, the Planning Committee will continue to accept comments from the industry via a Web-based forum where commenters may post their comments.
 - i. Each quarter, the Planning Committee will review the comments received. At any time, the Planning Committee may decide to update the guideline based on the comments received or on changes in the industry that necessitate an update.
 - ii. Updating an existing guideline will require that a draft updated guideline be approved by the Planning Committee in step “a” and proceed to steps “b” and “c” until it is approved by the Planning Committee in step “d.”

² Standards Committee authorization is required for a reliability guideline to become a supporting document that is posted with or referenced from a NERC Reliability Standard. See Appendix 3A in NERC’s *Rules of Procedure* under “Supporting Documents.”

Southwest Power Pool, Inc. Regional Entity Regional Standards Development Process Manual

Action

Approve the following standards document, direct staff to update the Southwest Power Pool, Inc. (SPP) delegation agreement and file with the applicable regulatory authorities for approval:

- **Version 1 of SPP Regional Entity (SPP RE) Regional Standards Development Process Manual**
[\[Clean\]](#) [\[Redline to prior version\]](#)

Background

Version 0 of the SPP RE Standards Development Process Manual, Exhibit C to the SPP Regional Delegation Agreement, was previously approved by FERC and made effective on October 7, 2011. Revisions to this document (Version 1) include the following:

- Added a provision allowing the SPP Markets and Operations Policy Committee (MOPC) to take one of three actions following the submittal of a request to develop, revise, or retire an SPP RE Regional Reliability Standard.
- Clarified the formation of a standard drafting team (SDT) following a request for a new SPP RE Regional Reliability Standard, including a provision allowing for an open nomination process when selecting individuals to serve on the SDT.
- Incorporated language to ensure each written comment is considered and responded to by the SDT during the public comment period and open voting process.
- Revised the open voting process to include:
 - Notifications process to ensure the posting of a proposed regional standard on the public SPP website as well as through customary procedures and processes.
 - Incorporated qualification guidelines for entities registering within one of the five SPP voting segments.
 - Modified the “End User and Public Interest” voting segment to exclude individuals currently employed by an entity eligible to join one or more of the voting segments.
 - Established a quorum requirement of 75 percent of the members of the registered ballot body casting a ballot.
 - Adjusted the weighting formula to proportionally reduce voting segments with less than five votes to ensure no segment is unduly influential in the balloting process.
 - Added provision for a “Recirculation Ballot” to allow entities the opportunity to revise their voting position in consideration of comments submitted by other entities.
- Incorporated a provision in the development of Minority Reports to require a summary of comments and/or issues not addressed by the SDT during the development of a proposed SPP RE Regional Reliability Standard.

- Included language specifying action(s) required of the MOPC in the event further revision to the proposed standard is warranted as well as language specifying the materials to be provided to the MOPC for consideration and review.
- Included language throughout the Manual requiring entities to be within the SPP RE or RTO region to participate in the SPP RE Regional Reliability Standards process (rather than “having a direct and material interest in the SPP RE or SPP RTO BES”).
- Added language that entities registered in multiple regions will not be able to register on behalf of more than one regional registration.
- Defined customary communications processes to be used to notify stakeholders of SPP RE Regional Reliability Standards under development.
- Clarified when ballot body registration and voting begins and ends.

Version 1 of the SPP RE Regional Standards Development Process Manual was approved by the SPP RE Board of Directors on June 18, 2013. SPP RE requests that the NERC Board of Trustees also approve these changes.

Additional Information

Links to the project history and files are included here for reference:

[SPP RE Standards Process Manual Review Project Page](#)

[NERC Standards Process Manual Project Page for SPP RE](#)

Geomagnetic Disturbance Operations (GMD) – EOP-010-1

Action

Adopt the following standard documents and direct staff to file with applicable regulatory authorities. *(At the time of posting the standard was pending final ballot on October 28 and links to the final documents will be inserted below and available at that time.)*

- **Reliability Standards**
EOP-010-1 – Geomagnetic Disturbance Operations
[EOP-010-1 Clean]
- **Violation Risk Factors (VRFs) and Violation Severity Levels (VSLs)**
[EOP-010-1 VRF/VSL Analysis]
- **Implementation Plan**
[EOP-010-1 Implementation Plan]
- **Definitions**
None
- **Retirements**
None

Background

On May 16, 2013, FERC issued Order No. 779 directing NERC to develop and submit Reliability Standards addressing the potential impact of GMDs in two stages:

- Stage 1 Standard(s), to be filed by January 21, 2014, requiring applicable entities to implement Operating Procedures.
- Stage 2 Standard(s) to be filed by January 21, 2015, requiring applicable entities to conduct assessments of the impacts from benchmark GMD events on their systems and requiring the development and implementation of a plan to mitigate the risk of Bulk-Power System instability, uncontrolled separation, or cascading, if impacts are identified.

FERC further directed that NERC identify, through its Reliability Standards development process, the benchmark GMD event that entities should use in their vulnerability assessments.

Pertinent FERC Order No. 779 directives

Paragraph 29

As discussed below, the Commission directs that, within six months of the effective date of this Final Rule, NERC submit for approval one or more Reliability Standards that require owners and operators of the Bulk-Power System to develop and implement operational procedures to mitigate the effects of GMDs consistent with the reliable operation of the Bulk-Power System.

Paragraph 36

The Commission directs NERC to submit, within six months of the effective date of this Final Rule, one or more Reliability Standards requiring owners and operators of the Bulk-Power System to develop and implement operational procedures to mitigate the effects of GMDs consistent with the reliable operation of the Bulk-Power System.

Summary

EOP-010-1 – Geomagnetic Disturbance Operations was developed to meet the Stage 1 directives in FERC Order No. 779. The purpose of EOP-010-1 is to mitigate the reliability impacts of GMD events by implementing operating procedures, containing requirements for:

- The Reliability Coordinator (RC) to develop and implement an operating plan and disseminate space weather information to coordinate GMD operating procedures in the Reliability Coordinator Area.
- The Transmission Operator (TOP) to develop and implement operating procedures that include mitigating actions for system operators to take based on predetermined conditions.

The proposed standard is applicable to RCs and TOPs with networks that contain power transformers with high-side grounded-wye windings above 200 kV. Based on analysis performed by drafting team members and supported by technical papers, the drafting team concluded that 200 kV is a reasonable minimum high-side network voltage for which a reliability benefit can be expected from the application of GMD Operating Procedures.

Including the RC and TOP functional entities in EOP-010-1 is consistent with the NERC Functional Model and existing standards. Both entities are described as having responsibility and authority for reliable transmission operations within their scope. The RC provides a wide-area view and the necessary coordination for planning and real-time actions.

The drafting team determined that Balancing Authorities (BAs) should not be among the applicable functional entities for the Stage 1 Standard, because there were no additional steps or tasks for a BA to perform mitigating GMD events beyond their normal balancing functions. The drafting team also determined that Generator Operators (GOPs) should not be among the applicable functional entities because any Operating Procedures to mitigate the effects of GMD would need to be supported by an equipment-specific study and is expected to require GMD monitoring equipment. Consistent with FERC Order No. 779, vulnerability assessments and mitigation plans will be addressed in Stage 2 of the project and applicability of Stage 2 Standards will be considered separately.

Standard Development Process

Two drafts of EOP-010-1 – Geomagnetic Disturbance Operations were posted for industry comment during the development process. The first draft was posted for 45-day formal comment period and initial ballot through August 12, 2013, and received a weighted segment approval of 62.74 percent. A revised draft of EOP-010-1 was posted for a 45-day formal comment period and additional ballot through October 18, 2013. A recirculation ballot was conducted through November 5, 2013. The results of the recirculation ballot were not available when these materials were prepared and will be reported during the November Board meeting.

Unresolved Minority Issues

Minority issues will be identified after the conclusion of the additional formal comment period and reported during the Board meeting.

Additional Information

A link to the project history and files is included here for reference:

[\[Geomagnetic Disturbance Mitigation Project 2013-03\]](#)

Protection System Maintenance and Testing—Phase 2—PRC-005-3

Action

Adopt the following standards documents and direct staff to file with applicable regulatory authorities:

- **Reliability Standard – PRC-005-3 – Protection System and Automatic Reclosing Maintenance**
 - [\[PRC-005-3-Clean\]](#) [\[PRC-005-3-Redline to last approved\]](#)
- **Violation Risk Factors (VRFs) and Violation Severity Levels (VSLs) for PRC-005-3**
 - [\[VRFs and VSLs\]](#)
- **Implementation Plan for PRC-005-3 – Protection System and Automatic Reclosing Maintenance**
 - [\[PRC-005-3-Implementation Plan\]](#)

The Implementation Plan for PRC-005-3 includes the Protection System aspects of PRC-005-2 and adds new considerations of Automatic Reclosing from PRC-005-3. The plan addresses the implementation of the PRC-005-2 requirements based on the approval date of PRC-005-2 and adds the implementation of the revised requirements that include Automatic Reclosing based on the approval date of PRC-005-3. This approach provides clarity regarding the implementation dates for maintenance of Protection System and Automatic Reclosing Components.

Each Transmission Owner, Generator Owner, and Distribution Provider shall maintain documentation to demonstrate compliance with PRC-005-1b, PRC-008-0, PRC-011-0, and PRC-017-0 until that entity meets the requirements of PRC-005-2, or the combined successor standard PRC-005-3, in accordance with this implementation plan.

While entities are transitioning to the requirements of PRC-005-2, or the combined successor standard PRC-005-3, each entity must be prepared to identify:

- All of its applicable Protection System and Automatic Reclosing Components.
- Whether each component has last been maintained according to PRC-005-2 (or the combined successor standard PRC-005-3), PRC-005-1b, PRC-008-0, PRC-011-0, PRC-017-0, or a combination thereof.

For activities being added to an entity's program as part of PRC-005-3 implementation, evidence may be available to show only a single performance of the activity until two maintenance intervals have transpired following initial implementation of PRC-005-3.

Another implementation plan was developed to address generation changes in the Balancing Authority Area that resulted in additional locations becoming subject to the applicability of PRC-005-3. This is addressed in the PRC-005-3 Implementation Plan

document in a section titled: *“Implementation Plan for Newly identified Automatic Reclosing Components due to generation changes in the Balancing Authority Area.”* It provides the responsible entities three calendar years to complete the maintenance activities, described in Table 4, for the newly identified Automatic Reclosing Components unless documented prior maintenance fulfilling the requirements of Table 4 is available.

- **Definitions**

The following definition will be added to the Reliability Standards Glossary of Terms:

Protection System Maintenance Program (PSMP) – An ongoing program by which Protection System and automatic reclosing components are kept in working order and proper operation of malfunctioning components is restored. A maintenance program for a specific component includes one or more of the following activities:

- Verify – Determine that the component is functioning correctly.
- Monitor – Observe the routine in-service operation of the component.
- Test – Apply signals to a component to observe functional performance or output behavior, or to diagnose problems.
- Inspect – Examine for signs of component failure, reduced performance or degradation.
- Calibrate – Adjust the operating threshold or measurement accuracy of a measuring element to meet the intended performance requirement.

The following terms are defined for use only within PRC-005-3, and will remain with the standard upon approval rather than being moved to the Reliability Standards Glossary of Terms.

Automatic Reclosing – Includes the following Components:

- Reclosing relay
- Control circuitry associated with the reclosing relay

Unresolved Maintenance Issue – A deficiency identified during a maintenance activity that causes the component to not meet the intended performance, cannot be corrected during the maintenance interval, and requires follow-up corrective action.

Segment – Components of a consistent design standard, or a particular model or type from a single manufacturer that typically share other common elements. Consistent performance is expected across the entire population of a Segment. A Segment must contain at least sixty (60) individual Components.

Component Type – Either any one of the five specific elements of the Protection System definition or any one of the two specific elements of the Automatic Reclosing definition.

Component – A Component is any individual discrete piece of equipment included in a Protection System or in Automatic Reclosing, including but not limited to a protective

relay, reclosing relay, or current sensing device. The designation of what constitutes a control circuit Component is dependent upon how an entity performs and tracks the testing of the control circuitry. Some entities test their control circuits on a breaker basis whereas others test their circuitry on a local zone of protection basis. Thus, entities are allowed the latitude to designate their own definitions of control circuit Components. Another example of where the entity has some discretion on determining what constitutes a single Component is the voltage and current sensing devices, where the entity may choose either to designate a full three-phase set of such devices or a single device as a single Component.

- **Retirements**

Standards PRC-005-1b, PRC-008-0, PRC-011-0, and PRC-017-0 shall remain active throughout the phased implementation period of PRC-005-3 and shall be applicable to an entity's Protection System Component maintenance activities not yet transitioned to PRC-005-3. Standards PRC-005-1b, PRC-008-0, PRC-011-0, and PRC-017-0 shall be retired at midnight of the day immediately prior to the first day of the first calendar quarter one hundred fifty-six (156) months following applicable regulatory approval of PRC-005-2, or in those jurisdictions where no regulatory approval is required, at midnight of the day immediately prior to the first day of the first calendar quarter one hundred sixty-eight (168) months following the November 2012 NERC Board of Trustees' (Board's) adoption of PRC-005-2.

The existing standard PRC-005-2 shall be retired at midnight of the day immediately prior to the first day of the first calendar quarter, twelve (12) calendar months following applicable regulatory approval of PRC-005-3, or as otherwise made effective pursuant to the laws applicable to such ERO governmental authorities; or, in those jurisdictions where no regulatory approval is required, the first day of the first calendar quarter twelve (12) calendar months from the date of the Board's adoption.

Background

Project 2007-17.2 Protection System Maintenance and Testing - Phase 2 (Reclosing Relays) was initiated to revise Reliability Standard PRC-005-2 Protection System Maintenance to address Federal Energy Regulatory Commission (FERC) Order No. 758. PRC-005-3 establishes minimum maintenance activities for Automatic Reclosing Component Types and the maximum allowable maintenance intervals for these maintenance activities. PRC-005-3 requires entities to revise their Protection System Maintenance Programs to include Automatic Reclosing Components.

On February 3, 2012, FERC issued Order No. 758 approving an interpretation of NERC Reliability Standard *PRC-005-1, Transmission and Generation Protection System Maintenance and Testing*. In addition to approving the interpretation, FERC directed that concerns identified in the Notice of Proposed Rulemaking (NOPR), which preceded Order No 758, be addressed through revisions to PRC-005. The concerns raised in Order No 758 pertain to automatic reclosing (autoreclosing) relays that are either *"used in coordination with a Protection System to achieve or meet system performance requirements established in other Commission-approved Reliability Standards, or can exacerbate fault conditions when not properly maintained and coordinated,"* in which case *"excluding the maintenance and testing of these reclosing relays will result in a gap in the maintenance and testing of relays affecting the reliability of the Bulk-Power System."* (Order No. 758 at P15). To address these concerns, FERC concluded that *"specific requirements*

or selection criteria should be used to identify reclosing relays that affect the reliability of the Bulk-Power System.” (Order No. 758 at P26)

In Order No. 758, FERC also directed NERC to file, by July 30, 2012, either a completed project, or an informational filing providing *“a schedule for how NERC will address such issues in the Project 2007-17 reinitiated efforts.”* On July 30, 2012, NERC submitted an informational filing in compliance with Order No. 758 with a proposed schedule for addressing reclosing relays.

In response to Order No. 758, the Protection System Maintenance and Testing standard drafting team (SDT) (the SDT developing the proposed PRC-005-2 standard) drafted a Standard Authorization Request (SAR) to modify PRC-005-2 to include the maintenance and testing of reclosing relays that can affect the Reliable Operation of the Bulk-Power System. On May 10, 2012, the Standards Committee (SC) accepted the SAR and authorized that it be posted for information only, along with the third draft of PRC-005-2. The SC noted that PRC-005-2 was in the final stages of the development process, having passed a successive ballot with 79 percent approval on June 27, 2012 and was scheduled to be presented for approval at the November meeting of the Board. Consequently, in recognition of the consensus achieved, the SC determined that the SDT should complete the development of PRC-005-2 and immediately begin work on PRC-005-3 which would reflect the necessary revisions to address reclosing relays.

The SDT also requested that the Planning Committee (PC) provide the technical input necessary to develop the appropriate revisions to PRC-005-2. The PC instructed the System Analysis and Modeling Subcommittee (SAMS) and System Protection and Control Subcommittee (SPCS) to jointly perform a technical study to determine which reclosing relays should be addressed within PRC-005 and provide advice regarding the appropriate maintenance intervals and activities for those relays. The final report¹ was approved by the PC on November 14, 2012, and provided the SDT with guidance in the development of PRC-005-3.

The Protection System Maintenance and Testing SDT met in February 2013 and posted the first draft of PRC-005-3 for a 30-day formal comment period in April 2013. The second draft of the standard was posted in July 2013 for a 45-day formal comment period and ballot and achieved a weighted segment vote of 79.24 percent with a 78.33 percent quorum.

Pertinent FERC Order No. 758 directives

Para 27

“We note that the original project to revise Reliability Standard PRC-005 failed a recirculation ballot in July of 2011. The project was subsequently reinitiated to continue the efforts to develop Reliability Standard PRC-005-2. Given that the project to draft proposed revisions to Reliability Standard PRC-005-1 continues in this reinitiated effort, and the importance of maintaining and testing reclosing relays, we direct NERC to include maintenance and testing of reclosing relays that can affect the reliable operation of the Bulk-Power System, as discussed above, within these reinitiated efforts to revise Reliability Standard PRC-005.”

¹ *Considerations for Maintenance and Testing of Autoreclosing Schemes*, located at http://www.nerc.com/pa/Stand/Project%202007172%20Protection%20System%20Maintenance%20and/SAMS-SPCS_Order_758_Autoreclosing_Report_Final_.pdf

Standard Development Process

Two drafts of PRC-005-3 – Protection System and Automatic Reclosing Maintenance were posted for industry comment during the development process. Draft one of PRC-005-3 was posted for a 30-day comment period from April 5 through May 6, 2013. Draft two was posted for a 45-day comment period from July 10 through August 23, 2013. This period included an initial ballot that was conducted from August 14 through August 26, 2013, and resulted in an industry approval of 79.24 percent, with a quorum of 78.33 percent.

The final ballot for the PRC-005-3 – Protection System and Automatic Reclosing Maintenance standard closed after these materials were distributed and will be presented at the November Board meeting for approval.

Unresolved Minority Issues

There was one minority issue raised by industry stakeholders that was not resolved, as identified below:

Issue: Several commenters were concerned about initiating the project to establish PRC-005-3 before PRC-005-2 is FERC approved.

Response: The drafting team explained that it is acting in accordance with the schedule provided to FERC in an informational filing submitted by NERC, in response to FERC Order 758 which stated: *“By July 30, 2012, NERC should submit to the Commission either the completed project which addresses the remaining issues consistent with this order, or an informational filing that provides a schedule for how NERC will address such issues in the Project 2007-17 reinitiated efforts.”* In the Order, FERC accepted NERC’s commitment to address the maintenance and testing of reclosing relays that can affect the Reliable Operation of the Bulk-Power System within the standards development process. Phase 2 (Reclosing Relays) of Project 2007-17 Protection System Maintenance and Testing was initiated to develop PRC-005-3 and satisfy NERC’s commitment to FERC.

Additional Information

A link to the project history and files is included here for reference:

[\[Protection System Maintenance and Testing–Phase 2–PRC-005-3\]](#)

Transmission Relay Loadability—PRC-023-3

Action

Adopt the following standards documents and direct staff to file with applicable regulatory authorities:

- **Reliability Standard - PRC-023-3 – Transmission Relay Loadability**
[\[PRC-023-3-clean\]](#) [\[PRC-023-3-redline\]](#)
- **Violation Risk Factors (VRFs) and Violation Severity Levels (VSLs) for PRC-023-3**
None – No change to the VRFs and VSLs from PRC-023-2
- **Implementation Plan for PRC-023-3 – Transmission Relay Loadability**
[\[Implementation Plan\]](#)
 - The implementation plan reflects specific milestone dates for entities' transition from PRC-023-2, Requirement R1, Criterion 6 and Attachment A, Criterion 2.4 to the Board of Trustees' (Board's) adopted PRC-025-1 – Generator Relay Loadability. Each entity must be compliant with these criteria under PRC-023-2 until it transitions to PRC-025-1.
- **Definitions**
None
- **Retirements**
Retire the following standard on midnight of the day immediately prior to the effective date of PRC-023-3 – Transmission Relay Loadability in the particular jurisdiction in which the new standard is becoming effective, except Requirement R1, Criterion 6 which will remain in force until the effective date of PRC-025-1:
 - PRC-023-2 – Transmission Relay Loadability

Background

The March 18, 2010, FERC Order No. 733, approved Reliability Standard PRC-023-1 – Transmission Relay Loadability. In this Order, FERC directed NERC to address three areas of relay loadability that include modifications to the approved PRC-023-1, developing a new Reliability Standard to address generator protective relay loadability, and another Reliability Standard to address the operation of protective relays due to power swings. This project's SAR addressed these directives by establishing a three-phased approach to standard development.

Phase 1 was focused on making the specific modifications to PRC-023-1 and was completed in the approved PRC-023-2 Reliability Standard, which became mandatory on July 1, 2012. Phase 2 is focused on developing a new Reliability Standard, PRC-025-1 – Generator Relay Loadability, to address generator protective relay loadability. This Reliability Standard establishes requirements for the Generator Operator functional entity to set protective relays at a level such that generating units do not trip during system disturbances that are not damaging to the

Generator, thereby unnecessarily removing the generator from service. Phase 3 is currently under development and is tentatively scheduled to be completed by December 2014. On August 19, 2013, the NERC Planning Committee (PC) approved a System Protection and Control Subcommittee (“SPCS”) report, developed with support from the System Analysis and Modeling Subcommittee (“SAMS”), intended to inform the Phase 3 development process.

The generator relay loadability standard drafting team (SDT) and industry stakeholders determined that there is no bright-line to clearly distinguish which load-responsive protective relays pertain to the existing PRC-023-2 – Transmission Relay Loadability standard, and the PRC-025-1 – Generator Relay Loadability Reliability Standard adopted by the Board on August 15, 2013. To resolve this concern, the SDT modified the applicability section of PRC-023-2 to establish the bright-line to distinguish which load-responsive protective relays are applicable to each standard.

Pertinent FERC Order No. 693 directives

There are no pertinent FERC Order No. 693 directives associated with the modifications to PRC-023-3.

Summary

The SDT, for each functional entity, tied the PRC-023-2 applicability of the load-responsive protective relay to the terminal that it is connected to within the Transmission system. Additionally, the SDT established a bright-line between the proposed PRC-023-3 and PRC-025-1 by excluding “...Elements that connect the GSU transformer(s) to the Transmission system that are used exclusively to export energy directly from a BES generating unit or generating plant. Elements may also supply generating plant loads.” This modification resulted in the elimination of Requirement R1, Criterion 6 and Attachment A, Criterion 2.4.

Standard Development Process

Three drafts of PRC-023-3 – Transmission Relay Loadability were posted for industry comment during the development process. Draft one of PRC-023-3 was posted contemporaneously with a supplemental Standard Authorization Request (SAR) for a 45-day comment period from January 25 through March 11, 2013. Draft two was posted for a 30-day formal comment period from April 25 through May 24, 2013. Draft 3 was posted for a 45-day formal comment period from June 20 through August 8, 2013. This period included an initial ballot that was conducted from July 26 through August 8, 2013 and resulted in an industry approval of 93.00 percent, with a quorum of 80.05 percent.

Draft four of the standard was posted for recirculation ballot from September 4 through September 13, 2013. The recirculation ballot for the PRC-023-3 – Transmission Relay Loadability standard resulted in an industry approval of 90.83 percent, with a quorum of 85.93 percent.

Unresolved Minority Issues

There were no minority issues raised by industry stakeholders that were not resolved.

Additional Information

A link to the project history and files is included here for reference:

[\[Project 2010-13.2 – Phase II: Relay Loadability: Generation\]](#)

Interpretation of CIP-003-3 for Consumers Energy

Action

Adopt the interpretation of CIP-003-3 for Consumers Energy Corporation (Consumers Energy) and authorize staff to file with applicable regulatory authorities.

- **Interpretation**

[\[Interpretation 2012-INT-06– Interpretation of CIP-003-3 for Consumers Energy\]](#)

Background

Consumers Energy submitted a request for interpretation of [CIP-003-3](#) seeking clarification on Section 4.1 of CIP-003-3 Requirement R2 as to whether a registered entity can assign different CIP Senior Managers for different applicable functions for which it is registered.

Pertinent FERC Order No. 693 Directives

None

Summary

In response to the interpretation request, the Interpretation drafting team concluded that a Registered Entity cannot assign different CIP Senior Managers for different applicable functions, if those functions are included under one registration (NERC ID). The number of NERC CIP Senior Managers depends on how an entity registers and appears in the Compliance Registry. Each entity, even if registered as performing multiple registration functions, shall assign a single CIP Senior Manager. However, if a single company has multiple registered entities (i.e., a company has registered one business segment as a Generator Owner/Generator Operator, and another business segment registered as Transmission Owner/Transmission Operator), it could assign a CIP Senior Manager to each Registered Entity, but that would not preclude the entity from assigning a single senior manager to multiple registered entities.

Standards Development Process

This project progressed through the normal Interpretation development process including two postings for stakeholder comment—an initial ballot in March 2013, and a recirculation ballot in September 2013.

Unresolved Minority Issues

None

Additional Information

A link to the project history and files is included here for reference:

[\[Interpretation 2012-INT-06 – Interpretation of CIP-003-3 for Consumers Energy\]](#)

Interpretation of CIP-007-3 for ITC

Action

Adopt the interpretation of CIP-007-3 for ITC and authorize staff to file with applicable regulatory authorities.

- **Interpretation**

[\[Interpretation 2012-INT-04 – Interpretation of CIP-007-3 for ITC\]](#)

Background

ITC submitted a request for interpretation of [CIP-007-3](#). In its first question, ITC asked for clarification on whether the Requirement R5 language to implement “technical and procedural controls” in the main requirement means that *both* technical and procedural controls are required individually for each sub-requirement. In its second question, ITC asked whether “technical controls,” used in the context of Requirement R5.3, means that each individual Cyber Asset within the Electronic Security Perimeter (ESP) has to automatically enforce each of the three Requirement R5.3 sub-requirements.

Pertinent FERC Order No. 693 Directives

None

Summary

The stated purpose of CIP-007-3 is, in part, “to define methods, processes, and procedures for securing those systems determined to be Critical Cyber Assets, as well as the other (non-critical) Cyber Assets within the Electronic Security Perimeter(s).”

CIP-007-3, Requirement R5’s main requirement states, “The Responsible Entity shall establish, implement, and document technical and procedural controls that enforce access authentication of, and accountability for, all user activity, and that minimize the risk of unauthorized system access.”

For the first question, the Interpretation drafting team (IDT) concluded that it is not necessary for *both* technical and procedural controls to be used in each sub-requirement of Requirement R5. The use of “and” in Requirement R5 indicates that the entity must implement both technical and procedural controls to achieve collectively the sub-requirements within Requirement R5, but both are not necessary for each sub-requirement individually. Such an interpretation supports reliability because it more clearly aligns with the common understanding and implementation of CIP-007-3 by the industry.

While examining the first question, the IDT performed an exercise to determine the scope of the “technical and procedural controls” language in CIP-007-3, Requirement R5’s top level requirement. In the exercise, the IDT examined each sub-requirement and evaluated the ability to apply both technical and procedural controls in each instance. Through that exercise, the IDT determined that it was not possible that each sub-requirement could uniquely and independently be achieved by both technical and procedural controls. These findings led the IDT to a common understanding that the language of CIP-007-3, Requirement R5 supports an

interpretation that an entity would be expected to use a combination of both technical and procedural controls in an effort to satisfy the collection of controls contained within Requirement R5's sub-requirements, not that the entity must specifically use both technical and procedural controls in satisfying the controls for each unique sub-requirement.

For the second question, the three sub-requirements within Requirement R5.3 are treated no differently than the other sub-requirements of Requirement R5, except Requirement R5.3 specifies Technical Feasibility Exception (TFE) capability. Therefore, each individual Cyber Asset within the ESP must automatically enforce each of the three Requirement R5.3 sub-requirements as technically feasible.

Requirement R5.3 specifies controls related password complexity parameters. An example of a technical control is a software-enforced capability to enforce the required password complexity parameters. A procedural control, in contrast, may be a corporate policy document that passwords must meet certain complexity parameters.

In examining the second question, the IDT analyzed the ability to automatically enforce controls specified in CIP-007-3, Requirement R5.3. Again, the IDT conducted the same exercise as in the first question, and it came to the same conclusion. Where an entity is using a technical control, subject to the TFE specification, there could be an automatic enforcement capability of the technical control. In those conditions where an entity is using a procedural control, there would likely be no automatic enforcement.

Standards Development Process

This project progressed through the normal interpretation development process including two postings for stakeholder comment—an initial ballot in March 2013, and a recirculation ballot in September 2013.

Unresolved Minority Issues

None

Additional Information

A link to the project history and files is included here for reference:

[\[Interpretation 2012-INT-04 – Interpretation of CIP-007-3 for ITC\]](#)

Southwest Power Pool Regional Entity Withdrawal of PRC-006-SPP-01

Action

Withdraw the November 7, 2012 adoption of the following standards documents and direct staff to file for withdrawal with applicable regulatory authorities:

- **Reliability Standard PRC-006-SPP-01 – Automatic Underfrequency Load Shedding**
[\[PRC-006-SPP-01- Clean\]](#) [New Standard – No redline available]
- **Violation Risk Factors (VRFs) and Violation Severity Levels (VSLs)**
[\[PRC-006-SPP-01 VRFs/VSLs\]](#)
- **Implementation Plan**
[\[PRC-006-SPP-01 Implementation Plan\]](#)

Summary of PRC-006-SPP-01

The Southwest Power Pool Regional Entity (SPP RE) Automatic Underfrequency Load Shedding (UFLS) standard, PRC-006-SPP-01, was developed to provide regional UFLS requirements to entities in the SPP region. UFLS requirements have been in place at a continent-wide level and within SPP for many years prior to implementation of federally mandated reliability compliance standards in 2007.

PRC-006-SPP-01 ensures the development and implementation of an effective automatic UFLS program for entities in the SPP region in order to preserve the security and integrity of the Bulk-Power System during declining system frequency events. The SPP UFLS standard applies to each Generator Owner (GO) and Planning Coordinator (PC) in the SPP region. It also applies to Distribution Providers (DPs) and Transmission Owners (TOs) that are responsible for the ownership, operation, or control of UFLS equipment as required by the UFLS program established by the PCs. The purpose of PRC-006-SPP-01 was to develop, coordinate and document requirements for automatic UFLS programs to arrest declining frequency and assist recovery of frequency following underfrequency events in the SPP region.

Background

In 2007, SPP began work on PRC-006-SPP-01. During the same time period, NERC began revising its continent-wide UFLS standard, PRC-006-1. In May 2012, the Federal Energy Regulatory Commission (FERC) approved the continent-wide standard PRC-006-1. PRC-006-1 clearly defines the roles and responsibilities of parties to whom the standard applies. PRC-006-1 identifies the PC as the entity responsible for developing UFLS schemes within its PC area.

PRC-006-SPP-01 adds specificity not contained in the PRC-006-1 standard for development and implementation of a UFLS scheme in the SPP Region that effectively mitigates the consequences of an underfrequency event.

PRC-006-SPP-01 was adopted at the November 7, 2012 Board of Trustees (Board) meeting. On April 26, 2013, NERC and SPP RE filed a joint petition for approval of PRC-006-SPP-01. On August 5, 2013, the SPP RE Trustees approved recalling PRC-006-SPP-1 from FERC's consideration.

- [\[SPP Regional Entity Trustees Meeting Minutes\]](#)
- [\[SPP Regional Entity Meeting Materials\]](#)

Directives

None

Discussion

The current draft of the SPP Regional Standard was approved by the SPP stakeholders in October 2011. Since then, the drafts of continent-wide standard PRC-024-1 changed throughout the stakeholder process. Because of this, there is a difference between the generator trip zones that are required in the SPP Regional Standard versus PRC-024-1. On September 19, 2013, FERC issued a Notice of Proposed Rulemaking (NOPR) proposing to approve PRC-024-1. If the SPP Regional Standard is not withdrawn, a modification will need to be made so that the generator trip zone in PRC-006-SPP-1 does not conflict with the NERC standard. Further, all of the requirements that are included in the SPP Regional Standard have been included in the UFLS plan that will be adopted by SPP as the PC, which will be enforced by NERC through the Regional Entities (SPP, MRO and SERC) pursuant to the continent-wide standard PRC-006-1. Therefore, withdrawal of the SPP Regional Standard will not affect the reliability to the SPP system. Should FERC not approve PRC-024-1 in its Final Rule, SPP RE will reconsider whether the SPP Regional Standard is necessary.

Minority Issues

SPP RE's Trustee, Gerry Burrows, noted a minor concern during the August 5, 2013 meeting during discussion of the withdrawal of PRC-006-SPP-01. Trustee Burrows expressed concern about the withdrawal in light of the five-year phase-in time on PRC-024-1. SPP RE's General Manager, Ron Ciesiel, noted that when PRC-024 was being approved, a number of industry stakeholders stated that voluntary compliance in this area is high.

The project history and files links are available here: [\[SPP RE Project Page\]](#)
[\[NERC Project Page for PRC-006-SPP-01\]](#)

2014-2016 Reliability Standards Development Plan

Action

Adopt the Reliability Standards Development Plan 2014-2016 (RSDP) substantially in the form presented and direct staff to file with applicable regulatory authorities.

[\[2014-2016 Reliability Standards Development Plan\]](#)

Background

The RSDP, developed by staff in conjunction with members of the Standards Committee (SC), was endorsed by the SC on October 17, 2013. The 2014-2016 RSDP is a continuation of the new approach set forth in the [2013-2015 RSDP](#), with several significant incremental improvements to facilitate the transformation of NERC Reliability Standards to “steady-state.”¹ By addressing ongoing work along with new prioritizations, NERC expects to be at steady-state by the end of 2015.

Summary

As in the 2013-2015 RSDP, the 2014-2016 RSDP continues to emphasize addressing outstanding regulatory directives and the application of Paragraph 81 and results-based concepts to all existing and future Reliability Standard projects. To enhance the approach of the 2013-2015 RSDP, the 2014-2016 RSDP also provides a holistic overview of each Reliability Standard family with respect to its status on the path to steady-state. It also prioritizes 2014 Reliability Standard projects with consideration of the Reliability Issues Steering Committee (RISC) rankings, regulatory directives and deadlines, and the 2013 Independent Expert Review Panel’s (IERP’s) report.

More specifically, the RSDP approach to prioritizing Reliability Standards projects considered Reliability Standard family priorities as applied to individual projects and outstanding work, and considered several specific elements, such as: (i) RISC Category Rankings; (ii) regulatory directives; (iii) regulatory deadlines; (iv) Reliability Standard requirement candidates for retirement, (v) the IERP content and quality assessments; and (vi) additional considerations (i.e., fill-in-the-blank status, five-year assessment commitments). The application of these elements prioritizes each Reliability Standard project as High, Medium, Low, or Pending Technical Committee input.

For purposes of implementation of the Reliability Standard projects in the RSDP, NERC standards staff and the Project Management and Oversight Subcommittee (PMOS) of the SC will continue to coordinate and track the projects via its Project Tracking Spreadsheet. Standard projects submitted or created after completion of this RSDP will go through the same prioritization, as applicable, to coordinate the projects into the plan.

¹ For purposes of the RSDP, “steady state” means a stable set of clear, concise, high quality, and technically sound Reliability Standards that are results-based, including retirement of requirements that do little to promote reliability.

Definition of Bulk Electric System – Phase 2

Action

None, status update.

Background

On December 20, 2012, the Federal Energy Regulatory Commission (FERC) issued Order No. 773, approving the definition of Bulk Electric System (BES) filed as a result of Phase 1 of the Definition of Bulk Electric System project. In Order No. 773, as clarified in Order No. 773-A, FERC directed NERC to: (1) modify the exclusions for radial systems (Exclusion E1) and local networks (Exclusion E3) so that they do not apply to tie-lines, *i.e.*, generator interconnection facilities, for BES generators; and (2) modify the local network exclusion to remove the 100 kV minimum operating voltage to allow systems that include one or more looped configurations connected below 100 kV to be eligible for the local network exclusion.

In Order No. 773-A, FERC noted that facilities below 100 kV can be a significant factor in a major blackout. FERC cited the joint NERC and FERC staff report on the September 8, 2011, Arizona-Southern California blackout¹ in support of its decision to include all facilities that have a material impact on the reliability of the Bulk-Power System (BPS). FERC's analysis of the impact of the revisions to the definition of BES to address Order No. 773 directives reflects the intention that the revised definition would not dramatically impact the footprint of the BES.

On May 23, 2013, NERC filed a motion with FERC, requesting that the effective date of Order No. 773 be extended by one year, from July 1, 2013 to July 1, 2014. On June 6, 2013, FERC granted this request, stating in its order that *"NERC should submit a filing that includes proposed modifications to comply with the directives pertaining to exclusions E1 and E3 as soon as possible prior to December 31, 2013. Any delay in the submission of a filing that addresses the responsive modifications could impede the Commission's ability to act on the directives prior to July 1, 2014."*

Summary

The standard drafting team (SDT) continues to work toward the goal of filing an approved Phase 2 definition which includes the directives outlined in FERC Order 773 and 773-A by the end of year deadline. At this time, the SDT anticipates achieving its goal.

Standard Development Process

Definition of Bulk Electric System – Phase 2 was posted for comment and initial ballot through July 12, 2013, with an approval rating of 49.73 percent. The SDT responded to comments and posted a draft for a second ballot and comment period running from August 6 through September 4, 2013. This draft received a 66.11 percent approval rating. Once again, the SDT reviewed and responded to comments and posted for a second successive ballot and comment period starting September 27, 2013 and ending on October 28, 2013.

¹ [Arizona-Southern California Outages on September 8, 2011](#)

The second successive ballot for Definition of Bulk Electric System – Phase 2 will close after these materials are distributed. Therefore, the results will be presented at the November Board of Trustees meeting.

Waiver of Standard Process

On June 26, 2013, FERC approved the revised Standard Processes Manual, which requires each additional comment period to be 45 days. An initial ballot of the revised Definition of Bulk Electric System ended on July 12, 2013, with an approval rating of 49.73 percent. Given the time necessary to adequately consider comments, conduct outreach, and develop revisions to reach stakeholder consensus, adhering to a 45-day posting schedule would have limited the team to a single remaining successive comment period and ballot to meet the December 31, 2013 FERC deadline. Accordingly, after consultation with SDT leadership and the Standards Committee (SC) Project Management and Oversight Subcommittee (PMOS) representative, NERC standards staff and the SDT leadership requested a waiver be granted by the SC to allow for the next and any additional successive comment and ballot period(s) for Phase 2 of Project 2010-17, prior to the final ballot, to be shortened to a 30-day duration with the ballot to occur during the last ten days of the 30-day period. On August 2, 2013, the SC approved this waiver request.

Unresolved Minority Issues

There are two minority issues raised by industry stakeholders that were not resolved, as identified below:

Issue: Several Canadian entities expressed the opinion that the 50 kV threshold for loop analysis should not apply to Canadian entities due to provincial regulations and because it is action taken to respond to a FERC directive.

Response: Although the revised definition project was undertaken in response to a FERC Order; the threshold in question provides an appropriate continent-wide, bright-line for reliability of the BES based on physical principles and supported in the technical analysis in the white paper supporting the selection of the 50 kV threshold [[Project 2010-17 Definition of BES – Phase 2 SDT Report on sub-100 kV Looping Facilities](#)]. The analysis in the white paper incorporates data supplied by Canadian entities. Therefore, the SDT sees no reason for a reference to non-US Registered Entities.

Issue: Some comments suggested deleting Inclusion I4 concerning the inclusion of individual dispersed power producing resources.

Response: The proposed definition continues to include, through Inclusion I4, individual dispersed power producing resources if those resources aggregate to a total value greater than 75 MVA. This inclusion treats dispersed power producing resources in a manner that was accepted and emphasized by FERC in Orders No. 773 & 773-A. The SDT has explored various options associated with dispersed power producing resources; however, none of the options explored provided an equal and effective approach to address FERC's reliability concerns with these facilities. The SDT continues to believe that the best resolution to the industry's concerns is through clarification of individual Reliability Standards applicability and not through a revision to the BES definition.

Additional Information

A link to the project history and files is included here for reference:

[\[http://www.nerc.com/pa/Stand/Pages/Project2010-17_BES.aspx\]](http://www.nerc.com/pa/Stand/Pages/Project2010-17_BES.aspx)

Operating Personnel Communication Protocols — COM-003-1

Action

Adopt the Standards Oversight and Technology Committee (SOTC) recommendation related to the development of a combined COM-002/COM-003 Reliability Standard.

Summary

The Federal Energy Regulatory Commission's (FERC's) Order No. 693 directed that NERC develop a Reliability Standard that requires tightened communication protocols, especially for communications during alerts and emergencies. The same order also recommended that enhanced communication protocols should be applied in "normal" circumstances.

The Board of Trustees (Board), at its February 9, 2012 meeting, approved a proposed interpretation of the COM-002-2 Reliability Standard that the word "directive", as used in COM-002-2, pertains solely to emergency operations. At the same meeting the Board approved a resolution directing the Standards Committee (SC) to complete development activities on the proposed COM-003 Reliability Standard, which was intended to address tightened communication protocols for non-emergency operations, on a high priority basis.

The proposed COM-002-3 Reliability Standard addresses tightened communication protocols for alert and emergency operating conditions, and was approved by the Board on November 7, 2012. [[COM-002-3](#)]

The draft COM-003-1 Reliability Standard has been balloted six times and has received the support of a majority of the ballot body on four successive ballots, but failed to achieve the approval of two-thirds of the ballot body.

The Board, at its August 15, 2013 meeting, agreed to consider at its November 2013 meeting how best to act on: 1) the disposition of the approved interpretation of the approved COM-002-2 Reliability Standard, 2) the Board-approved COM-002-3 Reliability Standard, and 3) the draft COM-003-1 Reliability Standard, including whether to exercise its authority under Section 321 of the NERC Rules of Procedure. The Board directed the Reliability Issues Steering Committee (RISC), the Independent Expert Review Panel (IERP), and NERC management to respond to specific questions related to the draft COM-003-1 Reliability Standard. The Board also requested the Operating Committee to review the questions and responses and provide its input to the Board.

Responses to the questions from RISC, NERC management, and IERP were submitted on September 6, 2013, and posted on the NERC website. Input received from the Operating Committee is included as **Attachment A**. A summary of the responses received, including a summary of the input from the Operating Committee, was included as an attachment to the October 9, 2013 Policy Input Letter.

The SOTC held a closed meeting on September 30, at which it considered the responses to the questions posed by the Board, as noted above, and considered legal advice provided by NERC's general counsel relating to issues relevant to the Reliability Standards being considered and

Section 321 of the NERC Rules of Procedure, and discussed possible recommendations it might make for Board action. As a result of that discussion, the SOTC recommended that the Board direct the Standards Committee and the relevant standard drafting team to develop a combined COM-002 and COM-003 Reliability Standard that should address specific elements which are described in detail in the SOTC's recommendation. The SOTC's September 30 recommendation is included as **Attachment B**.

In addition, the SOTC considered commentary on the uncertainty around the potential compliance and enforcement approaches with respect to any new communications standards. The SOTC's recommendation includes specific directions related to both the language of a new combined Reliability Standard as well as management action with respect to proposed compliance and enforcement approaches.

Further to the SOTC's recommendation, the SOTC will consider updates from the Standards Committee and NERC management at its meeting of November 6, 2013. The Board will consider the SOTC recommendation and these updates at its meeting of November 7, 2013 and will determine what actions may be appropriate.

Pertinent FERC Order No. 693 directives

Paragraph 512

The Commission finds that, during both normal and emergency operations, it is essential that the transmission operator, balancing authority and reliability coordinator have communications with distribution providers...we adopt our proposal to require the ERO to modify COM-002-2 to apply to distribution providers through its Reliability Standards development process.

Paragraph 531

We adopt our proposal to require the ERO to establish tightened communication protocols, especially for communications during alerts and emergencies, either as part of COM-002-2 or as a new Reliability Standard. We note that the ERO's response to the Staff Preliminary Assessment supports the need to develop additional Reliability Standards addressing consistent communications protocols among personnel responsible for the reliability of the Bulk-Power System.

Paragraph 532

While we agree with EEI that EOP-001-0, Requirement R4.1 requires communications protocols to be used during emergencies, we believe, and the ERO agrees, that the communications protocols need to be tightened to ensure Reliable Operation of the Bulk-Power System. We also believe an integral component in tightening the protocols is to establish communication uniformity as much as practical on a continent-wide basis. This will eliminate possible ambiguities in communications during normal, alert and emergency conditions. This is important because the Bulk-Power System is so tightly interconnected that system impacts often cross several operating entities' areas.

Paragraph 535

Accordingly, we direct the ERO to either modify COM-002-2 or develop a new Reliability Standard that requires tightened communications protocols, especially for communications during alerts and emergencies.

Paragraph 540

While the Commission identified concerns regarding COM-002-2, the proposed reliability standard serves an important purpose by requiring users, owners and operators to implement the necessary communications and coordination among entities. Accordingly, the Commission approves Reliability Standard COM-002-2 as mandatory and enforceable. In addition, pursuant to section 215(d)(5) of the FPA and § 39.5(f) of our regulations, the Commission directs the ERO to develop a modification to COM-002-2 through the Reliability Standards development process that: (1) expands the applicability to include distribution providers as applicable entities; (2) includes a new Requirement for the reliability coordinator to assess and approve actions that have impacts beyond the area view of a transmission operator or balancing authority and (3) requires tightened communications protocols, especially for communications during alerts and emergencies. Alternatively, with respect to this final issue, the ERO may develop a new Reliability Standard that responds to Blackout Report Recommendation No. 26 in the manner described above. Finally, we direct the ERO to include APPA's suggestions to complete the Measures and Levels of Non-Compliance in its modification of COM-002-2 through the Reliability Standards development process. (emphasis added)

Standard Development Process Update

On October 17, 2013, the Standards Committee approved a waiver that would give the COM-003 standard drafting team the ability to approve the development of a revised standard on an expedited timeline and develop a draft combined standard based on the SOTC's September 30 recommendations. The waiver allows the standard drafting team to post the combined standard for a 15-calendar day comment period and concurrent 10-day ballot period. If the combined standard passes, the waiver directs the standard drafting team to post the combined standard for a 5-calendar day final ballot period. If the combined standard does not pass, the standard drafting team is directed not to post the revised combined standard for a final ballot.

Given the Standards Committee waiver, the COM-003 standard drafting team developed a combined standard, which is referred to as the draft COM-002-4 standard, that was posted for a 15-calendar day calendar comment period and concurrent 10-day ballot period on October 21, 2013. The draft COM-002-4 standard is available at the following link: [COM-002-4 Project Page](#). The COM-002-4 ballot will close on November 4, 2013, and NERC management will provide an update on the ballot results to the SOTC at the November 6, 2013 meeting and to the Board at the November 7, 2013 meeting.

Additional Information

The project history, responses from RISC, NERC Management, IERP, and the project files are posted at: [Operational Communication Protocol Project 2007-02](#).

September 23, 2013

Mr. Fred Gorbet
Chairman
NERC Board of Trustees

RE: Operating Committee Response to COM-003-1 Reliability Standard

Dear Mr. Gorbet:

At the August 15, 2013 NERC Board of Trustees (Board) meeting, the NERC Operating Committee (OC) was directed to review the responses from the Reliability Issues Steering Committee (RISC), the Independent Experts Review Panel and NERC management to five questions pertaining to the draft COM-003-1 Reliability Standard. These were included in the NERC OC meeting material for the committee to review in preparation for the meeting discussion. Armed with this information, the OC reviewed and discussed the five questions at their September 17-18, 2013 meeting. Following are the NERC OC's perspectives and thoughts on the five questions answered.

Clear communication is important for the reliable operation of the system in both normal and emergency conditions. As such, the OC believes that incentives are currently in place and three-part communications are currently being used for many operational communications. The need for clear communications is not something new, it has always been vital for safe operations to protect utility personnel, the public, and assets, as well as for ensuring reliable operations. In recognition of this need, the OC created Reliability Guideline: System Operator Verbal Communications - Current Industry Practices. The purpose of this reliability guideline is "...to document and share current verbal BES communications practices and procedures from across the industry that have been found to enhance the effectiveness of system operator communications programs. These (practices and procedures) are not mapped to existing or future mandatory requirements, but rather are intended to show the breadth of industry practices concerning verbal communications."

As noted in the RISC's comments, there is little evidence that non-emergency communications represent a reliability gap. NERC's Events Analysis process has not identified non-emergency operational communications as a concern. In addition, neither the February 2011 Southwest Cold Weather Event nor the September 2011 Arizona-Southern California Blackout reports identified non-emergency operational communications as a concern. Hence, the NERC OC recommends that a standard is not needed for non-emergency operational communications. However, if a standard is developed for non-emergency operational communications, the NERC OC has the following comments:

The existing COM-003-1 Standard Drafting Team (SDT) has been through several iterations without success. A fresh start is needed with a new team. This team should have substantial operational experience, preferably extensive on-shift experience.

A Reliability Assurance Initiative (RAI) or non-zero tolerance approach is recommended for a communication standard. This could set a benchmark on how Reliability Standards can be focused on improving future performance through internal controls that include program development, training, monitoring, evaluation and correction. Such action would also recognize that many operational communications are problem identification and solution finding discussions that should not be subjected to a three part communications process.

In addition, consideration should be given to limiting the additional compliance and administrative burdens for NERC, the Regional Entities, and the industry created by a new standard, since there is little evidence that non-emergency communication represents a significant risk.

The OC's responses to the five questions follow.

Question 1: Proposed COM-002-3 Reliability Standard provides a standard that addresses communication protocols in an emergency. Are there circumstances that are not an emergency (as defined in COM-002-3) that can lead to reliability risks if not appropriately addressed by a standard? If so, what are these circumstances and how important is it that there be a standard to address them?

OC Response

- The NERC OC agrees non-emergency communications in real-time operations can lead to reliability risks. However, the OC does not believe that this alone creates a need for a separate standard to address communications during normal operations. The electric system is designed and operated to limit the effect of a (n-1) contingency. The OC also believes incentives are currently in place today, such as personnel and public safety and human error prevention, to ensure proper communications in normal operations and that additional standards are not required.
- If the Board chooses to move forward with the standard development, the OC could support a single standard that addresses operational communication that provides continuity across all operational states. We would suggest starting with a clean slate to develop one standard replacing COM-002 and COM-003. See Q5.

Question 2: Does the latest draft of the COM-003-1 Reliability Standard address such circumstances appropriately? Is it a "quality standard" on the basis of the criteria that are being used to assess existing and future standards by the Independent Experts Review Panel?

OC Response

- The OC does not consider the draft COM-003-1 as a quality standard.
- The OC could support a single communications standard that addresses operational communications under all operational states as outlined in the OC responses below.

Question 3: Are there changes you would recommend to improve the current draft of the COM-003-1 Reliability Standard? Describe how the enhancements would address any gaps in Bulk-Power System reliability.

OC Response

- This response is based on the OC's response to Question 1.

The OC could support a single communications standard that addresses operational communications under all operational states. Our recommendation to improve the standard would be to modify the standard for entities to self monitor, evaluate, and correct communication deficiencies with a goal of future performance improvement, as opposed to a zero defect type of standard. Under no circumstances do we believe that a zero defect approach is constructive or warranted in the context of operational communications.

Question 4: Should the proposed COM-002-3 Reliability Standard approved by the Board be rescinded and a new standard developed that addresses communications during both emergency and non-emergency conditions? If so, what key issues would it address, including an appropriate definition of "non-emergency conditions"?

OC Response

- This response is based on the OC's response to Question 1.

The OC believes that all Board action with regard to proposed COM-002-3 be placed on hold and expedite moving forward with a new COM standard.

The OC could support a single communications standard that addresses operational communications under all operating states as outlined in the OC responses to questions 3 and 5.

Question 5: Do you have any additional input regarding the development of the COM-003-1 Reliability Standard for the Board to consider in its deliberations on next steps?

OC Response

- If the Board determines it is necessary to move forward with a standard, the OC recommends taking a clean slate approach (i.e., a new SAR and new SDT) to develop one standard addressing operational communications. The standard should focus on communication categories where three-part communications can be applied in an effective and practical way such as topology changes, and not including less practical categories such as "all calls," routine adjustments such as resource dispatch instructions within the normal operational range of the resource, and leaving space for problem solving discussions. The standard should not be zero tolerance based. The standard should focus on self monitoring, evaluating, and correcting any communication deficiencies.

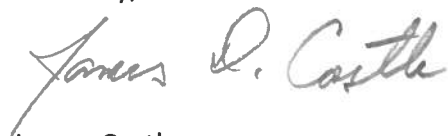
Other Considerations

- Compliance (Move away from zero tolerance and get to a programmatic and results based standard – e.g., FAC-003-3)
- Training (How will a new standard impact training across the industry?)
- Timing (Consolidating COM-002 and 003 into a single standard takes more time but results in a better product than two separate standards.)
- Refrain from creating new glossary terms, such as “operating instructions.”

In summary, the OC believes that a standard is not needed for non-emergency operational communications. However, if the Board chooses to move forward with a standard development, the OC could support a single standard that addresses operational communication that provides continuity across all operational states.

The Operating Committee thanks the Board of Trustees for allowing us the opportunity to provide feedback regarding the draft COM-003-1 Reliability Standard.

Sincerely,



James Castle
Operating Committee Chair

cc: Board of Trustees
Operating Committee
Mark Lauby
Mike Moon
Holly Hawkins

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
Recommendation of the Standards Oversight and Technology Committee to the NERC
Board of Trustees

Standards Oversight and Technology Committee Meeting
September 30, 2013

RESOLVED, that the Standards Oversight and Technology Committee (“SOTC”) hereby recommends that the Board direct the Standards Committee and relevant standard drafting team to develop a combined COM-002 and COM-003 standard that addresses, at a minimum, the following:

- Draws on the Operating Committee Guideline for good communication practice;
- Requires training, periodic testing, and remedial action where testing showed that a protocol was not followed;
- Requires the use of three-part communications only for: i) emergency and alert communications; and ii) non-emergency communications that change or preserve the state, status, output, or input of the Bulk Electric System;
- Includes a set of protocols to be used by all entities;
- Requires training of system operators on the communications protocols and demonstrates evidence of that training; and
- Includes a process to review communications with system operators and provide feedback on adherence to the communication protocols and identify any necessary changes to the protocols.

FURTHER RESOLVED, that the standard drafting team should, in connection with developing a draft combined standard, consider the following compliance/enforcement approach:

- Entities should be accountable for incorrect use of communication protocols in connection with alerts and emergency operations, without exception.
- For all other use of communication protocols in connection with non-emergency conditions, the standard should provide that, in the case of non-emergency communications that change or preserve the state, status, output, or input of the Bulk Electric System, any failure found during an audit or an events analysis investigation would be evaluated by the ERO enterprise using enforcement discretion to determine whether or not the circumstances merit treating the failure as a violation.

FURTHER RESOLVED, that the Chair of the SOTC should communicate the substance of the resolution to the Chair of the Standards Committee in a timely manner.

FURTHER RESOLVED, that NERC management is directed to prepare a draft Reliability Standards Audit Worksheet (“RSAW”) and any other documentation necessary and appropriate consistent with the foregoing compliance/enforcement approach that will address concepts on how compliance will be addressed that should be posted with the draft combined standard.

FURTHER RESOLVED, that the Standards Committee and NERC management are directed to provide an update to the SOTC at the November 6, 2013 SOTC meeting on the status of the development of the draft combined standard and the RSAW.

2013 Special Reliability Assessment: Maintaining Bulk Power System Reliability While Integrating Variable Energy Resources to Meet Renewable Portfolio Standards Report

Action

Accept the report, endorse the recommendations, and approve for publication.

Background

The integration of large quantities of variable energy resources (VERs) is changing electric system planning and operations. The variability of these resources requires new approaches to planning and operating methods to ensure the reliability of the Bulk-Power System (BPS). This report provides an explanation of the current efforts of the California Independent System Operator Corporation (CAISO) to integrate VERs, as well as some of the current and proposed solutions to maintain resource adequacy and reliable operations in anticipation of a significantly changing resource mix.

The solutions being implemented by CAISO support the recommendations of the Integration of Variable Generation Task Force (IVGTF). In many ways, concerns in CAISO are a test bed to develop effective ways to plan and operate a transformed electric grid. The report will highlight the steps CAISO has taken based on the IVGTF's guidance, describe the unique challenges in California's electric grid, and finally offer residual gaps in the form of recommendations for the CAISO system as well as consider others. Consequently, other parts of the North America can learn from the challenges and enhancements occurring and apply them to meet their own future needs.

Understanding how the CAISO system will behave in the future is also important for system planners and operators across the Western Interconnection. Accommodating high levels of variable resources requires the cooperation and coordination across the interconnection as many of the challenges noted in this report impact frequency stability, frequency response, energy imbalance, and increased and dynamic transfers. Given these conditions, increased reliance on the entire interconnection to support reliability is expected.

Download Link: [2013 Special Reliability Assessment: Maintaining Bulk Power System Reliability While Integrating Variable Energy Resources to Meet Renewable Portfolio Standards Report](#)

Summary of Proposed Amendments to the Technical Feasibility Exception Process in the NERC Rules of Procedure, Appendix 4D

Action

Approve

Summary

This summary contains:

- i. Information regarding the regulatory background of the compliance filing;
- ii. The amendments proposed in response to the Federal Energy Regulatory Commission's ("FERC" or "Commission") directives;
- iii. Stakeholder comments received on the proposed amendments after the September 16, 2013 posting of the proposed amendments; and
- iv. The proposed amendments on a section-by-section basis incorporating stakeholder recommendations.

Attached to this summary are:

- i. A redline version showing the proposed amendments compared to the currently effective NERC Rules of Procedure ("ROP") text (incremental changes highlighted in yellow); and
- ii. A clean version showing the proposed amendments compared to the currently effective ROP text.

The North American Electric Reliability Corporation ("NERC") is proposing amendments to the ROP Appendix 4D in response to the September 3, 2013 [order](#) of the Commission in Docket No. RR13-3-000 ("September 3 Order"). If approved by the NERC Board of Trustees ("Board"), these amendments will be filed with the appropriate regulatory authorities for approval.

On April 8, 2013, NERC filed a [petition](#) for Approval of Revisions to its ROP Appendix 4D (Procedure for Requesting and Receiving Technical Feasibility Exceptions ("TFEs") to NERC Critical Infrastructure Protection Standards) and Appendix 2 (Definitions Used in the Rules of Procedure) with FERC. Revisions were made to Sections 2.0 through 13.0 of Appendix 4D and to the terms "Effective Date," "Material Change," "Material Change Report," "Part A Required Information," and "Part B Required Information" of Appendix 2. The revisions were developed to streamline the TFE process and ease the administrative burden of the program, while maintaining the substantive criteria for determining whether to approve or disapprove a TFE request.

In the September 3 Order, FERC approved the April 2013 filing but directed limited revisions to two provisions. NERC's compliance filing is due December 2, 2013. Specifically, NERC must:

1. Revise Section 6.5 in Appendix 4D to specify a time frame for reporting material changes to TFEs upon identification and discovery; and
2. Revise Section 13.1 in Appendix 4D to: (a) require the annual TFE report to the Commission to include data and information regarding Material Change Reports, including the number of Material Change Reports filed annually and information regarding the types of circumstances or events that led to material changes, as well as any additional information NERC believes would be useful, and (b) include additional information regarding TFEs and their expiration dates, including the number of TFEs by expiration year and CIP Standard requirement, the percentage of currently approved TFEs without expiration dates, and the number of new TFEs approved without expiration dates annually.

Each of these revisions is addressed below.

I. Section 6.0 – Implementation and Reporting by the Responsible Entity Pursuant to an Approved TFE or Material Change Report

In the April 2013 filing, NERC proposed that “[i]f there is a Material Change in the facts underlying approval of the TFE, the Responsible Entity shall submit a Material Change Report to the Regional Entity supporting the continuing need and justification for the approved TFE or verifying that the Responsible Entity has achieved Strict Compliance with the Applicable Requirement pursuant to Section 4.0.” Section 6.5 did not specify a deadline for a responsible entity to submit a Material Change Report to the Regional Entity after a material change is identified.

In the September 3 Order, FERC determined that the specification of a deadline is important to ensure that responsible entities will timely submit a Material Change Report to the Regional Entity. Further, FERC noted that specification of a deadline will promote consistency across Regional Entities.

On September 16, 2013, NERC publicly posted a notice requesting stakeholder comment on the proposed revisions to Appendix 4D of the ROP.

In Section 6.5, NERC originally proposed to modify the language to require that a Material Change Report be filed within thirty (30) days of identification or discovery of a material change. The modified Section 6.5 also included a provision permitting this time period to be extended for good cause. The proposed modifications read as follows:

6.5 If there is a Material Change in the facts underlying approval of the TFE, the Responsible Entity shall submit a Material Change Report to the Regional Entity, within thirty (30) days of identification or discovery of the Material Change, supporting the continuing need and justification for the approved TFE or verifying that the Responsible Entity has achieved Strict Compliance with the Applicable Requirement

pursuant to Section 4.0. The Regional Entity may extend the period for submittal of the Material Change Report upon request for good cause shown.

As of October 22, 2013, NERC has received four written comments from National Grid, Consumers Energy, American Electric Power (“AEP”), and Southern California Edison (“SCE”), and verbal comment from members of the Critical Infrastructure Protection Committee (“CIPC”) and the Compliance and Certification Committee Procedures Subcommittee (“CCC PROCS”). National Grid and Consumers Energy recommend that Section 6.5 be revised to specify a 60-day deadline for the submission of Material Change Reports upon the identification or discovery of the Material Change. AEP recommends that Section 6.5 be revised to allow the Registered Entity 92 days to submit Material Change Reports upon the identification or discovery of the Material Change. AEP believes this would align well with the quarterly reporting requirement. AEP also recommends changes to Section 2.17 and 5.23. SCE’s comments focus on the sentence “The Regional Entity may extend the period for submittal of the Material Change Report upon request for good cause shown.” SCE asks NERC to define what would be acceptable “good cause,” and once “good cause” has been defined, to edit the sentence as follows, “The Regional Entity may extend the period for submittal of the Material Change Report upon request ~~for~~ **and with** good cause shown.” Finally, NERC staff participated in calls with CIPC and the CCC PROCS. A request was made during those calls that NERC clarify that “days” referred to “calendar days.”

In response to the comments, NERC has revised “thirty (30) days” to “sixty (60) calendar days” and modified the last sentence to replace the word “for” with the words “and with.” The revised text reads as follows:

6.5 If there is a Material Change in the facts underlying approval of the TFE, the Responsible Entity shall submit a Material Change Report to the Regional Entity, within sixty (60) calendar days of identification or discovery of the Material Change, supporting the continuing need and justification for the approved TFE or verifying that the Responsible Entity has achieved Strict Compliance with the Applicable Requirement pursuant to Section 4.0. The Regional Entity may extend the period for submittal of the Material Change Report upon request and with good cause shown.

NERC management does not recommend revisions in response to the 92-day period proposed by AEP. We note that the TFE revisions approved by FERC in the September Order eliminated the requirement for quarterly reporting with respect to TFEs. No changes to those terms are being made in the instant compliance filing. The FERC-approved TFE revision allows an entity to seek additional time as needed. AEP’s proposed changes to Section 2.17 and 5.23 go beyond the scope of the compliance filing, as these sections were not identified by the Commission. Regarding SCE’s request for a definition of “good cause,” NERC notes that a determination as to what constitutes good cause is dependent on the individual circumstances of a given situation, and no changes have been made to define what constitutes “good cause.”

II. Section 13.0 – Annual Report to FERC and Other Applicable Governmental Authorities

In the September 3 Order, FERC also determined that several enhancements to the annual TFE report were warranted in order to provide sufficient evidence that the TFE process is working, current TFEs are justified, and reliability is maintained.

In Section 13.1, NERC has revised the posted revisions to require the annual TFE report to include data and information regarding Material Change Reports and TFE expiration dates, in accordance with the September 3 Order as follows:

- (vii) Assessments, by Regional Entity (and for more discrete areas within a Regional Entity, if appropriate) and in the aggregate for the United States and for the jurisdictions of other Applicable Governmental Authorities, of the Wide-Area impacts on the reliability of the Bulk Electric System of approved TFEs in the aggregate, including the compensating measures and mitigating measures that have been implemented; ~~and~~
- (viii) Discussion of efforts to eliminate future reliance on TFEs;~~:-~~
- (ix) Data and information regarding Material Change Reports, including the number of Material Change Reports filed annually and information regarding the types of circumstances or events that led to material changes, as well as any additional information NERC believes would be useful; and
- (x) Additional information about TFEs and their expiration dates, including the number of TFEs by expiration year and CIP Standard requirement, the percentage of currently approved TFEs without expiration dates, and the number of new TFEs approved without expiration dates annually.

NERC is also proposing a conforming change to the Table of Contents page to reflect the additional language.

As of October 22, 2013, NERC has received one stakeholder comment regarding the proposed changes to section 13.0. SCE requests that the sentence “as well as any additional information NERC believes would be useful” be struck from 13.1(ix). NERC management does not recommend revisions in response to this comment. NERC’s proposed language tracks the directive in the FERC Order. It is consistent with NERC’s authority under Section 215, the ROP and FERC Orders, rules and regulations. It also provides clarity and notice within the list that NERC may include any additional information in the annual report that NERC believes would be useful.

Summary of Stakeholder Comments and Responses

Proposed Revisions to the Rules of Procedure Appendix 4D (Updated October 22, 2013)

Change Proposed by NERC	Comment Received	Outcome	Justification/Notes
<p>Section 6.5</p> <p>In Section 6.5, NERC originally modified the language to require a Material Change Report to be filed within thirty (30) days of identification or discovery of a material change. The modified Section 6.5 also included a provision permitting this time period to be extended for good cause. These modifications read as follows:</p> <p>6.5 If there is a Material Change in the facts underlying approval of the TFE, the Responsible Entity shall submit a Material Change Report to the Regional Entity, <u>within thirty (30) days of identification or discovery of the Material Change</u>, supporting the continuing need and justification for the approved TFE or verifying that the Responsible Entity has achieved Strict Compliance with the Applicable Requirement pursuant to Section 4.0. <u>The Regional Entity may extend the period for submittal of the Material Change Report upon request for good cause shown.</u></p>	<p>National Grid recommends that Section 6.5 be revised to specify a sixty (60) day deadline for the submission of Material Change Reports upon the identification or discovery of the Material Change.</p> <p>SCE’s comments focused on the sentence <u>“The Regional Entity may extend the period for submittal of the Material Change Report upon request for good cause shown.”</u> SCE asks NERC to define what would be acceptable “good cause,” and once “good cause” has been defined, to edit the sentence as follows, “The Regional Entity may extend the period for submittal of the Material Change Report upon request for and with good cause shown.”</p> <p>NERC staff participated in calls with CIPC and the CCC PROCS. A request was made during those calls that NERC clarify that “days” referred to “calendar days.”</p> <p>Finally, AEP recommends Section 6.5 be revised to allow the Registered Entity 92 days to submit Material Change Reports upon the identification or discovery of the Material Change (especially</p>	<p>NERC has revised the language from thirty days to sixty calendar days as follows: “... the Responsible Entity shall submit a Material Change Report to the Regional Entity, <u>within sixty (60) calendar days of identification or discovery of the Material Change,</u> ...”</p> <p>NERC has also revised the language in the last sentence to strike the word “for” and add “and with,” as follows: “The Regional Entity may extend the period for submittal of the Material Change Report upon request for and with good cause shown.”</p> <p>No changes have been made to Sections 2.17 and 5.23, because they go beyond the scope of the compliance filing and NERC is not proposing edits to the FERC-approved language in the compliance filing.</p>	<p>NERC has eliminated the quarterly report requirements in prior changes. As a result, NERC believes that the instant revision for submittal sixty calendar days after identification or discovery of a Material Change strikes an appropriate balance, because it provides certainty in timing for the report and allows an opportunity for an entity to seek additional time as warranted.</p> <p>Accordingly, NERC adopts the changes recommended by National Grid.</p> <p>NERC accepts SCE’s request to revise the sentence to strike “for” and add “and with.” NERC notes that a determination as to what constitutes good cause is dependent on the individual circumstances of a given situation, and no changes have been made to define what is good cause.</p> <p>As to the clarifications requested by CIPC and the CCC PROCS, a change has been made to designate the time period “days” as “calendar days.”</p> <p>As to AEP’s proposed changes to</p>

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	<p>important if an increase in device count indeed constitutes a material change). AEP also recommended changes to Sections 2.17 and 5.23.</p>		<p>Section 2.17 and 5.23, these go beyond the scope of the compliance filing and revisions have not been made. NERC provides the following clarification in response to AEP. Specifically, the TFE revisions approved by FERC in the September order eliminated the requirement for quarterly reporting with respect to TFEs. Instead, NERC proposed that entities be required only to submit a report if there was a Material Change. The terms Material Change and Material Change Report were approved by FERC in the September Order. No changes to those terms are being made in the instant compliance filing. In addition, NERC believes a term of 92 days would be too great a time period.</p>
Section 13.0			
<p>In Section 13.1, NERC proposes to require the annual TFE report to include data and information regarding Material Change Reports and TFE expiration dates, in accordance with the September 3 Order as follows:</p> <p>(vii) Assessments, by Regional Entity (and for more discrete areas within a Regional Entity, if appropriate) and in the aggregate for the United States and for the</p>	<p>With regard to (ix), <u>“Data and information regarding Material Change Reports, including the number of Material Change Reports filed annually and information regarding the types of circumstances or events that led to material changes, as well as any additional information NERC believes would be useful; and”</u> SCE asks NERC to strike <u>“as well as any additional information NERC believes would be useful”</u></p>	<p>No changes have been made.</p>	<p>NERC’s proposed language tracks the directive in the FERC order. It is consistent with NERC’s authority under Section 215, the NERC Rules of Procedure and FERC orders, rules and regulations. It further provides clarity explicitly within the list that NERC may include any additional information in the annual report that NERC believes would be useful.</p>

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<p>jurisdictions of other Applicable Governmental Authorities, of the Wide-Area impacts on the reliability of the Bulk Electric System of approved TFEs in the aggregate, including the compensating measures and mitigating measures that have been implemented; and</p> <p>(viii) Discussion of efforts to eliminate future reliance on TFEs;</p> <p><u>(ix) Data and information regarding Material Change Reports, including the number of Material Change Reports filed annually and information regarding the types of circumstances or events that led to material changes, as well as any additional information NERC believes would be useful; and</u></p> <p><u>(x) Additional information about TFEs and their expiration dates, including the number of TFEs by expiration year and CIP Standard requirement, the percentage of currently approved TFEs without expiration dates, and the number of new TFEs approved without expiration dates annually.</u></p>			

**PROCEDURE FOR REQUESTING AND RECEIVING
TECHNICAL FEASIBILITY EXCEPTIONS
TO NERC CRITICAL INFRASTRUCTURE PROTECTION STANDARDS**

APPENDIX 4D TO THE RULES OF PROCEDURE

Effective: September 3, 2013

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**PROCEDURE FOR REQUESTING AND RECEIVING
TECHNICAL FEASIBILITY EXCEPTIONS
TO NERC CRITICAL INFRASTRUCTURE PROTECTION STANDARDS**

1.0 INTRODUCTION

1.1 Purpose

This Appendix to the Rules of Procedure of the North American Electric Reliability Corporation (NERC) provides the procedure by which a Responsible Entity may request and receive an exception from Strict Compliance with the terms of a Requirement of certain NERC Critical Infrastructure Protection (CIP) Standards on the grounds of technical feasibility or technical limitations. Such an exception is referred to herein as a Technical Feasibility Exception (TFE). This Appendix is intended to implement authorization granted by FERC to allow such exceptions to Applicable Requirements of CIP Standards.¹

1.2 Authority

This Appendix is a NERC Rule of Procedure and an Electric Reliability Organization Rule. As such, this Appendix has been approved by (i) the NERC Board of Trustees and (ii) FERC. Any future revisions to this Appendix must be adopted in accordance with Article XI, section 2 of the NERC *Bylaws* and Section 1400 of the NERC *Rules of Procedure*, including approval by the NERC Board of Trustees and by FERC, in order to become effective.

1.3 Scope

This procedure for requesting and obtaining approval of TFEs is applicable only to those Requirements of CIP Standards CIP-002 through CIP-009 that (i) expressly provide either (A) that compliance with the terms of the Requirement is required where or as technically feasible, or (B) that technical limitations may preclude compliance with the terms of the Requirement, or (ii) FERC has directed should be subject to this procedure. As of the effective date of this Appendix, in the United States the Applicable Requirements are:

CIP-005-3: R2.4, R2.6, R3.1 and R3.2

CIP-006-3c: R1.1, including the Interpretation in Appendix 2

CIP-007-3: R2.3, R3, R4, R5.3, R 5.3.1, R 5.3.2, R 5.3.3, R6 and R6.3

Subsequent versions of these Requirements that are approved by FERC will continue to be Applicable Requirements, without the need to amend this Appendix to reflect the new version number of the CIP Standards, (i) if the subsequent versions continue to expressly provide either (A) that compliance with their terms is required where or as technically feasible or (B) that

¹ *Mandatory Reliability Standards for Critical Infrastructure Protection*, 122 FERC ¶ 61,040 (2008) (*Order No. 706*), at PP 157-222.

technical limitations may preclude compliance with the terms of the Requirement²; or (ii) so long as FERC does not direct that the subsequent versions are no longer Applicable Requirements. Other Requirements of CIP Standards may become Applicable Requirements as the result of revisions to the CIP Standards in accordance with the NERC *Bylaws* and *Rules of Procedure* including Appendix 3A, *Standards Process Manual*, or as a result of FERC directive. NERC shall maintain a current list of Applicable Requirements on its website.

1.4 Obligations of Canadian Entities and Cross-Border Regional Entities

A Responsible Entity that is a Canadian Entity seeking a TFE shall work with the Regional Entity, NERC, and Applicable Governmental Authorities, to the extent permitted under Canadian federal or provincial laws, and without being obligated to authorize the disclosure of information prohibited by Canadian federal or provincial law from disclosure to FERC or other Applicable Governmental Authorities in the U.S., to comply with the requirements of this Appendix. A Canadian Entity shall not be required to subject itself to United States federal or state laws not otherwise applicable to the Canadian Entity in order to utilize this Appendix to obtain a TFE. Cross-Border Regional Entities shall implement this TFE Procedure in a manner consistent with their memoranda of understanding with Canadian Entities and Canadian Applicable Governmental Authorities concerning compliance monitoring and enforcement activities in particular provinces.

2.0. DEFINITIONS

For purposes of this Appendix, capitalized terms shall have the definitions set forth in Appendix 2 to the Rules of Procedure. For ease of reference, the definitions of the following terms that are used in this Appendix are also set forth below:

2.1 Annual Report: The report to be filed by NERC with FERC and other Applicable Governmental Authorities in accordance with Section 13.0 of this Appendix.

2.2 Applicable Requirement: A Requirement of a CIP Standard that (i) expressly provides either (A) that compliance with the terms of the Requirement is required where or as technically feasible, or (B) that technical limitations may preclude compliance with the terms of the Requirement; or (ii) is subject to this Appendix by FERC directive.

2.3 Canadian Entity: A Responsible Entity that is organized under Canadian federal or provincial law.

2.4 Critical Infrastructure Protection Standard or CIP Standard: Any of NERC Reliability Standards CIP-002 through CIP-009.

² *Order No. 706* at P 157 and note 65 and P 178.

2.5 Classified National Security Information: Required Information that has been determined to be protected from unauthorized disclosure pursuant to Executive Order No. 12958, as amended, and/or the regulations of the NRC at 10 C.F.R. §95.35; or pursuant to any comparable provision of Canadian federal or provincial law.

2.6 CMEP: The NERC *Uniform Compliance Monitoring and Enforcement Program* (Appendix 4C to the NERC *Rules of Procedure*) or the Commission-approved program of a Regional Entity, as applicable.

2.7 Compliant Date: The date by which a Responsible Entity is required to be in compliance with an Applicable Requirement of a CIP Standard.

2.8 Confidential Information: (i) Confidential Business and Market Information; (ii) Critical Energy Infrastructure Information; (iii) personnel information that identifies or could be used to identify a specific individual, or reveals personnel, financial, medical, or other personal information; (iv) work papers, including any records produced for or created in the course of an evaluation or audit; (v) investigative files, including any records produced for or created in the course of an investigation; (vi) Cyber Security Incident Information; provided, that public information developed or acquired by an entity shall be excluded from this definition; or (vii) any other information that is designated as Confidential Information in Section 11.0 of this Appendix.

2.9 Covered Asset: A Cyber Asset or Critical Cyber Asset that is subject to an Applicable Requirement.

2.10 Delegate: A person to whom the Senior Manager of a Responsible Entity has delegated authority pursuant to Requirement R2.3 of CIP Standard CIP-003-1 (or any successor provision).

2.11 Effective Date: The date, as specified in a notice disapproving a TFE Request or terminating an approved TFE, on which the disapproval or termination becomes effective.

2.12 Eligible Reviewer: A person who has the required security clearances or other qualifications, or who otherwise meets the applicable criteria, to have access to Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information, as applicable to the particular information to be reviewed.

2.13 Expiration Date: The date on which an approved TFE expires.

2.14 FERC: The United States Federal Energy Regulatory Commission.

2.15 FOIA: The U.S. Freedom of Information Act, 5 U.S.C. §552.

2.16 Hearing Procedures: Attachment 2 to the NERC or Regional Entity CMEP, as applicable.

2.17 Material Change: A change in facts that modifies Required Information in connection with an approved TFE. Examples of a Material Change could include, but are not limited to an

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increase in device count (but not a decrease), change in compensating measures, change in statement of basis for approval for the TFE, a change in the Expiration Date of the TFE, or a Responsible Entity achieving Strict Compliance with the Applicable Requirement.

2.18 Material Change Report: A report submitted by the Responsible Entity to the Regional Entity in the event there is a Material Change to the facts underlying an approved TFE pursuant to Section 4.0.

2.19 NRC: The United States Nuclear Regulatory Commission.

2.20 NRC Safeguards Information: Required Information that is subject to restrictions on disclosure pursuant to 42 U.S.C. §2167 and the regulations of the NRC at 10 C.F.R. §73.21-73.23; or pursuant to comparable provisions of Canadian federal or provincial law.

2.21 Protected FOIA Information: Required Information, held by a governmental entity, that is subject to an exemption from disclosure under FOIA (5 U.S.C. §552(e)), under any similar state or local statutory provision, or under any comparable provision of Canadian federal or provincial law, which would be lost were the Required Information to be placed into the public domain.

2.22 Responsible Entity: An entity that is registered for a reliability function in the NERC Compliance Registry and is responsible for complying with an Applicable Requirement, as specified in the “Applicability” section of the CIP Standard.

2.23 Required Information: The information required to be provided in a TFE Request, as specified in Section 4.0 of this Appendix.

2.24 Senior Manager: The person assigned by the Responsible Entity, in accordance with CIP Standard CIP-003-1 Requirement R2 (or subsequent versions), to have overall responsibility for leading and managing the Responsible Entity’s implementation of, and adherence to, the CIP Standards.

2.25 Strict Compliance: Compliance with the terms of an Applicable Requirement without reliance on a Technical Feasibility Exception.

2.26 Technical Feasibility Exception or TFE: An exception from Strict Compliance with the terms of an Applicable Requirement on grounds of technical feasibility or technical limitations in accordance with one or more of the criteria in Section 3.0 of this Appendix.

2.27 TFE Request: A request submitted by a Responsible Entity in accordance with this Appendix for an exception from Strict Compliance with an Applicable Requirement.

3.0. BASIS FOR APPROVAL OF A TECHNICAL FEASIBILITY EXCEPTION

3.1. A Responsible Entity may request and obtain approval for a TFE on the grounds that Strict Compliance with an Applicable Requirement, evaluated in the context or environment

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of the Responsible Entity's Covered Asset that is the subject of the TFE Request:

- (i) is not technically possible or is precluded by technical limitations; or
- (ii) is operationally infeasible or could adversely affect reliability of the Bulk Electric System to an extent that outweighs the reliability benefits of Strict Compliance with the Applicable Requirement; or
- (iii) while technically possible and operationally feasible, cannot be achieved by the Responsible Entity's Compliant Date for the Applicable Requirement, due to factors such as, for example, scarce technical resources, limitations on the availability of required equipment or components, or the need to construct, install or modify equipment during planned outages; or
- (iv) would pose safety risks or issues that, in the determination of the Regional Entity, outweigh the reliability benefits of Strict Compliance with the Applicable Requirement; or
- (v) would conflict with, or cause the Responsible Entity to be non-compliant with, a separate statutory or regulatory requirement applicable to the Responsible Entity, the Covered Asset or the related Facility that must be complied with and cannot be waived or exempted; or
- (vi) would require the incurrence of costs that, in the determination of the Regional Entity, far exceed the benefits to the reliability of the Bulk Electric System of Strict Compliance with the Applicable Requirement, such as for example by requiring the retirement of existing equipment that is not capable of Strict Compliance with the Applicable Requirement but is far from the end of its useful life and replacement with newer-generation equipment that is capable of Strict Compliance, where the incremental risk to the reliable operation of the Covered Asset and to the Reliable Operation of the related Facility and the Bulk Electric System of continuing to operate with the existing equipment is minimal in the determination of the Regional Entity.

3.2. A TFE does not relieve the Responsible Entity of its obligation to comply with the Applicable Requirement. Rather, a TFE authorizes an alternative (to Strict Compliance) means of compliance with the Applicable Requirement through the use of compensating measures and/or mitigating measures that achieve at least a comparable level of security for the Bulk Electric System as would Strict Compliance with the Applicable Requirement.

3.3. The burden to justify approval of a TFE Request in accordance with the provisions of this Appendix is on the Responsible Entity. It is the responsibility of the Regional Entity, subject to oversight by NERC as provided in this Appendix, to make all determinations as

to whether a TFE Request has met the criteria for approval.³ NERC and the Regional Entities shall carry out the activities described in Section 11.0 of this Appendix to provide consistency in the review and approval or disapproval of TFE Requests across Regional Entities and across TFE Requests.

3.4. A TFE Request may be approved without a specified Expiration Date, however, in the event of a Material Change to the facts underlying an approved TFE, the Responsible Entity shall submit a Material Change Report providing continuing justification for the TFE or verifying Strict Compliance with the Applicable Requirement has been achieved.

4.0. FORM, CONTENTS AND SUBMISSION OF A TFE REQUEST OR MATERIAL CHANGE REPORT

4.1. Submissions for a TFE Request or Material Change Report by Class

A Responsible Entity may seek a TFE for class-based categories of devices. A list of permissible class-based categories of devices will be maintained on NERC's website. In addition, a Responsible Entity may use one submission to request a TFE from the same Applicable Requirement for multiple, similar Covered Assets (either at the same location or at different locations within the geographic boundaries of a Regional Entity) on the same basis, with the same compensating measures and/or mitigating measures, and with the same proposed Expiration Date, the TFE Requests for all the Covered Assets may be included in one submission.

4.2. Form and Format of TFE Request or Material Change Report

A TFE Request or a Material Change Report shall consist of the following Required Information:

- (i) Category (pursuant to Section 4.1 or "other")
- (ii) Device ID (assigned by the Responsible Entity)
- (iii) Physical location of device
- (iv) Actual or estimated date in which device is placed into production
- (v) Proposed TFE Expiration Date (if any)

³ If a Regional Entity that is a Responsible Entity seeks a TFE in its role as a Responsible Entity, the Regional Entity shall submit its TFE Request to, as applicable, NERC or the Regional Entity that has assumed, by agreement approved by NERC and FERC, compliance monitoring and enforcement responsibilities with respect to the first Regional Entity's registered functions, as applicable. In such case NERC or the second Regional Entity, as applicable, will perform the duties and responsibilities of the "Regional Entity" specified in this Appendix.

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- (vi) Actual TFE Expiration Date (if any)
- (vii) CIP Standard
- (viii) Applicable Requirement
- (ix) Whether the TFE is also filed with other Regional Entities (if yes, which ones)
- (x) Basis for approval (pursuant to Section 3.0)
- (xi) Compensating and mitigating measures
- (xii) Date of completion of compensating and mitigating measures (if in progress, estimated completion date and time schedule)
- (xiii) Whether the TFE is related to a Self-Certification or Self-Report
- (xiv) Whether the has TFE has been previously approved
- (xv) TFE I.D., if known

A statement, signed and dated by the Responsible Entity's Senior Manager or Delegate, that the Senior Manager or Delegate has read the TFE Request or Material Change Report and approved the proposed compensating measures and/or mitigating measures and the implementation plan, and that on behalf of the Responsible Entity that the Responsible Entity believes approval of the TFE Request or Material Change Report is warranted pursuant to the criteria specified in Section 3.1 of this Appendix.

A sample submittal will be maintained on NERC's website. Additional information may be requested by the Regional Entity as necessary or appropriate. At the discretion of the Regional Entity, information may be verified at a subsequent Compliance Audit or Spot Check or other form of monitoring.

A removal of a device from a TFE containing multiple devices of the same class does not require the filing of a Material Change Report. The information can be communicated during the next required submittal associated with the same class.

At the time of the first (a) initial TFE Request or (b) Material Change Report that is required to be submitted after approval of this Appendix 4D, a Responsible Entity will submit a complete submittal in the form contemplated in this section to reflect previously approved and pending TFEs as well as any new information being submitted. This one-time submittal will be followed by the maintenance of the TFE information associated with such Responsible Entity, either through additional TFE Requests or Material Change Reports pertaining to TFE Requests

already approved. The submittal of this baseline TFE submittal will not reopen any TFEs already approved under the old process or restart the review process of pending TFEs.

4.3. [Deleted]

4.4 Access to Confidential Information, Classified National Security Information, NRC Safeguards Information, and Protected FOIA Information Included in Required Information

4.4.1. Upon reasonable advance notice from a Regional Entity or NERC, and subject to Section 4.4.2, the Responsible Entity must provide the Regional Entity or NERC (i) with access to Confidential Information, Classified National Security Information, NRC Safeguards Information, and Protected FOIA Information included in the TFE Request, and (ii) with access to the Covered Asset(s) and the related Facility(ies) for purposes of making a physical review and inspection.

4.4.2. If the Responsible Entity is prohibited by law from disclosing any Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information to any person who is not an Eligible Reviewer (such as, for example, the restriction on access to Classified National Security Information specified in Section 4.1 of Executive Order No. 12958, as amended), then such Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information shall only be reviewed by a representative or representatives of the Regional Entity or NERC (which may include contractors) who are Eligible Reviewers.

4.4.3. The Regional Entity or NERC, as applicable, will work cooperatively with the Responsible Entity to access Protected FOIA Information in a way that does not waive or extinguish the exemption of the Protected FOIA Information from disclosure.

4.5 [Deleted]

5.0 REVIEW AND APPROVAL/DISAPPROVAL OF TFE REQUESTS OR MATERIAL CHANGE REPORTS

5.1. Identification of TFE Requests or Material Change Reports

5.1.1. Upon receipt of a TFE Request or Material Change Report, the Regional Entity (i) will assign a unique identifier to the TFE Request or Material Change Report.

5.1.2. The unique identifier assigned to the TFE Request or Material Change Report will be in the form of XXXX-YYY-TFEZZZZZ, where “XXXX” is the year in which the TFE Request is received by the Regional Entity (*e.g.*, “2009”); “YYY” is the acronym for the

Regional Entity within whose Region the Covered Asset is located⁴; and “ZZZZZ” is the sequential number of the TFE Requests received by the Regional Entity in that year. In the case of a Material Change Report, “-AZ” will be added to the end of the identifier, where “Z” is the number of the Material Change Report to the TFE.

5.2 Review of TFE Request or Material Change Report for Approval or Disapproval

5.2.1 The Regional Entity shall review a TFE Request or Material Change Report to determine if it should be approved in accordance with Section 3.1 of this Appendix, or disapproved. As part of its review, the Regional Entity may request access to and review the Required Information, including any Confidential Information, Classified National Security Information, NRC Safeguards Information, and Protected FOIA Information that is necessary to support the TFE Request; may conduct one or more physical inspections of the Covered Asset(s) and the related Facility(ies); may request additional information from the Responsible Entity; and may engage in discussions with the Responsible Entity concerning possible revisions to the TFE Request or Material Change Report.

5.2.2. The Regional Entity shall complete its review of the TFE Request or Material Change Report and make its determination of whether the TFE Request or Material Change Report is approved or disapproved, and issue a notice (in accordance with Sections 5.2.4 or 5.2.5) stating the TFE Request is approved or disapproved, within 60 days after receipt of the TFE Request. In addition, the Regional Entity may extend the 60-day time period for individual TFE Requests or Material Change Reports by issuing a notice to the Responsible Entity, with a copy to NERC, stating the revised date by which the Regional Entity will issue its notice approving or disapproving the TFE Request or Material Change Report.

5.2.3. The Regional Entity may approve or disapprove the TFE Request or Material Change Report in whole or in part, even if the TFE Request or Material Change Report is for two or more Covered Assets subject to the same Applicable Requirement or if it covers class-based categories of devices.

5.2.4. If the Regional Entity approves the TFE Request or Material Change Report, the Regional Entity shall issue a notice to the Responsible Entity, with a copy to NERC, stating that the TFE Request or Material Change Report is approved.

5.2.5. If the Regional Entity disapproves the TFE Request or Material Change Report, the Regional Entity shall issue a notice to the Responsible Entity, with a copy to NERC, stating that the TFE Request or Material Change Report is disapproved and stating the reasons for the disapproval. In its notice disapproving a TFE Request, the Regional Entity may also, but is not

⁴ The acronyms to be used are: FRCC (Florida Reliability Coordinating Council); MRO (Midwest Reliability Organization); NPCC (Northeast Power Coordinating Council); RFC (ReliabilityFirst Corporation); SERC (SERC Reliability Corporation); SPP (Southwest Power Pool Regional Entity); TRE (Texas Regional Entity/Texas Reliability Entity); and WECC (Western Electricity Coordinating Council).

required to, state any revisions to the TFE Request the Regional Entity has identified, based on its review of the TFE Request, that, if made by the Responsible Entity, would result in approval of the TFE Request. Such revisions may include, but are not limited to, changes to the Responsible Entity's proposed (i) compensating measures and/or mitigating measures, (ii) implementation schedules, or (iii) Expiration Date.

5.2.6. A notice disapproving a TFE Request or Material Change Report shall state an Effective Date, which shall be no less than sixty-one (61) calendar days and no more than ninety-one (91) calendar days after the date of issuance of the notice, unless the Regional Entity determines there are exceptional circumstances that justify a later Effective Date. If the Regional Entity determines the Effective Date should be more than ninety-one (91) calendar days after the date of issuance of the notice due to exceptional circumstances, the Regional Entity shall include a detailed statement of the exceptional circumstances in the notice. Following the Effective Date, the Responsible Entity is subject to issuance of a Notice of Alleged Violation by the Regional Entity with respect to the Applicable Requirement that was the subject of the disapproved TFE Request or Material Change Report, unless the Responsible Entity has achieved Strict Compliance with the Applicable Requirement. Provided, that if the Effective Date occurs prior to the Responsible Entity's Compliant Date for the Applicable Requirement, then the Responsible Entity is not subject to issuance of a Notice of Alleged Violation until the Compliant Date. A Notice of Alleged Violation issued with respect to the Applicable Requirement shall be processed in accordance with Sections 5.0, 6.0 and 7.0 of the CMEP.

5.2.7 Within thirty (30) calendar days after issuing a notice approving or disapproving a TFE Request or Material Change Report, the Regional Entity shall submit a report to NERC setting forth the basis on which the Regional Entity approved or disapproved the TFE Request or Material Change Report. If the Regional Entity has disapproved the TFE Request or Material Change Report and determined there were exceptional circumstances justifying an Effective Date more than ninety-one (91) days after the date of issuance of the notice, the Regional Entity's report to NERC shall include a description of such exceptional circumstances.

5.2.8 A Responsible Entity may submit to NERC information that the Responsible Entity believes demonstrates that the approval or disapproval by a Regional Entity of a TFE Request or Material Change Report submitted by the Responsible Entity constitutes an inconsistent application of the criteria specified in Section 3.1 as compared to other determinations of TFE Requests or Material Change Reports made by the same Regional Entity or another Regional Entity for the same type of Covered Assets, and with such submission may suggest that NERC request the Regional Entity to reconsider its approval or disapproval of the TFE Request or Material Change Report. A Responsible Entity's submission to NERC under this Section 5.2.8 shall be in writing and shall set forth (i) the TFE Request or Material Change Report for which the Responsible Entity received a determination that the Responsible Entity believes represents an inconsistent application of the criteria specified in Section 3.1 (using the identifier assigned to the TFE Request or Material Change Report pursuant to Section 5.1.2), (ii) a copy of the Regional Entity's notice of approval or disapproval of the TFE Request or Material Change Report, and (iii) a description of the inconsistency in determinations that the Responsible Entity believes has occurred, including specific reference(s) to any other determinations of TFE Requests or Material Change Reports for the same type of Covered Assets that the Responsible

Entity believes constitutes inconsistent application of the criteria specified in Section 3.1. The Responsible Entity's submission shall provide a clear and compelling demonstration that inconsistent applications of the criteria specified in Section 3.1 have occurred in the determinations of two or more TFE Requests or Material Change Reports for the same type of Covered Assets made by the same Regional Entity or two or more Regional Entities. NERC will provide a copy of the Responsible Entity's submission to the Regional Entity that approved or disapproved the TFE Request or Material Change Report that is the subject of the submission. NERC will review the Responsible Entity's submission and the reports submitted by the Regional Entity or Regional Entities pursuant to Section 5.2.7 with respect to the TFE Requests or Material Change Reports that are the subject of the Responsible Entity's submission, and may decide, in accordance with Section 5.2.9, to request the Regional Entity to reconsider its determination. NERC will send a written notice to the Responsible Entity stating that NERC has determined to request reconsideration by the Regional Entity or has determined not to request reconsideration by the Regional Entity, as applicable.

5.2.9 NERC may request the Regional Entity to reconsider the approval or disapproval of a TFE Request or Material Change Report, solely on the grounds that the approval or disapproval would result in inconsistent application of the criteria specified in Section 3.1 as compared to determinations made on TFE Requests or Material Change Reports for the same type of Covered Assets by the same Regional Entity or a different Regional Entity. Requests for reconsideration on any other grounds are not allowed. A request for reconsideration shall be submitted in writing to the Regional Entity and shall set forth (i) the TFE Request or Material Change Report that is the subject of the request for reconsideration (using the identifier assigned to the TFE Request or Material Change Report pursuant to Section 5.1.2), (ii) a copy of the Regional Entity's notice of approval or disapproval of the TFE Request or Material Change Report, and (iii) a description of the inconsistency in determinations on which NERC relies as the basis for the request for reconsideration, including specific reference(s) to other determinations of TFE Requests or Material Change Reports for the same type of Covered Asset that NERC believes constitutes inconsistent application of the criteria specified in Section 3.1. The Regional Entity shall consider the request for reconsideration and shall issue a notice to NERC and the affected Responsible Entity(ies) approving, disapproving or rejecting the TFE Request or Material Change Report in accordance with Section 5.2.4, Section 5.2.5, Section 5.2.6 and/or Section 9.2, as applicable, within one hundred twenty (120) days following receipt of the request for reconsideration. A determination on a request for reconsideration approving or disapproving a TFE Request or Material Change Report shall be effective prospectively only, from its Effective Date, provided, that if a Regional Entity receives a request for reconsideration of the disapproval of a TFE Request or Material Change Report prior to the Effective Date of the notice of disapproval, the Regional Entity shall issue a notice to the affected Responsible Entity pursuant to Section 5.2.6, as applicable, suspending the Effective Date pending determination of the request for reconsideration.

5.3 No Findings of Violations or Imposition of Penalties for Violations of an Applicable Requirement for the Period a TFE Request or Material Change Report is Being Reviewed

The Responsible Entity shall not be subject to imposition of any findings of violations, or

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imposition of Penalties or sanctions for violations, for failure to be in Strict Compliance with an Applicable Requirement that is the subject of a TFE Request or Material Change Report, for the period from:

- (i) the date that is sixty (60) calendar days after submission of the TFE Request or Material Change Report,

to:
- (ii) (A) the date of the Regional Entity's notice that the TFE Request or Material Change Report is approved, or (B) the Effective Date of the Regional Entity's notice that the TFE Request or Material Change Report is disapproved, whichever is applicable.

Provided, that:

- (1) while a TFE Request or Material Change Report is undergoing review, the Regional Entity shall not issue a Notice of Alleged Violation to the Responsible Entity for being noncompliant with the Applicable Requirement that is the subject of the TFE Request or Material Change Report during the period on and after the TFE Request or Material Change Report was submitted;
- (2) if the TFE Request or Material Change Report is approved, the Responsible Entity shall not be subject to imposition of any findings of violations, or imposition of Penalties or sanctions for violations, for failure to be in Strict Compliance with an Applicable Requirement that is the subject of the TFE Request or Material Change Report, during the period from submission of the TFE Request to the date of the Regional Entity's notice that the TFE Request or Material Change Report is approved; and
- (3) if the TFE Request or Material Change Report is disapproved, and is found by the Regional Entity, NERC or FERC to have been fraudulent or submitted not in good faith, the provisions of this Section 5.3 shall not apply, the Responsible Entity shall be subject to imposition of findings of violations and imposition of Penalties or sanctions for violations, for failure to be in Strict Compliance with the Applicable Requirement that was the subject of the TFE Request or Material Change Report, for the entire period subsequent to the date the TFE Request or Material Change Report was submitted, and the Responsible Entity's fraudulent or not-in-good-faith submission of the TFE Request or Material Change Report shall be an aggravating factor in determining the amounts of Penalties or sanctions to be imposed on the Responsible Entity for such violations.

6.0 IMPLEMENTATION AND REPORTING BY THE RESPONSIBLE ENTITY PURSUANT TO AN APPROVED TFE OR MATERIAL CHANGE REPORT

6.1. The Responsible Entity will be required to implement compensating measures

and/or mitigating measures as described, and in accordance with the time schedule(s) set forth, in the approved TFE.

6.2. In the event the TFE has been approved with an Expiration Date, the Responsible Entity will be required to implement steps, or conduct research and analysis, towards achieving Strict Compliance with the Applicable Requirements and eliminating the TFE, as described, and in accordance with the time schedule set forth, in the approved TFE.

6.3. [Deleted]

6.4. [Deleted]

6.5. If there is a Material Change in the facts underlying approval of the TFE, the Responsible Entity shall submit a Material Change Report to the Regional Entity, within sixty (60) calendar days of identification or discovery of the Material Change, supporting the continuing need and justification for the approved TFE or verifying that the Responsible Entity has achieved Strict Compliance with the Applicable Requirement pursuant to Section 4.0. The Regional Entity may extend the period for submittal of the Material Change Report upon request and with good cause shown.

6.6. [Deleted]

6.7. [Deleted]

6.8. If a Responsible Entity fails to implement or maintain a compensating measure or mitigating measure or fails to conduct research or analysis towards achieving Strict Compliance, in accordance with the approved TFE; or fails to submit one or more reports by the required submission date, the Responsible Entity (i) is required to file a Self-Report in accordance with Section 3.5 of the CMEP, and (ii) will be subject to issuance of a Notice of Alleged Violation for noncompliance with the Applicable Requirement that is the subject of the approved TFE. Any such Notice of Alleged Violation shall be processed in accordance with Sections 5.0, 6.0 and 7.0 of the CMEP.

7.0 AMENDMENT OF A PENDING TFE REQUEST

A Responsible Entity may amend a pending TFE Request that is under review by a Regional Entity, for the purpose of providing additional or revised Required Information during the 60-day review period. Submission of an amendment to a pending TFE Request may, in the Regional Entity's discretion, extend the time period for the Regional Entity's review of the TFE Request but does not require the restart of the approval process.

8.0 COMPLIANCE AUDIT REQUIREMENTS RELATING TO APPROVED TFE

8.1. Following approval of a Responsible Entity's TFE Request, subsequent Compliance Audits of the Responsible Entity may include audit of (i) the Responsible Entity's implementation and maintenance of the compensating measures and/or mitigating measures

specified in the approved TFE, in accordance with the time schedule set forth in the approved TFE, and (ii) the Responsible Entity's implementation of steps and conduct of research and analyses towards achieving Strict Compliance with the Applicable Requirement, in accordance with the time schedule set forth in the approved TFE. These topics shall be included in such Compliance Audits regardless of whether a Compliance Audit was otherwise scheduled to include the CIP Standard that includes the Applicable Requirement.

8.2 The first Compliance Audit of the Responsible Entity subsequent to the Expiration Date shall include audit of the Responsible Entity's Strict Compliance with the Applicable Requirement that was the subject of the approved TFE. This topic shall be included in such Compliance Audit regardless of whether it was otherwise scheduled to include the CIP Standard that includes the Applicable Requirement.

9.0 TERMINATION OF AN APPROVED TFE

9.1. An approved TFE shall remain in effect unless it terminates on its Expiration Date, it is terminated at an earlier date pursuant to this Section 9.0, the Responsible Entity achieves Strict Compliance with the Applicable Requirement or there is a material misrepresentation by the Responsible Entity as to the facts relied upon by the Regional Entity in approving the TFE.

9.2. The Responsible Entity may terminate an approved TFE by submitting a notice to the Regional Entity stating that the Responsible Entity is terminating the TFE and the Effective Date of the termination.

9.3. A Regional Entity or NERC may terminate an approved TFE based on the results of a Spot Check initiated and conducted pursuant to the CMEP to determine whether the approved TFE should be terminated prior to its Effective Date or should be revised to impose additional or different requirements or to advance the Expiration Date to an earlier date. Following issuance to the Responsible Entity of a draft Spot Check report concluding that the approved TFE should be terminated or revised (including by advancement of the Expiration Date), and opportunity for the Responsible Entity to submit comments on the draft Spot Check report, the Regional Entity or NERC, if it has determined that the approved TFE should be terminated or revised, shall issue a notice of termination to the Responsible Entity (with a copy to NERC if the notice is issued by the Regional Entity) stating the Effective Date of termination of the approved TFE. The Effective Date shall be no less than sixty-one (61) calendar days and no more than ninety-one (91) calendar days after the date of issuance of the notice of termination, unless the Regional Entity determines there are exceptional circumstances that justify a later Effective Date. If the Regional Entity determines the Effective Date should be more than ninety-one (91) calendar days after the issuance of the notice of termination due to exceptional circumstances, the Regional Entity shall include a detailed statement of the exceptional circumstances in the notice of termination.

9.4. The Responsible Entity shall not be subject to imposition of any findings of violations, or imposition of Penalties or sanctions for violations, for failure to be in Strict

Compliance with an Applicable Requirement that is the subject of a TFE that has been terminated, until the Effective Date of the notice of termination.

10.0 HEARINGS AND APPEALS PROCESS FOR RESPONSIBLE ENTITY

The Responsible Entity may raise issues relating to the disapproval of its TFE Request or the termination of the approved TFE in the hearing concerning the Notice of Alleged Violation, proposed Penalty or sanction, or Mitigation Plan components.

11.0 CONSISTENCY IN APPROVAL AND DISAPPROVAL OF TFE REQUESTS AND MATERIAL CHANGE REPORTS

11.1. NERC and the Regional Entities will engage in the activities specified in this Section 11.0 for the purpose of assuring consistency in the review, approval and disapproval of TFE Requests and Material Change Reports (i) among the Regional Entities, (ii) among different types of Covered Assets that are subject to the same Applicable Requirement, (iii) with respect to the application of the criteria specified in Section 3.1 for approval of TFE Requests or Material Change Reports, including the comparison of safety risks and costs of Strict Compliance to reliability benefits of Strict Compliance, and (iv) with respect to the types of mitigating measures and compensating measures that are determined to be appropriate to support approval of TFE Requests or Material Change Reports. In appropriate cases, NERC will submit a request for reconsideration to a Regional Entity in accordance with Section 5.2.9.

11.2. The activities in which NERC and the Regional Entities will engage for the purposes stated in Section 11.1 will include, but not be limited to, the following activities:

1. [Deleted]
2. NERC will maintain, as Confidential Information, based on reports submitted by Regional Entities, a catalogue of the types of Covered Assets for which TFE Requests or Material Change Reports from the various Applicable Requirements have been approved and disapproved. The catalogue will be accessible to the Regional Entities for their use in connection with their substantive reviews of TFE Requests or Material Change Reports.
3. NERC and the Regional Entities will form a committee comprised of NERC and Regional Entity representatives involved in the review of TFE Requests or Material Change Reports and other Critical Infrastructure program activities, which shall be charged to review approved and disapproved TFE Requests or Material Change Reports for consistency and to issue such guidance to the Regional Entities, as Confidential Information, as the committee deems appropriate to achieve greater consistency in approval and disapproval of TFE Requests or Material Change Reports in the respects listed in Section 11.1. The committee shall include persons with appropriate subject matter expertise for the responsibilities and activities of the committee.

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4. NERC will submit to the FERC and to other Applicable Governmental Entities an annual informational report containing the following information concerning the manner in which Regional Entities have made determinations to approve or disapprove TFE Requests or Material Change Reports based on the criteria of Section 3.1:
 - (i) whether any issues were identified during the period covered by the informational report with respect to the consistency of the determinations made based on the criteria in Section 3.1, either within a Regional Entity or among Regional Entities;
 - (ii) a description of any such identified consistency issues;
 - (iii) how each consistency issue was resolved;
 - (iv) the numbers of TFE Requests or Material Change Reports for which reconsideration was requested pursuant to Section 5.2.9 based on purported inconsistencies in determinations applying the criteria in Section 3.1 and the numbers of such requests which resulted in TFE Requests or Material Change Reports being approved or disapproved; and
 - (v) whether NERC has developed or is in a position to develop a uniform framework for Regional Entities to use to appraise the reliability benefits of Strict Compliance when making determinations based on the criteria in Section 3.1(iv) and (vi).

The first such informational report shall cover the period through June 30, 2011, and shall be filed with FERC and other Applicable Governmental Entities no later than September 28, 2011. Subsequent annual informational reports shall cover the period from July 1 through June 30 and shall be filed within 90 days following the end of the period covered by the report.

If NERC determines it is necessary to include any Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information in an informational report in order to satisfy the information requirements specified above, such Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information shall be contained in a separate non-public, confidential appendix to the informational report. Prior to submitting to FERC or another Applicable Governmental Authority a non-public, confidential appendix that provides specific Confidential Information, Classified National Security Information, NRC Safeguards Information, or Protected FOIA Information of a particular Responsible Entity and identifies the Responsible Entity or one of its Facilities by name, NERC shall provide at least twenty-one (21) days advance notice to the Responsible Entity. The non-public, confidential appendix shall be submitted to FERC and other Applicable Governmental Authorities in accordance

with their procedures for receiving confidential, proprietary and other protected information.

12.0 CONFIDENTIALITY OF TFE REQUESTS, MATERIAL CHANGE REPORTS AND RELATED INFORMATION

Except as expressly stated in this Section 12.0, the submission, review, and approval/disapproval of TFE Requests or Material Change Reports, and the implementation and termination of approved TFEs, shall be maintained as confidential. The following Documents are Confidential Information and shall be treated as such in accordance with Section 1500 of the NERC *Rules of Procedure*:

- (i) All TFE Requests and amendments or Material Change Reports submitted, filed or made available by the Responsible Entity;
- (ii) All notices issued by a Regional Entity or NERC pursuant to this Appendix;
- (iii) All requests for Documents or information made by a Regional Entity or NERC pursuant to this Appendix;
- (iv) All submissions of Documents and information by a Responsible Entity to a Regional Entity or NERC pursuant to this Appendix;
- (v) All post-approval reports submitted by a Responsible Entity pursuant to this Appendix;
- (vi) All correspondence, notes, drawings, drafts, work papers, electronic communications, reports and other Documents generated by a Regional Entity or NERC in connection with a TFE Request or Material Change Report, including (without limiting the scope of this provision) in connection with reviewing a TFE Request or Material Change Report and supporting Documents and information submitted, filed or made available by the Responsible Entity, conducting a physical inspection of the Covered Asset(s) or the related Facility(ies), reviewing and analyzing post-approval reports submitted by a Responsible Entity, or conducting compliance monitoring processes pursuant to the CMEP with respect to a TFE Request or Material Change Report or approved TFE.
- (vii) All guidance issued to Regional Entities pursuant to Section 11.2 by NERC or by the committee described in Section 11.2(3), and all minutes of meetings of the committee and discussions between or among its members.
- (viii) All submissions by Responsible Entities to NERC pursuant to Section 5.2.8.
- (ix) All requests for reconsideration pursuant to Section 5.2.9.

- (x) Any confidential appendix to an informational report prepared and submitted pursuant to Section 11.2(4) or to an Annual Report prepared and submitted pursuant to Section 13.0.

13.0 ANNUAL REPORT TO FERC AND OTHER APPLICABLE GOVERNMENTAL AUTHORITIES

13.1. Contents of Annual Report

NERC shall submit an Annual Report to FERC that provides a Wide-Area analysis or analyses, which NERC shall prepare in consultation with the Regional Entities, regarding the use of TFEs and the impact on the reliability of the Bulk Electric System, as required by Paragraphs 220 and 221 of *Order No. 706*, which state:

. . . [W]e direct the ERO to submit an annual report to the Commission that provides a wide-area analysis regarding use of the technical feasibility exception and the effect on Bulk-Power System reliability. The annual report must address, at a minimum, the frequency of the use of such provisions, the circumstances or justifications that prompt their use, the interim mitigation measures used to address vulnerabilities, and efforts to eliminate future reliance on the exception. . . [T]he report should contain aggregated data with sufficient detail for the Commission to understand the frequency with which specific provisions are being invoked as well as high level data regarding mitigation and remediation plans over time and by region

Copies of the Annual Report shall be filed with other Applicable Governmental Authorities. The Annual Report shall contain, at a minimum, the following information:

- (i) The frequency of use of the TFE Request process, disaggregated by Regional Entity and in the aggregate for the United States and for the jurisdictions of other Applicable Governmental Authorities, including (A) the numbers of TFE Requests that have been submitted and approved/disapproved during the preceding year and cumulatively since the effective date of this Appendix, (B) the numbers of unique Covered Assets for which TFEs have been approved, (C) the numbers of approved TFEs that are still in effect as of on or about the date of the Annual Report; (D) the numbers of approved TFEs that reached their Expiration Dates or were terminated during the preceding year; and (E) the numbers of approved TFEs that are scheduled to reach their Expiration Dates during the ensuing year;
- (ii) Categorization of the submitted and approved TFE Requests to date by broad categories such as the general nature of the TFE Request, the Applicable Requirements covered by submitted and approved TFE Requests, and the types of Covered Assets that are the subject of submitted and approved TFE Requests;
- (iii) Categorization of the circumstances or justifications on which the approved TFEs to date were submitted and approved, by broad categories such as the need to avoid

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replacing existing equipment with significant remaining useful lives, unavailability of suitable equipment to achieve Strict Compliance in a timely manner, or conflicts with other statutes and regulations applicable to the Responsible Entity;

(iv) Categorization of the compensating measures and mitigating measures implemented and maintained by Responsible Entities pursuant to approved TFEs, by broad categories of compensating measures and mitigating measures and by types of Covered Assets;

(v) For each TFE Request that was disapproved, and for each TFE that was terminated, but for which, due to exceptional circumstances as determined by the Regional Entity, the Effective Date was later than the latest date specified in Section 5.2.6, or 9.3, as applicable, a statement of the number of days the Responsible Entity was not subject to imposition of findings of violations of the Applicable Requirement or imposition of Penalties or sanctions pursuant to Section 5.3.

(vi) A discussion, on an aggregated basis, of Compliance Audit results and findings concerning the implementation and maintenance of compensating measures and mitigating measures, and the implementation of steps and the conduct of research and analyses to achieve Strict Compliance with the Applicable Requirements, by Responsible Entities in accordance with approved TFEs;

(vii) Assessments, by Regional Entity (and for more discrete areas within a Regional Entity, if appropriate) and in the aggregate for the United States and for the jurisdictions of other Applicable Governmental Authorities, of the Wide-Area impacts on the reliability of the Bulk Electric System of approved TFEs in the aggregate, including the compensating measures and mitigating measures that have been implemented;

(viii) Discussion of efforts to eliminate future reliance on TFEs;

(ix) Data and information regarding Material Change Reports, including the number of Material Change Reports filed annually and information regarding the types of circumstances or events that led to material changes, as well as any additional information NERC believes would be useful; and

(x) Additional information about TFEs and their expiration dates, including the number of TFEs by expiration year and CIP Standard requirement, the percentage of currently approved TFEs without expiration dates, and the number of new TFEs approved without expiration dates annually.

13.2. [Deleted]

13.3. Due Date for Annual Reports

The first Annual Report shall cover the period through June 30, 2011, and shall be filed with FERC and with other Applicable Governmental Authorities no later than 90 days after the

end of such calendar quarter. Subsequent Annual Reports shall be filed at one year intervals thereafter.

13.4. Annual Report to be a Public Document; Confidential Appendix

It is the intent of this Appendix that the Annual Report be a public document. Therefore, NERC shall prepare the annual report in such a manner that it does not include or disclose any Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information. However, if NERC determines it is necessary to include any Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information in an Annual Report in order to satisfy the information requirements specified in this Appendix or required by FERC or other Applicable Governmental Authorities, such Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information shall be contained in a separate non-public, confidential appendix to the Annual Report. Prior to submitting to FERC or another Applicable Governmental Authority a non-public, confidential appendix that provides specific Confidential Information, Classified National Security Information, NRC Safeguards Information, or Protected FOIA Information of a particular Responsible Entity and identifies the Responsible Entity or one of its Facilities by name, NERC shall provide at least twenty-one (21) days advance notice to the Responsible Entity. The non-public, confidential appendix shall be submitted to FERC and other Applicable Governmental Authorities in accordance with their procedures for receiving confidential, proprietary and other protected information.

13.5. Responsible Entities Must Cooperate in Preparation of Annual Report

As specified in Paragraph 220, note 74 of Order No. 706, Responsible Entities must cooperate with NERC and Regional Entities in providing information deemed necessary for NERC to fulfill its reporting obligations to FERC.

**PROCEDURE FOR REQUESTING AND RECEIVING
TECHNICAL FEASIBILITY EXCEPTIONS
TO NERC CRITICAL INFRASTRUCTURE PROTECTION STANDARDS**

APPENDIX 4D TO THE RULES OF PROCEDURE

Effective: September 3, 2013

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**PROCEDURE FOR REQUESTING AND RECEIVING
TECHNICAL FEASIBILITY EXCEPTIONS
TO NERC CRITICAL INFRASTRUCTURE PROTECTION STANDARDS**

1.0 INTRODUCTION

1.1 Purpose

This Appendix to the Rules of Procedure of the North American Electric Reliability Corporation (NERC) provides the procedure by which a Responsible Entity may request and receive an exception from Strict Compliance with the terms of a Requirement of certain NERC Critical Infrastructure Protection (CIP) Standards on the grounds of technical feasibility or technical limitations. Such an exception is referred to herein as a Technical Feasibility Exception (TFE). This Appendix is intended to implement authorization granted by FERC to allow such exceptions to Applicable Requirements of CIP Standards.¹

1.2 Authority

This Appendix is a NERC Rule of Procedure and an Electric Reliability Organization Rule. As such, this Appendix has been approved by (i) the NERC Board of Trustees and (ii) FERC. Any future revisions to this Appendix must be adopted in accordance with Article XI, section 2 of the NERC *Bylaws* and Section 1400 of the NERC *Rules of Procedure*, including approval by the NERC Board of Trustees and by FERC, in order to become effective.

1.3 Scope

This procedure for requesting and obtaining approval of TFEs is applicable only to those Requirements of CIP Standards CIP-002 through CIP-009 that (i) expressly provide either (A) that compliance with the terms of the Requirement is required where or as technically feasible, or (B) that technical limitations may preclude compliance with the terms of the Requirement, or (ii) FERC has directed should be subject to this procedure. As of the effective date of this Appendix, in the United States the Applicable Requirements are:

CIP-005-3: R2.4, R2.6, R3.1 and R3.2

CIP-006-3c: R1.1, including the Interpretation in Appendix 2

CIP-007-3: R2.3, R3, R4, R5.3, R 5.3.1, R 5.3.2, R 5.3.3, R6 and R6.3

Subsequent versions of these Requirements that are approved by FERC will continue to be Applicable Requirements, without the need to amend this Appendix to reflect the new version number of the CIP Standards, (i) if the subsequent versions continue to expressly provide either (A) that compliance with their terms is required where or as technically feasible or (B) that

¹ *Mandatory Reliability Standards for Critical Infrastructure Protection*, 122 FERC ¶ 61,040 (2008) (*Order No. 706*), at PP 157-222.

technical limitations may preclude compliance with the terms of the Requirement²; or (ii) so long as FERC does not direct that the subsequent versions are no longer Applicable Requirements. Other Requirements of CIP Standards may become Applicable Requirements as the result of revisions to the CIP Standards in accordance with the NERC *Bylaws* and *Rules of Procedure* including Appendix 3A, *Standards Process Manual*, or as a result of FERC directive. NERC shall maintain a current list of Applicable Requirements on its website.

1.4 Obligations of Canadian Entities and Cross-Border Regional Entities

A Responsible Entity that is a Canadian Entity seeking a TFE shall work with the Regional Entity, NERC, and Applicable Governmental Authorities, to the extent permitted under Canadian federal or provincial laws, and without being obligated to authorize the disclosure of information prohibited by Canadian federal or provincial law from disclosure to FERC or other Applicable Governmental Authorities in the U.S., to comply with the requirements of this Appendix. A Canadian Entity shall not be required to subject itself to United States federal or state laws not otherwise applicable to the Canadian Entity in order to utilize this Appendix to obtain a TFE. Cross-Border Regional Entities shall implement this TFE Procedure in a manner consistent with their memoranda of understanding with Canadian Entities and Canadian Applicable Governmental Authorities concerning compliance monitoring and enforcement activities in particular provinces.

2.0. DEFINITIONS

For purposes of this Appendix, capitalized terms shall have the definitions set forth in Appendix 2 to the Rules of Procedure. For ease of reference, the definitions of the following terms that are used in this Appendix are also set forth below:

2.1 Annual Report: The report to be filed by NERC with FERC and other Applicable Governmental Authorities in accordance with Section 13.0 of this Appendix.

2.2 Applicable Requirement: A Requirement of a CIP Standard that (i) expressly provides either (A) that compliance with the terms of the Requirement is required where or as technically feasible, or (B) that technical limitations may preclude compliance with the terms of the Requirement; or (ii) is subject to this Appendix by FERC directive.

2.3 Canadian Entity: A Responsible Entity that is organized under Canadian federal or provincial law.

2.4 Critical Infrastructure Protection Standard or CIP Standard: Any of NERC Reliability Standards CIP-002 through CIP-009.

² *Order No. 706* at P 157 and note 65 and P 178.

2.5 Classified National Security Information: Required Information that has been determined to be protected from unauthorized disclosure pursuant to Executive Order No. 12958, as amended, and/or the regulations of the NRC at 10 C.F.R. §95.35; or pursuant to any comparable provision of Canadian federal or provincial law.

2.6 CMEP: The NERC *Uniform Compliance Monitoring and Enforcement Program* (Appendix 4C to the NERC *Rules of Procedure*) or the Commission-approved program of a Regional Entity, as applicable.

2.7 Compliant Date: The date by which a Responsible Entity is required to be in compliance with an Applicable Requirement of a CIP Standard.

2.8 Confidential Information: (i) Confidential Business and Market Information; (ii) Critical Energy Infrastructure Information; (iii) personnel information that identifies or could be used to identify a specific individual, or reveals personnel, financial, medical, or other personal information; (iv) work papers, including any records produced for or created in the course of an evaluation or audit; (v) investigative files, including any records produced for or created in the course of an investigation; (vi) Cyber Security Incident Information; provided, that public information developed or acquired by an entity shall be excluded from this definition; or (vii) any other information that is designated as Confidential Information in Section 11.0 of this Appendix.

2.9 Covered Asset: A Cyber Asset or Critical Cyber Asset that is subject to an Applicable Requirement.

2.10 Delegate: A person to whom the Senior Manager of a Responsible Entity has delegated authority pursuant to Requirement R2.3 of CIP Standard CIP-003-1 (or any successor provision).

2.11 Effective Date: The date, as specified in a notice disapproving a TFE Request or terminating an approved TFE, on which the disapproval or termination becomes effective.

2.12 Eligible Reviewer: A person who has the required security clearances or other qualifications, or who otherwise meets the applicable criteria, to have access to Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information, as applicable to the particular information to be reviewed.

2.13 Expiration Date: The date on which an approved TFE expires.

2.14 FERC: The United States Federal Energy Regulatory Commission.

2.15 FOIA: The U.S. Freedom of Information Act, 5 U.S.C. §552.

2.16 Hearing Procedures: Attachment 2 to the NERC or Regional Entity CMEP, as applicable.

2.17 Material Change: A change in facts that modifies Required Information in connection with an approved TFE. Examples of a Material Change could include, but are not limited to an

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increase in device count (but not a decrease), change in compensating measures, change in statement of basis for approval for the TFE, a change in the Expiration Date of the TFE, or a Responsible Entity achieving Strict Compliance with the Applicable Requirement.

2.18 Material Change Report: A report submitted by the Responsible Entity to the Regional Entity in the event there is a Material Change to the facts underlying an approved TFE pursuant to Section 4.0.

2.19 NRC: The United States Nuclear Regulatory Commission.

2.20 NRC Safeguards Information: Required Information that is subject to restrictions on disclosure pursuant to 42 U.S.C. §2167 and the regulations of the NRC at 10 C.F.R. §73.21-73.23; or pursuant to comparable provisions of Canadian federal or provincial law.

2.21 Protected FOIA Information: Required Information, held by a governmental entity, that is subject to an exemption from disclosure under FOIA (5 U.S.C. §552(e)), under any similar state or local statutory provision, or under any comparable provision of Canadian federal or provincial law, which would be lost were the Required Information to be placed into the public domain.

2.22 Responsible Entity: An entity that is registered for a reliability function in the NERC Compliance Registry and is responsible for complying with an Applicable Requirement, as specified in the “Applicability” section of the CIP Standard.

2.23 Required Information: The information required to be provided in a TFE Request, as specified in Section 4.0 of this Appendix.

2.24 Senior Manager: The person assigned by the Responsible Entity, in accordance with CIP Standard CIP-003-1 Requirement R2 (or subsequent versions), to have overall responsibility for leading and managing the Responsible Entity’s implementation of, and adherence to, the CIP Standards.

2.25 Strict Compliance: Compliance with the terms of an Applicable Requirement without reliance on a Technical Feasibility Exception.

2.26 Technical Feasibility Exception or TFE: An exception from Strict Compliance with the terms of an Applicable Requirement on grounds of technical feasibility or technical limitations in accordance with one or more of the criteria in Section 3.0 of this Appendix.

2.27 TFE Request: A request submitted by a Responsible Entity in accordance with this Appendix for an exception from Strict Compliance with an Applicable Requirement.

3.0. BASIS FOR APPROVAL OF A TECHNICAL FEASIBILITY EXCEPTION

3.1. A Responsible Entity may request and obtain approval for a TFE on the grounds that Strict Compliance with an Applicable Requirement, evaluated in the context or environment

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of the Responsible Entity's Covered Asset that is the subject of the TFE Request:

- (i) is not technically possible or is precluded by technical limitations; or
- (ii) is operationally infeasible or could adversely affect reliability of the Bulk Electric System to an extent that outweighs the reliability benefits of Strict Compliance with the Applicable Requirement; or
- (iii) while technically possible and operationally feasible, cannot be achieved by the Responsible Entity's Compliant Date for the Applicable Requirement, due to factors such as, for example, scarce technical resources, limitations on the availability of required equipment or components, or the need to construct, install or modify equipment during planned outages; or
- (iv) would pose safety risks or issues that, in the determination of the Regional Entity, outweigh the reliability benefits of Strict Compliance with the Applicable Requirement; or
- (v) would conflict with, or cause the Responsible Entity to be non-compliant with, a separate statutory or regulatory requirement applicable to the Responsible Entity, the Covered Asset or the related Facility that must be complied with and cannot be waived or exempted; or
- (vi) would require the incurrence of costs that, in the determination of the Regional Entity, far exceed the benefits to the reliability of the Bulk Electric System of Strict Compliance with the Applicable Requirement, such as for example by requiring the retirement of existing equipment that is not capable of Strict Compliance with the Applicable Requirement but is far from the end of its useful life and replacement with newer-generation equipment that is capable of Strict Compliance, where the incremental risk to the reliable operation of the Covered Asset and to the Reliable Operation of the related Facility and the Bulk Electric System of continuing to operate with the existing equipment is minimal in the determination of the Regional Entity.

3.2. A TFE does not relieve the Responsible Entity of its obligation to comply with the Applicable Requirement. Rather, a TFE authorizes an alternative (to Strict Compliance) means of compliance with the Applicable Requirement through the use of compensating measures and/or mitigating measures that achieve at least a comparable level of security for the Bulk Electric System as would Strict Compliance with the Applicable Requirement.

3.3. The burden to justify approval of a TFE Request in accordance with the provisions of this Appendix is on the Responsible Entity. It is the responsibility of the Regional Entity, subject to oversight by NERC as provided in this Appendix, to make all determinations as

to whether a TFE Request has met the criteria for approval.³ NERC and the Regional Entities shall carry out the activities described in Section 11.0 of this Appendix to provide consistency in the review and approval or disapproval of TFE Requests across Regional Entities and across TFE Requests.

3.4. A TFE Request may be approved without a specified Expiration Date, however, in the event of a Material Change to the facts underlying an approved TFE, the Responsible Entity shall submit a Material Change Report providing continuing justification for the TFE or verifying Strict Compliance with the Applicable Requirement has been achieved.

4.0. FORM, CONTENTS AND SUBMISSION OF A TFE REQUEST OR MATERIAL CHANGE REPORT

4.1. Submissions for a TFE Request or Material Change Report by Class

A Responsible Entity may seek a TFE for class-based categories of devices. A list of permissible class-based categories of devices will be maintained on NERC's website. In addition, a Responsible Entity may use one submission to request a TFE from the same Applicable Requirement for multiple, similar Covered Assets (either at the same location or at different locations within the geographic boundaries of a Regional Entity) on the same basis, with the same compensating measures and/or mitigating measures, and with the same proposed Expiration Date, the TFE Requests for all the Covered Assets may be included in one submission.

4.2. Form and Format of TFE Request or Material Change Report

A TFE Request or a Material Change Report shall consist of the following Required Information:

- (i) Category (pursuant to Section 4.1 or "other")
- (ii) Device ID (assigned by the Responsible Entity)
- (iii) Physical location of device
- (iv) Actual or estimated date in which device is placed into production
- (v) Proposed TFE Expiration Date (if any)

³ If a Regional Entity that is a Responsible Entity seeks a TFE in its role as a Responsible Entity, the Regional Entity shall submit its TFE Request to, as applicable, NERC or the Regional Entity that has assumed, by agreement approved by NERC and FERC, compliance monitoring and enforcement responsibilities with respect to the first Regional Entity's registered functions, as applicable. In such case NERC or the second Regional Entity, as applicable, will perform the duties and responsibilities of the "Regional Entity" specified in this Appendix.

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- (vi) Actual TFE Expiration Date (if any)
- (vii) CIP Standard
- (viii) Applicable Requirement
- (ix) Whether the TFE is also filed with other Regional Entities (if yes, which ones)
- (x) Basis for approval (pursuant to Section 3.0)
- (xi) Compensating and mitigating measures
- (xii) Date of completion of compensating and mitigating measures (if in progress, estimated completion date and time schedule)
- (xiii) Whether the TFE is related to a Self-Certification or Self-Report
- (xiv) Whether the has TFE has been previously approved
- (xv) TFE I.D., if known

A statement, signed and dated by the Responsible Entity's Senior Manager or Delegate, that the Senior Manager or Delegate has read the TFE Request or Material Change Report and approved the proposed compensating measures and/or mitigating measures and the implementation plan, and that on behalf of the Responsible Entity that the Responsible Entity believes approval of the TFE Request or Material Change Report is warranted pursuant to the criteria specified in Section 3.1 of this Appendix.

A sample submittal will be maintained on NERC's website. Additional information may be requested by the Regional Entity as necessary or appropriate. At the discretion of the Regional Entity, information may be verified at a subsequent Compliance Audit or Spot Check or other form of monitoring.

A removal of a device from a TFE containing multiple devices of the same class does not require the filing of a Material Change Report. The information can be communicated during the next required submittal associated with the same class.

At the time of the first (a) initial TFE Request or (b) Material Change Report that is required to be submitted after approval of this Appendix 4D, a Responsible Entity will submit a complete submittal in the form contemplated in this section to reflect previously approved and pending TFEs as well as any new information being submitted. This one-time submittal will be followed by the maintenance of the TFE information associated with such Responsible Entity, either through additional TFE Requests or Material Change Reports pertaining to TFE Requests

already approved. The submittal of this baseline TFE submittal will not reopen any TFEs already approved under the old process or restart the review process of pending TFEs.

4.3. [Deleted]

4.4 Access to Confidential Information, Classified National Security Information, NRC Safeguards Information, and Protected FOIA Information Included in Required Information

4.4.1. Upon reasonable advance notice from a Regional Entity or NERC, and subject to Section 4.4.2, the Responsible Entity must provide the Regional Entity or NERC (i) with access to Confidential Information, Classified National Security Information, NRC Safeguards Information, and Protected FOIA Information included in the TFE Request, and (ii) with access to the Covered Asset(s) and the related Facility(ies) for purposes of making a physical review and inspection.

4.4.2. If the Responsible Entity is prohibited by law from disclosing any Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information to any person who is not an Eligible Reviewer (such as, for example, the restriction on access to Classified National Security Information specified in Section 4.1 of Executive Order No. 12958, as amended), then such Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information shall only be reviewed by a representative or representatives of the Regional Entity or NERC (which may include contractors) who are Eligible Reviewers.

4.4.3. The Regional Entity or NERC, as applicable, will work cooperatively with the Responsible Entity to access Protected FOIA Information in a way that does not waive or extinguish the exemption of the Protected FOIA Information from disclosure.

4.5 [Deleted]

5.0 REVIEW AND APPROVAL/DISAPPROVAL OF TFE REQUESTS OR MATERIAL CHANGE REPORTS

5.1. Identification of TFE Requests or Material Change Reports

5.1.1. Upon receipt of a TFE Request or Material Change Report, the Regional Entity (i) will assign a unique identifier to the TFE Request or Material Change Report.

5.1.2. The unique identifier assigned to the TFE Request or Material Change Report will be in the form of XXXX-YYY-TFEZZZZZ, where “XXXX” is the year in which the TFE Request is received by the Regional Entity (*e.g.*, “2009”); “YYY” is the acronym for the

Regional Entity within whose Region the Covered Asset is located⁴; and “ZZZZZ” is the sequential number of the TFE Requests received by the Regional Entity in that year. In the case of a Material Change Report, “-AZ” will be added to the end of the identifier, where “Z” is the number of the Material Change Report to the TFE.

5.2 Review of TFE Request or Material Change Report for Approval or Disapproval

5.2.1 The Regional Entity shall review a TFE Request or Material Change Report to determine if it should be approved in accordance with Section 3.1 of this Appendix, or disapproved. As part of its review, the Regional Entity may request access to and review the Required Information, including any Confidential Information, Classified National Security Information, NRC Safeguards Information, and Protected FOIA Information that is necessary to support the TFE Request; may conduct one or more physical inspections of the Covered Asset(s) and the related Facility(ies); may request additional information from the Responsible Entity; and may engage in discussions with the Responsible Entity concerning possible revisions to the TFE Request or Material Change Report.

5.2.2. The Regional Entity shall complete its review of the TFE Request or Material Change Report and make its determination of whether the TFE Request or Material Change Report is approved or disapproved, and issue a notice (in accordance with Sections 5.2.4 or 5.2.5) stating the TFE Request is approved or disapproved, within 60 days after receipt of the TFE Request. In addition, the Regional Entity may extend the 60-day time period for individual TFE Requests or Material Change Reports by issuing a notice to the Responsible Entity, with a copy to NERC, stating the revised date by which the Regional Entity will issue its notice approving or disapproving the TFE Request or Material Change Report.

5.2.3. The Regional Entity may approve or disapprove the TFE Request or Material Change Report in whole or in part, even if the TFE Request or Material Change Report is for two or more Covered Assets subject to the same Applicable Requirement or if it covers class-based categories of devices.

5.2.4. If the Regional Entity approves the TFE Request or Material Change Report, the Regional Entity shall issue a notice to the Responsible Entity, with a copy to NERC, stating that the TFE Request or Material Change Report is approved.

5.2.5. If the Regional Entity disapproves the TFE Request or Material Change Report, the Regional Entity shall issue a notice to the Responsible Entity, with a copy to NERC, stating that the TFE Request or Material Change Report is disapproved and stating the reasons for the disapproval. In its notice disapproving a TFE Request, the Regional Entity may also, but is not

⁴ The acronyms to be used are: FRCC (Florida Reliability Coordinating Council); MRO (Midwest Reliability Organization); NPCC (Northeast Power Coordinating Council); RFC (ReliabilityFirst Corporation); SERC (SERC Reliability Corporation); SPP (Southwest Power Pool Regional Entity); TRE (Texas Regional Entity/Texas Reliability Entity); and WECC (Western Electricity Coordinating Council).

required to, state any revisions to the TFE Request the Regional Entity has identified, based on its review of the TFE Request, that, if made by the Responsible Entity, would result in approval of the TFE Request. Such revisions may include, but are not limited to, changes to the Responsible Entity's proposed (i) compensating measures and/or mitigating measures, (ii) implementation schedules, or (iii) Expiration Date.

5.2.6. A notice disapproving a TFE Request or Material Change Report shall state an Effective Date, which shall be no less than sixty-one (61) calendar days and no more than ninety-one (91) calendar days after the date of issuance of the notice, unless the Regional Entity determines there are exceptional circumstances that justify a later Effective Date. If the Regional Entity determines the Effective Date should be more than ninety-one (91) calendar days after the date of issuance of the notice due to exceptional circumstances, the Regional Entity shall include a detailed statement of the exceptional circumstances in the notice. Following the Effective Date, the Responsible Entity is subject to issuance of a Notice of Alleged Violation by the Regional Entity with respect to the Applicable Requirement that was the subject of the disapproved TFE Request or Material Change Report, unless the Responsible Entity has achieved Strict Compliance with the Applicable Requirement. Provided, that if the Effective Date occurs prior to the Responsible Entity's Compliant Date for the Applicable Requirement, then the Responsible Entity is not subject to issuance of a Notice of Alleged Violation until the Compliant Date. A Notice of Alleged Violation issued with respect to the Applicable Requirement shall be processed in accordance with Sections 5.0, 6.0 and 7.0 of the CMEP.

5.2.7 Within thirty (30) calendar days after issuing a notice approving or disapproving a TFE Request or Material Change Report, the Regional Entity shall submit a report to NERC setting forth the basis on which the Regional Entity approved or disapproved the TFE Request or Material Change Report. If the Regional Entity has disapproved the TFE Request or Material Change Report and determined there were exceptional circumstances justifying an Effective Date more than ninety-one (91) days after the date of issuance of the notice, the Regional Entity's report to NERC shall include a description of such exceptional circumstances.

5.2.8 A Responsible Entity may submit to NERC information that the Responsible Entity believes demonstrates that the approval or disapproval by a Regional Entity of a TFE Request or Material Change Report submitted by the Responsible Entity constitutes an inconsistent application of the criteria specified in Section 3.1 as compared to other determinations of TFE Requests or Material Change Reports made by the same Regional Entity or another Regional Entity for the same type of Covered Assets, and with such submission may suggest that NERC request the Regional Entity to reconsider its approval or disapproval of the TFE Request or Material Change Report. A Responsible Entity's submission to NERC under this Section 5.2.8 shall be in writing and shall set forth (i) the TFE Request or Material Change Report for which the Responsible Entity received a determination that the Responsible Entity believes represents an inconsistent application of the criteria specified in Section 3.1 (using the identifier assigned to the TFE Request or Material Change Report pursuant to Section 5.1.2), (ii) a copy of the Regional Entity's notice of approval or disapproval of the TFE Request or Material Change Report, and (iii) a description of the inconsistency in determinations that the Responsible Entity believes has occurred, including specific reference(s) to any other determinations of TFE Requests or Material Change Reports for the same type of Covered Assets that the Responsible

Entity believes constitutes inconsistent application of the criteria specified in Section 3.1. The Responsible Entity's submission shall provide a clear and compelling demonstration that inconsistent applications of the criteria specified in Section 3.1 have occurred in the determinations of two or more TFE Requests or Material Change Reports for the same type of Covered Assets made by the same Regional Entity or two or more Regional Entities. NERC will provide a copy of the Responsible Entity's submission to the Regional Entity that approved or disapproved the TFE Request or Material Change Report that is the subject of the submission. NERC will review the Responsible Entity's submission and the reports submitted by the Regional Entity or Regional Entities pursuant to Section 5.2.7 with respect to the TFE Requests or Material Change Reports that are the subject of the Responsible Entity's submission, and may decide, in accordance with Section 5.2.9, to request the Regional Entity to reconsider its determination. NERC will send a written notice to the Responsible Entity stating that NERC has determined to request reconsideration by the Regional Entity or has determined not to request reconsideration by the Regional Entity, as applicable.

5.2.9 NERC may request the Regional Entity to reconsider the approval or disapproval of a TFE Request or Material Change Report, solely on the grounds that the approval or disapproval would result in inconsistent application of the criteria specified in Section 3.1 as compared to determinations made on TFE Requests or Material Change Reports for the same type of Covered Assets by the same Regional Entity or a different Regional Entity. Requests for reconsideration on any other grounds are not allowed. A request for reconsideration shall be submitted in writing to the Regional Entity and shall set forth (i) the TFE Request or Material Change Report that is the subject of the request for reconsideration (using the identifier assigned to the TFE Request or Material Change Report pursuant to Section 5.1.2), (ii) a copy of the Regional Entity's notice of approval or disapproval of the TFE Request or Material Change Report, and (iii) a description of the inconsistency in determinations on which NERC relies as the basis for the request for reconsideration, including specific reference(s) to other determinations of TFE Requests or Material Change Reports for the same type of Covered Asset that NERC believes constitutes inconsistent application of the criteria specified in Section 3.1. The Regional Entity shall consider the request for reconsideration and shall issue a notice to NERC and the affected Responsible Entity(ies) approving, disapproving or rejecting the TFE Request or Material Change Report in accordance with Section 5.2.4, Section 5.2.5, Section 5.2.6 and/or Section 9.2, as applicable, within one hundred twenty (120) days following receipt of the request for reconsideration. A determination on a request for reconsideration approving or disapproving a TFE Request or Material Change Report shall be effective prospectively only, from its Effective Date, provided, that if a Regional Entity receives a request for reconsideration of the disapproval of a TFE Request or Material Change Report prior to the Effective Date of the notice of disapproval, the Regional Entity shall issue a notice to the affected Responsible Entity pursuant to Section 5.2.6, as applicable, suspending the Effective Date pending determination of the request for reconsideration.

5.3 No Findings of Violations or Imposition of Penalties for Violations of an Applicable Requirement for the Period a TFE Request or Material Change Report is Being Reviewed

The Responsible Entity shall not be subject to imposition of any findings of violations, or

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imposition of Penalties or sanctions for violations, for failure to be in Strict Compliance with an Applicable Requirement that is the subject of a TFE Request or Material Change Report, for the period from:

- (i) the date that is sixty (60) calendar days after submission of the TFE Request or Material Change Report,

to:
- (ii) (A) the date of the Regional Entity's notice that the TFE Request or Material Change Report is approved, or (B) the Effective Date of the Regional Entity's notice that the TFE Request or Material Change Report is disapproved, whichever is applicable.

Provided, that:

- (1) while a TFE Request or Material Change Report is undergoing review, the Regional Entity shall not issue a Notice of Alleged Violation to the Responsible Entity for being noncompliant with the Applicable Requirement that is the subject of the TFE Request or Material Change Report during the period on and after the TFE Request or Material Change Report was submitted;
- (2) if the TFE Request or Material Change Report is approved, the Responsible Entity shall not be subject to imposition of any findings of violations, or imposition of Penalties or sanctions for violations, for failure to be in Strict Compliance with an Applicable Requirement that is the subject of the TFE Request or Material Change Report, during the period from submission of the TFE Request to the date of the Regional Entity's notice that the TFE Request or Material Change Report is approved; and
- (3) if the TFE Request or Material Change Report is disapproved, and is found by the Regional Entity, NERC or FERC to have been fraudulent or submitted not in good faith, the provisions of this Section 5.3 shall not apply, the Responsible Entity shall be subject to imposition of findings of violations and imposition of Penalties or sanctions for violations, for failure to be in Strict Compliance with the Applicable Requirement that was the subject of the TFE Request or Material Change Report, for the entire period subsequent to the date the TFE Request or Material Change Report was submitted, and the Responsible Entity's fraudulent or not-in-good-faith submission of the TFE Request or Material Change Report shall be an aggravating factor in determining the amounts of Penalties or sanctions to be imposed on the Responsible Entity for such violations.

6.0 IMPLEMENTATION AND REPORTING BY THE RESPONSIBLE ENTITY PURSUANT TO AN APPROVED TFE OR MATERIAL CHANGE REPORT

6.1. The Responsible Entity will be required to implement compensating measures

and/or mitigating measures as described, and in accordance with the time schedule(s) set forth, in the approved TFE.

6.2. In the event the TFE has been approved with an Expiration Date, the Responsible Entity will be required to implement steps, or conduct research and analysis, towards achieving Strict Compliance with the Applicable Requirements and eliminating the TFE, as described, and in accordance with the time schedule set forth, in the approved TFE.

6.3. [Deleted]

6.4. [Deleted]

6.5. If there is a Material Change in the facts underlying approval of the TFE, the Responsible Entity shall submit a Material Change Report to the Regional Entity, within ~~thirtysixty~~ (3060) calendar days of identification or discovery of the Material Change, supporting the continuing need and justification for the approved TFE or verifying that the Responsible Entity has achieved Strict Compliance with the Applicable Requirement pursuant to Section 4.0. The Regional Entity may extend the period for submittal of the Material Change Report upon request ~~for and with~~ good cause shown.

6.6. [Deleted]

6.7. [Deleted]

6.8. If a Responsible Entity fails to implement or maintain a compensating measure or mitigating measure or fails to conduct research or analysis towards achieving Strict Compliance, in accordance with the approved TFE; or fails to submit one or more reports by the required submission date, the Responsible Entity (i) is required to file a Self-Report in accordance with Section 3.5 of the CMEP, and (ii) will be subject to issuance of a Notice of Alleged Violation for noncompliance with the Applicable Requirement that is the subject of the approved TFE. Any such Notice of Alleged Violation shall be processed in accordance with Sections 5.0, 6.0 and 7.0 of the CMEP.

7.0 AMENDMENT OF A PENDING TFE REQUEST

A Responsible Entity may amend a pending TFE Request that is under review by a Regional Entity, for the purpose of providing additional or revised Required Information during the 60-day review period. Submission of an amendment to a pending TFE Request may, in the Regional Entity's discretion, extend the time period for the Regional Entity's review of the TFE Request but does not require the restart of the approval process.

8.0 COMPLIANCE AUDIT REQUIREMENTS RELATING TO APPROVED TFE

8.1. Following approval of a Responsible Entity's TFE Request, subsequent Compliance Audits of the Responsible Entity may include audit of (i) the Responsible Entity's implementation and maintenance of the compensating measures and/or mitigating measures

specified in the approved TFE, in accordance with the time schedule set forth in the approved TFE, and (ii) the Responsible Entity's implementation of steps and conduct of research and analyses towards achieving Strict Compliance with the Applicable Requirement, in accordance with the time schedule set forth in the approved TFE. These topics shall be included in such Compliance Audits regardless of whether a Compliance Audit was otherwise scheduled to include the CIP Standard that includes the Applicable Requirement.

8.2 The first Compliance Audit of the Responsible Entity subsequent to the Expiration Date shall include audit of the Responsible Entity's Strict Compliance with the Applicable Requirement that was the subject of the approved TFE. This topic shall be included in such Compliance Audit regardless of whether it was otherwise scheduled to include the CIP Standard that includes the Applicable Requirement.

9.0 TERMINATION OF AN APPROVED TFE

9.1. An approved TFE shall remain in effect unless it terminates on its Expiration Date, it is terminated at an earlier date pursuant to this Section 9.0, the Responsible Entity achieves Strict Compliance with the Applicable Requirement or there is a material misrepresentation by the Responsible Entity as to the facts relied upon by the Regional Entity in approving the TFE.

9.2. The Responsible Entity may terminate an approved TFE by submitting a notice to the Regional Entity stating that the Responsible Entity is terminating the TFE and the Effective Date of the termination.

9.3. A Regional Entity or NERC may terminate an approved TFE based on the results of a Spot Check initiated and conducted pursuant to the CMEP to determine whether the approved TFE should be terminated prior to its Effective Date or should be revised to impose additional or different requirements or to advance the Expiration Date to an earlier date. Following issuance to the Responsible Entity of a draft Spot Check report concluding that the approved TFE should be terminated or revised (including by advancement of the Expiration Date), and opportunity for the Responsible Entity to submit comments on the draft Spot Check report, the Regional Entity or NERC, if it has determined that the approved TFE should be terminated or revised, shall issue a notice of termination to the Responsible Entity (with a copy to NERC if the notice is issued by the Regional Entity) stating the Effective Date of termination of the approved TFE. The Effective Date shall be no less than sixty-one (61) calendar days and no more than ninety-one (91) calendar days after the date of issuance of the notice of termination, unless the Regional Entity determines there are exceptional circumstances that justify a later Effective Date. If the Regional Entity determines the Effective Date should be more than ninety-one (91) calendar days after the issuance of the notice of termination due to exceptional circumstances, the Regional Entity shall include a detailed statement of the exceptional circumstances in the notice of termination.

9.4. The Responsible Entity shall not be subject to imposition of any findings of violations, or imposition of Penalties or sanctions for violations, for failure to be in Strict

Compliance with an Applicable Requirement that is the subject of a TFE that has been terminated, until the Effective Date of the notice of termination.

10.0 HEARINGS AND APPEALS PROCESS FOR RESPONSIBLE ENTITY

The Responsible Entity may raise issues relating to the disapproval of its TFE Request or the termination of the approved TFE in the hearing concerning the Notice of Alleged Violation, proposed Penalty or sanction, or Mitigation Plan components.

11.0 CONSISTENCY IN APPROVAL AND DISAPPROVAL OF TFE REQUESTS AND MATERIAL CHANGE REPORTS

11.1. NERC and the Regional Entities will engage in the activities specified in this Section 11.0 for the purpose of assuring consistency in the review, approval and disapproval of TFE Requests and Material Change Reports (i) among the Regional Entities, (ii) among different types of Covered Assets that are subject to the same Applicable Requirement, (iii) with respect to the application of the criteria specified in Section 3.1 for approval of TFE Requests or Material Change Reports, including the comparison of safety risks and costs of Strict Compliance to reliability benefits of Strict Compliance, and (iv) with respect to the types of mitigating measures and compensating measures that are determined to be appropriate to support approval of TFE Requests or Material Change Reports. In appropriate cases, NERC will submit a request for reconsideration to a Regional Entity in accordance with Section 5.2.9.

11.2. The activities in which NERC and the Regional Entities will engage for the purposes stated in Section 11.1 will include, but not be limited to, the following activities:

1. [Deleted]
2. NERC will maintain, as Confidential Information, based on reports submitted by Regional Entities, a catalogue of the types of Covered Assets for which TFE Requests or Material Change Reports from the various Applicable Requirements have been approved and disapproved. The catalogue will be accessible to the Regional Entities for their use in connection with their substantive reviews of TFE Requests or Material Change Reports.
3. NERC and the Regional Entities will form a committee comprised of NERC and Regional Entity representatives involved in the review of TFE Requests or Material Change Reports and other Critical Infrastructure program activities, which shall be charged to review approved and disapproved TFE Requests or Material Change Reports for consistency and to issue such guidance to the Regional Entities, as Confidential Information, as the committee deems appropriate to achieve greater consistency in approval and disapproval of TFE Requests or Material Change Reports in the respects listed in Section 11.1. The committee shall include persons with appropriate subject matter expertise for the responsibilities and activities of the committee.

Appendix 4D - Technical Feasibility Exception Procedure

4. NERC will submit to the FERC and to other Applicable Governmental Entities an annual informational report containing the following information concerning the manner in which Regional Entities have made determinations to approve or disapprove TFE Requests or Material Change Reports based on the criteria of Section 3.1:
 - (i) whether any issues were identified during the period covered by the informational report with respect to the consistency of the determinations made based on the criteria in Section 3.1, either within a Regional Entity or among Regional Entities;
 - (ii) a description of any such identified consistency issues;
 - (iii) how each consistency issue was resolved;
 - (iv) the numbers of TFE Requests or Material Change Reports for which reconsideration was requested pursuant to Section 5.2.9 based on purported inconsistencies in determinations applying the criteria in Section 3.1 and the numbers of such requests which resulted in TFE Requests or Material Change Reports being approved or disapproved; and
 - (v) whether NERC has developed or is in a position to develop a uniform framework for Regional Entities to use to appraise the reliability benefits of Strict Compliance when making determinations based on the criteria in Section 3.1(iv) and (vi).

The first such informational report shall cover the period through June 30, 2011, and shall be filed with FERC and other Applicable Governmental Entities no later than September 28, 2011. Subsequent annual informational reports shall cover the period from July 1 through June 30 and shall be filed within 90 days following the end of the period covered by the report.

If NERC determines it is necessary to include any Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information in an informational report in order to satisfy the information requirements specified above, such Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information shall be contained in a separate non-public, confidential appendix to the informational report. Prior to submitting to FERC or another Applicable Governmental Authority a non-public, confidential appendix that provides specific Confidential Information, Classified National Security Information, NRC Safeguards Information, or Protected FOIA Information of a particular Responsible Entity and identifies the Responsible Entity or one of its Facilities by name, NERC shall provide at least twenty-one (21) days advance notice to the Responsible Entity. The non-public, confidential appendix shall be submitted to FERC and other Applicable Governmental Authorities in accordance

with their procedures for receiving confidential, proprietary and other protected information.

12.0 CONFIDENTIALITY OF TFE REQUESTS, MATERIAL CHANGE REPORTS AND RELATED INFORMATION

Except as expressly stated in this Section 12.0, the submission, review, and approval/disapproval of TFE Requests or Material Change Reports, and the implementation and termination of approved TFEs, shall be maintained as confidential. The following Documents are Confidential Information and shall be treated as such in accordance with Section 1500 of the NERC *Rules of Procedure*:

- (i) All TFE Requests and amendments or Material Change Reports submitted, filed or made available by the Responsible Entity;
- (ii) All notices issued by a Regional Entity or NERC pursuant to this Appendix;
- (iii) All requests for Documents or information made by a Regional Entity or NERC pursuant to this Appendix;
- (iv) All submissions of Documents and information by a Responsible Entity to a Regional Entity or NERC pursuant to this Appendix;
- (v) All post-approval reports submitted by a Responsible Entity pursuant to this Appendix;
- (vi) All correspondence, notes, drawings, drafts, work papers, electronic communications, reports and other Documents generated by a Regional Entity or NERC in connection with a TFE Request or Material Change Report, including (without limiting the scope of this provision) in connection with reviewing a TFE Request or Material Change Report and supporting Documents and information submitted, filed or made available by the Responsible Entity, conducting a physical inspection of the Covered Asset(s) or the related Facility(ies), reviewing and analyzing post-approval reports submitted by a Responsible Entity, or conducting compliance monitoring processes pursuant to the CMEP with respect to a TFE Request or Material Change Report or approved TFE.
- (vii) All guidance issued to Regional Entities pursuant to Section 11.2 by NERC or by the committee described in Section 11.2(3), and all minutes of meetings of the committee and discussions between or among its members.
- (viii) All submissions by Responsible Entities to NERC pursuant to Section 5.2.8.
- (ix) All requests for reconsideration pursuant to Section 5.2.9.

- (x) Any confidential appendix to an informational report prepared and submitted pursuant to Section 11.2(4) or to an Annual Report prepared and submitted pursuant to Section 13.0.

13.0 ANNUAL REPORT TO FERC AND OTHER APPLICABLE GOVERNMENTAL AUTHORITIES

13.1. Contents of Annual Report

NERC shall submit an Annual Report to FERC that provides a Wide-Area analysis or analyses, which NERC shall prepare in consultation with the Regional Entities, regarding the use of TFEs and the impact on the reliability of the Bulk Electric System, as required by Paragraphs 220 and 221 of *Order No. 706*, which state:

. . . [W]e direct the ERO to submit an annual report to the Commission that provides a wide-area analysis regarding use of the technical feasibility exception and the effect on Bulk-Power System reliability. The annual report must address, at a minimum, the frequency of the use of such provisions, the circumstances or justifications that prompt their use, the interim mitigation measures used to address vulnerabilities, and efforts to eliminate future reliance on the exception. . . [T]he report should contain aggregated data with sufficient detail for the Commission to understand the frequency with which specific provisions are being invoked as well as high level data regarding mitigation and remediation plans over time and by region

Copies of the Annual Report shall be filed with other Applicable Governmental Authorities. The Annual Report shall contain, at a minimum, the following information:

- (i) The frequency of use of the TFE Request process, disaggregated by Regional Entity and in the aggregate for the United States and for the jurisdictions of other Applicable Governmental Authorities, including (A) the numbers of TFE Requests that have been submitted and approved/disapproved during the preceding year and cumulatively since the effective date of this Appendix, (B) the numbers of unique Covered Assets for which TFEs have been approved, (C) the numbers of approved TFEs that are still in effect as of on or about the date of the Annual Report; (D) the numbers of approved TFEs that reached their Expiration Dates or were terminated during the preceding year; and (E) the numbers of approved TFEs that are scheduled to reach their Expiration Dates during the ensuing year;
- (ii) Categorization of the submitted and approved TFE Requests to date by broad categories such as the general nature of the TFE Request, the Applicable Requirements covered by submitted and approved TFE Requests, and the types of Covered Assets that are the subject of submitted and approved TFE Requests;
- (iii) Categorization of the circumstances or justifications on which the approved TFEs to date were submitted and approved, by broad categories such as the need to avoid

Appendix 4D - Technical Feasibility Exception Procedure

replacing existing equipment with significant remaining useful lives, unavailability of suitable equipment to achieve Strict Compliance in a timely manner, or conflicts with other statutes and regulations applicable to the Responsible Entity;

(iv) Categorization of the compensating measures and mitigating measures implemented and maintained by Responsible Entities pursuant to approved TFEs, by broad categories of compensating measures and mitigating measures and by types of Covered Assets;

(v) For each TFE Request that was disapproved, and for each TFE that was terminated, but for which, due to exceptional circumstances as determined by the Regional Entity, the Effective Date was later than the latest date specified in Section 5.2.6, or 9.3, as applicable, a statement of the number of days the Responsible Entity was not subject to imposition of findings of violations of the Applicable Requirement or imposition of Penalties or sanctions pursuant to Section 5.3.

(vi) A discussion, on an aggregated basis, of Compliance Audit results and findings concerning the implementation and maintenance of compensating measures and mitigating measures, and the implementation of steps and the conduct of research and analyses to achieve Strict Compliance with the Applicable Requirements, by Responsible Entities in accordance with approved TFEs;

(vii) Assessments, by Regional Entity (and for more discrete areas within a Regional Entity, if appropriate) and in the aggregate for the United States and for the jurisdictions of other Applicable Governmental Authorities, of the Wide-Area impacts on the reliability of the Bulk Electric System of approved TFEs in the aggregate, including the compensating measures and mitigating measures that have been implemented; ~~and~~

(viii) Discussion of efforts to eliminate future reliance on TFEs;-

(ix) Data and information regarding Material Change Reports, including the number of Material Change Reports filed annually and information regarding the types of circumstances or events that led to material changes, as well as any additional information NERC believes would be useful; and

(x) Additional information about TFEs and their expiration dates, including the number of TFEs by expiration year and CIP Standard requirement, the percentage of currently approved TFEs without expiration dates, and the number of new TFEs approved without expiration dates annually.

13.2. [Deleted]

13.3. Due Date for Annual Reports

The first Annual Report shall cover the period through June 30, 2011, and shall be filed with FERC and with other Applicable Governmental Authorities no later than 90 days after the

end of such calendar quarter. Subsequent Annual Reports shall be filed at one year intervals thereafter.

13.4. Annual Report to be a Public Document; Confidential Appendix

It is the intent of this Appendix that the Annual Report be a public document. Therefore, NERC shall prepare the annual report in such a manner that it does not include or disclose any Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information. However, if NERC determines it is necessary to include any Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information in an Annual Report in order to satisfy the information requirements specified in this Appendix or required by FERC or other Applicable Governmental Authorities, such Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information shall be contained in a separate non-public, confidential appendix to the Annual Report. Prior to submitting to FERC or another Applicable Governmental Authority a non-public, confidential appendix that provides specific Confidential Information, Classified National Security Information, NRC Safeguards Information, or Protected FOIA Information of a particular Responsible Entity and identifies the Responsible Entity or one of its Facilities by name, NERC shall provide at least twenty-one (21) days advance notice to the Responsible Entity. The non-public, confidential appendix shall be submitted to FERC and other Applicable Governmental Authorities in accordance with their procedures for receiving confidential, proprietary and other protected information.

13.5. Responsible Entities Must Cooperate in Preparation of Annual Report

As specified in Paragraph 220, note 74 of Order No. 706, Responsible Entities must cooperate with NERC and Regional Entities in providing information deemed necessary for NERC to fulfill its reporting obligations to FERC.

GridSecCon 2013

Action

None

Summary

The North American Electric Reliability Corporation (NERC) hosted its third annual Grid Security Conference (GridSecCon) on October 15-17, 2013 in Jacksonville, Florida. The theme was “Threats, Policy, Solutions, and the Bulk-Power System” and over 300 participants from both industry and government attended.

Keynote speakers included Gerry Cauley, president and chief executive officer at NERC; and the Honorable Michael Chertoff, former secretary of the Department of Homeland Security and co-founder and managing principal of the Chertoff Group.

The conference focused on cyber and physical security threats and vulnerabilities, lessons-learned, and risk mitigation and awareness discussions by senior industry and government leaders. The GridSecCon series promoted Bulk-Power System reliability through training and education in an open forum. Attendees were able to choose one of four tracks in useful physical and cybersecurity training that were taught by industry subject matter experts.

A complete list of scheduled presenters and topics can be found in the attached agenda.

GridSecCon 2013 Agenda

"Threats, Policy, Solutions, and the Bulk Power System"
October 15 – 17, 2013

[Hyatt Regency Jacksonville Riverfront](#), Jacksonville, FL ([NERC Hotel Corporate Rate](#))

[GridSecCon 2013 Website and Registration](#)

Monday, October 14, 2013

6:00 – 8:00 Evening Registration and Reception

Tuesday, October 15, 2013

7:30 – 8:30 Registration and Continental Breakfast

8:30 – 8:35 Logistics — *Bill Lawrence, Manager of Critical Infrastructure Protection (CIP) Awareness, NERC*

8:35 – 9:00 Welcome Address and Opening Keynote — *Gerry Cauley, President and CEO, NERC*

9:00 – 9:30 Host Utility Keynote — *Paul McElroy, Chief Executive Officer and Managing Director, JEA*

9:30 – 10:15 Security Keynote - *The Honorable Michael Chertoff, Co-Founder and Managing Principal, Chertoff Group*

10:15 – 10:45 Break

10:45 – 11:30 Does Anybody Really Know What Time it Is? – *Dr. Michael Cohen, MITRE*

11:30 – 12:15 Sub-station Security: Lessons Learned – *Greg Williams, Security Investigator, Pacific Gas and Electric Company*

12:15 – 1:30 Lunch

1:30 – 2:00 Afternoon Keynote – *Terry Boston, CEO, PJM*

2:00 – 2:45 Electricity Sector Information Sharing and Analysis Center Update — *Tim Roxey, Chief Cybersecurity Officer and ES-ISAC Director, NERC*

2:45 – 3:15 Break

3:15 – 4:00 Hardening Defenses: Identification and Disruption of Pre-attack Planning Operations – *Ross Johnson, Senior Manager, Security & Contingency Planning, Capital Power Corporation*

4:00 – 5:00 Threat of Modern Malware— Panel Discussion

Tim Roxey, Chief Cybersecurity Officer and ES-ISAC Director, NERC

Jonathan Pollet, Founder and Principal Consultant, Red Tiger Security

Mark Fabro, President and Chief Security Scientist, Lofty Perch

Billy Rios, Technical Director and Director of Consulting, Cylance

5:00 – 5:10 Closing Remarks – *Matt Blizzard, Director of Critical Infrastructure Department, NERC*

6:00 – 8:00 Evening Reception

Wednesday, October 16, 2013

- 7:30 – 8:30** Continental Breakfast
- 8:30 – 9:15** FERC's OEIS – *Barry Kuehnle, CIP Senior Advisor, Federal Energy Regulatory Commission, Office of Energy Infrastructure Security*
- 9:15 – 9:45** Information Sharing Task Force Recommendations – *Stephen Diebold, Senior Director, Ventyx*
- 9:45 – 10:45** CIP Compliance — Panel Discussion
Tobias Whitney, Manager of CIP Compliance, NERC
Gregory Goodrich, Supervisor, Enterprise Security at New York Independent System Operator
Kevin Perry, Director, Critical Infrastructure Protection at Southwest Power Pool Regional Entity
Roger Fradenburgh, Principal Security Architect, Network & Security Technologies
- 10:45 – 11:15** Break
- 11:15 – 12:15** EMP Threat: A DOE Perspective - *Deputy Assistant Secretary Bill Bryan, U.S. Department of Energy*
- 12:15 – 1:15** Lunch
- 1:15 – 1:45** The Future of Cybersecurity - *Dr. Andy Ozment, Senior Director for Cybersecurity, National Security Staff*
- 1:45 – 3:00** Outside the Box - Risk Management Solutions from Off the Shelf — Panel Discussion
Bill Lawrence, Manager of CIP Awareness, NERC
Bob Twitchell, Dispersive Solutions
Andrew Ginter, Waterfall Security
James Anderson, Digital Globe
Ron Mraz, Owl Computing Technologies
- 3:00 – 3:30** Break
- 3:30 – 4:15** Along the Cutting Edge: Cyber Security for Energy Delivery Systems (CEDS) Research & Development Program - *Dr. Carol Hawk, CEDS Program Manager, DOE Office of Electricity Delivery & Energy Reliability*
- 4:15 – 4:45** GridEx II Success Strategy – *Bill Lawrence, NERC*
- 4:45 – 5:00** Closing Comments — *Brian Harrell, Associate Director of CIP Programs, NERC*
- 6:00 – 8:00** Evening Reception

Thursday, October 17, 2013

- 8:00 – 5:00** Each training track will be an all-day session. Track descriptions can be found on the [GridSecCon 2013 Website](#).
- Track 1: CYBATI - Control System Security Hands-On Exercise** (free, limited to 42 total seats)
 Audience - cyber personnel, operations personnel and physical security personnel
- Track 2: AliTek - Physical Security** (free, limited to 100 seats) – physical security professionals
- Track 3: SANS - Sneak Peek at the SANS ICS 410 Course** (discounted to \$595, limited to 50 seats)
 Audience – technical / cybersecurity professionals
- Track 4: SANS - Compliance Training / Securing the Human** (free, limited to 50 seats)
 Audience – compliance specialists, trainers, compliance managers

Executive Order 13636 and Presidential Policy Directive-21

Action

None

Summary

In February 2013, President Obama announced Executive Order (EO) 13636 – Improving Critical Infrastructure Cybersecurity, and Presidential Policy Directive (PPD)-21 – Critical Infrastructure Security and Resilience. The Department of Homeland Security (DHS) created the Integrated Task Force (ITF) to implement EO 13636 and PPD-21. The ITF consists of eight working groups, each focused on specific implementation deliverables. The North American Electric Reliability Corporation (NERC) and industry experts represent the Electricity Sub-sector on all active implementation working groups. While most working groups are on track to meet their respective deadlines, the October 1, 2013, government shutdown may delay some deliverables and activities.

Working Groups

- *Cybersecurity Framework Development Working Group* works with the National Institute of Standards and Technology to develop a voluntary, repeatable cybersecurity framework (Framework) to promote the protection of critical infrastructure.
 - NERC and industry representatives contributed to the Framework development by responding to Requests for Information (RFI), attending workshops, drafting comments, and attending working group meetings.
 - The completed Framework is due October 10, 2013.
- *Cyber Dependent Infrastructure Identification Working Group* collaborates with industry and the Department of Energy to identify entities with critical infrastructure that, if faced with a cyber incident, could have catastrophic effects.
 - Department of Homeland Security (DHS) will notify selected entities in early fall 2013 that they have cyber dependent infrastructure and provide procedures for appeals from such designation.
- *Planning and Evaluation Working Group* is tasked with updating the National Infrastructure Protection Plan (NIPP) to coordinate public-private efforts to improve infrastructure security and resiliency.
 - NERC and industry representatives contributed to the updated NIPP by responding to RFIs, participating in writing sessions, and drafting comments.
 - The updated NIPP is due October 10, 2013.
- *Incentives Working Group* directs the study of incentives for participating in the voluntary critical infrastructure cybersecurity program.
 - In June 2013, the Department of Treasury, the Department of Commerce, and DHS issued a report that recommended the Administration analyze six incentive categories to encourage industry participation in the cybersecurity program.

- DHS and Sector-Specific Agencies will socialize incentive recommendations with the revised NIPP and Cybersecurity Framework.

The remaining working groups continue to meet, but are less active at this time.

- *Situational Awareness and Information Exchange Working Group* is tasked with identifying functional relationships across the Federal Government and developing a situational awareness capability for critical infrastructure.
- *Research and Development (R&D) Working Group* is tasked with developing a critical infrastructure security and resilience R&D plan.
 - The revised NIPP and the Cybersecurity Framework will contribute to this plan.
 - An initial plan will be released in early 2014.
- *Assessments: Privacy and Civil Rights and Civil Liberties (CRCL) Working Group* coordinates with representatives from across the interagency to assess CRCL impacts (government only).
- *Stakeholder Engagement Working Group* coordinates outreach to stakeholders throughout the implementation process.

Operating Committee Report

Action

Approve the Operating Committee's (OC's) 2014-2018 Strategic Work Plan.

Summary

Operating Committee's (OC's) Major Accomplishments Year-to-Date for 2013

1. Reliability Guidelines
 - a. The OC approved the *Reliability Guideline: Generating Unit Winter Weather Readiness – Current Industry Practices* at its March 2013 meeting.
 - b. The OC conducted an electronic ballot of the Reliability Guideline: Operating Reserve Management and the results of that ballot will be reported to the Board of Trustees (Board).
 - c. The OC requested committee comments on a draft *Reliability Guideline: Generating Unit Operations during Complete Loss of Communications* by October 15, 2013.
2. MISO Reliability Plan – MISO and impacted neighboring reliability coordinators (RCs) and balancing authorities (BAs) conducted a coordination study to identify potential operational concerns related to the implementation of the revised MISO Reliability Plan. While the revised MISO Reliability Plan was approved by the OC in June 2013, the OC will continue to receive periodic updates.
 - a. The OC held a special meeting on May 15–16, 2013 to continue the dialogue and review the progress of those coordination studies.
 - b. At the June 2013 OC meeting the involved parties reported that much progress was made and an agreement was imminent.
 - c. MISO reported during the OC's June 20, 2013 webinar that an Operations Reliability Coordination Agreement (ORCA) had been reached with Associated Electric Cooperative, Louisville Gas and Electric, Kentucky Utilities, PowerSouth Energy Cooperative, Southern Companies, Southwest Power Pool and Tennessee Valley Authority. Given this agreement the parties recommended the OC's approval of the revised MISO reliability plan. The ORCA provides a long-term road map for coordination and study between the parties to ensure reliability in the consolidated MISO BA that stretches from the gulf coast through the middle of the U.S. to the U.S. Canadian border.
3. NERC Interchange Distribution Calculator (IDC) – On March 31, 2013 NERC successfully transitioned the NERC IDC and related NERC reliability tools (e.g., System Data Exchange) to the IDC Association, an association of IDC users.
4. Strategic Plan – The OC approved a revised Strategic Plan at its September 2013 meeting.
5. Charter – The OC approved a revised Charter at its September 2013 meeting.

6. NERCnet (ISN) – The OC reviewed a letter “ISN Vendor Selection, dated September 12, 2013.” In response, the OC approved the following motion: “...the OC strongly recommends that NERC coordinate with Eastern Interconnection Reliability Coordinators to develop a coordinated action plan that ensures a smooth transition of the ISN to the industry. The coordinated action plan shall meet all the requirements, including redundancy, as identified by the technical expertise of the Data Exchange and Telecommunications Working Groups and documented within the ISN RFP.”
7. Enhanced Participation/Engagement of the OC:
 - a. The OC provided comments on the development of three Reliability Standards:
 - i. The OC submitted comments on the Coordinate Interchange Standard Drafting Project.
 - ii. The OC submitted comments to the PER Informal Development Project.
 - iii. The OC submitted comments in response to the Board’s COM-003 Resolution.
 - b. Arizona-Southern California Outages on September 8, 2011 – The OC has analyzed the report’s recommendations and continues to monitor WECC’s specific responses. The OC’s Operating Reliability Subcommittee (ORS) conducted a survey of reliability coordinators related to the use of real-time contingency analysis and RC/Transmission Operator (TOP) communications related to reliability tool failures. The ORS also reviewed the Real-time Tools Best Practices Task Force report and concluded that the report does not need to be formally updated at this time. The ORS is drafting a reliability guideline that addresses reliability tools, more specifically communications between TOPs and RCs on tool status.

OC’s Major Initiatives for 2014

1. OC Realignment of Activities and Organization – Following the approval of the OC’s strategic plan, the committee will, throughout 2014, focus on the realignment and reprioritization of the work of its subgroups. In collaboration with its subcommittees and working groups the OC will identify and implement opportunities for increased efficiency and use of stakeholder’s resources.
2. Event Analysis Subcommittee – Following an excellent start-up in 2012, the OC and the EAS will jointly work with the NERC EA program to further enhance the EA process. The OC will continue to work with the EAS and the NERC EA program to enhance the identification and publication of lessons learned and event reports. In addition, NERC EA program is beginning to develop and analyze event related metrics to identify trends, reliability gaps, and opportunities to industry improvement.
3. Annual State of Reliability Report – The OC’s Operating Reliability Subcommittee will partner with the Planning Committee’s Performance Analysis Subcommittee, to proactively review and develop the post-seasonal assessment sections of NERC’s 2014 State of Reliability report.

September 2013 Meeting Summary

This report provides a summary of the latest activities of the OC and its associated subcommittees in support of the NERC or OC mission and corporate goals. The [September 2013 OC Meeting Minutes](#) are posted on the NERC website.

COM-003-1

The OC spent significant time reviewing and responding to the five Board COM-003-1 questions that were initially addressed by the Reliability Issues Steering Committee (RISC), Independent Expert Review Panel, and NERC Management. Responses from these three parties were provided to the OC for their review prior to the OC meeting. Armed with the information in those reports the OC discussed each of the five questions in detail, formulated responses and delivered them to the Board.

The OC noted that the RISC comments found little evidence that non-emergency communications represent a reliability gap. The OC also noted that NERC's Event Analysis process has not identified non-emergency operational communications as a concern. This coupled with the February 2011 cold weather report and the September 2011 Arizona-Southern California Blackout reports, which neither identified communications as a concern, the OC recommends that a standard is not needed for non-emergency operational communications.

However, if the Board chooses to move forward with a standard, the OC recommends a fresh start with a new drafting team containing extensive on-shift experience. The OC could support a single standard that provides continuity across all operational states. The OC firmly believes that a new standard must not be a zero-defect type of standard. Rather, it should have a goal of performance improvement focusing on self monitoring, evaluating and correction.

Reliability Guideline: Operating Reserve Management

The OC reviewed a draft *Reliability Guideline: Operating Reserve Management* developed by the Balancing Authority Reliability-based Controls Standard Drafting Team. The OC provided comments on the draft reliability guideline and approved the amended guideline for a 45-day industry comment period.

PER Informal Development Standards Project

The PER Reliability Standards project team, which is currently in formal development, briefed the OC on the project's status.

Reliability Issues Steering Committee

The OC nominated its Vice Chair Jim Case to replace Chair Castle on the RISC.

Reliability Guideline: Generating Unit Operations during Complete Loss of Communications

The OC reviewed the draft *Reliability Guideline: Generating Unit Operations during Complete Loss of Communications*. The reliability guideline was developed at the OC's request in response to a recommendation from the Severe Impact Resilience Task Force's final report. The guideline

provides a strategy for power plant operations in the event of complete loss of communications between the on-site generating unit(s) operator and the system operator for the balancing area. In addition, the guideline provides a resource for generator operators for coordination and training expectations should communications be interrupted, particularly during a severe impact event. The guideline is designed to keep frequency within allowable limits and continued safe operation of generators while maintaining acceptable frequency control and is not meant to prevent generating unit operators from taking actions necessary to protect equipment under their supervision from permanent damage.

Project 2012-09 (Five-Year Review of Interconnection Reliability Operations and Coordination Standards)

David Souder, vice chair of the IRO Five-Year Review Team, reviewed the status of Project 2012-09. This project will comprehensively review and revise the set of IRO standards to ensure the requirements are clear and unambiguous. Many of the requirements in this set of standards were translated from Operating Policies as part of the Version 0 process. Suggestions for improvement, possible consolidation and for requirements to be considered for retirement under Paragraph 81 were submitted by stakeholders, other drafting teams, and FERC staff.

Planning Committee's Performance Analysis Subcommittee

Melinda Montgomery, chair of the Performance Analysis Subcommittee, reviewed proposed revisions to seven Adequate Level of Reliability metrics. She also reviewed the scope of the AC Substation Equipment Task Force (ACSETF), which the OC endorsed. Ms. Montgomery noted that the OC's Event Analysis Subcommittee (EAS) has two representatives on the ACSETF. The PAS requested direct OC participation on the task force and Chris Bolick volunteered to represent the OC.

Duke Energy's Event Analysis and Lessons Learned Program

Laura Lee briefed the committee on Duke Energy's event analysis and lessons learned program. The program was created to support Duke Energy's strategic priorities of leading the industry in operational performance and promoting continuous improvement. The program is designed to take advantage of and promote information sharing among all of Duke Energy's regulated operating areas. Duke Energy's event analysis program compliments NERC's Event Analysis process. She defined an event as "an undesirable occurrence that may be caused by, among other things, human performance, equipment failure and incorrect operation of a system element or component or cyber issue producing an unanticipated condition that results in an actual impact or potential risk to Bulk Power System reliability." The objective of Duke Energy's program is to support its culture of reliability excellence by promoting aggressive, critical self review of events and to implement actions from this review that result in reduced risk to the operation of the bulk power system.

2013 Special Reliability Assessment: Maintaining Bulk-Power System Reliability While Integrating Variable Energy Resources to Meet Renewable Portfolio Standards

John Moura, director reliability assessment, briefed the OC on the preliminary findings and recommendations presented in the *2013 Special Reliability Assessment: Maintaining Bulk-*

Power System Reliability While Integrating Variable Energy Resources to Meet Renewable Portfolio Standards. He reported that the integration of large quantities of variable energy resources (VERs) is changing electric system planning and operations and that the variability of these resources requires new approaches to planning and operating methods to ensure the reliability of the Bulk-Power System. The special reliability assessment provides an explanation of the current efforts of the California Independent System Operator to integrate VERs, as well as some of the current and proposed solutions to maintain resource adequacy and reliable operations in anticipation of a significantly changing resource mix.

The solutions being implemented by the California ISO (CAISO) support the recommendations of the Integration Variable Generation Task Force (IVGTF). In many ways, concerns in the CAISO are a test bed to develop effective ways to plan and operate a transformed electric grid. The report will highlight the steps CAISO has taken based on the IVGTF's guidance, describe the unique challenges in California's electric grid, and finally offer residual gaps in the form of recommendations for the CAISO system as well as for considerations by others. Consequently, other parts of North America can learn from the challenges and enhancements occurring and apply them to meet their own future needs.

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Operating Committee

2014 – 2018 Strategic Plan

September 2013

RELIABILITY | ACCOUNTABILITY



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Introduction

The North American Electric Reliability Corporation (NERC) Operating Committee (OC) is a stakeholder committee chartered by the NERC Board of Trustees (Board) to proactively support the NERC Enterprise mission. This strategic plan provides the OC with a clearly focused five-year road map for enhanced Bulk Electric System (BES) reliability, including alignment with the NERC top priorities as they continue to evolve over time.

This plan was developed by a task force of OC members. It is intended to guide the functions and core mission of the OC over the next five years, providing a sustainable set of expectations and deliverables. Further, it is not the intent of the task force for this strategic plan to remain static throughout the five-year timeframe. Rather, it is crucial that the plan retain the flexibility to address emerging issues and incorporate them as necessary to properly resolve them. The task force met in a working session to assess the current state of the OC and its responsibilities to industry, to cogitate on its future state, and to develop an understanding of the strengths and weaknesses of the OC. Further, the task force will identify opportunities for the OC to enhance operational reliability and will assess challenges the OC may have in carrying out its mission. Based on this work the task force developed strategic goals with action plans and measures of success to incorporate into the plan. The task force will finalize the plan for presentation to, and to get approval from, the entire OC and ultimately the Board.

It is expected that this plan, along with its goals and measures, will be reviewed during OC meetings, and enhancements to the plan will be made as required to achieve goals and ultimately reach the anticipated future state of the committee. The OC and its subgroups will be actively engaged in promoting operational reliability excellence. Recognized as industry experts, the OC should be sought for expertise in Training and Guidance Documents and assessments of system events and causal analyses, as well as standards recommendations, reviews, interpretations, and assessments. OC focus will be centered on operating and maintaining the BES within secure limits during the operational planning and real-time periods on an actual and projected post-contingent basis to preserve the efficacy of the BES.

Operating Committee Strategic Plan

Purpose of Strategic Plan

The purpose of NERC OC's Strategic Plan is to establish strategic direction for the NERC OC and create a foundational strategy that balances: long term objectives, operational priorities, and resources. The Plan seeks to focus the OC onto operational reliability matters and outlines the Guiding Principles and Vision under which the NERC OC will operate over the next five years.

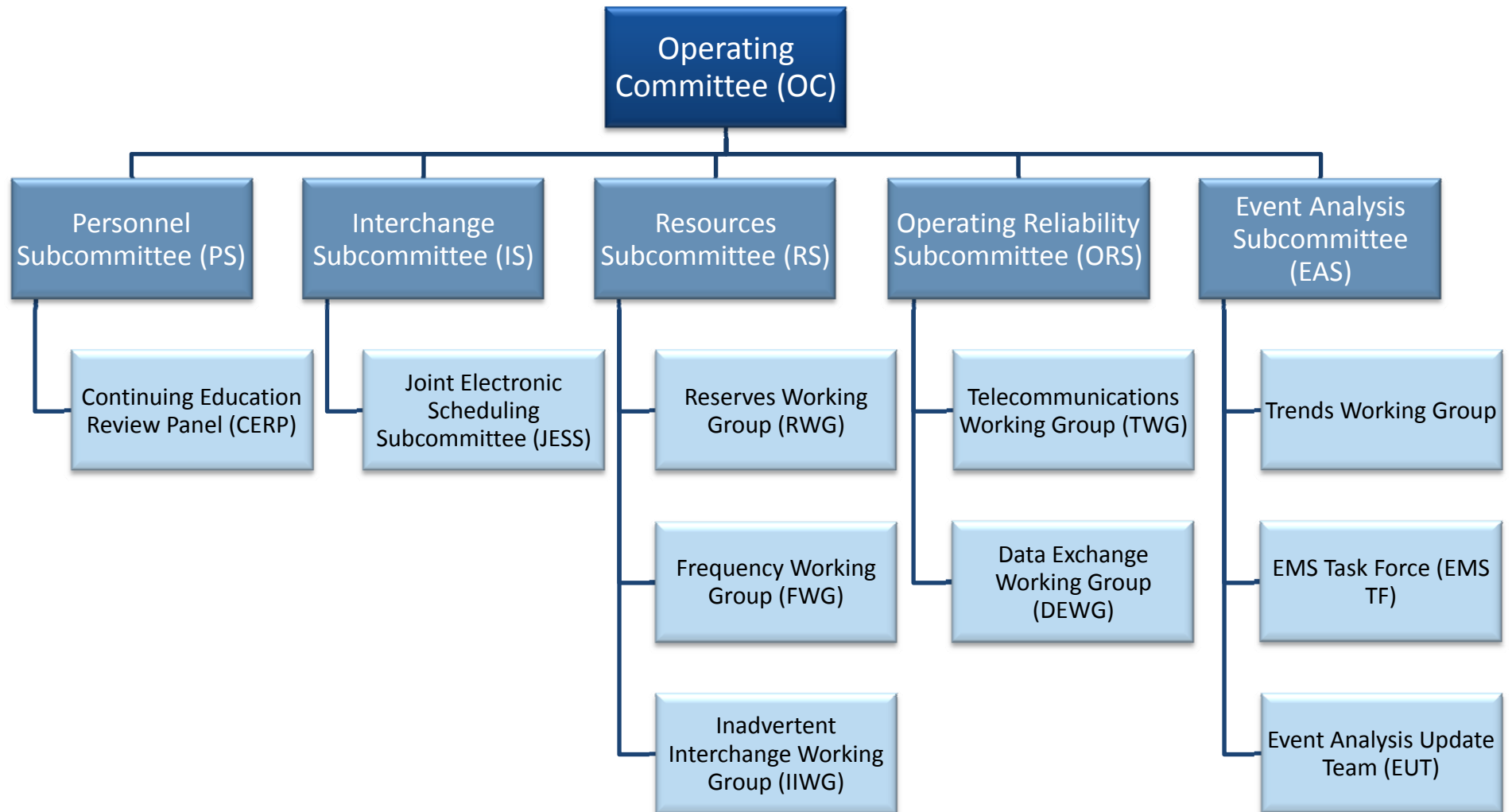
Guiding Principles

- Continually strive for excellence in event analysis (EA), emerging cause code trending and information sharing.
- Maintain the structure, processes and relationships with other NERC standing committees, and foster relationships with other forums, to achieve high levels of reliability for the BES.
- Align the OC mission and work plan with NERC's priorities, especially the Reliability Issues Steering Committee (RISC) identified priorities.
- Improve and coordinate industry understanding through the pursuit of clear NERC Reliability Standards, reliability guidelines, NERC Alerts, interpretations and other operations compliance clarifications.
- Maintain high levels of expertise to provide sound conclusions and opinions on operations issues.

Vision

The Vision of the NERC OC is to strive for continent-wide BES operational reliability excellence.

The NERC Operating Committee Model



Operating Committee Goals

Goal – OC 1

The OC will be proactive in leading the focus on the prioritization of Reliability Standards development and improvement.

Action Plan – OC 1

- The OC will recommend emergent operating issues and priorities to the RISC
- The OC will review the issues semi-annually for status and progress and re-prioritize (if necessary)
- The OC will:
 - Prioritize standards, create review schedule and discuss at the OC
 - ~~Recommend to the RISC explicit improvements to existing standards when needed~~
 - Recommend to Standards Committee revisions to standards or the retirement of existing standards as appropriate
 - Encourage appropriate OC involvement in the informal standards development process
 - Provide comments where appropriate on standards under development.
 - Prepare responses to requests for interpretations
 - Establish and maintain a method for active management of field trials associated with standards development

Goal – OC 2

Utilize the results of the Event Analysis Process to improve the reliable operation of the BES.

Accomplishing this goal requires a two-pronged approach. First, the OC will focus on event prevention by providing industry with information associated with good industry practices and emerging tools, technology and techniques. Hence, information can be shared with the intended benefit of avoiding events. Second, the OC will continue to champion and enhance the EA program and use it to rapidly disseminate lessons learned, from which industry may profit through enhanced operational reliability.

Action Plan – OC 2

- The OC will utilize the Events Analysis Subcommittee (EAS) to inform the industry of good industry practices as well emerging trends identified through the EA process.
 - Through emerging cause code trends and lessons learned, the EAS may recommend:
 - Development of reliability guidelines
 - Development of NERC Alerts
 - Improvements to existing Reliability Standards
 - New Reliability Standards.
 - The EAS will present root causes and lessons learned at OC meetings with the objective of sharing information on industry improvement opportunities.
 - The EAS will manage the dissemination of information such as lessons learned and good industry practices.

- The EAS will leverage industry groups in the development of quality lessons learned.
- The EAS, in coordination with the Personnel Subcommittee, will recommend training as a result of lessons learned and emerging cause code trends.
- The EAS will maintain the EA Process document.
- The EAS will annually survey the Regional Entities to determine if recommendations associated with lessons learned are being implemented and if not why. The EAS will report the survey results to the OC.

Goal – OC 3

Improve the depth of NERC reports to include operations perspectives.

The OC will be proactively engaged in the development of NERC reports by assigning subcommittees or appointing representatives to groups in which operations reliability perspectives will be beneficial. Key findings and recommendations within NERC reports serve as the technical basis for NERC Reliability Standards, project prioritization, compliance improvement, assessments, and critical infrastructure protection, as well as a roadmap into the future. By providing early input into NERC efforts, the OC can provide a valuable service to the industry, as well as support NERC in addressing its top priorities.

Action Plan – OC 3

- The OC will direct the Resources Subcommittee to coordinate with the NERC Performance Analysis Subcommittee to provide seasonal reports that include operational risk analyses, assessments, metrics, and risk evaluation associated with frequency including post analysis of most recent operating season
- The OC will direct the Operating Reliability Subcommittee to coordinate with the NERC Reliability Assessment Subcommittee to provide seasonal reports that include operational risk analyses and evaluation.
- The OC will review and endorse NERC’s annual State of Reliability report.
- The OC will assess and address selected risks from possible high-impact, low-frequency events that could have unacceptable operational consequences on the BES.
- The OC will collaborate with the appropriate subgroups on issues such as:
 - Reliability metrics
 - Operational Security
 - Geomagnetic disturbance
 - Interconnection frequency response obligation
 - Performance analysis reports and measures

Goal – OC 4

To investigate emergent issues that impact the reliability of the BES.

Action Plan – OC 4

- In order to address the changing nature of the industry, the OC will investigate generation resource mix and identify potential improvements in operations associated with integration of new resources.
 - The OC will identify operating challenges and operating trends associated with resource change.

- The OC will continue to monitor and inform industry of operational issues, challenges and solutions associated with new resources.
- Natural gas/electric generation interdependences.

Fundamental changes to interconnected operations, such as changes to the footprints of reliability coordinators, balancing authorities, transmission operators, Interconnections, and HVDC ties, etc.

Other issues identified by the OC or its subgroups.

Planning Committee Report

Action

None

Summary

Activities completed over the last three quarters conform to the Planning Committee's (PC's) strategic objectives. Significant progress is being made with the technical stakeholder groups in regards to addressing the most important planning challenges.

Additionally, the PC Charter was recently enhanced and aligned across the technical standing committees and submitted to the NERC Board of Trustees (Board) for approval at this meeting (addressed under the Consent Agenda).

2013 Key Deliverables (Completed)

- **NERC State of Reliability 2013 Report** – The 2013 report further advances risk identification methods in a consistent and predictable manner that help foster improved reliability performance. The PC has formed the AC Substation Equipment Task Force in response to the report's recommendation.
- **2013 Special Reliability Assessment: Accommodating an Increased Dependence on Natural Gas for Electric Power, Phase II Report** – Recommendations from this report recommend further regional analysis and enhancements to NERC's reliability assessments. Quantitative measures and risk profiles are needed to better understand the impact to regional resource adequacy and the electric system's resilience to disruptions in the natural gas supply chain.
- **Supplement to the 2013 Long-Term Reliability Assessment(LTRA): Probabilistic Assessment** – The supplement to the 2013 LTRA provides probabilistic indices by assessment area based on a common method and approach. This report is the first edition to a series of biennial efforts.
- **Misoperations Task Force Report** – The report analyzed protection system misoperation data, researched possible root causes, and developed observations, conclusions and recommendations to help registered entities decrease risk by focusing on the most frequent causes of protection system misoperations.
- **2013 Summer Reliability Assessment** – Annual report on resource adequacy and industry preparations to maintain reliability for the upcoming summer season.
- **Completion of Southwest Outage NERC Recommendations** – A number of recommendations have been addressed by the PC in response to the Southwest Outage report. The PC is utilizing broad use of its subject-matter experts to provide guidance on wide-area reliability issues including consistency in model parameters, angular separation, and sharing overload relay trip settings, and long-term and seasonal studies.

Strategic Focus for the Remainder of 2013

- **Reliability Assessment Reports** – The PC expects to submit two annual assessment reports to the Board for their consideration; the *2013 Long-Term Reliability Assessment and the 2013/2014 Winter Reliability Assessment*.

The Reliability Assessment Subcommittee has developed a risk assessment framework which requires input from various technical groups, the Operating Committee and the Member Representatives Committee. The guidance from the risk assessment provides a risk-based approach for the PC to address emerging and long-term reliability challenges.

- **Geomagnetic Disturbance Task Force (GMDTF)** – The GMDTF sponsored the Standards Authorization Request (SAR) needed to initiate the standards development process. The task force will develop GIC modeling and planning study guidelines. This information, along with the development of the reference storm (design day), will provide the technical specifications needed for the development of the GMD Reliability Standards. The GMDTF is also developing a pilot assessment to better understand the planning approaches that will be used in Phase II of the GMD Reliability Standards.
- **Support of Standards Development** – The PC continues to support the NERC Standards Development process with subcommittees of the PC conducting essential technical research into current and proposed areas of reliability issues to either highlight on-going issues or improve the industry’s body of knowledge relating to system planning and reliable operation of the Bulk-Power System. Several requests have been completed this year.

Additionally, subject-matter experts from the PC and its technical groups will continue to support the informal development of several Modeling, Data and Analysis (MOD) Reliability Standards. The PC is also engaged with the Standards Committee on technical discussions regarding the reliability impacts of the demand response on the Bulk-Power System—an emerging long-term reliability challenge.

- **Completion of the Integration of Variable Generation Task Force (IVGTF) Work Plan** – In response to the NERC *2009 Summary Report on Accommodating High-Levels of Variable Generation*, the IVGTF has been hard at work addressing the recommendations through a series of 12 efforts on specific issues such as wind forecasting, distributed variable resources, and capacity contributions of variable generation. A final report is expected in mid-2014 which will be the culmination of this task force’s work to address the reliability challenges of integrating large amounts of variable generation. The final reports on the IVGTF work plan are expected to be completed by December 2013. Parallel to this effort is the NERC/CAISO Joint Report (for approval under a separate agenda item). The success of the IVGTF is apparent given the CAISO’s efforts to follow through with reliability recommendations stemming from the work of the NERC IVGTF.
- **Coordination with the Reliability Issues Steering Committee (RISC)** – The PC continues to support RISC efforts and provide technical guidance for risk identification, develop gap analyses, and prioritize focus areas. The PC will specifically provide guidance on modeling and data concerns that should be considered as “high-risk” gaps as well as

other risk areas detailed in the State of Reliability Report and Long-Term Reliability Assessment. Currently, the PC is developing gap analyses on two key risk areas (titles of risk areas may be adjusted):

- Adaptation and Planning for Change
- Operational Modeling and Model Inputs

Status Report of Board-Approved Enhancements to TADS Data Collection Efforts

In 2012, the PC modified and approved the Transmission Availability Data System Working Group (TADSWG) recommendation to implement the new Bulk Electric System (BES) definition upon Federal Energy Regulatory Commission (FERC) approval. FERC approved the BES definition in December 2012. TADSWG incorporated in the definition the necessary changes to implement the definition in 2014. On June 13, 2013, in response to a NERC motion for delayed implementation, FERC issued Order 773A approving the delay of the BES definition implementation until June 30, 2014. With the delay in implementation of the new BES definition to 2014, comes the challenge of determining how to implement the new BES definition in advance of the FERC-approved implementation date. Requiring alignment of TADS data to the BES definition in 2014 will result in inventory reporting based on two definitions within the same year. This would create confusion for Transmission Owners. In addition, there would be a significant amount of inventory change in mid-2014 to accommodate the new elements and to retire elements to align with the BES definition. In light of these factors, TADSWG recommends that the new BES definition be applied to TADS data beginning January 1, 2015. The TADSWG requested this one-year deferral and it was approved by the PC at its September meeting.

Future Meetings

The PC future meetings are scheduled as follows:

- December 10-11, 2013 – Atlanta, GA
- March 3-4, 2013 – St. Louis, MO

Critical Infrastructure Protection Committee (CIPC) Report

Action

None

Summary

2013 Key Deliverables (Completed)

- **Electricity Sub-sector Information Sharing Task Force** – The Electricity Sub-sector Information Sharing Task Force Report (ESISTF) has been completed. This report was accepted by the NERC Board of Trustees on August 15, 2013. The ESISTF is now moving into the next phase of the report's recommendations which will include an outreach to the industry in collaboration with the ES-ISAC.

Strategic Focus for the Remainder of 2013

- **Coordination with the Reliability Issues Steering Committee (RISC)** – The CIPC continues to support RISC efforts with a CIPC representative to provide technical guidance for risk identification, develop gap analyses, and prioritize focus areas. The CIPC, through its Cyber subcommittee will specifically provide guidance on Digital Credential Management and will assess the nomination with technical guidance.
- **Physical Security Response Guideline** – Completed Step 12 of the NERC Guideline Approval process and is awaiting CIPC member vote and subsequent approval.
- **CIPC Charter** – NERC Legal has completed a review of the CIPC charter. The review was to achieve consistency across the Operating Committee, Planning Committee, and CIPC, and more generally, across all standing committees. The CIPC Executive Committee has endorsed the charter changes and the charter was sent to the Committee for approval. It is anticipated that the CIPC will approve the charter by October 14, 2013, in time for consideration by the Board of Trustees at its November meeting.

CIPC Committee Leadership

At the September CIPC meeting, Chuck Abell, SERC Reliability Corporation (SERC), was elected the CIPC chair and will serve in that capacity for a two-year term. He is supported by Jim Brenton, Electric Reliability Council of Texas (ERCOT) and Nathan Mitchell, American Public Power Association (APPA) as vice chairs elected to serve for the same two-year term. All terms will commence on January 1, 2014.

The CIPC also welcomed its new members Allan Wick, Tri-State G&T/WECC and John Galloway, ISO-NE/ NPCC and stakeholder support.

Future Meetings

The CIPC future meetings are scheduled as follows:

- December 10-11, 2013 – Atlanta, GA
- March 4-5, 2014 – St. Louis, MO

Personnel Certification Governance Committee Report

Action

None

Summary

This report highlights the key activities of the Personnel Certification Governance Committee (PCGC). The PCGC meets four times per year in addition to conducting task force meetings as needed. The third quarter meeting minutes are under review and upon approval, during the fourth quarter meeting, will be posted on the NERC website.

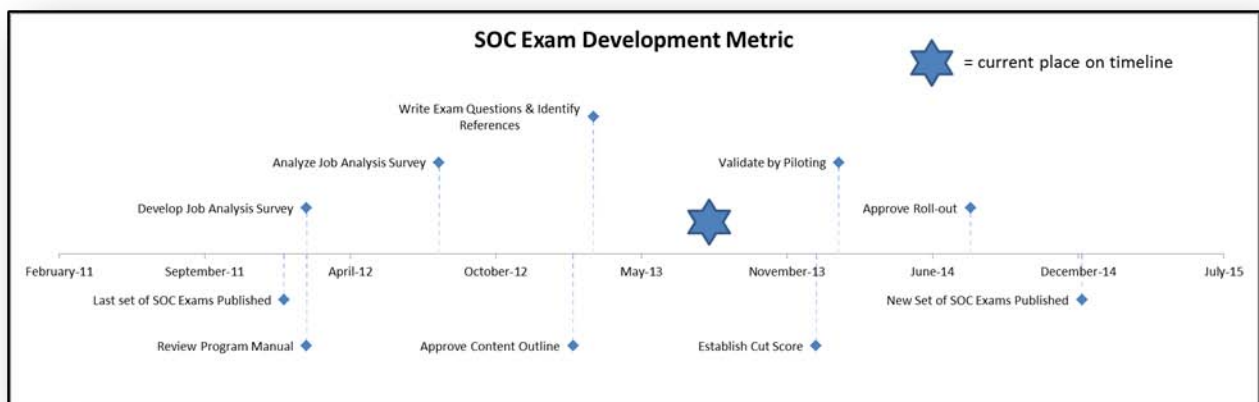
Policy Oversight

With the selection of a new exam developer and test center vendor, the System Operator Certification Program Manual has been updated with the new vendor information. No other updates were made to any other PCGC policies.

System Operator Certification (SOC) Exam Development

The SOC Exam Development Metric (Figure 1) tracks the development of the next set of SOC exams, completed by PCGC, EWG, and the Psychometric Consulting and Test Delivery vendors. The development cycle is a 36-month cycle. Currently PCGC is on track to deliver its next set of SOC exams by January 1, 2015.

Figure 1



NERC Certification Examination Pass Rate

The SOC Exam Statistics Metric details both the current year-to-date SOC Exam Pass Rate by exam (Figure 2) and the current year-to-date breakdown of exams by type (Figure 3).

Figure 2

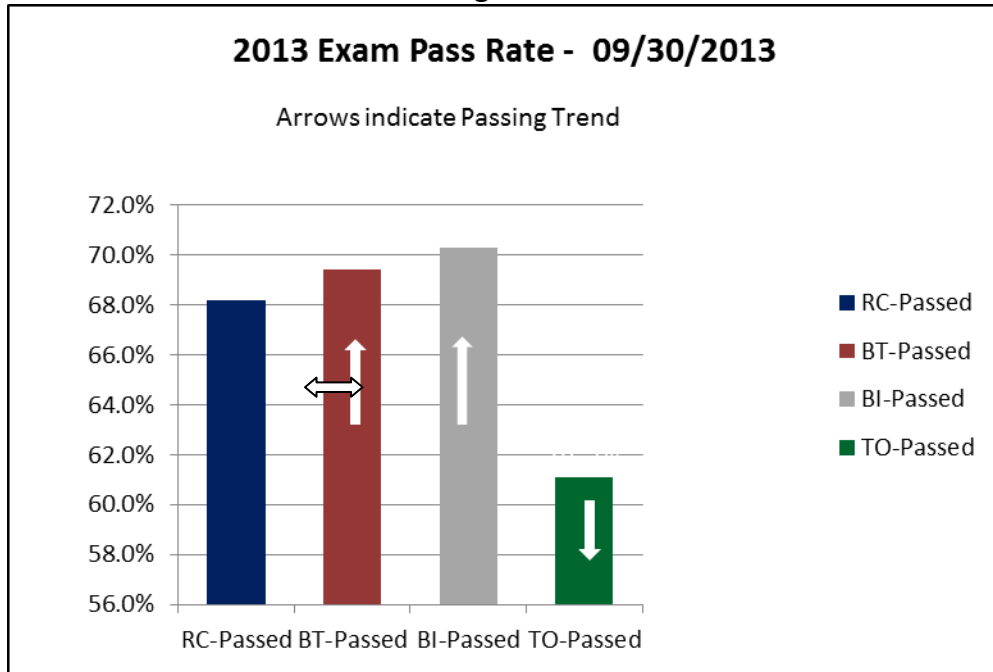
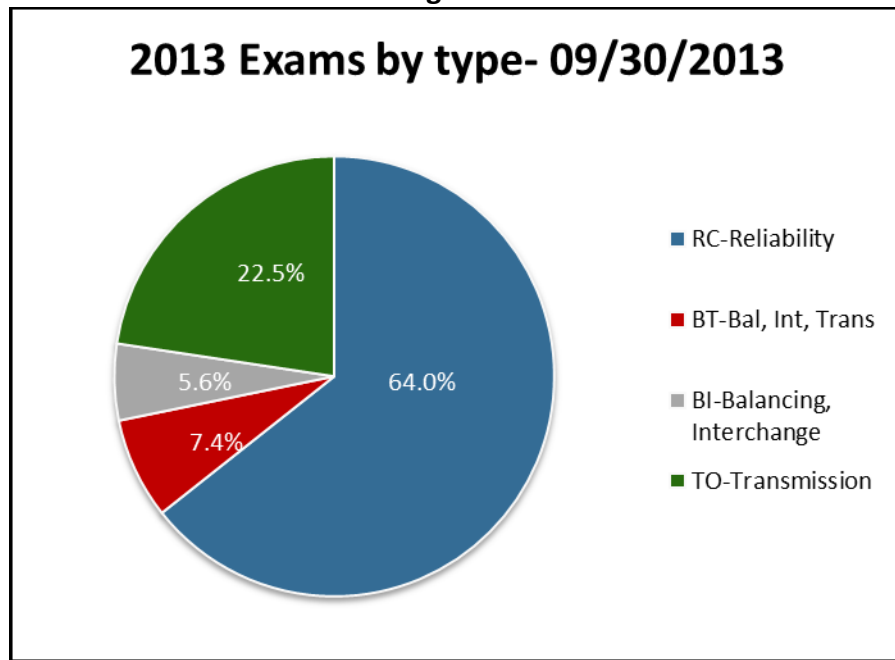


Figure 3

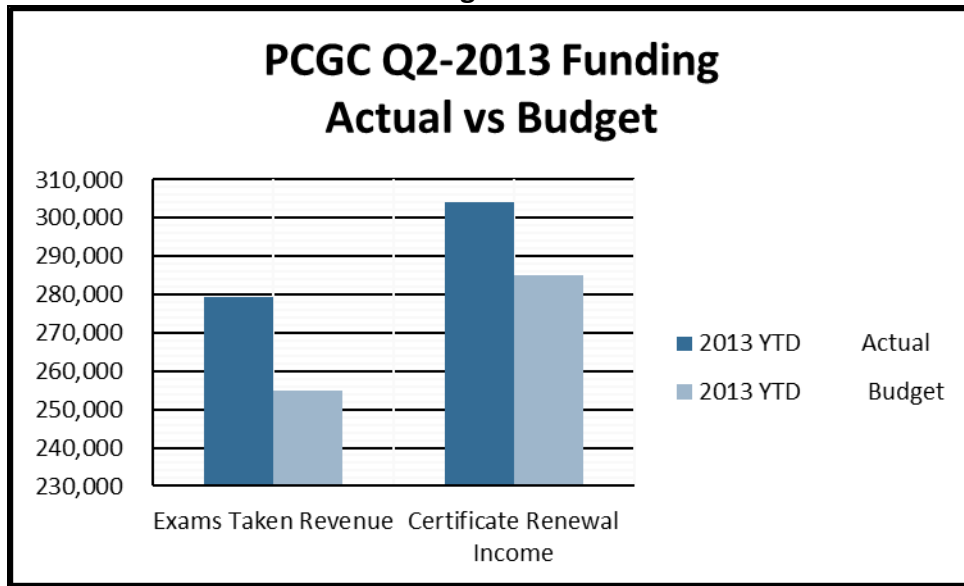


Budget

The budget metric tracks the SOC Certification Program budget including items that dramatically affect the budget.

The Program Funding – Actual versus Budget (Figure 4) details the revenue received versus budget from SOC Exams taken and SOC Certifications renewed.

Figure 4



The Program Expenses – Actual versus Budget (Figure 5) details the expenses of operating the program versus budget from the service providers required to implement the program.

The Actual versus Budget for MCG costs in Figure 5 is attributable to the SOCCED Upgrade Plan, which is not directly reflected in the PCGC “fixed costs” budget, rather than covered under the NERC Capital Fund.

Figure 5

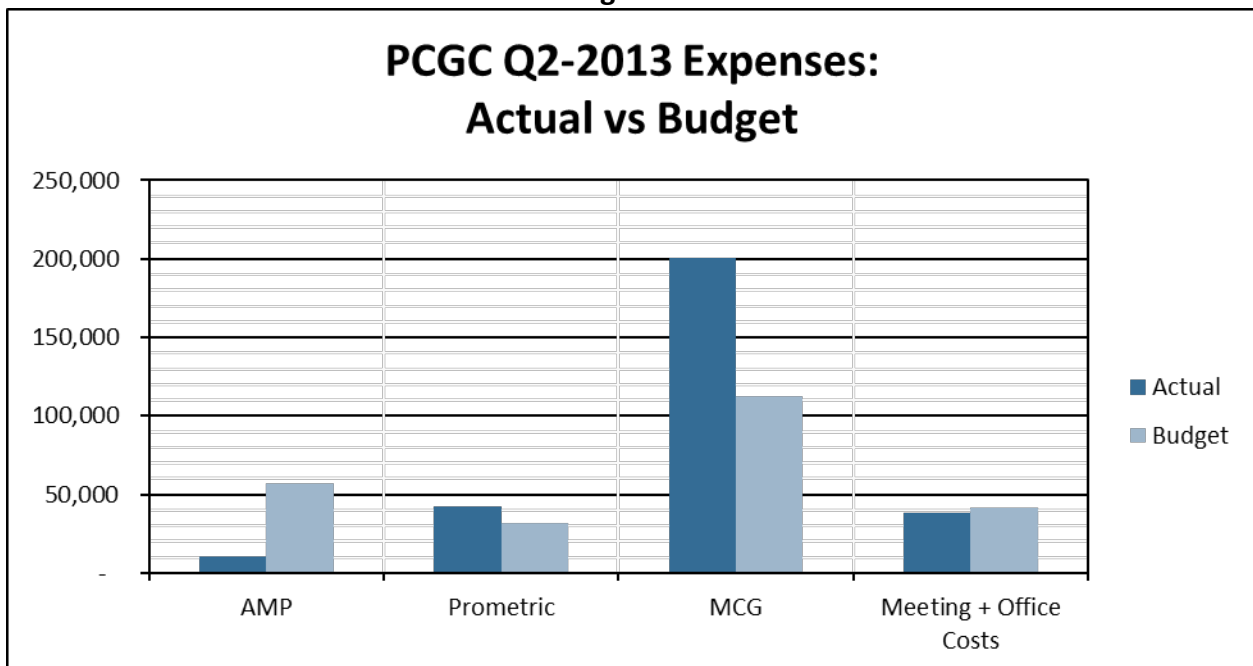


Figure 6 and Figure 7 detail the exams taken and renewals, which can affect the Actual versus Budget for revenue.

Figure 6

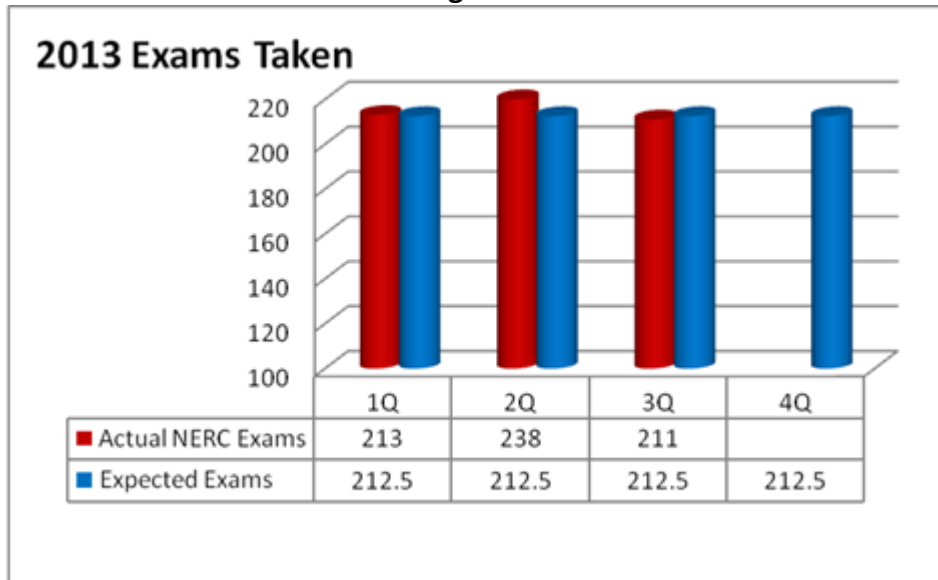
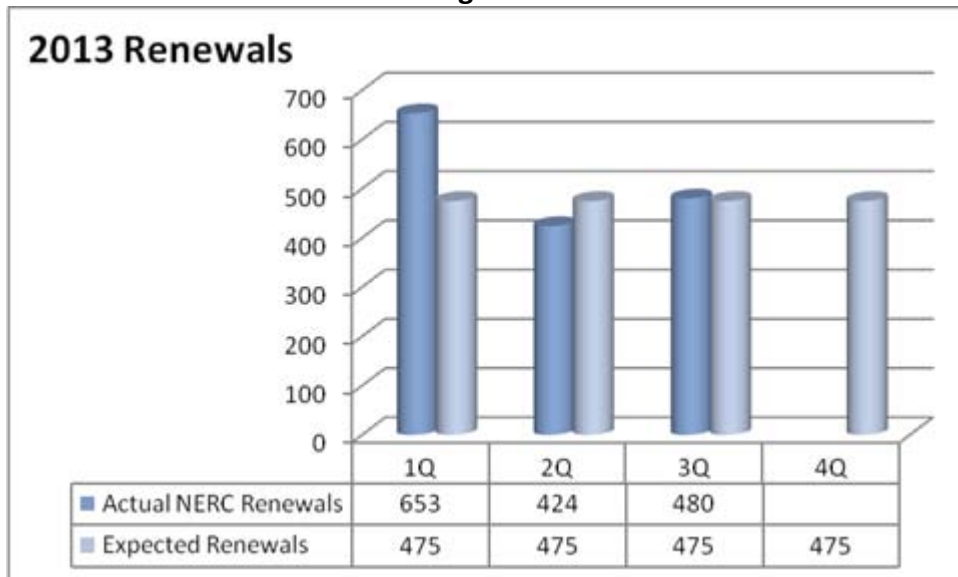


Figure 7



System Operator Certification and Continuing Education Database (SOCCED) Availability Metric

This metric tracks the availability of the SOCCED. This metric, when up and running directly from the database, will report database availability in a percentage.

Accomplishments

Work continues on the transition of data from the former exam development vendor and test center vendor to a new single source exam developer and test center vendor. Transition is on schedule for January 2014.

Future Tasks

Standing task forces are being drafted to deliver on each of the metrics included in this report.

Standards Committee Report

Action

Approve the [2014-2016 Standards Committee \(SC\) Strategic Work Plan](#) substantially in the form presented.

2014-2016 Standards Committee Strategic Work Plan

The SC has approved a 2014-2016 Strategic Work Plan (Work Plan), which builds on the 2013-2015 Strategic Work Plan. The Work Plan includes a number of tasks to be completed to continue to enhance the standards development process with the goal of reaching a steady-state of Reliability Standards by no later than the end of 2015. The Work Plan includes the following tasks:

- Evaluation and enhancement of the SC's and its subcommittees' charters, as needed (to be completed by the December 2013 SC meeting);
- Enhanced prioritization and scheduling of Reliability Standard projects to balance the movement to a steady-state with stakeholder resources (to be completed by the December 2013 SC meeting);
- NERC standards staff and the SC Project Management and Oversight Subcommittee (PMOS) are to enhance the Project Tracking Spreadsheet posted on the NERC web site or develop another spreadsheet/dashboard to indicate whether standard drafting teams (SDTs) are being "directionally consistent" with the Independent Expert Review Panel's (IERP's) findings and recommendations (including requirements that are candidates for retirement and content and quality grading) as well as stakeholders Paragraph 81 Phase 1 requirement retirement recommendations (to be completed by December 31, 2013);
- Evaluation of the 2013 informal consensus building process, with stakeholder feedback and consideration of enhancements for 2014 (to be completed by the December 2013 SC meeting). The implementation of enhancements in 2014 will be effectively and proactively communicated;
- Reinforced commitment to implement the Cost Effective Analysis Process (CEAP) for applicable Reliability Standards projects in 2014;
- Enhancement of training material for SDTs to highlight the use of the IERP's decision-tree for content and quality and the need for consideration of content and quality findings (to be completed by January 31, 2014);
- Moving to a steady-state of procedures that are less voluminous and with the objective of improving the effectiveness and efficiency of the SC and SDTs (to be completed by May 2014); and
- Consideration of the IERP findings, including identified gaps, quality and content issues, and candidates for retirement, including a Reliability Issues Steering Committee's (RISC's) coordinated triage of the Appendix F gaps identified by the IERP, with the triage activities to be completed by the second quarter of 2014.

Response to Board's Resolution on the IERP Report

On September 19, 2013, the SC received a detailed presentation on the IERP's final report and findings by Bill Thompson (one of the independent experts) and Valerie Agnew, director of standards development. Several of the tasks included in the above-referenced Work Plan specifically address the Board's August resolution that reads in part as follows:

“. . . the Board hereby directs the Standards Committee to (i) promptly review the findings contained in the [Independent Expert's] Report, (ii) determine how the Committee will include those findings in its 2014-2016 work plans, including, but not limited to, how it will approach the retirement of candidate standard requirements and address the identified priority gaps in standards and (iii) provide a report at the Board's November 2013 meeting as to the Committee's implementation plan, including proposed timelines.”

The tasks underway to address the Board's resolution include:

- The analysis of the IERP's Appendix F gaps with RISC (completed September 5, 2013), and recommended analysis/consideration of the gaps by the Operating Committee, Planning Committee and SDTs, as applicable, with all recommended analysis/considerations to be completed by the second quarter of 2014;
- Inclusion of the IERP's findings in the 2014-2016 Reliability Standards Development Plan to assist with organization and transparency of the findings (including requirements that are candidates for retirement and content and quality grading) as they relate to transforming Reliability Standard families to a steady-state (completed October 17, 2013);
- The NERC standards staff and the PMOS are to enhance the Project Tracking Spreadsheet posted on the NERC web site or develop another spreadsheet/dashboard to indicate whether SDTs are being “directionally consistent” with the IERP's findings and recommendations (including requirements that are candidates for retirement and content and quality grading) as well as stakeholders Paragraph 81 Phase 1 requirement retirement recommendations (to be completed by December 31, 2013);
- The enhancement of training material for SDTs to highlight the use of the IERP's decision-tree for content and quality and the need for consideration of content and quality findings (to be completed by January 31, 2014); and
- By the end of 2014, the SC, with stakeholder input, shall decide whether to implement the IERP's recommended new construct of 10 categories of NERC Reliability Standards.

Additional Activities

At its September 19, 2013 meeting, the SC approved a quality review procedure to assist in the quality review of standards projects to improve, as needed, the quality of standard project documents posted for stakeholder comment.

The SC also approved a standards process waiver and the solicitation of a new SDT to provide the Board with potential additional options in the context of its consideration of COM-003-1 and COM-002-3.

The SC also completed (via a task force) a review of the NERC Rules of Procedure (and any associated reference documents) related to the fairness, openness, balance and inclusiveness of the Registered Ballot Body and any qualifications on a segment representative being an eligible candidate for that segment's nomination for a seat on the SC. The task force determined that no actions or changes are needed at this time.

SC agendas and meeting minutes are posted at: [[Standards Committee](#)]

Reliability Issues Steering Committee Report

Action

None

Summary

The Reliability Issues Steering Committee (RISC) is an advisory committee that reports directly to the NERC Board of Trustees (the Board), and 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 risks to the bulk electric system. To carry out its responsibility to provide a framework for steering, developing, formalizing and organizing recommendations to help NERC and the industry effectively focus resources on the critical issues needed to best improve the reliability of the BPS, the RISC presented an initial report to the Board in February 2013. That report set forth a high level prioritization of the areas of risk to the BES, categorizing each area as High, Medium, or Low priority. An update to that report was presented to the Board in August 2013.

Since the August Board of Trustees meeting, the RISC met in person in Atlanta on September 4, 2013 to discuss the COM-003-1 standard, as well as via conference call on October 8 to review a draft of the Reliability Standards Development Plan. The RISC also met in person on October 25 in Washington, DC, immediately following the Reliability Leadership Summit.

Chris Schwab, chair of the RISC, will provide an update on the status of the group.

Compliance and Certification Committee Report

Action

None

Recent Highlights

- The Compliance and Certification Committee (CCC) met in Denver, Colorado on September 18-19, 2013
- CCC provided panelists for the July 10, 2013 Reliability Assurance Initiative (RAI) Workshop held by NERC in conjunction with the Trade Associations.
- The following teams of CCC members and industry volunteers are developing deliverables to support RAI:
 - RAI Frequently Asked Questions (FAQ) document, provided to NERC on April 30, 2013.
 - RAI Benefits document provided to NERC on August 16, 2013.
 - Internal Controls Working Guide, first draft posted on July 9, 2013.
 - Improved Reliability Standards Audit Worksheets (RSAW) recommendations provided to NERC on October 7, 2013.
 - Data Retention and Sampling Team is actively collecting feedback from registered entities.
- Provided observers to support NERC's Key Reliability Standard Spot Check (KRSSC) for CIP-001-2a and EOP-004-1.

2013 Priorities

- Items requested by the NERC Board of Trustees Compliance Committee (BOTCC):
 - Support NERC with RAI. [Ongoing]
 - Using 2012 survey results, the CCC will work with staff on action plans to improve Stakeholders' Perception of NERC and the registered entities on Compliance Monitoring, Enforcement, and Organizational Registration. ***[Complete unless additional support is requested for recommendations].***
 - Continue providing quality review input on compliance elements and RSAWs, as well as any supporting voluntary compliance trials for new standards. ***[Provided NERC feedback on specific RSAW issues. The RSAW process has changed and does not directly collect stakeholder comments.]***
- Assist NERC in implementing recommendations from the 2012 Independent Audit of the Compliance Monitoring Enforcement Program (CMEP) and Organization Registration Certification Program (ORCP). ***[Complete]***

- Implement the CCC 2013 Annual Monitoring Plan. **[Complete]**
- Support NERC's Internal Monitoring processes as well as the Risk Management Internal Controls Sub-committee (RMICS) Mandate and Work Plan.

Upcoming Items

- The CCC will review NERC's self-certification requests for 2012 for conformance to the Standard Processes Manual (SPM), as well as the Reliability Standards applicable to NERC. Rather than requesting completion of self-certifications on the programs in the audit completed in early 2013, the CCC proposes to work with NERC on corrective actions for deficiencies identified in the 2012 Independent Audit.
- Working with NERC's Internal Auditors on a plan for an independent audit of NERC's conformance to the Standard Processes Manual.
- The next CCC meeting will be held on December 4-5, 2013 in Atlanta, Georgia.



STACY DOCHODA – FRCC

ED SCHWERDT – NPCC

SCOTT HENRY – SERC

LANE LANFORD – TRE

DAN SKAAR – MRO

TIM GALLAGHER – RFC

RON CIESIEL – SPP

MARK MAHER – WECC

Date: October 18, 2013

To: NERC Board of Trustees

From: Stacy Dochoda, REMG Chair

Subject: ERO Executive Management Group (ERO EMG) Report for the November NERC Board Meeting

Dear Chair Gorbet:

Semiannual Reports of the ERO EMG Working Groups

One working group provided its semiannual report to the REMG and NERC since the August 2013 NERC Board meeting in Montreal and three more groups are scheduled to provide their reports before the November Board meeting in Atlanta. These groups operate under the oversight and direction of the ERO EMG and seek to renew and continue their activities through the remainder of 2013 and into the first quarter of 2014.

As a reminder, the ERO EMG reviews the scope, activities and progress of each working group to ensure appropriate use of resources to achieve results that are transparent and reasonable. Each working group prepares a written report on a semiannual basis and presents it during one of the meetings or conference calls of the ERO EMG. One of the groups' reports is for the purpose of scope review to determine the need for renewal or sun setting. The second report is a midyear progress report. The schedule for the working groups' reports is enclosed as Attachment 1.

1. ERO Compliance and Enforcement Management Group (ECEMG) –

The ECEMG recently delivered its semiannual report to ERO EMG for review. The ECEMG's primary purpose is to engage the Regions and NERC in the implementation of compliance monitoring and enforcement activities and to assure the consistent, efficient and cost effective execution of the Regional Delegation Agreements and the NERC Rules of Procedures related to that implementation. The key objectives of the ECEMG are:

- a. Consistent implementation of the risk based compliance monitoring and enforcement program, including registration and certification, for reliability improvements;
- b. Identification and promotion of Compliance Monitoring and Enforcement Program (CMEP) best practices and lessons learned;
- c. Identification of requisite capabilities; corresponding competencies and training requirements for ERO CMEP staff;
- d. Promotion of transparency and clarity in all communications with stakeholders;
- e. Providing of information to the ERO EMG to facilitate informed policy and business decisions; and
- f. Providing of a forum for active communication and information exchange among the ERO CMEP staff.





REM G

REGIONAL ENTITY MANAGEMENT GROUP

STACY DOCHODA – FRCC

ED SCHWERDT – NPCC

SCOTT HENRY – SERC

LANE LANFORD – TRE

DAN SKAAR – MRO

TIM GALLAGHER – RFC

RON CIESIEL – SPP

MARK MAHER – WECC

Recent activities of the ECEMG include:

- Consolidation of the 2014 CMEP Implementation Plan and development of metrics dashboard. Involves combining the NERC Implementation Plan with the Regional Implementation Plans to stream-line a consistent document and process for 2014.

2. Upcoming reports, prior to the November Board meeting

The Staff Training Group (STG), Information Technology Steering Group (ITSG), and the Regional Communicators Group (RCG) are scheduled to provide their midyear progress reports to the ERO EMG on October 25, 2013, in advance of the November Board meeting in Atlanta.

3. ERO Enterprise IT Application for Bulk Electric System Exceptions

The ERO EMG, working through the BES Working Group, has successfully collaborated on the establishment of a consistent methodology for processing BES exception requests from the industry, and on the development of an ERO Enterprise-wide IT solution to efficiently and effectively process those requests. Regional and NERC staffs are currently exercising the program with sample end-to-end testing scenarios. Incorporation of any definitional changes from the BES Phase 2 work, implementation of any final user acceptance testing modifications, the implementation of coding to facilitate any terminations of an approved exception, and industry training activities remain ahead as final project milestones.

4. End of Year Activities and Summary Report

In addition to managing the various working group efforts, the ERO EMG is also focused on aligning the strategic planning initiatives and overarching goals and metrics of the ERO Enterprise for 2014. The NERC Board can expect to receive, in advance of its 2014 February meeting, an end of year summary report of the ERO EMG's 2013 activities, accomplishments and renewal status of its working groups.

I welcome any comments or questions regarding the ERO EMG's continued approach to improving the oversight and execution of our activities.





Attachment 1:

2013 Semiannual Reporting Schedule for the Regional Entity and NERC Working Groups

Review and Renewal Date	Working Group Update
March 22, 2013	ERO Compliance and Enforcement Management Group (ECEMG)
April 19, 2013	ERO Staff Training Group (STG) <i>Formerly the Training and Education Group (TEG)</i>
May 7, 2013 (Boston)	Regional Communicators Group (RCG)
May 24, 2013	ERO Legal Group (EROLG)
June 28, 2013	ERO Reliability Assessments and Performance Analysis (ERO-RAPA) ERO Finance Group (ERO FG)
August 13, 2013 (Montreal)	Information Technology Steering Group (ITSG) ECEMG midyear progress update
September 27, 2013	STG midyear progress update
October 25, 2013	RCG midyear progress update
November 5, 2013 (Atlanta)	EROLG midyear progress update
December , 2013*	ERO-RAPA midyear progress update ERO FG midyear progress update

* Date may be shifted/ adjusted to accommodate holiday schedules.



NATF Report for NERC Board of Trustees (BOT) - November 2013

- NATF / NERC Coordination. Extremely productive meeting held September 26, including:
 - 345 kV Breaker performance
 - EMS (Situational Awareness) performance
 - FAC Rating Alert – prospective follow-up activities
 - Security / CRPA activities

- Systematic interaction with members / ERO on Reliability Assurance Initiative (RAI)
 - Sharing of key principles and lessons learned
 - Preparing members for risk-focused audits
 - Interacting with ERO staff (workshops, etc.)

- EPRI collaborations
 - Joint summit on physical security / resiliency
 - GMD workshop
 - Strategy sessions regarding grid operations and planning synergies

- Pilot work commenced with Generator Forum on selected topics at Trans-Gen interface
 - Modeling documents
 - Security practices
 - System protection

- NATF made significant modifications to our 2013 peer review program to include:
 - Risk assessment and internal controls
 - Human performance error reduction
 - Operating experience exchange

- Other recently completed activities
 - Physical security summit with EPRI
 - GMD workshop with EPRI
 - Vegetation management practices group
 - Train-the-Trainer workshop
 - 345 kV Breaker Performance project kickoff
 - Security Practices group meeting
 - Compliance Practices workshop (focus on Risk / Controls)