

Draft Agenda Board of Trustees

August 5, 2009 | 8–11 a.m.
The Delta Winnipeg
350 St Mary Avenue
Winnipeg, MB R3C 3J2, Canada
(204) 942-0551

Introductions and Chairman's Remarks

Antitrust Compliance Guidelines

Consent Agenda — Approve

***1. Minutes**

- [May 6, 2009](#)
- [July 13, 2009](#)

***2. Committee Membership Appointments and Changes**

- a. Standing Committee Membership Changes
- b. Standing Committee Charter Changes

***3. Future Meetings**

Regular Agenda

4. President's Report

***5. Reliability Standards**

- a. Project 2006-03 — System Restoration and Blackstart — **Approve**
- b. Project 2009-08 — NUC-001-2 — Nuclear Plant Interface Coordination — **Approve**
- c. BAL-502-RFC-01 — Planning Resource Adequacy Analysis, Assessment and Documentation — **Approve**
- d. Violation Risk Factors for BAL-004-WECC-1 — Automatic Time Error Correction, Requirements R1, R2, R3, and R4 — **Approve [Tentative]**

- e. Interpretation of CIP-006-1a — Physical Security of Critical Cyber Assets for US Army Corps of Engineers — Approve
 - f. Interpretation of Requirements R1.2 and R3 of IRO-010-1 — Reliability Coordinator Data Specification and Collection for WECC Reliability Coordination Subcommittee — **Approve**
 - g. Interpretation of VAR-001-1 — Voltage and Reactive Control for Dynegy — **Withdraw Approval**
 - h. Status of Standards Development — **Information Only**
- *6. **Amendment to NERC Bylaws — Additional Independent Trustee**
- *7. [NERC 2010 Business Plan and Budget](#)
- *8. **Midwest Reliability Organization – Supplemental 2009 Business Plan and Budget Request**

Committee, Group, and Forum Reports (Agenda Item 9)

- [Compliance and Certification Committee](#)
- [Critical Infrastructure Protection Committee](#)
- [Member Representatives Committee](#)
- [North American Energy Standards Board](#)
- [Operating Committee](#)
- [Personnel Certification Governance Committee](#)
- [Planning Committee](#)
- [Regional Entity Management Group](#)
- [Standards Committee](#)
- [Transmission Owners and Operators Forum](#)
- [Electricity Sector Steering Group](#)

Board Committee Reports

- 10. **Corporate Governance and Human Resources**
 - a. Recommendations Related to 401(k) Administration and Investment Policy
- 11. **Compliance**
- 12. **Finance and Audit**
- 13. **Technology**
- 14. **Nominating**

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

May 6, 2009 | 8–11 a.m.
The Westin Arlington Gateway
801 North Glebe Road
Arlington, Virginia
703-717-6200

Chairman John Q. Anderson called to order a duly noticed meeting of the North American Electric Reliability Corporation Board of Trustees on May 6, 2009 at 8 a.m., local time, and a quorum was declared present. The meeting announcement, agenda, and list of attendees are attached as **Exhibits A, B, and C**, respectively.

NERC Antitrust Compliance Guidelines

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

Executive Session

Chairman Anderson reported that, as is its custom, the board met in executive session before the open meeting, without the chief executive officer present, to review management activities.

Consent Agenda

On motion of President and CEO Rick Sergel, the board approved the consent agenda, as follows:

Minutes

The board approved the following draft minutes (**Exhibit D**):

- [February 10, 2009](#)
- [April 2, 2009](#)

Standing Committees

The board approved the proposed appointments and changes to the membership of the standing committees (**Exhibit E**.)

Future Meetings

The board approved May 11–12, 2010 (Tu–W) in Washington, D.C. as a future meeting date and location.

President's Report

NERC President and CEO Rick Sergel's report centered on three main points of interest:

- making progress in reliability of the bulk power system;
- NERC's response to cyber security; and
- the DRAFT 2010 budget.

With regard to making progress in reliability of the bulk power system Mr. Sergel stated, "We are in a unique position to make the self-regulatory model work. The incentives are in the right place, the experts are engaged. Mutual interest exceeds personal gain. I firmly believe this is the right model for ensuring the reliability of the bulk power system in North America, but we're still in the formative stages of this new effort. The opportunity for success is clear."

We all know there is only one ultimate measure of success that matters — the reliability of the bulk power system. As a result, we must continually ask ourselves — "how will our near-term actions affect the performance of the bulk power system in the long run?"

Frederick Olmsted was the founder of landscape architecture. He designed Central Park in New York, the Boston Common, the landscape for the United States' Capital, and Montebello Park in St. Catherine's, Ontario, among many others. His view was always long term, sacrificing immediate success and applause for future recognition. In laying out Central Park, he was determined to "think of no result to be realized in less than forty years." In his work for the Columbian Exposition World's Fair in Chicago in 1893, he said: "If, for lack of time and means, we fall short on detail, our failure will be excusable. If we fall short on matters affecting broad landscape effects, we shall fail in our primary and essential duty."

It is Olmsted's view that I ask all of you to take, stakeholders, regulators, staff, and trustees, as we evaluate our actions today. Let's be honest. We are plowing new ground. As we decide where, how deep, and who should dig we must ask: "what is the best choice I can make today to improve reliability over the next forty years?" This is the guiding principle we are missing.

Mr. Sergel further stated with regard to cyber security, "becoming the self-regulatory electric reliability organization for North America has thoroughly transformed NERC, how we operate, and what others expect of us. Perhaps the best illustration of this change occurred in 2008 as we faced increasing scrutiny on our response to cyber security. It quickly became clear that NERC was to be held accountable for its actions to protect the grid - and, fairly or unfairly by extension, the industry's actions as well. Last week's proposed legislation adds even greater weight to this issue, making it clear that Congress is willing to pursue alternative standards setting options in the U.S. if our model is not proven effective. I believe, however, that we have made progress on cyber security and shown a strong commitment to addressing it. We present to the board today a set of revised cyber security standards passed by the industry with an 88% approval rating and completed on an expedited schedule. The revisions proposed for approval today begin to

address concerns raised by the FERC in Order 706. Work continues on phase two of the revision process to make further improvements in the standards.”

Ending his report, Mr. Sergel briefly addressed the 2010 DRAFT budget percentage increase and acknowledged the difficult economic times and concerns raised by the stakeholders.

Mr. Sergel’s complete speech is attached as **Exhibit F**.

Reliability Standards

Gerry Adamski, vice president and director of standards, gave a presentation on the Reliability Standards Program (**Exhibit G**.)

A. Project 2008-06 — Cyber Security Order 706 — Phase 1

Mr. Adamski asked the board to adopt CIP-002-2 through CIP-009-2 and retire CIP-002-1 through CIP-009-1, in accordance with the proposed implementation plan.

The trustees had extended discussion of the item and, responding to a question raised by Scott Henry, noted that the item before the board did not include action on the direction from FERC in Order No. 706-B with respect to the implementation schedule for CIP standards at nuclear plants. On motion of Paul Barber, the board approved the following resolution:

RESOLVED, that the NERC Board of Trustees:

- (1) approves proposed revised Reliability Standards CIP-002-2 through CIP-009-2, to become effective as specified in the implementation plan developed with the revised standards;
- (2) approves the retirement of Reliability Standards CIP-002-1 through CIP-009-1, with the retirement to take effect at the time the revised standards take effect.

B. Changes to Violation Risk Factors for IRO-006-4

Mr. Adamski requested that the board approve modifications to violation risk factors (VRFs) pertaining to Requirements R1.–R4. in the approved IRO-006-4 — Reliability Coordination — Transmission Loading Relief Reliability Standards as directed by FERC in Order No. 713-A.

On motion of Ken Peterson, the board approved the following resolution:

RESOLVED, that the NERC Board of Trustees approves the proposed modifications to the Violation Risk Factors for Reliability Standard IRO-006-4, as set forth in **Exhibit H**.

Changes to Violation Severity Levels for FAC-010-2, FAC-011-2, and FAC-014-2

Mr. Adamski requested that the board approve modifications to violation severity pertaining to the requirements in the approved FAC-010-2, FAC-011-2, and FAC-014-2 reliability standards as directed by FERC in Order No. 722.

On motion of Paul Barber, the board approved the following resolution:

RESOLVED, that the NERC Board of Trustees approves the proposed modifications to the Violation Severity Levels for Reliability Standards FAC-010-2, FAC-011-2, and FAC-014-2, as set forth in **Exhibit H**.

C. Errata

In accordance with the Standards Committee's approved procedure for [Approving Errata in an Approved Reliability Standard](#), errata changes to four NERC Reliability Standards were posted for industry review. No substantive issues were identified and the Standards Committee approved the errata changes at its April 15–16, 2009 meeting. The affected standards and the errata changes are as follows:

IRO-006-4 — Reliability Coordination — Transmission Loading Relief (TLR)

Requirement R1.2. references the wrong document as shown below:

- R1.2.** The Interconnection-wide transmission loading relief procedure for use in the Western Interconnection is the WECC Unscheduled Flow Reduction Procedure provided at:
http://www.wecc.biz/documents/library/UFAS/UFAS_mitigation_plan_rev_2001-clean_8-8-03.pdf.

WECC-IRO-STD-006-0 provided at:
ftp://www.nerc.com/pub/sys/all_updl/standards/rrs/IRO-STD-006-0-17Jan07.pdf.

MOD-021-0 — Documentation of the Accounting Methodology for the Effects of Controllable Demand-Side Management in Demand and Energy Forecasts

Requirement R1. is missing a comma after the term, "Load-serving Entity" as shown below:

- R1.:** The Load-Serving Entity, Transmission Planner and Resource Planner's forecasts shall each clearly document how the Demand and energy effects of DSM programs (such as conservation, time-of-use rates, interruptible Demands, and Direct Control Load Management) are addressed."

PER-001-0 — Operating Personnel Responsibility and Authority

Measure M1.1. uses the word, “position” rather than the word, “job” as shown below:

M1.1.: A written current job description that states in clear and unambiguous language the responsibilities and authorities of each operating position of a Transmission Operator and Balancing Authority. The ~~position~~ **job** description identifies personnel subject to the authority of the Transmission Operator and Balancing Authority.

TPL-006-0 — Data From the Regional Reliability Organization Needed to Assess Reliability

The standard has one requirement and one measure. The existing measure is numbered, “M2.” and should be identified as “M1.” as shown below:

~~M2.~~ **M1.** The Regional Reliability Organization shall provide evidence to its Compliance Monitor that it provided Regional system data, reports, and system performance information per Reliability Standard TPL-006-0_R1.

Pursuant to a resolution of the board at its October 29, 2008 meeting, the board has given blanket approval to proposed errata changes approved through the Standards Committee procedure.

D. Status of Standards Development

Mr. Adamski reviewed recent key regulatory developments in the standards area and the status of key standards development projects with the board.

Compliance Monitoring and Enforcement Program

Tom Abrams, chair of the Compliance and Certification Committee, asked the board to approve a number of CCC program documents (**Exhibit I**) and file items 1., 2., and 3. with FERC for approval as part of NERC’s Rules of Procedure:

1. Compliance and Certification Committee Hearing Procedures — CCCPP-004-1
2. Hearing Procedures for Use in Appeals of Certification Matters — CCCPP-005-1
3. Compliance and Certification Committee Mediation Procedures — CCCPP-006-1
4. Monitoring Program for NERC’s Adherence to NERC’s Rules of Procedure for Organization Registration and Certification Program — CCCPP-007-1
5. Compliance and Certification Committee 2009 Work Plan

On motion of Bruce Scherr, adopted the following resolution:

RESOLVED, that the NERC Board of Trustees approves the following procedures for use by the Compliance and Certification Committee and directs that they be filed with applicable governmental authorities as amendments to NERC's Rules of Procedure:

- (1) CCCPP-004-1 — Compliance and Certification Committee Hearing Procedures
- (2) CCCPP-005-1 — Hearing Procedures for Use in Appeals of Certification Matters
- (3) CCCPP-006-1 — Compliance and Certification Committee Mediation Procedures

FURTHER RESOLVED, that the NERC Board of Trustees approves the following additional documents developed by the Compliance and Certification Committee:

- (4) CCCPP-007-1 — Monitoring Program for NERC's Adherence to NERC's Rules of Procedure for Organization Registration and Certification Program
- (5) Compliance and Certification Committee 2009 Work Plan

Three-Year Performance Assessment

Chairman Anderson provided a summary of the discussion of the three-year assessment that the Member Representatives Committee held the previous day and thanked stakeholders for their input. Various trustees expressed their individual views on some of the issues discussed. Chairman Anderson described the remaining schedule for work on the three-year assessment:

- May 19 — Workshop with stakeholders in Denver
- May 29 — Deadline for written comments on the posted working drafts of the three-year assessment
- On or about July 1 — Posting of final draft of three-year assessment
- July 13 — Board conference call to consider final draft
- July 20 — File three-year assessment with FERC and authorities in Canada

Amendment to Standards Development Process of Texas Regional Entity

David Cook, General Counsel, asked the board to approve proposed amendments to the Texas Regional Entity ("Texas RE") Standards Development Process for filing with the Federal Energy Regulatory Commission (**Exhibit J**.)

On motion of Bruce Scherr, the board approved the following resolution:

WHEREAS, on February 16, 2009, the Board of Directors of Texas Regional Entity adopted certain amendments to its Standards Development Procedure, as set forth in **Exhibit J** (the “Amendments”); and

WHEREAS, on February 17, 2009, the Board of Directors of ERCOT affirmed the Amendments; and

WHEREAS, on February 20, 2009, Texas Regional Entity requested that NERC approve the Amendments and file them with the Federal Energy Regulatory Commission (“the Commission”) for approval; and

WHEREAS, the NERC Board of Trustees finds that Texas Regional Entity followed appropriate procedures in adopting the Amendments and that the Amendments are consistent with Texas Regional Entity’s obligations and responsibilities under the delegation agreement between NERC and Texas Regional Entity and otherwise meet the requirements set forth in 18 C.F.R. §39.10 of the Commission’s regulations;

RESOLVED, that the NERC Board of Trustees approves the Amendments and directs that they be filed with the Commission for approval.

Amendments to Operating Reliability Data Agreement

David Cook, General Counsel, asked the board to approve proposed amendments to Operating Reliability Data Agreement, Version 3, and a related transition plan.

After discussion, on motion of James Goodrich, the board approved the following resolution:

WHEREAS, NERC, the Regional Entities, the Reliability Coordinators, and the Federal Energy Regulatory Commission are developing a situational awareness and visualization project (called “SAFNR”) that would make use of a limited subset of real-time operating data for the bulk power system and create a common set of displays about the near real-time status of the bulk power system;

WHEREAS, to facilitate the implementation of SAFNR, it is necessary to amend the existing NERC Confidentiality Agreement for Operating Reliability Data (“ORD Agreement”); and

WHEREAS, it is necessary to provide a transition mechanism to move signatories from the existing ORD Agreement to the amended agreement;

RESOLVED, that the NERC Board of Trustees approves the proposed amendments to the existing ORD Agreement as ORD Agreement, Version 3, including Annex 1 and Annex2, in the form attached as **Exhibit K** to take effect as specified in the proposed transition mechanism;

FURTHER RESOLVED, that the NERC Board of Trustees approves the following transition mechanism for implementation of ORD Agreement, Version 3:

- (1) NERC shall sign the ORD Agreement, Version 3, promptly after board approval;
- (2) ORD Agreement, Version 3, shall be effective as to each entity at the time the entity signs the new agreement;
- (3) Following board approval, new entities or new signatories shall be eligible to sign only ORD Agreement, Version 3;
- (4) The existing ORD Agreement shall remain in effect for a period of 120 days to provide a transition period, except that the existing agreement shall remain in effect beyond the 120-day period for NPCC and entities within NPCC;
- (5) During the 120-day period, both versions of the agreement shall be in effect;
- (6) The board requests the Regional Entities to assist NERC in having signatories sign the ORD Agreement, Version 3, as promptly as possible; and
- (7) The NERC CEO shall have authority to extend the effective date of the existing ORD Agreement, either generally or for particular entities, upon a showing of good cause.

Remarks from FERC Chairman Wellinghoff's Office

Chairman Anderson introduced James Pederson, Chief of Staff in Chairman Wellinghoff's office. Mr. Pederson apologized that Chairman Wellinghoff was unable to attend but he wanted to extend his appreciation for all the hard work to date and the work that is out in front of us for the next five to seven years. He stated FERC is very supportive of the ERO and regional entity model, and is open to all suggestions and ideas that we believe will serve us well in resolving current issues. Chairman Wellinghoff looks forward to the final draft of the Three Year Assessment in July.

Committee, Group, and Forum Reports

Compliance and Certification Committee

Chairman Tom Abrams reported the committee is participating in regional compliance audits and finalizing a report on stakeholder perceptions of the Compliance and Certification Committee.

Critical Infrastructure Protection Committee

Chairman Barry Lawson provided a report on the Critical Infrastructure Protection Committee's (CIPC's) recent and future activities. At present, the Executive Committee is working to schedule in-person meetings with the Electricity Sector Steering Group, which provides policy guidance. Mr. Lawson believes it is very important to conduct face to face meetings and the CIPC is currently working on an agenda. Mr. Lawson also commented that the Executive Committee is continuing to work with Mike Assante and staff putting out advisories on various topics, most recently addressing the Swine Flu.

Mr. Lawson also recommended a closed session meeting be held during the December meeting for CIP members in attendance.

Member Representatives Committee

Chairman Steve Naumann reported to the board that the Member Representatives Committee (MRC) covered a number of major issues and priorities such as feedback on reliability issues, the three-year assessment, and the implementation of Order 706-B. Mr. Naumann also stated that stakeholders tend to overlook the positive in discussions but the bottom line the stakeholders wanted to deliver is that NERC is performing its function as the ERO well, and it is important everyone hears that. The MRC looks forward to Winnipeg.

Operating Committee

Chairman Gayle Mayo reported the committee met last on March 7th and approved the variable resource integration report and a three-year work plan. Ms. Mayo also reported that the summer assessment will be released in the near future and that the Operating Committee (OC) has been more engaged and involved with the reliability metrics and has added more OC members to that group. Finally, Chairman Mayo informed the board that this will be her last meeting as chair. The board expressed its appreciation for her leadership.

Personnel Certification Governance Committee

Chairman Jacob Berger gave a presentation to the board which stated an increase in educational hours but a decrease in passing rates on exams. Mr. Berger stated that experienced operators are utilizing hours instead of taking the exams for re-certification. The PCGC is making changes to the current database to incorporate training statuses and allowing access by the system operators. The system operators will only be able to see training statuses; no personal information will be included. The PCGC is also working to add demographic data which will allow them a better picture of the experience level. Mr. Berger advised that they are preparing a new job task analysis to determine exams to be released in 2010 and new items that will be incorporated in the exams. Finally, Mr. Berger stated that a white paper is to be released this summer on a voluntary advanced credential which will be based on performance and that would recognize the top of the profession.

Planning Committee

Chairman Scott Helyer reported the committee met last in March. During the meeting organizational changes were implemented and a subcommittee was formed to help work through the increase in data. In follow up to the February meeting, Mr. Helyer reported that the Planning Committee (PC) and OC have formed a joint committee to assist in assessing the reliability impact of the climate change issues. Finally, Chairman Helyer informed the board that this will be his last meeting as chair. The board expressed its appreciation for his leadership.

Regional Entity Management Group

Chairman Gerry Cauley reported to the board that the Regional Entities are committed to the delegation models that were brought to NERC and the industry. He recognized, however, there are numerous opportunities for improvements, and the Regional Entity Management Group (REMG) is ready to work with NERC on these improvements.

Mr. Cauley stated that the Regional Entities, like NERC, have had numerous successes: a compliance set of tools has been implemented within the Regions; a robust amount of coordination occurring in the regions for compliance; and the Regions are dedicated to removing the backlog and improving the efficiency in the process. REMG welcomes NERC's participation and oversight in that process; the Regional Entities believe a collaborative partnership is preferred.

NAESB

Rae McQuade reported this is the fifth year NAESB and NERC have been using the joint development process, and it has been flexible and able to handle every issue without change. NAESB and NERC have worked through all Order 890 issues as well as transitioned the registry over to NAESB. Ms. McQuade also wanted to state that this process, which is just a few pages long, has stood the test of time and continues to work and she applauds all that worked to put the process together.

Standards Committee

Chairman Scott Henry reported on two items to the board. First, Mr. Henry acknowledged that under the Rules of Procedure interpretations are to be completed within 45 days; however the Standards Committee is not able to comply with those guidelines very well because the number of interpretations is greater than what the committee anticipated. There are two causes for the higher than anticipated number of interpretation requests: 1) the standards are not as clear as the committee would like them to be, and 2) the checks and balances of the interpretations exist because the action is outside the scope of when the standard was adopted. Mr. Henry informed the board that the committee will be focusing on interpretations during the committee's weekly conference call as the membership deserves a resolution. Second, the committee greatly appreciates Mr. Sergel's adding staff to the standards program and the efforts of the NERC staff and their ongoing contributions to the success of the committee.

Mr. Sergel responded to the discussion of the interpretation process, stating that the resources would be better used to revise the standard as opposed to writing the interpretation. In examining issues surrounding the interpretations process, Mr. Sergel encouraged NERC to focus on what the standards should look for the long term.

Transmission Owners and Operators Forum

Julius Pataky reported that the Transmission Owners and Operators Forum has 52 members. One major area of focus is vegetation management. The Forum will hold a spring workshop in Georgia and will review the latest draft of FAC-003, as well as discuss management processes in dealing with high-risk contacts. Besides the spring workshop, the group will complete four peer review visits at ATC, Ottertail Power, TVA, and PGE. The reviews will be tailored to these members and will look for best practices

and the sharing of practices in terms of compliance. Mr. Pataky further commented that the Forum is very active in the critical infrastructure protection area and there are currently 81 members in the security practices group. This group is working closely with Mike Assante on certain issues, is promoting and advertising NERC's Cyber Program, and is looking at areas to develop a more efficient process.

Mr. Pataky ended his report stating a significant topic at their May meeting in Denver will be governance and asking, "are we mature enough to go alone?" If this is the time to go independent, the Forum will continue to work closely with NERC.

Board Committee Reports

Corporate Governance and Human Resources

Chair Sharon Nelson reported the committee met via conference call on April 28, 2009. On the call the committee approved the revised Employee Handbook and authorized staff to make the necessary changes to the handbook during the year; reviewed switch in group life insurance providers effective April 1, 2009. Bruce Walencyk informed the committee that, due to the increased amount of data and work required to complete Form 990, NERC expected to file for an extension.

Ms. Nelson reported that in light of the deepening recession, the committee also discussed and recommends the Board of Trustees keeps its compensation at the status quo for 2010.

The committee concluded its business with a report from Ms. Julie Morgan, director of human resources, and then followed with a closed session.

Compliance

Chairman Paul Barber reported the open meeting went very well and the committee received a number of great suggestions from stakeholders. Further comments addressed the notion that the short form settlement will solve the backlog or reduce the backlog to zero. Mr. Barber said the notion the short form settlement will have that effect is unrealistic. Although the backlog is not at an acceptable level, the committee believes it is under control and has been under control since January.

The committee is also looking forward to the automation of process data. The automation will allow the ability to show statistics, and the confidentiality issue with showing statistics will be better controlled. Mr. Barber ended his report stating the committee continues to find ways to streamline and to bring data to the industry.

Finance and Audit

Chairman Bruce Scherr reported that during the Finance and Audit Committee (FAC) open session on May 5th the committee:

- Approved minutes from the April 1, 2009 conference call.
- Reviewed and approved the March 31, 2009 unaudited Consolidated Statement of Activities for NERC and the Regional Entities.

- Met with NERC's external auditors (Mercadien, P.C.) to review the draft audited financial statements for the year ended December 31, 2008. Then met in closed session with Mercadien to discuss major audit findings and internal control recommendations.
- Was provided by the auditors an unqualified opinion with respect to the financial statements.
- Met with management to discuss the performance of the external auditor.

Mr. Scherr also provided a brief summary of the business plan and budget meeting that occurred on the previous day in the afternoon, stating what the FAC heard was the members seeking better justification to support the 2010 budget increases for additional full-time employees and dollars.

Mr. Rick Sergel stated the next round of the budget will be supplemented with further explanation.

On motion of Mr. Scherr, the board approved NERC's first quarter statement of activities.

Technology

Chairman Jim Goodrich and the committee wished to express its appreciation to Joe Graci. The agreement with TVA has been signed and legal has reviewed the non-disclosure statement.

The committee is watching closely the developments on phasor technology and the SmartGrid. The changes to NERC's Confidentiality Agreement project are handled, and the SAFNR project is on schedule for a June 1 launch. Finally, Mr. Goodrich reported the committee heard a report from Gayle Mayo, chairman of the Operating Committee, regarding new tools.

Closing Remarks

Mr. Ed Tymofichuk, Vice Chairman of the MRC, welcomed board members to Winnipeg for the next board meeting and invited board members and stakeholders on a tour of the new Manitoba Hydro headquarters.

Adjournment

There being no further business, Chairman Anderson terminated the meeting at 11:23 a.m.

Submitted by,



David N. Cook
Corporate Secretary

Draft Minutes Board of Trustees Conference Call

July 13, 2009 | 1:00 p.m. EDT

Chairman John Anderson convened a duly noticed open meeting by conference call of the Board of Trustees of the North American Electric Reliability Corporation on July 13, 2009 at 1:00 p.m., EDT. As required by the bylaws of the Corporation, dial-in listen-only access was provided to members of the Corporation and the public for the meeting. The meeting notice and agenda is attached as **Exhibit A**.

Trustees present on the call in addition to Chairman Anderson were Paul Barber, Tom Berry, Janice Case, Jim Goodrich, Fred Gorbet, Sharon Nelson, Ken Peterson, Bruce Scherr, Jan Schori, and Rick Sergel. Additional attendees are listed in **Exhibit B**.

Antitrust Compliance Guidelines

David Cook, vice president and general counsel, directed the participants' attention to the NERC Antitrust Compliance Guidelines.

Appoint MRC Representatives to Board of Trustees Nominating Committee

On motion by Janice Case, the board approved the following MRC Representatives to the Board of Trustees Nominating Committee:

Steve Naumann — Exelon (MRC Chair)
Ed Tymofichuk — Manitoba Hydro (MRC Vice-Chair)
William Gallagher — Transmission Access Policy Study Group
John A. Anderson — Elcon
Jim Keller — Wisconsin Electric Power

Three-Year Performance Assessment

Chairman Anderson led the board in a discussion of the draft three-year performance assessment that was sent to the board and posted on July 2nd, and the substitute draft of Attachment 3 that was circulated on July 9. The assessment will be filed with the Federal Energy Regulatory Commission and sent to Canadian governmental authorities on July 20. Chairman Anderson first asked for overall comments and then led the board through a section-by-section review of the report. Board members asked staff several questions about various aspects of the report and made a number of

suggestions for strengthening the report and sharpening the focus. Staff suggested language changes to deal with the issues raised. After extended discussion, on motion of Fred Gorbet, the board approved the draft three-year performance assessment, modified as described during the course of the discussion, with leave to staff to make technical and conforming changes and corrections.

Chairman Anderson also requested that the minutes reflect the board's appreciation for the excellent work by all who contributed to this monumental project.

Rick Sergel also advised the board that NERC had been invited to testify before the Subcommittee on Emerging Threats, Cyber Security, Science and Technology of the House Homeland Security Committee. The hearing is on July 21. Mike Assante will be NERC's witness, because the subject matter of the hearing is within his direct knowledge and area of responsibility. Management will circulate a draft of the testimony no later than July 16. He apologized for the quick turnaround, but the testimony must be filed the afternoon of July 17.

There being no further business, the call was terminated at 2:00 p.m.

Submitted by,



David N. Cook
Secretary

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.

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Exhibit A

Agenda Board of Trustees Conference Call

July 13, 2009 | 1:00 p.m.–2:00 p.m. EDT

Dial-In: 877-226-4294

Code: 18083600

(Listen Only - Comments Provided by Board
of Trustees Only)

Introductions and Chairman's Remarks

Antitrust Compliance Guidelines

Agenda

1. **Three Year Performance Assessment — Approve**
2. **Appoint MRC Representatives to Board of Trustees Nominating Committee**

Antitrust Compliance Guidelines

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- 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.

Exhibit B

Conference Participant Report
Conf. Date: 7/13/2009
Conf. Time: 1:00pm ET

Company: North American Electric
Leader: John Anderson
Conference ID 18083600

Start Time	End Time	Name	Company
12:49:50	14:04:18	SPK SHARON NELSON	
12:51:10	14:04:12	SPK THOMAS BERRY	
12:53:22	14:04:11	SPK PAUL BARBER	
12:53:42	14:04:10	SPK BRUCE SCHERR	
12:53:42	14:04:10	SPK JOHN ANDERSON	
12:55:43	14:04:13	SPK RICK SERGEL	
12:56:15	14:04:10	SPK JIM GOODRICH	
12:57:05	14:04:12	SPK FRED GORBET	
12:57:20	13:48:28	SPK KEN PETERSON	
12:58:13	14:04:11	SPK JANICE CASE	
12:59:35	14:04:13	SPK JAN SCHORI	
12:57:50	14:04:14	SPK DAVID NEVIUS	SPK DAVID COOK
12:55:19	14:04:12	SPK OWEN MACBRIDES	
12:51:56	14:04:15	STACY DOCHODA	SPP
12:52:03	14:04:18	KAREN DAGOGO	ELECTRIC POWER SUPPLY ASSOCIATION
12:53:05	14:04:12	KAREN SPOLAR	NERC
12:53:58	14:04:08	RACHEL SHERRARD	WECC
12:54:16	14:04:18	TIM GALLAGHER	RELIABILITY FIRST CORPORATION
12:57:42	14:04:03	CONNIE WHITE	WECC
12:58:23	14:04:14	JULIE MORGAN	NERC
12:59:25	14:04:10	STEVEN NAUMANN	EXELON
13:00:14	14:04:11	KRISTIN MCKEWON	FURK
13:00:16	14:04:17	TINA MCCLELLAN	NERC
13:00:26	14:04:17	PATRICK BROWN	CEA
13:00:56	14:04:09	JIM KELLER	WISCONSIN ELECTRIC
13:01:20	14:04:09	BARRY LAWSON	NRECA
13:02:22	14:04:09	AUGUST MCCLAIN	FURKS RELIABILITY CORPORATION
13:05:20	14:04:18	WILLIAM GALLAGHER	VERMONT PUBLIC POWER
13:09:50	13:47:43	ED DAVIS	ENERGY SERVICES
13:10:38	14:04:14	VALERIE AGNEW	NERC
13:12:37	14:04:11	LINDA CAMPBELL	FRCC
13:13:21	14:04:15	ELLEN MOSER	APPA
13:13:23	14:04:07	DAVID DOWRZAK	EEL
13:27:18	14:03:52	JACK ISTVAN	RELIABILITY FIRST

Standing Committee Membership Changes

Action Required

Approve the following committee membership appointments and changes.

Compliance and Certification Committee

- RE-TRE Position — Charles B. Manning, Jr., Vice President, Chief Compliance Officer, ERCOT
- RE-SERC Position — Gregory D. Pierce, Director, Transmission Compliance, Entergy Corporation
- Transmission Dependent Utility Sector Position — Mark Ringhausen, Director of Transmission, Old Dominion Electric Cooperative
- Investor Owned Utility Sector Position — Howard Rulf, Manager, Compliance & Training, Wisconsin Electric Power Company

Operating Committee Election Results — Term 2009–2011

Sector	Elected Members	Company
1. Investor-owned utility	Jim Griffith	Southern Company Services, Inc
2. State/municipal utility	Richard Kinas Blaine Dinwiddie	Orlando Utilities Commission Omaha Public Power District
3. Cooperative utility	Keith Carman	Tri-State G&T Association Inc.
4. Federal or provincial utility/Federal Power Marketing Administration	Canadian: Tom Irvine	Hydro One Networks, Inc.
	U.S.: Don Watkins	Bonneville Power Administration
5. Transmission dependent utility	Dennis Florom	Lincoln Electric System
6. Merchant electricity generator	James Thompson	Constellation Energy
7. Electricity marketer	Steve McCullough	Exelon Corporation
8. Large end-use electricity customer	John Anderson	Electricity Consumers Resource Council
9. Small end-use electricity customer	Michael Goggin	American Wind Energy Association
10. Independent system operator/regional transmission organization	James Castle	New York Independent System Operator
12. State government	Jerome Murray Rajnish Barua	Oregon Public Utility Commission Organization of PJM States, Inc. (OPSI)
Chairman	J. Sam Holeman	Duke Energy
Vice Chairman	Tom Bowe	PJM Interconnection

Planning Committee Election Results — Term 2009–2011

Sector	Elected Members	Company
11. Investor-owned utility	Teresa Mogensen	Xcel Energy, Inc.
12. State/municipal utility	Angelo (Ralph) Rufrano	New York Power Authority
13. Cooperative utility	Paul McCurley	National Rural Electric Cooperative Association
14. Federal or provincial utility/Federal Power Marketing Administration	Canadian: Bing Young	Ontario Power Generation Inc.
	U.S.: Mary Johannis	Bonneville Power Administration
15. Transmission dependent utility	Tom Reedy Charles Rogers	Florida Municipal Power Association Consumers Energy
16. Merchant electricity generator	Scott Helyer Kris Zadlo	Tenaska, Inc. Invenergy LLC
17. Electricity marketer	Marie Pleniazek	Energy Curtailment Specialists, Inc.
9. Small end-use electricity customer	Len Januzik	AMEC Earth and Environmental
10. Independent system operator/regional transmission organization	Mark Westendorf	Midwest ISO, Inc
12. State government	Laurence Chaset	California Public Utilities Commission
Chairman	Thomas C. Burgess	FirstEnergy Corp.
Vice Chairman	Jeff Mitchell	ReliabilityFirst Corporation

Standing Committee Charter Changes

Action Required

Approve Operating Committee (OC), Planning Committee (PC), and Critical Infrastructure Protection Committee (CIPC) charter changes (**Attachments 1, 2, and 3, respectively**).

Background — OC and PC Charters

The present OC and PC charters have identical language addressing vacancies.

- Under Section 3.6.a of both charters, a member who resigns is replaced pursuant to Section 3.4.

A member may also be removed due to non-participation, and the replacement of a member under those circumstances is not addressed in either charter. The proposed charter changes address any vacancy created between annual elections.

Under the current language in Section 3.4.a of both charters, vacancies remain “until the next annual election, or until a nomination is received, whichever comes first.” If an elected member resigns, the sector that he or she represented may not have an opportunity to elect the replacement since the first nomination received that qualifies for the sector replaces the resigning member.

The proposed change to this section allows a special election “[i]f a vacancy in another elected sector is created by a resignation or other cause.” Special elections are used to fill “those vacancies as well as all un-nominated voting member positions.”

Redline and clean versions of the OC and PC charters are attached.¹

Background — CIPC Charter

The proposed change to the CIPC charter involves the addition of section 2.3 to address the committee’s relationship to the Electricity Sector Steering Group. Section 2.3 states the CIPC will “Serve as an expert advisory panel to the Electricity Sector Steering Group in the areas of physical and cyber security.”

¹ The charter section numbering in the existing charters is not identical due to an inadvertent numbering error. The redline and clean versions have corrected this error, so the section references are now identical in both charters.

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NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Operating Committee Charter

August 5, 2009

Clean Version

to ensure
the reliability of the
bulk power system

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Section 1. Purpose

The Operating Committee's 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.

Section 2. Functions

- 1. General Forum.** Provides a general forum for aggregating ideas and interests regarding the operations 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 interconnected operations to help the industry arrive at informed decisions. Issue reliability guidelines in accordance with the process described in Appendix 3.
- 3. Support to the Reliability Readiness Program.** Provide technical support, guidance, and advice to NERC's Reliability Readiness Program (see also NERC Rules of Procedure, Section 700, "Reliability Readiness Evaluation and Improvement program, and Appendix 7, "Reliability Readiness Evaluation and Improvement Program Procedure").
 - a. General**
 - Develop criteria for measuring program success, and review the program against those criteria.
 - Recommend actions to other NERC programs (standards, compliance, assessments, training, etc.) based on lessons learned and trends from readiness evaluations and examples of excellence.
 - b. Readiness Evaluations**
 - Review readiness evaluations for trends and recommend new or different types of evaluations or changes in processes or metrics, including:
 - Readiness criteria
 - Guidelines for reporting and disclosure, and
 - Guidelines for consistency and relevancy of evaluations:
 - Between comparable entities, and
 - Through time.
 - Provide guidance to the readiness evaluations process.
 - c. Examples of Excellence**
 - Review and discuss the examples of excellence for lessons learned.
 - Support information exchange within the industry on examples of excellence.

4. **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 program area.
 - a. **Standards.**
 - **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 board of trustees for implementation.
 - **Help prioritize standards.** Help the Standards Committee prioritize those standards that are in the drafting queue.
 - b. **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.
 - c. **Reliability Assessments and Performance Analysis.** Review reliability assessments and recommend topics that need additional investigation. These include:
 - Future adequacy
 - Event analysis
 - Benchmarking
 - d. **Personnel Training and Certification.** Recommend to the Personnel Certification Governance Committee the types of operating personnel that should be certified.
 - e. **Situation Awareness.** Review and recommend control, monitoring, and visualization tools for system operators.
6. **Approve the Following Documents and Procedures:**
 - 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.”
 - d. The technical content of the NERC Reliability Functional Model.
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 Operating Committee 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.** Operating Committee voting members are expected to:
 - a. Bring subject matter expertise to the Operating Committee.

- b. Be responsible for operating reliability within their organization.
- c. Attend and participate in all Operating Committee 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. Complete committee assignments.
- g. 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 chairman.

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 insure that membership specifications are met.
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 on the first September meeting following the member's selection pursuant to Section 3.4 and continue until the September meeting two years later. 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. The secretary will submit the new member's name to the board for approval at the board's next regular meeting.
 - c. The committee may approve the new member on an interim basis at the committee's next meeting.
 - d. The committee chairman 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.
 - e. The chairman 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.” Unless stated otherwise, the Operating Committee will follow Roberts Rules of Order, Newly Revised.

1. **Quorum.** The quorum 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 2/3 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 chairman and vice chairman may vote. Additional voting guidelines are in Appendix 2.
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 chairman 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 chairman and vice chairman from among its voting members by majority vote of the members of the committee to serve during the period July 1 through June 30 of the following two years, provided that:
 - a. The newly selected chairman and vice chairman shall not be representatives of the same sector.
 - b. The chairman and vice chairman, 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.

- c. The secretary will submit the elected officers to the chairman of the board for approval.
2. **Selection.** The committee selects officers using the following process. The chairman is selected first, followed by the vice chairman.
 - a. The nominating subcommittee will present its recommended candidate.
 - b. The chairman opens the floor for nominations.
 - c. After hearing no further nominations, the chairman 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 chairman.
 - 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 Operating Committee 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 chairman, the chairman 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 chairman and vice chairman, and
 - b. Recommend candidates for the executive committee's four "at large" members.

Section 7. Executive Committee

1. **Authorization.** The executive committee is authorized to act between regular meetings 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:
 - Chairman
 - Vice-chairman
 - 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.
 - The chairman opens the floor for additional nominations.
 - If the Committee members nominate additional candidates, then the secretary will distribute paper ballots for the members to list their top four candidates.
 - 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 chairman and vice chairman 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
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

Operating Committee Charter

Name	Definition	Members																										
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12. State government	(See Government representatives below)	2																										
Officers	Chairman and Vice Chairman	2																										
Total Voting Members		26																										

Operating Committee Charter

Name	Definition	Members
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 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 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

Section 1. Voting Procedures for Motions

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

Section 2. Minutes

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

Section 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 chairman shall report both the majority and any minority views in presenting results to the Board of Trustees.

Section 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 a technical committee. The process described below will be followed by the Operating Committee:

- a. New/updated draft guideline approved. The Operating Committee approves 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 Operating Committee posts 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 sponsoring technical committee and posted 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 Operating Committee will continue to accept comments from the industry via a Web-based forum where commenters may post their comments.
 - i. Each quarter, the Operating Committee will review the comments received. At any time, the Operating 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 Operating Committee in step “a” and proceed to steps “b” and “c” until it is approved by the Operating 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 the NERC’s *Rules of Procedure* under “Supporting Documents.”

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Operating Committee Charter

August 5, 2009

Redline Version

to ensure
the reliability of the
bulk power system

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609.452.8060 | 609.452.9550 fax
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Section 1. Purpose

The Operating Committee’s 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.

Section 2. Functions

1. **General Forum.** Provides a general forum for aggregating ideas and interests regarding the operations 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 interconnected operations to help the industry arrive at informed decisions. Issue reliability guidelines in accordance with the process described in Appendix 3.
3. **Support to the Reliability Readiness Program.** Provide technical support, guidance, and advice to NERC’s Reliability Readiness Program (see also NERC Rules of Procedure, Section 700, “Reliability Readiness Evaluation and Improvement program, and Appendix 7, “Reliability Readiness Evaluation and Improvement Program Procedure”).

a. General

- Develop criteria for measuring program success, and review the program against those criteria.
- Recommend actions to other NERC programs (standards, compliance, assessments, training, etc.) based on lessons learned and trends from readiness evaluations and examples of excellence.

b. Readiness Evaluations

- Review readiness evaluations for trends and recommend new or different types of evaluations or changes in processes or metrics, including:
 - Readiness criteria
 - Guidelines for reporting and disclosure, and
 - Guidelines for consistency and relevancy of evaluations:
 - Between comparable entities, and
 - Through time.
- Provide guidance to the readiness evaluations process.

c. Examples of Excellence

- Review and discuss the examples of excellence for lessons learned.
- Support information exchange within the industry on examples of excellence.

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4. **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 program area.

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a. **Standards.**

- **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 board of trustees for implementation.
- **Help prioritize standards.** Help the Standards Committee prioritize those standards that are in the drafting queue.

- b. **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.

- c. **Reliability Assessments and Performance Analysis.** Review reliability assessments and recommend topics that need additional investigation. These include:

- Future adequacy
- Event analysis
- Benchmarking

- d. **Personnel Training and Certification.** Recommend to the Personnel Certification Governance Committee the types of operating personnel that should be certified.

- e. **Situation Awareness.** Review and recommend control, monitoring, and visualization tools for system operators.

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6. **Approve the Following Documents and Procedures:**

- 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.”
- d. The technical content of the NERC Reliability Functional Model.

7. **Opinions and Interpretations.** Provide technical opinions at the industry stakeholders’ request on operating reliability concepts, philosophies, and standards.

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Section 3. Membership

1. **Goals.** The Operating Committee 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.** Operating Committee voting members are expected to:
 - a. Bring subject matter expertise to the Operating Committee.

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- b. Be responsible for operating reliability within their organization.
- c. Attend and participate in all Operating Committee 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. Complete committee assignments.
- g. 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 chairman.

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.

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

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 on the first September meeting following the member's selection pursuant to Section 3.4 and continue until the September meeting two years later. 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.

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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. The secretary will submit the new member's name to the board for approval at the board's next regular meeting.

c. The committee may approve the new member on an interim basis at the committee's next meeting.

d. The committee chairman 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.

e. The chairman 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.

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Section 4. Meetings

See Appendix 2, "Meeting Procedures." Unless stated otherwise, the Operating Committee will follow Roberts Rules of Order, Newly Revised.

1. **Quorum.** The quorum 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 2/3 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 chairman and vice chairman may vote. Additional voting guidelines are in Appendix 2.
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 chairman 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 chairman and vice chairman from among its voting members by majority vote of the members of the committee to serve during the period July 1 through June 30 of the following two years, provided that:
 - a. The newly selected chairman and vice chairman shall not be representatives of the same sector.
 - b. The chairman and vice chairman, 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.

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- c. The secretary will submit the elected officers to the chairman of the board for approval.
- 2. **Selection.** The committee selects officers using the following process. The chairman is selected first, followed by the vice chairman.

- a. The nominating subcommittee will present its recommended candidate.
- b. The chairman opens the floor for nominations.
- c. After hearing no further nominations, the chairman 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 chairman.
- 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)

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Section 6. **Subcommittees**

- 1. **Appointing Subgroups.** The Operating Committee 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 chairman, the chairman 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 chairman and vice chairman, and
 - b. Recommend candidates for the executive committee's four "at large" members.

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Section 7. Executive Committee

1. **Authorization.** The executive committee is authorized to act between regular meetings 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:
 - Chairman
 - Vice-chairman
 - 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.
 - The chairman opens the floor for additional nominations.
 - If the Committee members nominate additional candidates, then the secretary will distribute paper ballots for the members to list their top four candidates.
 - 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 chairman and vice chairman replaced at a June meeting and the at-large members replaced at a September meeting.

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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
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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

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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 Chairmen	The chairmen of the subcommittees will be seated at the committee table.	

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Appendix 2 – Meeting Procedures

Section 1. Voting Procedures for Motions

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

Section 2. Minutes

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

Section 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 chairman shall report both the majority and any minority views in presenting results to the Board of Trustees.

Section 4. Personal Statements

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

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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 a technical committee. The process described below will be followed by the Operating Committee:

- a. New/updated draft guideline approved. The Operating Committee approves 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 Operating Committee posts 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 sponsoring technical committee and posted 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 Operating Committee will continue to accept comments from the industry via a Web-based forum where commenters may post their comments.
 - i. Each quarter, the Operating Committee will review the comments received. At any time, the Operating 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 Operating Committee in step “a” and proceed to steps “b” and “c” until it is approved by the Operating 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 the NERC’s *Rules of Procedure* under “Supporting Documents.”

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NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Planning Committee Charter

August 5, 2009

Clean Version

to ensure
the reliability of the
bulk power system

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Section 1. Purpose

The Planning Committee proactively supports the NERC mission and the several 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. 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 Reliability Assessment and Performance Analysis Program.** Provides technical support, guidance, and advice to NERC's Reliability Assessment and Performance Analysis Program, which includes:
 - a. **Reliability Assessments**
 - Provide input on seasonal, long-term, and special reliability assessment reports, including reliability issues and trends to be addressed in these reports.
 - Review and comment on draft reliability assessment reports.
 - Endorse the approval by the NERC board of reliability assessment reports.
 - b. **Events Analysis and Information Exchange**
 - Review and discuss the results of individual event investigations and lessons learned as well as long-term trends.
 - Recommend actions to other NERC programs (standards, compliance, readiness, training, etc.) based on lessons learned and trends from event investigations.
 - Support information exchange within the industry on lessons learned from event investigations, including the issuance of event notifications, significant event reports, and trends in events analysis.
 - c. **Reliability Metrics and Benchmarking**
 - Provide input to the Reliability Metrics and Benchmarking Program.
 - Support the development and improvement of NERC's key reliability metrics.

4. **Support to Other NERC Programs.** Provides technical advice and subject matter expert support to each of the other NERC programs, and serve as a forum to integrate the outputs of these programs, specifically:
 - a. **Standards**
 - 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 board for implementation.
 - Help the Standards Committee prioritize those standards that are in the drafting queue.
 - Provide technical opinions and interpretations of standards at the request of industry stakeholders or the NERC board.
 - b. **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 investigations.
 - c. **Readiness Evaluations.** Provide technical advice on readiness evaluation objectives, guidelines, examples of excellence, and review evaluation findings for trends.
5. **Documents and Procedures.** Develop and maintain documents and procedures related to the reliable planning and assessment of interconnected bulk power systems, including but not limited to:
 - a. **Functional Model.** Approve the technical content of the NERC Reliability Functional Model.
 - b. **Reference Documents.** Technical reference documents and guidelines on matters including: system modeling and model validation, system static and dynamic analysis, system protection and control, load forecasting, resource adequacy assessment, and reliability data requirements.
 - c. **Field Test Procedures.** Field test procedures for prospective reliability standards.
6. **Opinions and Guidance.** Provide technical opinions and guidance on planning reliability concepts and philosophies.

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:
 - a. Bring subject matter expertise to the Planning Committee
 - b. Be knowledgeable about planning reliability and reliability assessment

- c. Attend and participate in all Planning Committee meetings
 - d. Express their opinions as well as the opinions of the sector they represent at committee meetings
 - e. Discuss and debate interests rather than positions
 - f. Complete committee assignments
 - g. 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."
- a. 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.
 - 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.** 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.
- 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 insure that membership specifications are met.
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 on the first September meeting following the member's selection pursuant to Section 3.4 and continue until the September meeting two years later. 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.**
- 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 Appendix 3, and executive committee members will be replaced pursuant to Section 7.
 - b. The secretary will submit the new member's name to the board for approval at the board's next regular meeting.
 - c. The committee may approve the new member on an interim basis at the committee's next meeting.
 - d. 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.
 - e. The chair 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.” Unless stated otherwise, the Planning Committee will follow Robert’s Rules of Order, Newly Revised.

1. **Quorum.** The quorum 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.** 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.
4. **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.
6. **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.
8. **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.

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.** The secretary will submit the elected officers to the chair of the board for approval.

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 Committee

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
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

Planning Committee Charter

Name	Definition	Members																									
Voting Members																											
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/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																									
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	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.	

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- b. If the chair believes the voice vote is not conclusive, he may call for a show of hands.
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- d. The committee may conduct a roll-call vote in those situations that need a record of each member's vote.
 - The committee must approve conducting a roll-call vote for the motion.
 - The secretary will call each member's name.
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3. **Personal Statements.** The minutes will also provide an exhibit to record personal statements.

Appendix 3 – Officer Selection Process

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 – 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 a technical committee. The process described below will be followed by the Planning Committee:

- a. New/updated draft guideline approved. The Planning Committee approves 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 posts 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 sponsoring technical committee and posted 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 the NERC’s *Rules of Procedure* under “Supporting Documents.”

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Planning Committee Charter

August 5, 2009

Redline Version

to ensure
the reliability of the
bulk power system

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Section 1. Purpose

The Planning Committee proactively supports the NERC mission and the several 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. 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 Reliability Assessment and Performance Analysis Program.** Provides technical support, guidance, and advice to NERC's Reliability Assessment and Performance Analysis Program, which includes:
 - a. **Reliability Assessments**
 - Provide input on seasonal, long-term, and special reliability assessment reports, including reliability issues and trends to be addressed in these reports.
 - Review and comment on draft reliability assessment reports.
 - Endorse the approval by the NERC board of reliability assessment reports.
 - b. **Events Analysis and Information Exchange**
 - Review and discuss the results of individual event investigations and lessons learned as well as long-term trends.
 - Recommend actions to other NERC programs (standards, compliance, readiness, training, etc.) based on lessons learned and trends from event investigations.
 - Support information exchange within the industry on lessons learned from event investigations, including the issuance of event notifications, significant event reports, and trends in events analysis.
 - c. **Reliability Metrics and Benchmarking**
 - Provide input to the Reliability Metrics and Benchmarking Program.
 - Support the development and improvement of NERC's key reliability metrics.

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4. **Support to Other NERC Programs.** Provides technical advice and subject matter expert support to each of the other NERC programs, and serve as a forum to integrate the outputs of these programs, specifically:
 - a. **Standards**
 - 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 board for implementation.
 - Help the Standards Committee prioritize those standards that are in the drafting queue.
 - Provide technical opinions and interpretations of standards at the request of industry stakeholders or the NERC board.
 - b. **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 investigations.
 - c. **Readiness Evaluations.** Provide technical advice on readiness evaluation objectives, guidelines, examples of excellence, and review evaluation findings for trends.
5. **Documents and Procedures.** Develop and maintain documents and procedures related to the reliable planning and assessment of interconnected bulk power systems, including but not limited to:
 - a. **Functional Model.** Approve the technical content of the NERC Reliability Functional Model.
 - b. **Reference Documents.** Technical reference documents and guidelines on matters including: system modeling and model validation, system static and dynamic analysis, system protection and control, load forecasting, resource adequacy assessment, and reliability data requirements.
 - c. **Field Test Procedures.** Field test procedures for prospective reliability standards.
6. **Opinions and Guidance.** Provide technical opinions and guidance on planning reliability concepts and philosophies.

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:
 - a. Bring subject matter expertise to the Planning Committee
 - b. Be knowledgeable about planning reliability and reliability assessment

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- c. Attend and participate in all Planning Committee meetings
- d. Express their opinions as well as the opinions of the sector they represent at committee meetings
- e. Discuss and debate interests rather than positions
- f. Complete committee assignments
- g. 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."

- a. 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.
- 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.** 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.

- 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.

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

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 on the first September meeting following the member's selection pursuant to Section 3.4 and continue until the September meeting two years later. 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.**

- 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 Appendix 3, and executive committee members will be replaced pursuant to Section 7.
- b. The secretary will submit the new member's name to the board for approval at the board's next regular meeting.
- c. The committee may approve the new member on an interim basis at the committee's next meeting.
- d. 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.
- e. The chair 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.

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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 quorum 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.** 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.
4. **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.
6. **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.
8. **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.

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.

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- 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.** The secretary will submit the elected officers to the chair of the board for approval.

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 Committee

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.

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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
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

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Name	Definition	Members																									
Voting Members																											
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/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	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 reliability organizations members' votes is two votes.	2																									
	<table border="1"> <thead> <tr> <th data-bbox="508 938 711 966"><u>RRO</u></th> <th data-bbox="711 938 914 966"><u>Number of Members</u></th> <th data-bbox="914 938 1114 966"><u>Proportional Voting</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="508 972 711 999">FRCC</td> <td data-bbox="711 972 914 999">1</td> <td data-bbox="914 972 1114 999">X</td> </tr> <tr> <td data-bbox="508 1005 711 1033">RFC</td> <td data-bbox="711 1005 914 1033">1</td> <td data-bbox="914 1005 1114 1033">X</td> </tr> <tr> <td data-bbox="508 1039 711 1066">ERCOT</td> <td data-bbox="711 1039 914 1066">1</td> <td data-bbox="914 1039 1114 1066">X</td> </tr> <tr> <td data-bbox="508 1073 711 1100">MRO</td> <td data-bbox="711 1073 914 1100">1</td> <td data-bbox="914 1073 1114 1100">X</td> </tr> <tr> <td data-bbox="508 1106 711 1134">NPCC</td> <td data-bbox="711 1106 914 1134">1</td> <td data-bbox="914 1106 1114 1134">X</td> </tr> <tr> <td data-bbox="508 1140 711 1167">SERC</td> <td data-bbox="711 1140 914 1167">1</td> <td data-bbox="914 1140 1114 1167">X</td> </tr> <tr> <td data-bbox="508 1173 711 1201">SPP</td> <td data-bbox="711 1173 914 1201">1</td> <td data-bbox="914 1173 1114 1201">X</td> </tr> <tr> <td data-bbox="508 1207 711 1234">WECC</td> <td data-bbox="711 1207 914 1234">1</td> <td data-bbox="914 1207 1114 1234">X</td> </tr> </tbody> </table>		<u>RRO</u>	<u>Number of Members</u>	<u>Proportional Voting</u>	FRCC	1	X	RFC	1	X	ERCOT	1	X	MRO	1	X	NPCC	1	X	SERC	1	X	SPP	1	X	WECC
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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		
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.	

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

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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.
 - The committee must approve conducting a roll-call vote for the motion.
 - The secretary will call each member's name.
 - 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.

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Appendix 3 – Officer Selection Process

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 – 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 a technical committee. The process described below will be followed by the Planning Committee:

- a. New/updated draft guideline approved. The Planning Committee approves 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 posts 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 sponsoring technical committee and posted 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 the NERC’s *Rules of Procedure* under “Supporting Documents.”

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RELIABILITY CORPORATION

Critical Infrastructure Protection Committee CHARTER

to ensure
the reliability of the
bulk power system

July 2009

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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 Board.** Serve as an expert advisory panel to the NERC Board of Trustees and standing committees in the areas of physical and cyber security.
2. **Advisory Panel to the ESISAC.** Serve as an expert advisory panel to the Electricity Sector Information Sharing and Analysis Center (ESISAC) including the ESISAC's role in implementing the Indications, Analysis, and Warnings Program.
3. **Advisory Panel to the ESSG.** Serve as an expert advisory panel to the Electric Sector Steering Group (ESSG) in the areas of physical and cyber security.
4. **Coordination and Communications.**
 - a. 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, Canadian Electricity Association, Edison Electric Institute, Electric Power Research Institute, Electric Power Supply Association, National Rural Electric Cooperative Association, North American Energy Standards Board, the Nuclear Energy Institute, and the NERC Regions.
 - b. Coordinate and communicate with the other critical infrastructure sectors as appropriate.
 - c. Liaise with governments on critical infrastructure protection matters.
5. **Information Reporting.** Establish and maintain an information reporting procedure for critical infrastructure protection among industry segments and, as appropriate, with governments.
6. **Security Guidelines.** Develop, periodically review, and revise (as appropriate) security guidelines. Issue guidelines in accordance with the process described in Appendix 1.
7. **NERC Standards.**
 - a. Assist in the development and implementation of NERC standards.
 - b. Work with the NERC Operating and Planning Committees.
 - Identify the need for new or revised critical infrastructure protection standards and initiate standards actions by submitting standards authorization requests.

- Assist the standards process by providing expert resources in support of the development of critical infrastructure protection standards authorization requests and standards.
- Assist the standards process by providing a forum for education, sharing of views, and informed debate of critical infrastructure protection standards.
- Review draft critical infrastructure protection standards authorization requests and standards and provide comments.
- Facilitate the implementation of critical infrastructure protection standards by developing reference documents and performing other activities.

8. **Forums and Workshops.** Conduct forums and workshops related to the scope of CIPC.

Section 3. Functions – Electricity Sector

- a. **Protecting.** Includes physical security, cyber security, emergency preparedness and response, business continuity planning, and recovery from a catastrophic event, with emphasis on deterring, preventing, limiting, and recovering from terrorist attacks.
- **Deterring.** To dissuade one from trying.
 - **Preventing.** To cause an attempt to fail.
 - **Limiting.** To constrain consequences in time and scope to something less than what they would have been otherwise.
 - **Recovering.** Returning to normalcy quickly and without unacceptable consequences in the interim.

Section 4. Membership

1. **Owners and Operators.** The majority of the members of CIPC will be representatives of the registered entities that own or operate the bulk power electricity infrastructure of North America.
2. **Expectations.** Committee voting members are expected to:
 - Bring subject matter expertise to the CIPC.
 - Be knowledgeable about physical and cyber security practices and challenges in the electricity sector.
 - Attend and participate in all CIPC meetings.
 - Express their own opinions at committee meetings but also represent their Region's interests.

- Discuss and debate interests rather than positions.
 - Complete Committee, Task Force, and Working Group assignments.
3. **Selection.** There will be a minimum total of 30 voting members. The maximum will be 32:
- Two selected by the American Public Power Association.
 - A minimum of two, (more if required as stated later in this paragraph) selected by the Canadian Electricity Association. The Committee shall contain the number of Canadian voting representatives equal to the percentage of the 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 Regional Entity representatives are not from Canada in sufficient numbers, then NERC will ask the Canadian Electricity Association to select sufficient Canadian representatives to meet the requirement.
 - Two selected by the National Rural Electric Cooperative Association.
 - 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:
 - Physical Security** – primarily focused on electricity sector facilities, including, but not limited to, generation, dams, transmission, critical distribution facilities, and headquarters buildings. Candidates should have a background in Corporate or Physical Security at an asset owner utility, ISO or RTO.
 - Cyber Security** – primarily focused on bulk power control systems (including, but not limited to, SCADA, EMS, DCS, and also systems like 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.
 - Operations** – primarily focused on system operations at the (control area) balancing authority and reliability coordinator levels. Candidates should have a background in SCADA, EMS, substation or generating plant control equipment operation and administration.
 - Policy** – defined as having had regulatory review responsibility, strategic planning, or legislating development, review or advocacy experience positions in a NERC registered entity or an industry trade association. (The executive committee requires this expertise to establish strategy and policy direction for the committee.)

4. **Executive Committee Review.** The executive committee will annually review the membership to ensure sufficient expertise is represented on the committee and that the workload of the committee is being 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 alternates who will have a voice at meetings and can be named as proxies by absent members.

Section 5. Officers

1. **Terms.** At its September meeting in the odd-numbered years, the committee shall select a chair, two vice-chairs, and four executive committee members from among its voting members by majority vote of the members of the committee to serve during the period January 1 through December 31 of the following two years.
2. **Selection.** The committee selects officers at its September meeting using the following process. The chair is selected first, followed by the two vice-chairs. The executive committee is selected at the following December meeting.
 - The nominating subcommittee will present its recommended candidate (or candidates if filling the vice chair or executive committee positions).
 - The chair opens the floor for nominations.
 - After hearing no further nominations, the chair closes the nominating process.
 - 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 a 2/3 majority of the committee's votes will be selected.
 - If the Committee nominates one person, that person is automatically selected as the next chair.
 - If the committee nominates two or more persons, and none receive a 2/3 majority of the committee's votes, then the secretary will distribute paper ballots for the members to mark their preference.
 - 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.)
 - The elected leadership will be submitted to the NERC Board of Trustees for approval.

Section 6. Nonvoting Members

- Governmental agencies at the national, provincial, and state levels
- Other electricity industry associations
- Vendors
- Other critical infrastructure protection sectors
- Other observers as appropriate
- CIPC secretary (and other NERC Staff)

Section 7. Meetings

1. **Quorum.** A CIPC quorum requires two-thirds of the 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.** Motions carry upon affirmative vote of two-thirds of the total yes and no votes cast during the presence of a quorum. Abstentions do not count as votes.
3. **Proxies.** Only roster alternates may be designated as proxy representatives who may attend and vote at meetings provided the absent member notifies in writing (letter, facsimile, or email) the chair, vice chair, or secretary. The proxy representative and his or her affiliation shall also be named in the correspondence. Each attendee may only have one vote. In other words, an attendee may not have the normal one vote and also serve as a proxy for another member.
4. **Agenda.** The agenda of actions to be voted upon shall include the general wording of proposed motions. Only a voting member can provide a motion. 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.
5. **Actions Without a Meeting.** 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 executive committee may initiate the call for such an action. Any member may ask the chair to arrange for such an action.
6. **Coordination with Other Committees.** The CIPC will coordinate its activities with the other NERC committees and working groups to assure the highest degree of collaboration possible.
7. **Actions, Documents, and Recommendations.** 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 board for approval.

8. **Regular Meetings.** CIPC meetings will be conducted at the discretion of the chair, generally once every three months.
9. **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.
10. **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.)
11. **Confidential Matters.** On occasion, the CIPC may be called upon to provide information or support in relation to a matter that requires secrecy. Upon such an occasion and with the approval of the NERC President, 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.
12. **Parliamentary Procedures.** Roberts Rules of Order will apply to conduct of meetings.
13. **Non-Voting Members.** Non-voting members will have a voice at all meetings.

Section 8. Executive Committee

1. **Members.** The CIPC shall have an executive committee with the following membership.
 - Chair
 - Two Vice Chairs
 - Secretary (non-voting, NERC staff member)
 - Four Committee members, nominated by the nominating task force and elected by the committee, who are subject matter experts in one of the following:
 - Physical Security
 - Cyber Security

- Operations
 - Policy
2. **Nonvoting Members.** In addition, the CIPC Executive Committee includes, as nonvoting participants, the immediate past CIPC Chair who may serve one year, and named representatives from American Public Power Association, Canadian Electricity Association, Edison Electric Institute, and National Rural Electric Cooperative Association. 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 nonvoting members must be approved by the voting members of the executive committee.
 3. **Terms.** Terms shall be for two years commencing on January 1 of the year following appointment.
 4. **Duties.** Executive committee duties:
 - Provide policy direction for the operation of the CIPC
 - Review committee member candidates for expertise qualifications
 - Respond to urgent matters by calling conference calls or special meetings
 - Prepare meeting agendas
 - Coordinate CIPC activities with other NERC standing committees and other entities
 - Report to the NERC Board of Trustees
 - Serve as the Electricity Sector Coordinating Council, with the president of NERC and meet with the Electricity Sector Government Coordinating Council

Section 9. Subgroups

1. **Appointing Subgroups.** The CIPC 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 CIPC and all work products will be presented to the CIPC for any further action. Subgroups will be reviewed annually by the executive committee to ensure the work plans are being accomplished, workload is equitably distributed, and the subgroup is still adding value to the committee function.
2. **Nominating Subcommittee.** At the last regular meeting (normally the May 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 new chair, two vice chairs, and executive committee members.

- The committee chair will then assemble the nominating subcommittee of five committee members.
- The subcommittee will solicit nominations from the committee for the officer and executive committee positions.
- 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 members of the executive committee.
- The subcommittee will present its slate of officers at the committee's September meeting and executive committee 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.¹

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. The Critical Infrastructure Protection Committee approves 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 posts 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 sponsoring technical committee and posted 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 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. 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.
 - ii. 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."

1 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."

Future Meetings

Board Action Required

Approve August 4–5, 2010 (W–Th) in Toronto as a future meeting date and location.

Information

The board has approved the following future meeting dates and locations:

- November 4–5, 2009 — Atlanta, Georgia (W–Th)
- February 15–16, 2010 — Phoenix, Arizona (M–Tu)
- May 11–12, 2010 — Washington, D.C. (Tu–W)

Reliability Standards

Action Required

Adopt reliability standards in the following areas:

- a. Project 2006-03 — System Restoration and Blackstart — **Approve**
- b. Project 2009-08 — NUC-001-2 — Nuclear Plant Interface Coordination — **Approve**
- c. BAL-502-RFC-01 — Planning Resource Adequacy Analysis, Assessment and Documentation — **Approve**
- d. Violation Risk Factors for BAL-004-WECC-1 — Automatic Time Error Correction, Requirements R1, R2, R3, and R4 — **Approve [Tentative]**
- e. Interpretation of CIP-006-1a — Physical Security of Critical Cyber Assets for US Army Corps of Engineers — **Approve**
- f. Interpretation of Requirements R1.2 and R3 of IRO-010-1 — Reliability Coordinator Data Specification and Collection for WECC Reliability Coordination Subcommittee — **Approve**
- g. Interpretation of VAR-001-1 — Voltage and Reactive Control for Dynegy — **Withdraw Approval**
- h. Status of Standards Development — **Information Only**

Information

NERC's Reliability Standards Program works through the Standards Committee to develop and maintain continent-wide reliability standards, utilizing the NERC Reliability Standards development procedure. NERC also is responsible for the review of proposed regional entity standards. The program also has primary responsibility for managing NERC's relationship with the North American Energy Standards Board, which develops business practice standards and communications protocols for electric and gas wholesale and retail market participants. The standards program depends on the active involvement of industry subject matter experts to both recommend and develop reliability standards.

a. Project 2006-03 — System Restoration and Blackstart — **Approve**

Action

- Approve EOP-001-2 — Emergency Operations Planning
- Approve EOP-005-2 — System Restoration from Blackstart Resources
- Approve EOP-006-2 — System Restoration Coordination
- Approve NERC Glossary Term — Blackstart Resource
- Retire EOP-007-0 — Establish, Maintain, and Document a Regional Blackstart Capability Plan
- Retire EOP-009-0 — Documentation of Blackstart Generating Unit Test Results
- Retire NERC Glossary Term — Blackstart Capability Plan

Per the implementation plan, direct staff to file these revised standards and NERC Glossary Terms with the Federal Energy Regulatory Commission (FERC) and applicable governmental authorities in Canada.

Background

The proposed set of reliability standards, EOP-005-2 and EOP-006-2, work to ensure a set of coordinated plans are in place and facilities and personnel are prepared to engage in system restoration using their Blackstart Resources. During the implementation of the plan activities, the responsible entities focus on maintaining reliability with an eye to restoring the Interconnection. The standards apply to Transmission Operators, Generator Operators, Reliability Coordinators, and Transmission Owners and Distribution Providers specifically identified in the Transmission Operator's restoration plan.

The proposed set of standards represents a significant overhaul and upgrade from the current set of enforceable standards. This project involved upgrading the overall quality of the standards, eliminating gaps in the requirements, eliminating ambiguity, eliminating "fill-in-the-blank" components, and addressing FERC Order 693 directives. The proposed standards include many significant changes, including re-assignment of requirements that had been assigned to the Regional Reliability Organization, identification of the specific elements that must be contained in a system restoration plan, and the introduction of a new term — "Blackstart Resource" — along with a companion recommendation to retire the term "Blackstart Capability Plan." The proposed revisions move requirements from four standards into two standards. EOP-007-0 and EOP-009-0 are proposed to be retired in their entirety.

Importantly, the changes proposed reflect the consideration of a number of issues that were captured during the original Version 0 translation process from the former NERC Operating Policies as well as issues noted during the development of compliance measures for the Phase III and Phase IV standards and the development of Violation Risk Factors in 2006. EOP-005-2 has undergone an extensive revision and several additional elements have been added to the requirements. Specific Reliability Coordinator and Transmission Operator actions have been incorporated and related references in EOP-001-1 have been transferred. In addition, the Balancing Authority has been removed as an applicable entity since the team believed the Reliability Coordinator and Transmission Operator are in control until the system is stable enough to bring balancing resources and demand into the equation on a more normal basis. As noted, the team also proposes the new definition of Blackstart Resource as follows:

Blackstart Resource: A generating unit(s) and its associated set of equipment which has the ability to be started without support from the System or is designed to remain energized without connection to the remainder of the System, with the ability to energize a bus, meeting the Transmission Operator's restoration plan needs for real and reactive power capability, frequency and voltage control, and that has been included in the Transmission Operator's restoration plan.

The team also addressed several directives issued as part of FERC Order No. 693. These included the following:

- EOP-005-1 — Develop a modification that identifies time frames for training and review of restoration plan requirements to simulate contingencies and prepare operators for anticipated and unforeseen events.
- EOP-006-1 — Develop a modification to EOP-006-1 that ensures that the reliability coordinator, which is the highest level of authority responsible for reliability of the Bulk-Power System, is involved in the development and approval of system restoration plans.
- EOP-007-0 — Consider the suggestions offered by EEI, FirstEnergy, and the MRO. These suggestions pertain to assigning compliance obligations to those that directly provide the data and other information instead of the Regional Reliability Organization, that the reliability coordinator, not the Regional Entity, should be responsible for the regional blackstart plan for its area of responsibility, that the plans recognize that nuclear units must have priority access to off-site power for safety reasons, and that the definition of a blackstart unit be revised to mean a “diesel, hydro, pump storage, or the combustion turbine generating unit that is used to provide cranking power to a larger steam generating unit designed to restore load” or to mean a “larger steam generating unit designed to restore load.”
- EOP-009-0 — Consider the suggestions offered by Xcel that the Reliability Standard should provide details on what constitutes a blackstart test and FirstEnergy’s thoughts that EOP-009-0 should be consolidated with EOP-007-0.

Due to the complexity of integrating training, dates for new restoration plan approval, and the definition of new roles and responsibilities, the EOP-001-2, EOP-005-2 and EOP-006-2 and associated retirements of EOP-001-1, EOP-005-1, EOP-006-1, EOP-007-0, and EOP-009-0 are recommended for implementation the first day of the first calendar quarter at least 24 months following regulatory approval.

NERC posted the standards authorization request (SAR) for two industry comment periods in late 2006 and early 2007 before receiving Standards Committee approval in April 2007 to proceed to standard development. The proposed set of standards were posted for four industry comment periods before proceeding to the balloting phase in April 2009. The initial ballot was conducted from April 14–23, 2009 and achieved a quorum of 89.81 percent with a weighted affirmative approval of 76.63 percent. There were 63 negative ballots submitted for the initial ballot, and 44 of those ballots included a comment, which initiated the need for a recirculation ballot. The recirculation ballot was conducted from May 6–18, 2009 and achieved a quorum of 92.08 percent with a weighted affirmative approval of 75.39 percent. There were 69 negative ballots submitted for the recirculation ballot, and 50 of those ballots included a comment.

Although there were a variety of opinions offered in the comments, the reasons for the negative ballots coalesced around three main themes:

- Stakeholders expressed concern regarding the Reliability Coordinator approval of the restoration plan for a variety of reasons. The drafting team responded that Order 693 required that the Reliability Coordinator must be involved in the development and approval of the Transmission Operators’ restoration plans. This is a role consistent with the role of the Reliability Coordinator as defined in the Functional Model.

- Stakeholders identified the interaction of the timing requirements of Reliability Coordinator approval of the Transmission Operators' plans as a concern. In response, the drafting team noted that this is a potential start-up problem only. The Reliability Coordinators and Transmission Operators will have to coordinate during this initial period to coordinate the plans. Once through the initial implementation process, there will always be a coordinated approved plan.
- Stakeholders expressed concern that the training requirement is too specific for field personnel-related restoration tasks and further, should be addressed as part of the PER-005-1 training standard. The team responded that Order No. 693 required that restoration training be included in the restoration standards.

b. Project 2009-08 — NUC-001-2 — Nuclear Plant Interface Coordination — Approve

Action

- Approve NUC-001-2 — Nuclear Plant Interface Coordination
- Retire NUC-001-1 — Nuclear Plant Interface Coordination

Per the implementation plan, direct staff to file the revised standards and NERC Glossary Terms with FERC and applicable governmental authorities in Canada.

Background

In its October 16, 2008 Order No. 716 that approved NUC-001-1 — Nuclear Plant Interface Coordination, FERC noted the term “coping time” used in Requirement R9.3.5 has multiple meanings within the nuclear industry. The purpose of the standard is to require coordination between Nuclear Plant Generator Operators and Transmission Entities for the purpose of ensuring safe nuclear plant operation and shutdown. Requirement R9 establishes a minimum set of elements to be addressed in interface agreements between Transmission Entities that interface with Nuclear Plant Generator Owners and Operators. Requirement R9.3.5 states that the operations and maintenance coordination elements should include “provision to consider nuclear plant coping times required by the nuclear plant licensing requirements and their relation to the coordination of grid and nuclear plant restoration following a nuclear plant loss of off-site power.”

As such, in paragraph 107, FERC directed NERC to clarify the term and submit a timeline for developing and filing a modification to Requirement R9.3.5 within 30 days from the date of the Order. NERC's filing, made November 17, 2008, committed to filing the directed modification with FERC by August 15, 2009 if one industry comment period was required, or by November 15, 2009, if two comment periods were necessary.

Further, FERC directed NERC in paragraph 73 when enforcing NUC-001-1, to require that an integrated entity provides documentation of its arrangements, including appropriate procedures and protocols, ensuring its business units perform the functions under NUC-001-1 that would otherwise be performed by separate entities. This will ensure an integrated entity's compliance with NUC-001-1 is auditable in a manner comparable to other entities subject to the reliability standard.

Proposed NUC-001-2 — Nuclear Plant Interface Coordination addresses these directives and two other issues to increase the clarity of the standard.

- First, the standard now proposes the following language for Requirement R9.3.5 that addresses the FERC directive:

R9.3.5. Provision for considering, within the restoration process, the requirements and urgency of a nuclear plant that has lost all off-site and on-site AC power. ~~to consider a nuclear plant's coping time (the period of time a nuclear plant can function without an AC power source) required by the NPLRs during the restoration of Off-site Power following a loss of all Off-site and On-site AC Power Sources.~~

- Next, the standard also clarifies that the “Agreements” contemplated in Requirement R2 can take the form of procedures or protocols within a vertically-integrated utility or between entities. This statement was expressly included as a footnote in the proposed standard.
- The team also changed the term Planning Authority to Planning Coordinator to be consistent with the NERC Functional Model.
- The standard includes other clarifying changes to bring the compliance elements of the standard into conformance with the latest version of the ERO Rules of Procedure.

The resulting standard proposed for approval is an improved version from the original version because it clarifies the intent of the term “coping times,” adds further clarity to acceptable forms of agreements, and creates consistency with the Functional Model and the ERO Rules of Procedure.

The proposed modifications were developed using the FERC-approved *Reliability Standards Development Procedure*. The proposed changes were presented for industry comment for one period and approved for ballot. The initial ballot was conducted from June 12–22, 2009 and achieved a quorum of 81.72 percent with a weighted affirmative approval of 94.09 percent. There were eight negative ballots submitted for the initial ballot, and seven of those ballots included a comment, which initiated the need for a recirculation ballot. Some balloters listed more than one reason for their negative ballot.

The various reasons cited for the negative ballots included the following:

- Requirement R9.3.5 does not provide enough clarity for the Nuclear Plant Generator Operator and Transmission Entities to develop appropriate language for the agreements required by this standard.
- Nuclear safety is not within the scope of NERC’s responsibilities.
- The word “requirements” in Requirement 9.3.5 needs to be more specific to clarify what should and should not be included.
- Requirement 9.3.5 is duplicative of Requirement 11.4 in EOP-005-1.
- The phrase “restoration process” is unclear regarding whose restoration process has to be considered: the Transmission Entity or Nuclear Plant.
- It will be difficult for entities to demonstrate compliance on how they “consider” the nuclear plant’s needs and urgency.
- The proposed change from Planning Authority to Planning Coordinator should not be made because NERC has not registered a single entity as a Planning Coordinator, leaving it unclear who will be responsible for the standard.

- The phrase “coping time” should remain as it is part of the nuclear unit’s licensing arrangements.

In response to these comments, the drafting team explained that Requirement R9.3.5 is intended to cover the unique situation of losing both off-site and on-site AC power. The team further explained that “provisions for considering” could include restoration steps taken by either the Nuclear Plant Generator Operator or the applicable Transmission Entities. The team also explained that the term “requirements” used in this context referred to situationally specific terms between the plant and transmission entities to be negotiated within the agreements.

The team also explained the scope and application of Requirement R9.3.5 is different than the scope and application of EOP-005 because the loss of off-site power may or may not be a result of a bulk power system blackout or isolation situation as referenced in EOP-005.

NERC conducted the recirculation ballot from July 10–20, 2009. The proposed standard achieved 96.94 percent approval with a quorum of 87.10 percent participating in the final ballot. NERC proposes the NUC-001-2 standard be made effective in accordance with the implementation plan accompanying the standard that states, the later of April 1, 2010 or the first day of the first quarter after applicable regulatory approval.

c. BAL-502-RFC-01 — Planning Resource Adequacy Analysis, Assessment and Documentation — Approve

Action

- Adopt BAL-502-RFC-01 — Planning Resource Adequacy Analysis, Assessment and Documentation
- Adopt four glossary terms: Resource Adequacy, Net Internal Demand, Peak Period, and Year One applicable to ReliabilityFirst only for inclusion in the NERC Glossary

Summary Conclusion and Recommendation:

- ReliabilityFirst proposes and NERC agrees that the Regional reliability standard covers subject matter not covered by the NERC continent-wide standards.
- The proposed Regional reliability standard was developed in accordance with the FERC-approved ReliabilityFirst Corporation Reliability Standards Development Procedure.
- The proposed Regional reliability standard proposes four new defined terms not in the current NERC Glossary of Terms:
 - **Resource Adequacy** — the ability of supply-side and demand-side resources to meet the aggregate electrical demand (including losses).
 - **Net Internal Demand** — Total of all end-use customer demand and electric system losses within specified metered boundaries, less Direct Control Management and Interruptible Demand.
 - **Peak Period** — A period consisting of two (2) or more calendar months but less than seven (7) calendar months, which includes the period during which the responsible entity’s annual peak demand is expected to occur.
 - **Year One** — The planning year that begins with the upcoming annual Peak Period.

If approved, these terms would only be applicable within the ReliabilityFirst footprint.

- The proposed Regional reliability standard contains rather complex requirements and sub-requirements that ReliabilityFirst should consider clarifying in a future revision of the regional reliability standard as suggested in the NERC evaluation.

Background

BAL-502-RFC-01 — Planning Resource Adequacy Analysis, Assessment and Documentation establishes common criteria based on “one day in ten year” loss of Load expectation principles for the analysis, assessment, and documentation of Resource Adequacy for Load in the ReliabilityFirst Corporation Region. The proposed standard establishes these requirements for Planning Coordinators in the ReliabilityFirst Region and the requirements are not currently provided in NERC’s continent-wide standards, thereby satisfying the statutory criteria for approval as a Regional standard.

NERC has a continent-wide standard project, [Project 2009-05 — Resource Adequacy Assessments](#) that was created to establish a requirement for the Regions to:

- Create a metric(s) to assess resource adequacy that takes into account various factors, including, but not limited to, fuel deliverability;
- Perform resource adequacy assessments;
- Make the results of the assessments available to the industry and appropriate regulatory agencies; and,
- Make the assessments and associated data available to NERC for their review¹.

However, this project is in the initial stages of development. In addition, the NERC Planning Committee is performing an analysis to establish continent-wide criteria for resource adequacy. In the interim, ReliabilityFirst requests that BAL-502-RFC-01 be approved on the basis that mandatory and enforceable requirements do not currently exist for Resource Adequacy assessments.

Proposed BAL-502-RFC-01 Planning Resource Adequacy Analysis, Assessment, and Documentation

ReliabilityFirst submitted the proposed Regional reliability standard, BAL-502-RFC-01 — Planning Resource Adequacy Analysis, Assessment and Documentation, to NERC on February 24, 2009 for evaluation and approval.

The proposed Regional reliability standard contains two main requirements applicable to Planning Coordinators within the ReliabilityFirst region.

- **Requirement R1** requires Planning Coordinators to annually perform and document a Resource Adequacy analysis. The analysis shall:
 - **Requirement R1.1** — Calculate a planning reserve margin that will result in the sum of the probabilities for loss of Load for the integrated peak hour for all days of each planning year analyzed being equal to 0.1 (this is comparable to a “one day in 10 year” criterion);

¹ Project 2009-05 Resource Adequacy Assessments Final SAR Version 3

- **Requirement R1.2** — Be performed or verified separately for the planning years as specified in Requirements R1.2.1 and R1.2.2;
 - **Requirement R1.3** — Include the following subject matter and documentation of its use: Requirement R1.3.1 Load Forecast characteristics, Requirement R.1.3.2 Resource characteristics, Requirement 1.3.3 Transmission limitations that prevent the delivery of generation reserves as further specified in Requirements R1.3.3.1; Requirement R1.3.4 Assistance from other interconnected systems including multi-area assessment considering Transmission limitations into the study area;
 - **Requirement R1.4** — Consider resource availability characteristics and document how and why they were included in the analysis or why they were not included;
 - **Requirement R1.5** — Consider Transmission maintenance outage schedules and document how and why they were included in the Resource Adequacy analysis or why they were not included;
 - **Requirement R1.6** — Document that capacity resources are appropriately accounted for in its Resource Adequacy analysis; and
 - **Requirement R1.7** — Document that all Load in the Planning Coordinator area is accounted for in its Resource Adequacy analysis.
- **Requirement R2** requires Planning Coordinators to annually document the projected Load and resource capability, for each area or Transmission constrained sub-area identified in the Resource Adequacy analysis in accordance with the documentation specifications contained in Requirements R2.1 through R2.3.

NERC 45-Day Posting

The proposed Regional reliability standard was approved by the ReliabilityFirst Board on December 4, 2008. Shortly after ReliabilityFirst's approval of the proposed regional reliability standard and in accord with NERC's Rules of Procedure for evaluating Regional Entity Standards, ReliabilityFirst submitted the standard to NERC and requested that it be presented for the required 45-day public posting that took place from January 26–March 12, 2009. The majority of the commenters to the posting supported the regional reliability standard; however, one commenter expressed concern that the proposed standard was not developed in coordination with the NERC standard MOD-004 — Capacity Benefit Margin. Specifically, the commenter indicated that the proposed Regional reliability standard should include a requirement to determine import generation capability that represents the MW value of import required for an entity to meet Loss of Load Expectation (LOLE) requirements. They asked that the standard be amended to include a requirement for this calculation which will be required to meet MOD-004-1 requirements. In the response to this comment, ReliabilityFirst indicated that the proposed Regional reliability standard is not in conflict with the MOD-004-1 standard and that dependency on transmission to meet these requirements is dealt with in other reliability standards. Further, the response indicated the standard allows the flexibility to adopt any future transmission assessment frameworks.

NERC Evaluation

On February 24, 2009 ReliabilityFirst submitted the proposed Regional reliability standard for NERC's evaluation and approval. In accordance with NERC's *Rules of Procedure* and the *Regional Reliability Standards Evaluation Procedure*, approved by the Regional Reliability Standards Working Group, NERC provided its evaluation of the proposed BAL-502-RFC-01 standard to ReliabilityFirst on April 17, 2009 (found in **Appendix 4** to this report) after the

NERC 45-day posting had concluded. In this report, NERC expressed several concerns regarding the proposed regional reliability standard:

- **Missing Time Horizons** — the Reliability*First* standard does not include Time Horizons for each of the standard's main requirements. Time Horizons are used in support of compliance assessment activities as described in the NERC Sanction Guidelines.
- **Effective Date** — the proposed standard states that the effective date is upon Reliability*First* Board approval (approved on December 4, 2008). The effective date should conform to the latest language found in the standards template to meet the needs of the compliance program, that is, the first day of the first quarter after regulatory approval.
- **Complex Sub-requirements** — the proposed standard contains multiple layers of sub-requirements. It is unclear whether this multi-tiered approach is essential or whether the requirements could be written more concisely for ease of use by the entities expected to comply with the requirements, and for those needing to enforce the standard.
- **New Defined Terms** — the Regional reliability standard proposes four generic industry terms for approval that do not currently appear in the NERC Glossary of Terms and do not conflict with existing terms. These definitions, while applicable to entities within Reliability*First* only, may have the unintended consequence of adding confusion to users of the NERC continent-wide standards or other regional entity standards that may also use these terms, albeit without having formally established NERC-approved definitions for them. The potential impact of these proposed definitions should be evaluated.

In this regard, additional consideration should be given to the recent Order No. 723 *Approving the WECC Automatic Time Error Correction* standard. This Order directed NERC to develop in its Rules of Procedure, a methodology for organizing and managing Regional definitions. FERC expressed concern about a potential re-proliferation of Regional terminology, and consequently, the need to prevent possible inconsistent use of terminology among regions. FERC stated that NERC, as a rule, should develop definitions that apply uniformly across the different interconnections and as a general goal, work to minimize the use of regional definitions and terminology.

- **Compliance Elements** — the proposed standard contains both Violation Risk Factors (VRFs) and Violation Severity Levels (VSLs). These elements are assigned to the main requirements (R1 and R2); however, the main requirements contain many sub-requirements. The inclusion of sub-requirements, especially at the level of complexity being proposed, without associated compliance elements at the sub-requirement level may conflict with the recent FERC Order (Order 722 Final FAC Order ¶ 42) that directed NERC to develop VSLs to all sub-requirements. This is of concern in particular because it is unclear how a violation of a particular sub-requirement impacts the overall violation of the base requirement given that there are many tiers of sub-requirements.
- **Technical Recommendations** — NERC made suggestions to improve the technical clarity of the requirements, in particular, how entities within Reliability*First* that have load and resources outside the Reliability*First* footprint account for these resources in their analysis.

On June 8, 2009 Reliability*First* submitted a response to NERC's evaluation contained in **Appendix 5** to this report. Reliability*First* addressed each of NERC's concerns and recommendations.

- In response to the comments on the missing Time Horizons, ReliabilityFirst indicated the existing FERC-approved ReliabilityFirst Reliability Standards Development Procedure does not include Time Horizons in the standard template. Including them in the Regional standard would have been a deviation. Since the standard is focused on a “planning oriented” subject matter for one year and beyond, the time horizon can be interpreted on a relatively straight forward basis for compliance.
- In response to the suggestion that the effective date should follow the streamlined language ReliabilityFirst indicated that the proposed standard effective date would only be applicable to ReliabilityFirst members on approval by the ReliabilityFirst Board and the enforcement mechanism would be as a “Term of Membership” under the ReliabilityFirst By-Laws (no financial penalties). Only after both NERC and FERC approval will the standard take effect and be sanctionable for all applicable entities within the ReliabilityFirst footprint. In addition, ReliabilityFirst indicated since the requirements in the standard are currently in practice allowing for additional transition time is not necessary.
- In response to NERC’s comments regarding the complexity of the standard requirements, ReliabilityFirst replied that the multiple layers of sub-requirements are needed to clarify the intent of the standard and meet the understandability needs of the entities that will use it, all of which were members of the drafting team that developed the language.
- In response to NERC’s concerns regarding the proliferation of regional definitions that are general in nature, ReliabilityFirst indicated that these terms are necessary to support the proposed Regional reliability standard and offer a good starting point for the development of continent-wide definitions. [To address the concern of proliferation, NERC intends to process these terms through the continent-wide development process for generic applicability. If the terms are approved, ReliabilityFirst will be requested to retire their region-specific defined terms.]
- Regarding the comments on the Compliance Elements, ReliabilityFirst indicated this standard was developed using the directions available to drafting teams at the time. This has been a generic issue that has affected standards development as a whole both regionally and continent-wide. NERC has noted its intention to add clarity to this issue through a separate filing to FERC addressing the applicability of compliance elements in a multi-tiered approach.
- In response to the technical recommendations and questions NERC provided, ReliabilityFirst clarified intent of the requirements; however, ReliabilityFirst held that the requirements will remain as approved by the ReliabilityFirst Board.

On July 10, 2009 ReliabilityFirst submitted supporting documentation contained in Appendix 5 that identified more specifically the need for this Regional reliability standard. ReliabilityFirst argues that with the advent of deregulation and retail choice, it has become more difficult to identify who is actually responsible for adequacy of electric supply today. The ReliabilityFirst footprint comprises both retail choice and non-retail choice states and there is no single organization or regulator responsible for assessing resource adequacy. This necessitates a reliability standard to identify those responsible to assess planning resource adequacy that may then be used by others with responsibility to properly plan and maintain the reserves necessary to safeguard reliability.

Furthermore, in order to fairly and completely apply such a standard, it is necessary that the standard become mandatory and enforceable uniformly across the entire footprint. Simply

adopting requirements as criteria that are applicable only to the members of a Region could result in existing members discontinuing membership but continuing operations in the Region or new entities commencing operation without becoming members, putting the remaining members at an unfair disadvantage and also jeopardizing reliability. In addition, making the standard mandatory and enforceable on every applicable entity operating in the Reliability*First* footprint that also operates in an adjacent region acts as a linchpin and incentive to foster the development of consistent requirements and more wide spread application of the industry accepted practices, thereby promoting system reliability.

The Reliability*First* standard has been developed in an open, transparent, inclusive fashion. Workshops were conducted jointly with other Regions and the Regional Transmission Organization members and state regulators during the drafting of the standard. The standard has wide support from the ballot body and regulatory agencies that see this as a meaningful and necessary step forward toward solving a long standing problem.

Lastly, the standard has been reviewed by Reliability*First* legal counsel to ensure it is consistent with the provisions and stated goals of the Energy Policy Act of 2005. The standard does not require the building or acquisition of new generating capacity.

Supporting Documents

- Appendix 1 — Regional Reliability Standard Submittal Request
- Appendix 2 — Regional Reliability Standard
- Appendix 3 — Consideration of Comments document on NERC's posting of the regional standard
- Appendix 4 — NERC Evaluation of Reliability*First* Regional Standards
- Appendix 5 — Reliability*First* Response to NERC Evaluation
- Appendix 6 — Reliability*First* Consideration of Comment Reports
- Appendix 7 — Reliability*First* Standards Drafting Team
- Appendix 8 — Reliability*First* Balloting

d. Violation Risk Factors for BAL-004-WECC-1 — Automatic Time Error Correction, Requirements R1, R2, R3, and R4 — Approve [Tentative]

Action

Approve "Medium" VRFs for BAL-004-WECC-1 — Automatic Time Error Correction, Requirements R1, R2, R3, and R4, and direct staff to filing with appropriate FERC and applicable governmental authorities and Canada.

Background

In Order No. 723 on May 21, 2009, FERC approved BAL-004-WECC-1 — Automatic Time Error Correction. However, in addition, FERC directed that the VRFs assigned to BAL-004-WECC-01, Requirements R1, R2, R3, and R4 be modified from "Lower" to "Medium." NERC and WECC are obliged to submit a filing by August 28, 2009 that includes the directed modifications.

As noted in its NOPR comments, WECC stated that, while it is unlikely that a violation of the Regional reliability standard would lead to bulk-power system instability, it acknowledges that automatic time error correction is not administrative in nature and could affect the electrical status of the bulk power system, making a “Medium” VRF more appropriate. Thus, WECC comments that “it does not disagree” with FERC’s proposal to change the VRF from Low to Medium. NERC also agrees that FERC’s proposal would promote consistency.

NERC is expecting to receive WECC-approval by the end of July to forward the modified VRFs for Requirements R1 through R4 of the BAL-004-WECC-1 Regional standard to the NERC board. Therefore, NERC expects to request board approval at its August board meeting to file the modified VRFs with FERC.

e. Interpretation of Requirement R4 of CIP-006-1a — Physical Security of Critical Cyber Assets for U.S. Army Corps of Engineers — Approve

Action

Approve the Interpretation of CIP-006-1a, Requirement R4 for U.S. Army Corps of Engineers. Direct staff to file the interpretation with FERC and applicable governmental authorities in Canada.

Background

On September 12, 2008, the U.S. Army Corps of Engineers requested an interpretation of CIP-006-1a — Physical Security of Critical Cyber Assets, Requirement R4. The purpose of standard CIP-006-1a is to ensure the implementation of a physical security program for the protection of Critical Cyber Assets and is part of the suite of critical infrastructure protection standards CIP-002-1 through CIP-009-1. Specifically, Requirement R4, and its subparts state:

- **R4: Logging Physical Access** — Logging shall record sufficient information to uniquely identify individuals and the time of access 24 hours a day, seven days a week. The Responsible Entity shall implement and document the technical and procedural mechanisms for logging physical entry at all access points to the Physical Security Perimeter(s) using one or more of the following logging methods or their equivalent:
 - **R4.1** — Computerized Logging: Electronic logs produced by the Responsible Entity’s selected access control and monitoring method.
 - **R4.2** — Video Recording: Electronic capture of video images of sufficient quality to determine identity.
 - **R4.3** — Manual Logging: A log book or sign-in sheet, or other record of physical access maintained by security or other personnel authorized to control and monitor physical access as specified in Requirement R2.3.

The U.S. Army Corps of Engineers asked for clarification on the following to which the Cyber Security Violation Severity Levels Drafting Team responded:

1. For physical access control to cyber assets, does this include monitoring when an individual leaves the controlled access cyber area?

Response: No, monitoring and logging of access are only required for ingress at this time.

2. Does the term, “time of access” mean logging when the person entered the facility or does it mean logging the entry/exit time and “length” of time the person had access to the critical asset?

Response: The term “time of access” refers to the time an authorized individual enters the physical security perimeter.

The initial ballot was conducted from January 5–14, 2009 and achieved a quorum of 91.15 percent with a weighted affirmative approval of 97.39 percent. There were five negative ballots submitted for the initial ballot, and three of those ballots included a comment, which initiated the need for a recirculation ballot. The recirculation ballot was conducted from February 6–16, 2009 and achieved a quorum of 93.81 percent with a weighted affirmative approval of 99.12 percent. There were three negative ballots submitted for the recirculation ballot, and two of those ballots included a comment.

The reasons cited for the negative ballots was consistent; balloters believed that logging and monitoring should be for both “in and out” of the controlled area. In the drafting team’s response to industry comments for the initial ballot, the team indicated it agreed with the balloters but could only address the requirement as currently written and as intended by those that drafted the original language. The drafting team explained that “changes to the requirement, such as the inclusion of egress logging and monitoring, must be addressed via the standards development process.” The drafting team stated it would forward the comments to the drafting team working on revisions to the CIP standards.

NERC agrees with the drafting team that the existing Cyber Security Order 706 Drafting Team should contemplate the issue of ingress and egress specifically, as industry best practices recognize monitoring of both aspects as important to a well-structured cyber security program. Until then, NERC recommends approval of the interpretation understanding that access to a controlled cyber access area is provided only to those who have been cleared for such access. As such, NERC staff believes the interpretation is consistent with the reliability objective of the standard.

f. Interpretation of Requirements R1.2 and R3 of IRO-010-1 — Reliability Coordinator Data Specification and Collection for WECC Reliability Coordination Subcommittee — Approve

Action

Approve Interpretation of Requirements R1.2 and R3 of IRO-010-1 for WECC Reliability Coordination Subcommittee. Direct staff to file the interpretation with FERC and applicable governmental authorities in Canada.

Background

IRO-010-1 — Reliability Coordinator Data Specification and Collection is designed to prevent instability, uncontrolled separation, or cascading outages that adversely impact the reliability of the interconnection by mandating that the Reliability Coordinator have the data it needs to monitor and assess the operation of its Reliability Coordinator Area. In Requirement R1, the Reliability Coordinator shall have a documented specification for data and information in a mutually agreeable format (per R1.2) to build and maintain models to support Real-time monitoring, Operational Planning Analyses, and Real-time Assessments of its Reliability Coordinator Area to prevent instability, uncontrolled separation, and cascading outages.

Requirement R3 requires each Balancing Authority, Generator Owner, Generator Operator, Interchange Authority, Load-serving Entity, Reliability Coordinator, Transmission Operator, and Transmission Owner to provide data and information, as specified, to the Reliability Coordinator(s) with which it has a reliability relationship.

The WECC Reliability Coordination Subcommittee requested clarification on:

1. The type of data to be supplied to the Reliability Coordinator;
2. Which entities are ultimately responsible for ensuring data are provided; and,
3. What actions are expected of the Reliability Coordinator regarding a “mutually acceptable format.”

The interpretation provided the following clarifications:

- The data to be supplied in Requirement R3 applies to the documented specification for data and information referenced in Requirement R1.
- The intent of Requirement R3 is for each responsible entity to ensure that its data and information (as stated in the documented specification in Requirement R1) are provided to the Reliability Coordinator. Another entity may provide that data or information to the Reliability Coordinator on behalf of the Responsible Entity, but the responsibility remains with the Responsible Entity. There is neither intent nor obligation for any entity to compile information from other entities and provide it to the Reliability Coordinator.
- Requirement R1.2 mandates that the parties will reach a mutual agreement with respect to the format of the data and information. If the parties can not mutually agree on the format, it is expected that they will negotiate to reach agreement or enter into dispute resolution to resolve the disagreement.

The initial ballot was conducted from April 22–May 1, 2009 and achieved a quorum of 88.64 percent with a weighted affirmative approval of 84.77 percent. There were 24 negative ballots submitted for the initial ballot, and 16 of those ballots included a comment, which initiated the need for a recirculation ballot. The recirculation ballot was conducted from May 26–June 5, 2009 and achieved a quorum of 90.45 percent with a weighted affirmative approval of 85.76 percent. There were 22 negative ballots submitted for the recirculation ballot, and 14 of those ballots included a comment.

The primary reasons cited for the negative ballots included the following:

- All balloters who voted negative listed an increased workload as a concern.
- Eleven balloters indicated the language of the interpretation could be read to mean there could be as many different negotiated methods as there are entities providing data to the Reliability Coordinator, or it could be read as requiring one agreement describing what constitutes a “mutually agreeable” format with all parties in the region.
- Six balloters did not support the “dispute resolution” suggestion, indicating these processes are time consuming and do not support reliability objectives of NERC standards.
- Four balloters indicated that Question 2, though it provides clarity, may result in an increased number of entities that perceive an obligation to provide data directly to

Reliability Coordinators. The balloters cited duplicative reporting and increased burden on the WECC Reliability Coordinator department as concerns.

- Two balloters indicated the WECC Reliability Coordinator staff believes the current formats are reasonable and work with the current processes and tools; the balloters suggested one agreement with entities under its jurisdiction.

In response to the comments, the IROL standards drafting team that responded to the request did not intend for the interpretation to dictate there be only one mutually-agreeable format for all data and information exchange. If the Reliability Coordinator has a current data exchange format or formats with any entity or entities with which they have a reliability relationship, then that is acceptable. Many formats for data exchange exist today. The standard is designed to require “what” an entity must do, not “how” to do it. The statement “The WECC RC staff believes that the current formats are reasonable and that they work with the current processes and tools” is the intent of the interpretation.

Others offering comments asked for clarification on the dispute resolution process. The drafting team did not think it appropriate to dictate a dispute resolution process in the interpretation. In many cases, the entities in dispute will be from the same Region; therefore, that Region’s dispute resolution process would be appropriate. However, some disputes will cross Regions or even involve two or more Regions. In those cases, the parties could agree to abide by any involved Region’s dispute resolution process.

NERC staff believes the interpretation is consistent with the reliability objective of the standard.

g. Interpretation of VAR-001-1 — Voltage and Reactive Control Requirement R4 for Dynegy — Withdraw Approval

Action

Withdraw Approval of Interpretation of Requirement R4 of VAR-001-1 for Dynegy. Direct staff to file the notice of withdrawal with applicable governmental authorities in Canada.

Background

On May 21, 2009, FERC remanded the proposed interpretation to Requirement R4 of VAR-001-1 — Voltage and Reactive Control. VAR-001-1, Requirement R4 directs each Transmission Operator to provide each generator with a voltage and reactive power output schedule within a tolerance band. A second reliability standard, VAR-002-1, Requirement R2, requires that each generator must meet the schedule (typically via automatic control) or provide an explanation why it cannot do so. Dynegy, Inc. (Dynegy) requested clarification whether there are implicit requirements that the voltage schedule and associated tolerance band to be provided by the transmission operator under Requirement R4 be technically based, reasonable, and practical for a generator to maintain. NERC assembled a team to respond to the request and provided the following interpretation:

NERC Reliability Standard VAR-001-1 is only comprised of stated requirements and associated compliance elements. The requirements have been developed in a fair and open process, balloted and accepted by FERC for compliance review. Any “implicit” requirement would be based on subjective interpretation and viewpoint and therefore cannot be objectively measured and enforced. Any attempt at “interpreting an implicit requirement” would effectively be adding a new requirement to the standard. This can only be done

through the [Standards Authorization Request] process. Since there are no requirements in VAR-001-1 to issue a “technically based, reasonable and practical to maintain voltage or reactive power schedule and associated tolerance band,” there are no measures or associated compliance elements in the standard. The standard only requires that “Each Transmission Operator shall specify a voltage or Reactive Power schedule” and that “The Transmission Operator shall provide the voltage or Reactive Power schedule to the associated Generator Operator and direct the Generator Operator to comply with the schedule....” Also, Measure 1 and the associated compliance elements follow accordingly by stating that “The Transmission Operator shall have evidence it provided a voltage or Reactive Power schedule ...” Requirement 2 and Requirement 2.2 of VAR-002-1 relate somewhat to questions number two and three. R2 states that “Unless exempted by the Transmission Operator, each Generator Operator shall maintain the generator voltage or Reactive Power output (within applicable Facility Ratings) as directed by the Transmission Operator.” R2.2 goes on to state “When directed to modify voltage, the Generator Operator shall comply or provide an explanation of why the schedule cannot be met.”

In its decision, FERC referred to Order No. 693 in which it stated that “all Reliability Standards must be designed to achieve a specified reliability goal and must contain a technically sound means to achieve this goal. The Commission thus disagreed with NERC’s proposed interpretation because it suggested that a Transmission Operator could specify a voltage schedule that lacked any technical basis. The Commission, citing the NERC Rules of Procedure, section 302.5, concluded that a voltage schedule should reflect technical analysis, i.e., sound engineering, as well as operating judgment and experience. The Commission remanded to the ERO the proposed interpretation of VAR-001-1, Requirement R4 and directed the ERO to revise the interpretation consistent with the Commission’s discussion.”

Because of the remand, the interpretation of VAR-001-1 Requirement R4 is not in effect in the United States. However, the interpretation is operative in certain Canadian provinces through operation of law in those jurisdictions. To maintain a consistent approach among the jurisdictions, NERC recommends that the Board of Trustees withdraw its approval for the interpretation to VAR-001-1 Requirement R4 it provided in March 2008. In addition, NERC recommends that board refer to the interpretation drafting team for further consideration the conclusions reached by the Commission and propose a revised interpretation based on those considerations.

h. Status of Standards Development — Information Only

Regulatory Status

In the United States, NERC has received approval for 95 continent-wide reliability standards and eight WECC Regional standards. An additional 24 standards (“fill-in-the-blank”) are still held as pending further information per Order No. 693.

Since the May 2009 NERC board meeting, FERC issued the following standards-related actions:

- Letter Ruling Accepting Errata Changes to 15 Standards
- Order Granting Rehearing Request — Order No. 722 (FAC-010-2, FAC-011-2, and FAC-014-2)
- Order Granting Rehearing for Further Consideration — 713A (IRO-006-4 — Reliability Coordination — Transmission Loading Relief)

- Order Granting Rehearing for Further Consideration — 706B (CIP-002-1 through CIP-009-2 for Nuclear Power Plants)
- Order No. 723 Approving WECC Regional Reliability Standard BAL-004-WECC-1
- ERO Interpretations of Specific Requirements of BAL-003-0 (Approve) and VAR-001-1 (Remand) Reliability Standards
- Order of Compliance Filing — Violation Severity Levels (December 19, 2008 NERC Filings)

In addition, FERC issued two NOPRs in this period:

- NOPR to approve PRC-023-1 — Transmission Relay Loadability
- NOPR on Revised Mandatory Reliability Standards for Interchange Scheduling and Coordination

Also since the last board meeting, the following standards regulatory filings have been made:

- Version 2 — CIP-002-2 through CIP-009-2
- Comments in Response to Available Transmission Capability NOPR
- Compliance Filing in Response to Order No. 722 — Violation Severity Levels (FAC-010-2, FAC-011-2, FAC-014-2).
- Compliance Filing in Response to Order No. 722 — Violation Risk Factors (FAC-010-2, FAC-011-2, FAC-014-2 — WECC Regional Differences).
- Petition for Approval of Proposed WECC Regional Reliability Standard IRO-006-WECC-1
- Compliance Filing in Response to Order No. 713-A – Violation Risk Factors (IRO-006-4 — Reliability Coordination — Transmission Loading Relief)
- Compliance Filing Regarding CIP Violation Risk Factors
- Petition for Approval of Violation Severity Levels to CIP Version 1 Reliability Standards

Standards Under Development

Key standards under development are:

- Project 2008-06 — Cyber Security Order 706: With Phase I changes complete, the drafting team focused on how to structure its approach to the substantive work on the standards. At its meeting in July, the drafting team reached a pivotal step in its Phase II activities when it approved a concept paper that outlines a methodology that categorizes Bulk Electric System subsystems and cyber systems according to their impacts on reliability functions. This framework is expected to be used to rewrite CIP-002-2 through CIP-009-2.
- Project 2006-02 — Assess Transmission Future Needs and Develop Transmission Plans: The third posting of the proposed standards concluded in early July 2009. The team is responding to these comments and will determine whether a subsequent posting is necessary before proceeding to the ballot phase. The current schedule calls for project completion date in early 2010.

- Project 2006-04 — Backup Facilities: The drafting team has completed the response to comments from its third posting of the draft that concluded on April 15, 2009. The team anticipates proceeding to ballot later in July or early August with balloting expected to be completed in September 2009.

Amendment to NERC Bylaws — Additional Independent Trustee

Action Required

Approve an amendment to the NERC bylaws to add the flexibility to increase the number of independent trustees from ten to eleven and to subsequently decrease that number back to ten.

Introduction

On the recommendation of the Board of Trustees Nominating Committee, Chairman John Q. Anderson has included on the agenda the Nominating Committee's recommendation that the NERC bylaws be amended to provide the flexibility to add one additional independent trustee to the NERC board.

Amendments to the bylaws require the approval of both the Board of Trustees (BOT) and the Member Representatives Committee (MRC). This item is also on the agenda for the August 4th MRC meeting.

Background

The NERC independent trustees are experiencing a substantially increased workload, particularly those serving on the Board of Trustees Compliance Committee. The number of compliance violations is significantly higher than was anticipated, and the board compliance committee is holding multiple meetings or conference calls each month to deal with the workload. An additional independent trustee would assist that committee in dealing with its workload. Over the next few years the NERC Board of Trustees will also face substantial additional work in implementing the results of the Three-Year ERO Performance Assessment and in dealing with the maturing compliance and enforcement program. An additional trustee will also assist in that effort.

In addition, the last four of the original nine independent trustees will next year begin coming up against the 12-year term limit the board adopted a few years ago. NERC's chief executive officer has also announced his intention to resign. In this time of transition to a new CEO, adding an additional independent trustee would enable NERC to have the benefits of the fresh perspectives that a new trustee brings, while at the same time maintaining continuity on the board. Action now would have the additional benefit of having that new trustee gain experience before the original trustees leave the board.

The attached draft amendment to the bylaws provides flexibility for the board to add an additional independent trustee this year and then revert to ten independent trustees when it is no longer in the interests of the corporation and its members to have the additional trustee. At the point where the board reverts to 10 independent trustees, the amendment requires the board to eliminate a position for which the term is expiring at the next annual election. The reduction could not shorten the term of a sitting trustee. The amendment also creates a deadline for board action to make a change, so that the change can be properly reflected in the budget and the nominations cycle. On July 14, 2009, the Nominating Committee voted to recommend the change in the bylaws to the BOT and the MRC.

Once approved by the BOT and the MRC, the amendment must be approved by the Federal Energy Regulatory Commission (FERC) before it can take effect.

NERC Bylaws – Amended Sections 1 and 2 and new Sections 1a and 1b of Article III

ARTICLE III Board of Trustees

Section 1 — Board of Trustees — The business and affairs of the Corporation shall be managed by a Board of Trustees. The board shall consist of eleven members (the “trustees”), unless it is increased to twelve members pursuant to Section 1a of this Article III. ~~Ten(10)~~ All but one of the trustees shall be “independent” trustees nominated and elected in accordance with the requirements and procedures specified in Sections 2, 3, 4, ~~and 5,~~ and 6 of this Article III (the “independent trustees”). The remaining trustee shall be the person elected by the board, in accordance with Article VI, Section 1, of these Bylaws, to serve as president of the Corporation (the “management trustee”). Each trustee, including the management trustee, shall have one (1) vote on any matter brought before the board for a vote. All trustees are expected to serve the public interest and to represent the reliability concerns of the entire North American bulk power system.

Section 1a — Increase in number of trustees — The board shall have the authority, by resolution, to increase the number of trustees from eleven to twelve, of which eleven trustees shall be independent trustees, with such increase to be effective as of the date of an annual election of independent trustees pursuant to Section 6 of this Article III. In order for the board to exercise this authority, the resolution increasing the number of trustees from eleven to twelve must be adopted by the board no later than December 1 immediately preceding the date of the annual election of independent trustees at which the increase is to be effective, and shall state a determination by the board that the increase is in the best interests of the Corporation and its Members. If the board adopts a resolution increasing the number of trustees from eleven to twelve, the nominating committee appointed pursuant to Section 5 of this Article III shall nominate a candidate to stand for election to the newly-created independent trustee position at the next annual election of independent trustees, along with candidates for the positions of independent trustees whose terms are expiring as of such election. The newly-created independent trustee position shall be filled by election in accordance with Section 6 of this Article III. Upon election of a trustee to the newly-created independent trustee position, the board shall thereafter consist of twelve trustees, of whom eleven shall be independent trustees and one shall be the management trustee provided for in Section 1 of this Article III, unless the board decreases the number of trustees in accordance with Section 1b of this Article III.

Section 1b — Decrease in number of trustees — If the board has previously increased the number of trustees under Section 1a of this Section III, the board shall have the authority, by resolution, to decrease the number of trustees from twelve to eleven, of which ten trustees shall be independent trustees, with such decrease to be effective as of the date of an annual election of independent trustees pursuant to Section 6 of this Article III. The decrease in number of trustees shall be effected by eliminating one of the independent trustee positions whose term is expiring as of the date of such annual election of trustees, in which case no election shall be held to replace such trustee. In order for the board to exercise this authority, the resolution decreasing the number of trustees from twelve to eleven must be adopted by the board no later than September 1 immediately preceding the date of the annual election of independent trustees at

which the decrease is to be effective; shall identify the independent trustee position expiring at the date of such annual election that shall be eliminated; and shall state a determination by the board that the decrease is in the best interests of the Corporation and its Members.

Section 2 — Composition of Board Based on Country Participation

- a. The board shall consist of a number of trustees from the United States and from Canada. The number of trustees from Canada shall not be less than the percentage of the NEL of Canada to the total NEL of the United States and Canada, times eleven (or times twelve if the number of trustees has been increased to twelve pursuant to Section 1a of this Article III), rounded up to the nearest whole number. For purposes of this board composition requirement, the management trustee shall be counted as a trustee from Canada if he or she is a Canadian citizen.
- b. When the Corporation receives recognition by appropriate regulatory authorities in Mexico as its electric reliability organization, the number of independent trustees will be increased by at least one, and the board composition requirement in subsection (a) will be expanded to include Mexico.



To: Michael Walker, NERC
Owen E. MacBride, NERC
Susan Turpen, NERC

Cc: Midwest Reliability Organization Finance and Audit Committee
Dan Skaar, MRO

From: Sue Clarke, MRO

Subject: Request to include MRO's Supplemental 2009 Business Plan and Budget on the August 4th, 2009 NERC Finance and Audit Committee Meeting

Midwest Reliability Organization (MRO) participates in a multiple-employer defined benefit pension plan for its employees. The pension administrator¹ has announced that it was terminating the pension plan. MRO, as a participant in the plan, could have continued the plan as the sole participant and assume the role as administrator. However, the on-going costs and increasing complexity to maintain a pension plan for an entity with less 50 employees, like MRO, did not make good business sense in the long term. In addition, the portability and other aspects of a defined contribution plan made such a plan more attractive to the organization and employees in the long term. Therefore, on June 19, 2008, the MRO Board approved the termination of its participation in the plan and announced to its employees that it would be providing a defined contribution plan as a replacement.

In order to terminate the pension plan, by law in the United States, MRO must fund the terminated value of the plan including a one-time funding obligation of approximately \$1.1m. MRO's intention was to request supplemental funding from NERC with an eventual regulatory filing for the addition amount upon favorable determination by the regulatory authority, the Internal Revenue Service ("IRS"). MRO staff had advised NERC finance staff to properly coordinate the request for supplemental funding.

The plan administrator has received the IRS favorable determination letter dated June 26, 2009. The Code of Federal Regulations (CFR) Section 4041.28(1) (ii) requires pension plan distributions to be made 120 days after the receipt of the determination letter. Note that Sect. 4041(1) (ii) references the *receipt* of the determination letter to start the 120 days. The letter was received on July 6, 2009, and adding 120 days would result in a distribution deadline of **November 3, 2009**.²

For planning purposes, MRO did not include this amount in its 2009 or the 2010 budget as it reflects a one-time funding request, over and above, MRO's normal operating budget and there was some uncertainty as it relates to the exact timing of the favorable determination to terminate a plan that MRO participates in, rather than administers. However, MRO staff notified the MRO Load Serving Entities ("LSE's") of a future supplemental funding on April 9th, 2009. At that time our estimate of a short fall requiring one-time funding requirement was \$1.6m (attachment 1). MRO staff is in the process of notifying the LSEs of the current status and the most updated amount of the pension termination obligation.

MRO is respectfully requesting supplemental funding in 2009 from NERC in the amount of [exact amount]. This is final estimate prepared by the plan administrator's actuarial of the one-time funding obligation of a payout, net of the value of plan assets.

¹ MAPP COR, a Minnesota-based non for profit corporation, is the plan administrator.

² Please note that the termination date of the plan is incorrect and the plan administrator has contacted the IRS agent to get a corrected determination letter. The determination letter stated that the termination date was 4/31/08 and it should have read 12/31/08. The plan administrator and its legal counsel believe that it would be prudent for MRO to process as if distributions must be made by November 3, 2009.



**Midwest Reliability Organization — Supplemental 2009 Business Plan
and Budget Request**

Action Required

Approve

Background

The Midwest Reliability Organization (MRO) is requesting approval of a one time amendment and supplemental funding of their 2009 budget in an amount currently estimated at \$1.1M to facilitate the termination of its defined benefit pension plan and establishment of a defined contribution plan, similar to the plan in place at NERC. A favorable determination has been received from the Internal Revenue Service and requires that the funding to facilitate the conversion be in place by November 3, 2009. MRO has advised all of the MRO LSEs of this request. More detailed information is included in the attached letter (**Attachment 1**) from the MRO and will be provided in supplemental materials MRO is preparing and expects to have available before the Finance and Audit Committee and Board of Trustees meetings. The supplemental materials will provide an update on the amount of estimated funding determined by the plan administrator's actuary.

Personnel Certification Governance Committee Report

Action Required

None

System Operator Certification Examination Statistics

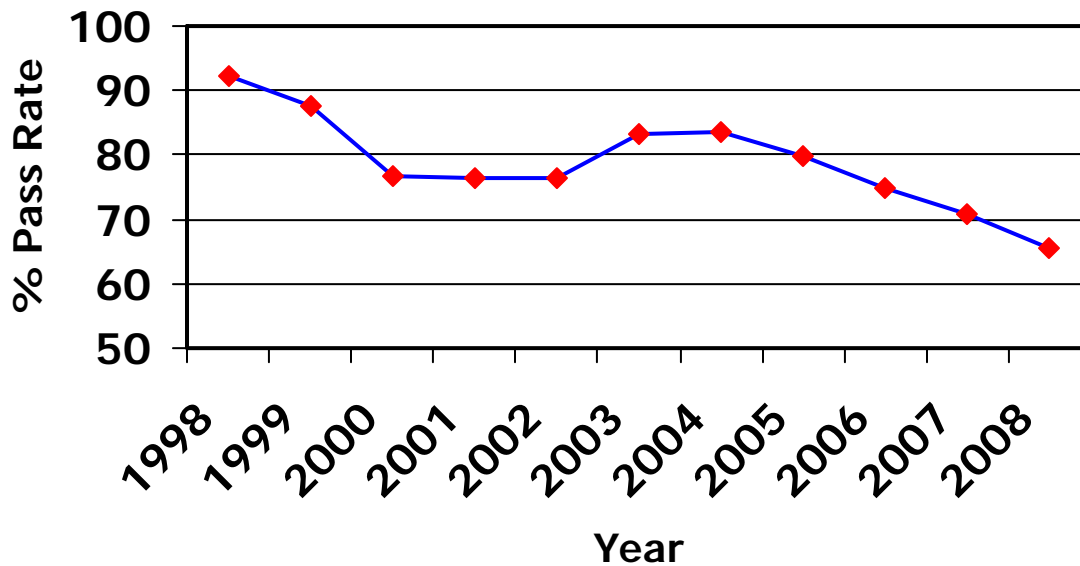
System Operator Certification Examinations have been delivered by NERC since 1998. The exams are written and assembled by certified system operators for system operators according to guidelines established by the National Organization for Competency Assurance (NOCA). The exams are neither a license to operate nor the pinnacle of achievement; they simply represent what operators believe peers need to know to perform their function.

The annual and overall passing rates are shown in the table below and the chart on the next page. There has been a general decline in the overall passing rate to a low in 2008 of 65.4 percent. While this rate is well within testing industry bounds, it has raised some concern among stakeholders.

Exam Statistics – Average Pass Rate: 79.6%				
Year	Number of Exams Taken	Number of Exams Passed	Number of Exams Failed	Percent Pass
1998	997	920	77	92.3
1999	1,620	1,420	200	87.7
2000	1422	1,089	333	76.6
2001	777	593	184	76.3
2002	993	760	233	76.5
2003	1,868	1,555	313	83.2
2004	1,690	1,412	278	83.6
2005	2,170	1,731	439	79.8
2006	1,262	943	319	74.7
2007	1,030	729	301	70.8
2008	1,059	693	366	65.4
Totals	14,888	11,845	3,043	79.6%

The passing rate has varied over the years. The high rates in 1998 and 1999 were the result of highly motivated and knowledgeable operators taking the first exams. They also account for the bump in 2002 and 2003 when they renewed their credentials in the five-year period via retesting. The drop in passing rates from 2007 and 2008 is the result of the use of continuing education to maintain a credential instead of retesting. As more certified operators rely on continuing education to maintain their credential, the testing population comprises a greater percentage of new uncertified operators. By October 2009 certified operators will only be able to maintain their credential through continuing education. This means that only new operators will then be taking the exams.

Percent Passing Rate by Year



Limited data for 2009 shows no further decline in the passing rate from 2008.

Analyzing the data has yielded several observations:

- Current exams more closely reflect actual job functions than earlier exams.
- Operator-written questions reflect increasing technical sophistication and knowledge.
- Content outlines upon which the exams are based reflect increased analysis and application of knowledge in operator jobs. “Memorization” or recall is valued less.
- 63 percent of the test-takers took the reliability examination in 2008 through June of 2009. See the table below. A large number of operators are taking the reliability examination outside of their specialization. This may contribute to the lower passing rate.
- There is a small group of test-takers who have failed the exams multiple times comprising more than 5 percent of the failed exams total.

Exams Taken January 1, 2008 to June 1, 2009	
Certificate	Exam Count
Reliability (Includes French-Canadian)	956 (63.3%)
Transmission	273 (18.1%)
Balancing and Interchange	147 (9.7%)
Balancing, Interchange, and Transmission	135 (8.9%)
Total	1,511

New Examinations

The certification program releases new examinations every 18 to 24 months. This is done to maintain the integrity of the exams. Exams were last released in July of 2008. The next release is scheduled and on track for mid-2010.

The new exams will be based on a new job analysis. Every three to five years the program must perform a job analysis to ensure the exams address the actual tasks operators say they perform. The last survey was conducted in 2006. The Personal Certification Governance Committee (PCGC) released a survey for this analysis in June 2009. The results of this survey will be used to create content outlines for each function, which in turn will be used to create new items (or questions) that will be incorporated into the new exams. The exams that are created as a result of the new survey will be released in mid 2010.

Advanced System Operator Certification Credential

The PCGC is investigating the feasibility of providing an advanced credential based on experience, proven performance, advanced training, and other factors. Where the current certification is seen as ensuring a minimum level of knowledge, the advanced credential will recognize those at the top of their profession. Two major benefits are seen from this effort: 1) increasing the knowledge and skills of these operators, thereby improving reliability, and 2) the recognition should help keep these more experienced and advanced operators in their jobs for a longer period of time.

The PCGC is preparing a white paper for operator and industry comment in the late summer of 2009 to obtain input into creating the final credential. Among the considerations will be the potential interest among operators, knowledge and simulation requirements to achieve the certification, potential cost of implementation, and industry and public perceptions. The earliest any credential resulting from this effort would be issued would be late 2011.

System Operator Certification and Continuing Education Database (SOCCED)

In the System Operator Certification and Continuing Education Database (SOCCED), the PCGC is making changes for registered entities that need to comply with PER standards to know the certification and training status of the system operators it employs. NERC currently restricts the ability of anyone else to view these private records. The PCGC is developing a solution to allow a trainer or supervisor privileges to query a subset of training records in the SOCCED only when specifically authorized by the system operator. Since this is a report function within the trainer's Continuing Education Provider account, no personal information can be accessed or changed. The operator's account is therefore safeguarded. This database change will occur later this year.

The PCGC is also working to add demographic data, as allowed, in the SOCCED to track aging-workforce trends related to training and certification. The addition of demographics will also give NERC a better picture of the experience levels of the new operators seeking certification for the first time. This change will also occur later this year.