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December 23, 2010

VIA ELECTRONIC FILING

Ms. Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: North American Electric Reliability Corporation
Docket No. RR10-1-001
Compliance Filing of the North American Electric Reliability Corporation
in Response to October 1, 2010 Commission Order Concerning Appendix 4D
to the NERC Rules of Procedure**

Dear Ms. Bose:

The North American Electric Reliability Corporation (“NERC”) hereby submits this “Compliance Filing of the North American Electric Reliability Corporation in Response to October 1, 2010 Commission Order Concerning Appendix 4D to the NERC Rules of Procedure – Procedure for Requesting and Receiving Technical Feasibility Exceptions to NERC Critical Infrastructure Protection Standards.”

NERC’s filing consists of (1) this transmittal letter, (2) the narrative text of this filing which follows this transmittal letter, and (3) Attachments 1 and 2, all of which are contained in a single pdf file. The Table of Contents to the narrative texts list the two Attachments.

Please contact the undersigned if you have any questions concerning this filing.

Respectfully submitted,

/s/ Owen E. MacBride
Owen E. MacBride

Attorney for North American Electric
Reliability Corporation

UNITED STATES OF AMERICA
Before the
FEDERAL ENERGY REGULATORY COMMISSION

NORTH AMERICAN ELECTRIC)
RELIABILITY CORPORATION) Docket No. RR10-1-001

COMPLIANCE FILING OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
IN RESPONSE TO OCTOBER 1, 2010 COMMISSION ORDER
CONCERNING APPENDIX 4D TO THE NERC RULES OF PROCEDURE –
“PROCEDURE FOR REQUESTING AND RECEIVING TECHNICAL
FEASIBILITY EXCEPTIONS TO NERC CRITICAL INFRASTRUCTURE
PROTECTION STANDARDS”

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December 23, 2010

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ATTACHMENTS:

Attachment 1: Revised Appendix 4D to the NERC Rules of Procedure, “Procedure for Requesting and Receiving Technical Feasibility Exceptions to NERC Critical Infrastructure Protection Standards” – Clean version

Attachment 2: Revised Appendix 4D to the NERC Rules of Procedure, “Procedure for Requesting and Receiving Technical Feasibility Exceptions to NERC Critical Infrastructure Protection Standards” – Redlined version

I. INTRODUCTION

The North American Electric Reliability Corporation (“NERC”) submits this filing in compliance with the Commission’s directives in its Order issued October 1, 2010 in this docket,¹ as modified by the Commission’s December 10, 2010 Order Granting Rehearing.² In the October 1, 2010 Order, the Commission approved a compliance filing and proposed revisions to Appendix 4D to the NERC Rules of Procedure (“ROP”), “Procedure for Requesting and Receiving Technical Feasibility Exceptions to NERC Critical Infrastructure Protection Standards” (“Appendix D” or “TFE Procedure”), which were submitted in response to the directives in the Commission’s original order in this docket approving the TFE Procedure.³ However, the October 1, 2010 Order also directed NERC to make a number of additional revisions to the TFE Procedure and to submit those revisions in a compliance filing due within 90 days. In the Order on Rehearing, the Commission, in response to the NERC Rehearing Request, modified one of the compliance directives in the October 1, 2010 Order.

¹ *North American Electric Reliability Corporation, Order on Compliance Filing*, 133 FERC ¶ 61,008 (2010) (“October 1, 2010 Order”).

² *North American Electric Reliability Corporation, Order Granting Rehearing*, 133 FERC ¶ 61,209 (2010) (“Order on Rehearing”). The Order on Rehearing was issued in response to the *Request of the North American Electric Reliability Corporation, for Reconsideration, or in the Alternative, Rehearing, of Paragraph 26 of October 1, 2010 Commission Order*, filed on October 29, 2010 (“NERC Rehearing Request”).

³ The Commission’s original order in this docket was *North American Electric Reliability Corporation, Order Approving Technical Feasibility Exception Procedures and Ordering Compliance Filing*, 130 FERC ¶ 61,050 (2010) (“January 21, 2010 Order”). NERC’s compliance filing to the January 21, 2010 Order was *Compliance Filing of the North American Electric Reliability Corporation in Response to January 21, 2010 Commission Order Concerning Appendix 4D to the NERC Rules of Procedure – “Procedure for Requesting and Receiving Technical Feasibility Exceptions to NERC Critical Infrastructure Protection Standards”*, filed April 21, 2010 (“April 21, 2010 Compliance Filing”).

Attachment 1 to this filing is the proposed revised TFE Procedure, incorporating revisions in response to the directives in the October 1, 2010 Order and the modified directive in the Order on Rehearing. **Attachment 2** is the proposed revised TFE Procedure redlined to show the revisions from the TFE Procedure as filed with the Commission in the April 21, 2010 Compliance Filing.

Prior to submitting this compliance filing, NERC posted two alternative proposed revised versions of the TFE Procedure on its website for stakeholder comment for a 45-day comment period (October 29, 2010 – December 13, 2010). The two posted versions contained alternative versions of the provisions of the TFE Procedure that were the subject of the NERC Rehearing Request, *i.e.*, one alternative contained proposed revised text for these provisions assuming the Commission denied the NERC Rehearing Request, and the other alternative contained proposed revised text for these provisions assuming the Commission granted the NERC Rehearing Request and modified the directive in the October 1, 2010 Order that was the subject of the NERC Rehearing Request. The two alternative versions contained the same proposed revisions to the TFE Procedure in response to the other directives in the October 1, 2010 Order that were not the subject of the NEC Rehearing Request. A number of comments were received during the posting period, with most of them pertaining to provisions of the revised TFE Procedure that were the subject of the NERC Rehearing Request.⁴ The revised TFE Procedure was approved by the NERC Board of Trustees on December 16, 2010.

⁴ Several comments were received suggesting changes to the TFE Procedure that would be outside the limited scope of the proposed revisions, *i.e.*, to respond to and comply with the Commission's October 1, 2010 Order.

II. NOTICES AND COMMUNICATIONS

Notices and communications with respect to this filing may be addressed to:

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III. RESPONSES TO DIRECTIVES IN OCTOBER 1, 2010 ORDER

October 1, 2010 Order, P 14:

The Commission recognizes that NERC has attempted to comply with our prior directive; however, the Commission directs NERC to revise section 1.3 of the TFE Procedure to include CIP-007 R3, rather than R3.2, on the list of Applicable Requirements. While CIP-007 R3 establishes the requirements for implementation of a program for, among other things, installing applicable cyber security software patches, CIP-007 R3.2 is only the *documentation* requirement. NERC’s proposal to designate CIP-007, R3.2 as the “Applicable Requirement” could result in confusion among responsible entities because under NERC’s proposal the TFE provision would be tied to a documentation requirement rather than being explicitly identified as an “in lieu of” option to the requirement for physical installation of the software patches. We agree that documentation for a TFE is required, but documentation follows from the inability to install software patches, an implementation requirement set forth in R3.²³ The Commission therefore directed NERC to designate CIP-007, R3 as an “Applicable Requirement” under section 1.3 of the TFE Procedure²⁴ because it is Requirement R3, not sub-Requirement R3.2, that carries the requirement for a responsible entity to install applicable cyber security software patches from which a responsible entity may need a TFE. Accordingly, to avoid potential future ambiguities regarding the availability of a TFE for the infeasibility of installing certain software patches, the Commission directs NERC to revise section 1.3 of the TFE Procedure to remove CIP-007, R3.2 from the list of Applicable Requirements and add CIP-007, R3 instead.

²³ The Commission also agrees with NERC that R3.2 is the specific provision of CIP-007, R3 that refers to “compensating measures.” However, “compensating measures” is not the language that triggers the availability of a TFE. Pursuant to section 1.3 of the TFE Procedure, a CIP requirement does not qualify for a TFE unless the requirement explicitly includes the language “technically feasible” or “technical limitations.” The sole exception is if the Commission directs NERC to make a specific requirement subject to the TFE Procedure. That is the case with CIP-007, R3. Neither CIP-007, Requirement R3 nor any of its sub-sections include the triggering language “technically feasible” or “technical limitations.”

²⁴ January 21 Order, 130 FERC ¶ 61,050 at P 22.

NERC Response:

Section 1.3 of Appendix 4D has been revised to list CIP-007-3, R3 (rather than CIP-007-2, R3.2) as an Applicable Requirement.⁵ The version number of CIP-007 has been revised from “2” to “3” because Version 3 of the Critical Infrastructure Protection (“CIP”) standards became effective (replacing Version 2 of the CIP standards) on October 1, 2010.⁶

October 1, 2010 Order, P 26 [this directive was modified by the Order on Rehearing]:

First, NERC should revise section 3.3 to allow for reconsideration of a TFE determination by a Regional Entity solely on the grounds that the approval, disapproval or rejection of the TFE request would result in an inconsistent application of the criteria specified in section 3.1 within a Regional Entity or between Regional Entities. This right to seek reconsideration would be limited to NERC and to responsible entities who received differing TFE determinations on the same type of covered assets.

NERC Response:

In the NERC Rehearing Request, NERC requested a modification of the directive in P 26 of the October 1, 2010 Order so that only NERC, and not a Responsible Entity, would be allowed to request a Regional Entity to reconsider the determination made on a TFE Request.

⁵ Capitalized terms (such as “Applicable Requirement”) used but not otherwise defined in this filing are defined terms in the TFE Procedure. The defined terms used in the TFE Procedure are in Section 2.0 of Appendix 4D.

⁶ See *North American Electric Reliability Corporation, Order on Compliance*, 130 FERC ¶ 61,271 (2010), at P 12.

NERC also stated that as part of this modification, the TFE Procedure should be revised to include a process whereby Responsible Entities can submit information to NERC on possible inconsistent applications of the Section 3.1 criteria. NERC would review and evaluate such submissions from Responsible Entities in determining whether to ask the Regional Entity or Regional Entities to reconsider the relevant determinations. In the Order on Rehearing, the Commission granted the NERC Rehearing Request.

Accordingly, NERC has revised the TFE Procedure to comply with P 26 of the October 1, 2010 Order as modified by the Order on Rehearing. Additionally, the necessary revisions have been made by adding new Sections 5.2.8 and 5.2.9 to Appendix D, rather than by modifying Section 3.3. NERC believes it is more consistent with the organization of the TFE Procedure to add the provisions on requests for reconsideration within Section 5.0, Review, Acceptance/Rejection, and Approval/Disapproval of TFE Requests, and specifically within Section 5.2, Substantive Review of TFE Request for Approval or Disapproval. Section 3.3, in contrast, states overall responsibilities of the various participants (Responsible Entity, Regional Entity and NERC) in connection with the review and determination of a TFE Request, but does not set forth the detailed processes to be followed.

New Section 5.2.8 specifies the process by which a Responsible Entity may submit to NERC information that the Responsible Entity believes demonstrates that the approval, disapproval or rejection by a Regional Entity of a TFE Request submitted by the Responsible Entity constitutes an inconsistent application of the Section 3.1 criteria as compared to other determinations of TFE Requests made by the same Regional Entity or another Regional Entity for the same type of Covered Assets, and, based on this information, can ask NERC to request the Regional Entity to reconsider its approval, disapproval or rejection of the TFE Request. The

text of new Section 5.2.8 is set forth below. As specified in P 26 of the October 1, 2010 Order, the asserted inconsistent application of the Section 3.1 criteria must be manifested in the determinations of two or more TFE Requests for the same type of Covered Assets.

5.2.8 A Responsible Entity may submit to NERC information that the Responsible Entity believes demonstrates that the approval, disapproval or rejection by a Regional Entity of a TFE Request submitted by the Responsible Entity constitutes an inconsistent application of the criteria specified in Section 3.1 as compared to other determinations of TFE Requests made by the same Regional Entity or another Regional Entity for the same type of Covered Assets, and with such submission may suggest that NERC request the Regional Entity to reconsider its approval, disapproval or rejection of the TFE Request. A Responsible Entity's submission to NERC under this Section 5.2.8 shall be in writing and shall set forth (i) the TFE Request for which the Responsible Entity received a determination that the Responsible Entity believes represents an inconsistent application of the criteria specified in Section 3.1 (using the identifier assigned to the TFE Request pursuant to Section 5.1.2), (ii) a copy of the Regional Entity's notice of approval, disapproval or rejection of the TFE Request, and (iii) a description of the inconsistency in determinations that the Responsible Entity believes has occurred, including specific reference(s) to any other determinations of TFE Requests for the same type of Covered Assets that the Responsible Entity believes constitutes inconsistent application of the criteria specified in Section 3.1. The Responsible Entity's submission shall provide a clear and compelling demonstration that inconsistent applications of the criteria specified in Section 3.1 have occurred in the determinations of two or more TFE Requests for the same type of Covered Assets made by the same Regional Entity or two or more Regional Entities. NERC will provide a copy of the Responsible Entity's submission to the Regional Entity that approved, disapproved or rejected the TFE Request that is the subject of the submission. NERC will review the Responsible Entity's submission and the reports submitted by the Regional Entity or Regional Entities pursuant to Section 5.2.7 with respect to the TFE Requests that are the subject of the Responsible Entity's submission, and may decide, in accordance with Section 5.2.9, to request the Regional Entity to reconsider its determination. NERC will send a written notice to the Responsible Entity stating that NERC has determined to request reconsideration by the Regional Entity or has determined not to request reconsideration by the Regional Entity, as applicable.

New subsection 5.2.9 specifies the process by which NERC may request a Regional Entity to reconsider the approval, disapproval or rejection of a TFE Request. Consistent with the limited scope for requests for reconsideration specified in P 26 of the October 1, 2010 Order,

Section 5.2.9 allows NERC to request reconsideration of the determination made on a TFE Request “solely on the grounds that the approval, disapproval or rejection would result in inconsistent application of the criteria specified in Section 3.1 as compared to determinations made on TFE Requests for the same type of Covered Assets by the same Regional Entity or a different Regional Entity;” and states that “Requests for reconsideration on any other grounds are not allowed.” The full text of new subsection 5.2.9 is as follows:

5.2.9 NERC may request the Regional Entity to reconsider the approval, disapproval or rejection of a TFE Request, solely on the grounds that the approval, disapproval or rejection would result in inconsistent application of the criteria specified in Section 3.1 as compared to determinations made on TFE Requests for the same type of Covered Assets by the same Regional Entity or a different Regional Entity. Requests for reconsideration on any other grounds are not allowed. A request for reconsideration shall be submitted in writing to the Regional Entity and shall set forth (i) the TFE Request that is the subject of the request for reconsideration (using the identifier assigned to the TFE Request pursuant to Section 5.1.2), (ii) a copy of the Regional Entity’s notice of approval, disapproval or rejection of the TFE Request, and (iii) a description of the inconsistency in determinations on which NERC relies as the basis for the request for reconsideration, including specific reference(s) to other determinations of TFE Requests for the same type of Covered Asset that NERC believes constitutes inconsistent application of the criteria specified in Section 3.1. The Regional Entity shall consider the request for reconsideration and shall issue a notice to NERC and the affected Responsible Entity(ies) approving, disapproving or rejecting the TFE Request in accordance with Section 5.1.4, Section 5.1.5, Section 5.2.4, Section 5.2.5, Section 5.2.6 and/or Section 9.2, as applicable, within one hundred twenty (120) days following receipt of the request for reconsideration. A determination on a request for reconsideration approving, disapproving or rejecting a TFE Request shall be effective prospectively only, from its Effective Date, provided, that if a Regional Entity receives a request for reconsideration of the rejection or disapproval of a TFE Request prior to the Effective Date of the notice of rejection or disapproval, the Regional Entity shall issue a notice to the affected Responsible Entity pursuant to Section 5.1.5 or Section 5.2.6, as applicable, suspending the Effective Date pending determination of the request for reconsideration.

The last sentence of Section 5.2.9 specifies that a determination on a request for reconsideration will be effective prospectively only, from its Effective Date, which means that the Responsible Entity must comply with the original determination while the request for

reconsideration has been submitted and is under consideration. However, the sentence also provides an exception to this provision. The exception is that if the Regional Entity receives the request for reconsideration of a rejection or disapproval of a TFE Request prior to the Effective Date of the notice of rejection or disapproval, the Regional Entity is to suspend that Effective Date pending determination of the request for rehearing (which, per Section 5.2.9, must be made within 120 days). This limited exception reasonably protects the Responsible Entity from having to expend funds and resources to achieve Strict Compliance with the Applicable Requirement that was the subject of the TFE Request if the rejection or disapproval of the TFE Request is already under reconsideration and therefore could be changed within a finite time period.

Several related changes have been made to other sections of Appendix 4D in light of the addition of Sections 5.2.8 and 5.2.9. First, in Section 11.0, Consistency in Approval and Disapproval of TFE Requests, the following sentence has been added to Section 11.1 (which describes generally the activities NERC and the Regional Entities will engage in to assure consistency in the review, approval and disapproval of TFE Requests): “In appropriate cases, NERC will submit a request for reconsideration to a Regional Entity in accordance with Section 5.2.9.”

Second, in Section 12.0, Confidentiality of TFE Requests and Related Information, the following two items have been added to the list of documents that are Confidential Information and shall be treated in accordance with Section 1500 of the NERC ROP:

- (viii) All submissions by Responsible Entities to NERC pursuant to Section 5.2.8.
- (ix) All requests for reconsideration pursuant to Section 5.2.9.

October 1, 2010 Order, P 27:

Second, section 11.2 of the TFE Procedure should be revised to add, as an additional, fourth consistency activity, the requirement that NERC prepare and submit to the Commission an informational report that describes the manner in which Regional Entities have made the section 3.1(iv) and (vi) determinations. The report should: (i) identify whether there were any consistency issues with respect to the section 3.1 determinations within and among the Regional Entities; (ii) describe these inconsistencies; (iii) describe the manner in which they were resolved; and (iv) state the number of TFE requests for which reconsideration was sought based on inconsistency grounds. NERC also should report whether it has or is in a position to develop a uniform framework for Regional Entities to use to appraise the reliability benefits of strict compliance when making the section 3.1(vi) and (iv) determinations. NERC should submit a “consistency” report to the Commission annually, on the same date that the annual TFE reports are due, i.e., September 28,³² until such time as NERC has submitted and the Commission has approved a uniform framework for appraising the reliability benefits of strict compliance when making the section 3.1(iv) and (vi) determinations.

³² The first report would be due to the Commission in 2011.

NERC Response:

In Section 11.0, “Consistency in Approval and Disapproval of TFE Requests,” of Appendix 4D, a new item (4) has been added to Section 11.2 to provide for the preparation and submission of the annual information report specified in P 27 of the October 1, 2010 Order. The text of new item 4 specifies that the annual informational report shall include the information listed in P 27, including the number of TFE Requests for which reconsideration was requested pursuant to new Section 5.2.9 of Appendix 4D based on purported inconsistencies in determinations applying the criteria in Section 3.1, and the numbers of such requests that resulted in TFE Requests being approved, disapproved and rejected. Item 4 states that the first informational report shall cover the period through June 30, 2011 and shall be filed by September 28, 2011, and that subsequent annual informational reports shall cover the period from July 1 through June 30 and shall be filed within 90 days following the end of the period covered by the report.

New item 4 also contains text (last paragraph of item 4) stating that if it is necessary to include any Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information in an informational report, such Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information shall be contained in a separate non-public confidential appendix. This text also states that prior to submitting a non-public confidential appendix that contains Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information of a particular Responsible Entity and identifies the Responsible Entity or one of its Facilities by name, NERC shall provide at least 21 days advance notice to the Responsible Entity. The text of this paragraph is essentially the same as the text of existing Section 13.4 pertaining to the procedures for including Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information in an Annual Report.

Additionally, Section 12.0, Confidentiality of TFE Requests and Related Information, has been revised to add the following to the list of Confidential Documents that will be treated in accordance with Section 1500 of the NERC ROP:

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

October 1, 2010 Order, P 28:

In addition, with regards to the “consistency committee” formed under new section 11.2(3) of the TFE Procedure, the Commission approves the formation of the “consistency committee” with the understanding that the committee members will possess the skills and subject matter expertise necessary to effectively perform such an important undertaking. Due to the emphasis placed on evaluating the adequacy of mitigating measures, subject matter experts should comprise a total or substantial part of the committee membership.

NERC Response:

The following sentence has been added to the end of item 3 in Section 11.2 of Appendix 4D: “The committee shall include persons with appropriate subject matter expertise for the responsibilities and activities of the committee.”

October 1, 2010 Order, P 30:

The Commission agrees with NERC that the revised TFE Procedure should refer to the currently-effective version of the applicable CIP requirements. Version 3 of the CIP Standards will become effective October 1, 2010,³⁴ and future versions of the CIP Standards are being developed by NERC standards drafting teams. To avoid having to revise the TFE Procedure each time another CIP Standard version becomes effective, NERC should consider developing generic language to be included in section 1.3 that references the currently-effective CIP Version at the time the TFE request is submitted.

³⁴ *North American Electric Reliability Corporation*, 130 FERC ¶ 61,271 (2010) (approving version 3 of the CIP Standards to take effect on October 1, 2010).

NERC Response:

In Section 1.3 of Appendix 4D, the version numbers of CIP Standards CIP-005 and CIP-007 have been changed from “2” to “3” and the version number of CIP Standard CIP-006 has been changed from “2” to “3c,” as these are the currently-effective version numbers of these standards.⁷ In addition, the text of Section 1.3 following the list of the current Applicable Requirements has been revised as follows:

Subsequent versions of these requirements that are approved by FERC will continue to be Applicable Requirements, without the need to amend this Appendix to reflect the new version number of the CIP Standards, will also be eligible for TFEs if (i) they if the subsequent versions continue to expressly provide either (A) that compliance with their terms is required where or as technically feasible or (B) that technical limitations may preclude compliance with the terms of the requirement [footnote omitted]; or (ii) so long as FERC does

⁷ Consistent with NERC’s numbering convention for Reliability Standards, the current version of CIP-006 is “3c” because there are three approved interpretations of CIP-006. The most recent (third) interpretation was approved by the Commission in *North American Electric Reliability Corporation, Order Approving Reliability Standard Interpretation*, 132 FERC ¶ 61,051 (2010).

not direct that ~~the subsequent versions are no longer they be removed from the list of~~ Applicable Requirements. Other requirements of CIP Standards may become Applicable Requirements as the result of revisions to the CIP Standards in accordance with the NERC *Bylaws* and *Rules of Procedure* including Appendix 3A, *Reliability Standards Process Manual Development Procedure*, or as a result of FERC directive. NERC shall maintain a current list of Applicable Requirements on its website.

In the above-quoted text, the change of the title of Appendix 3A of the ROP from *Reliability Standards Development Procedure* to *Standards Process Manual* reflects the title of the revised Appendix 3A that became effective on September 3, 2010.⁸

October 1, 2010 Order, P 32:

NERC's removal of original items 3 and 4 from the enumerated list of Part B Required Information resulted in the renumbering of the remainder of the listed items. However, NERC did not update the numerical reference to the listed items from the opening paragraph of section 4.3.2 which states, "the information for items 5 through 10 below should be comprehensive..." NERC appears to have inadvertently failed to revise this language in the section 4.3.2 introductory paragraph to reflect the elimination of items 3 and 4. Accordingly, the Commission directs NERC to update the opening paragraph of section 4.3.2 to reference "3 through 8" instead of "5 through 10" to correct this oversight.

NERC Response:

The third sentence of the opening paragraph of Section 4.3.2 of the TFE Procedure has been revised to change "for items 5 through 10 below" to "for items 3 through 8 below."

IV. CONCLUSION

For the reasons set forth in this compliance filing, the North American Electric Reliability Corporation respectfully requests that the Commission (1) approve the proposed revised version of Appendix 4D to the NERC Rule of Procedure set forth in **Attachment 1** to this filing, and (ii)

⁸ See *North American Electric Reliability Corporation, Order Approving Petition and Directing Compliance Filing*, 132 FERC ¶ 61,200 (2010).

accept this filing and **Attachments 1** and **2** to this filing as compliance with the directives in the Commission's October 1, 2010 Order (as modified by the Order on Rehearing) in this docket.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing document upon all parties listed on the official service list compiled by the Secretary in this proceeding.

Dated at Chicago, Illinois this 23rd day of December, 2010.

/s/ Owen E. MacBride
Owen E. MacBride

*Attorney for North American Electric
Reliability Corporation*

ATTACHMENT 1

**REVISED APPENDIX 4D
TO THE NERC RULES OF PROCEDURE**

CLEAN VERSION



**Approved by NERC Board of Trustees December 16, 2010
Revised for October 1, 2010 FERC Order**

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

APPENDIX 4D TO THE RULES OF PROCEDURE

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

1.0 INTRODUCTION

1.1. Purpose

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

1.2. Authority

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

1.3. Scope

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

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

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

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

Subsequent versions of these requirements that are approved by FERC will continue to be Applicable Requirements, without the need to amend this Appendix to reflect the new version number of the CIP Standards, (i) if the subsequent versions continue to expressly provide either (A) that compliance with their terms is required where or as technically feasible or (B) that technical limitations may preclude compliance with the terms of the requirement²; or (ii) so long

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

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

as FERC does not direct that the subsequent versions are no longer Applicable Requirements. Other requirements of CIP Standards may become Applicable Requirements as the result of revisions to the CIP Standards in accordance with the NERC *Bylaws* and *Rules of Procedure* including Appendix 3A, *Standards Process Manual*, or as a result of FERC directive. NERC shall maintain a current list of Applicable Requirements on its website.

1.4 Obligations of Canadian Entities and Cross-Border Regional Entities

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

2.0. DEFINITIONS

For purposes of this Appendix, the following terms shall be defined as set forth in this Section 2.0. Capitalized terms used in this Appendix that are not defined in this Section 2.0 shall have the meanings as defined in, as applicable, (i) the NERC *Glossary of Terms Used in Reliability Standards*, or (ii) Section 1.0 of the NERC *Uniform Compliance Monitoring and Enforcement Program*, Appendix 4C to the NERC *Rules of Procedure*, or (iii) Section 1501 of the NERC *Rules of Procedure*.

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

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

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

2.4 CIP Standard: Any of NERC Standards CIP-002 through CIP-009.

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

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

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

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

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

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

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

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

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

2.14 FERC: The United States Federal Energy Regulatory Commission.

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

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

2.17 NRC: The United States Nuclear Regulatory Commission.

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

2.19 Part A Required Information: Required Information that is to be provided in Part A of a Responsible Entity’s TFE Request.

2.20 Part B Required Information: Required Information that is to be provided in Part B of a Responsible Entity’s TFE Request.

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

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

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

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

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

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

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

3.0. BASIS FOR APPROVAL OF A TECHNICAL FEASIBILITY EXCEPTION

3.1. A Responsible Entity may request and obtain approval for a TFE on the grounds that Strict Compliance with an Applicable Requirement, evaluated in the context or environment of the Responsible Entity’s Covered Asset that is the subject of the TFE Request:

- (i) is not technically possible or is precluded by technical limitations; or
- (ii) is operationally infeasible or could adversely affect reliability of the Bulk Electric System to an extent that outweighs the reliability benefits of Strict Compliance with the Applicable Requirement; or

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

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

3.3. The burden to justify approval of a TFE Request in accordance with the provisions of this Appendix is on the Responsible Entity. It is the responsibility of the Regional Entity, subject to oversight by NERC as provided in this Appendix, to make all determinations as to whether a TFE Request has met the criteria for approval.³ NERC and the Regional Entities shall carry out the activities described in Section 11.0 of this Appendix to provide consistency in the review and approval or disapproval of TFE Requests across Regional Entities and across TFE Requests.

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

3.4. A TFE typically must be requested for, and will be approved only for, a limited duration, until a stated Expiration Date. The Responsible Entity will be expected to achieve Strict Compliance with the Applicable Requirement by the Expiration Date. Under limited, justified circumstances, a TFE Request may be approved without a specified Expiration Date, subject to periodic review to verify continuing justification for the TFE.

4.0. FORM, CONTENTS AND SUBMISSION OF A TFE REQUEST

4.1. Separate Submissions for Each TFE Request

A separate TFE Request shall be submitted for each Applicable Requirement pertaining to each Covered Asset for which the Responsible Entity seeks a TFE. There is one exception to this requirement: where the Responsible Entity seeks TFEs from the same Applicable Requirement for multiple, similar Covered Assets (either at the same location or at different locations within the geographic boundaries of a Regional Entity) on the same basis, with the same compensating measures and/or mitigating measures, and with the same proposed Expiration Date, the TFE Requests for all the Covered Assets may be included in one submission. A TFE Request may not be submitted for Covered Assets located within the geographic boundaries of different Regional Entities.

4.2. Form and Format of TFE Request

A TFE Request shall consist of two parts:

(i) Part A of the TFE Request is the notification to a Regional Entity that a Responsible Entity is requesting a TFE. Part A must be submitted in a secure electronic form using the template provided by the Regional Entity. Regional Entities will use the Part A Required Information for initial screening to accept or reject the TFE Request.

(ii) Part B of the TFE Request contains the detailed material to support a TFE Request and includes the documents, drawings, and other information necessary to provide the details and justification for the requested TFE. Part B must also include a detailed description of the compensating measures and/or mitigating measures the Responsible Entity will implement while the TFE is in effect. The Part B Required Information must be available at the Responsible Entity's location for review by the Regional Entity and/or NERC beginning on the date the TFE Request is submitted.

(iii) A Regional Entity may also require the Responsible Entity to file all or a portion of the Part B Required Information with the Regional Entity, provided that (A) the information can be filed in a secure manner that does not compromise the confidentiality of any Confidential Information, Classified National Security Information, NRC Safeguards Information and/or Protected FOIA Information, and (B) the Responsible Entity shall not be required to file with a Regional Entity any Part B Required Information if, and to the extent that, such filing is prohibited by law.

4.3. Required Information to be Included in the TFE Request

4.3.1. Part A of a TFE Request shall contain the Part A Required Information specified in this Section 4.3.1 and shall be submitted to the Regional Entity using its template referred to in Section 4.2. Consistent with the summary nature of the Part A Required Information, the Regional Entity’s template may provide lists of responses to be selected by the Responsible Entity and/or limited space for narrative descriptions, for the Part A Required Information listed below. Failure to provide all Part A Required Information will result in rejection of the TFE Request as incomplete. The Part A Required Information shall consist of the following information:

1. Responsible Entity name.
2. Responsible Entity NERC Compliance Registry ID.
3. TFE Request submittal date.
4. Whether the TFE Request is an original TFE Request or an amended TFE Request; and if it is an Amended TFE Request, the identification number of the original TFE Request.
5. Name, mailing address, phone number, facsimile number and E-mail address of the Responsible Entity’s technical contact person for the TFE Request.
6. Applicable Requirement for which the TFE is being requested.
7. Number of Covered Assets for which the TFE is being requested.
8. Whether the Responsible Entity is filing a similar TFE Request(s) with one or more other Regional Entities, and if yes, the name(s) of the other Regional Entity(ies).
9. The type(s) of equipment, process, or procedure at or associated with the Covered Asset(s) and subject to or required by the Applicable Requirement, for which the TFE is being requested.
10. The basis for the TFE Request from the criteria specified in Section 3.1.
11. A brief statement describing and justifying why the Responsible Entity cannot achieve Strict Compliance with the Applicable Requirement.
12. The estimated impact on reliable operation of the Bulk Electric System of the Responsible Entity if the compensating measures and mitigating measures are not sufficient to achieve security for the Covered Assets, and cyber security is compromised.

13. A brief description of the compensating measures and/or mitigating measures that are planned or have been implemented in lieu of achieving Strict Compliance with the Applicable Requirement.
14. A statement as to whether or not the compensating measures and/or mitigating measures have been fully implemented at the time the TFE Request is submitted.
15. As applicable, (i) the actual implementation date(s) for the compensating measures and/or mitigating measures, and/or (ii) the proposed date(s) for implementing the proposed compensating measures and/or mitigating measures.
16. Whether the Responsible Entity has a proposed plan and time schedule for terminating the TFE and achieving Strict Compliance with the Applicable Requirement; if yes, the proposed Expiration Date and a description of the plan for terminating the TFE; if no, an explanation as to why a TFE with no Expiration Date is being requested.
17. Whether the TFE Request is supported, in whole or in part, by any of the following: Classified National Security Information; NRC Safeguards Information; or Protected FOIA Information.
18. A statement of the Responsible Entity's understanding of the requirement to submit timely periodic and other reports pertaining to the approved TFE.
19. A statement, signed and dated by the Responsible Entity's Senior Manager or Delegate, that the Senior Manager or Delegate has read the TFE Request and approved the proposed compensating measures and/or mitigating measures and the implementation plan, and that on behalf of the Responsible Entity that the Responsible Entity believes approval of the TFE Request is warranted pursuant to the criteria specified in Section 3.1 of this Appendix.

4.3.2 Part B of a TFE Request shall contain the Part B Required Information specified in this Section 4.3.2. Failure to include all Part B Required Information may result in disapproval of the TFE Request. The information provided for items 3 through 8 below should be comprehensive, as opposed to the summary information provided on the Part A submission, and should include any supporting documents.

1. A copy of Part A of the TFE Request.
2. Location(s) of the Covered Asset(s) for which the TFE is (are) requested.
3. A statement of the basis, consistent with Section 3.1 of this Appendix, on which the Responsible Entity contends the TFE Request should be approved, with supporting documentation. Without limiting the content of this statement, it must include: (i) a description of the specific equipment, device(s), process(es) or procedure(s) at or associated with the Covered Asset(s) and subject to or required

by the Applicable Requirement, for which the TFE is requested; and (ii) an explanation of why the Responsible Entity cannot achieve Strict Compliance with the Applicable Requirement.

4. A description of the compensating measures and/or mitigating measures the Responsible Entity proposes to implement and maintain as an alternate approach to achieving Strict Compliance with the Applicable Requirement, with supporting documentation. Without limiting the content of this description, it must include an explanation of how, and the extent to which, the proposed compensating measures and/or mitigating measures will reduce or prevent any adverse impacts on (i) the reliable operation of the Covered Asset(s) and (ii) the reliable operation of the Element(s) and Facility(ies) of the Bulk Electric System for which the Responsible Entity is responsible, resulting from the failure to achieve Strict Compliance with the Applicable Requirement, including reducing or eliminating any vulnerabilities resulting from lack of Strict Compliance.
5. An assessment of the impacts on reliable operation of (i) the Covered Asset(s) and (ii) the Elements and the Facility(ies), of the Bulk Electric System for which the Responsible Entity is responsible, if the proposed compensating measures and/or mitigating measures are insufficient or unsuccessful.
6. The Responsible Entity's proposed time schedule for implementing the proposed compensating measures and/or mitigating measures. The TFE Request may identify compensating measures and or mitigating measures that have already been implemented by the Responsible Entity.
7. The Responsible Entity's proposed plan and time schedule for terminating the TFE and achieving Strict Compliance with the Applicable Requirement, including the Responsible Entity's proposed Expiration Date. The Responsible Entity should either (i) describe the specific steps it plans to take to achieve Strict Compliance and the planned schedule for each step, including the date by which the Responsible Entity intends to achieve Strict Compliance with the Applicable Requirement, and/or (ii) describe the specific research, design, analytical, testing or other activities the Responsible Entity intends to engage in to determine a means of achieving Strict Compliance with the Applicable Requirement, and the Responsible Entity's proposed time schedule for these activities.
8. If the Responsible Entity contends it will not be possible for it to achieve Strict Compliance with the Applicable Requirement and that the TFE being requested should have no Expiration Date, an explanation of why it will not be possible for the Responsible Entity to establish a date by which it can achieve Strict Compliance with the Applicable Requirement, why the TFE Request should be approved with no Expiration Date, and under what conditions, if any, the Responsible Entity will be able to achieve Strict Compliance with the Applicable Requirement at a future unknown and unspecified date.

9. The Responsible Entity’s commitment to file quarterly reports with the Regional Entity on the Responsible Entity’s progress (i) in implementing the proposed compensating measures and/or mitigating measures, and (ii) towards achieving Strict Compliance with the Applicable Requirement.
10. If the proposed Expiration Date is more than one (1) year from the date the TFE Request is submitted, or if the Responsible Entity contends the TFE should have no Expiration Date, the Responsible Entity’s agreement to submit annual reports to the Regional Entity on the continued need for and justification for the TFE, for so long as the TFE remains in effect.
11. If the TFE Request is supported, in whole or in part, by Classified National Security Information, NRC Safeguards Information, and/or Protected FOIA Information, a statement identifying which of these categories each such item of information falls into and explaining why each such item of information is Classified National Security Information, NRC Safeguards Information, and/or Protected FOIA Information. If the Responsible Entity is prohibited by law from disclosing any Classified National Security Information, NRC Safeguards Information and/or Protected FOIA Information to any person who is not an Eligible Reviewer (such as, for example, the restriction on access to Classified National Security Information specified in Section 4.1 of Executive Order No. 12958, as amended), the TFE Request shall identify the Classified National Security Information, NRC Safeguards Information and/or Protected FOIA Information that is subject to such restrictions on disclosure and shall identify the criteria which a person must meet in order to be an Eligible Reviewer of the Classified National Security Information, NRC Safeguards Information and/or Protected FOIA Information.
12. A statement, signed and dated by the Senior Manager or Delegate, that the Senior Manager or Delegate has read the TFE Request and approved the compensating measures and/or mitigating measures and the implementation plan, and on behalf of the Responsible Entity that the Responsible Entity believes approval of the TFE Request is warranted pursuant to the criteria in Section 3.1 of this Appendix.

4.3.3. All scheduled implementation dates and other activity dates, and the Expiration Date, in the TFE Request shall be stated as specific calendar dates.

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

4.4.1. Upon reasonable advance notice from a Regional Entity or NERC, and subject to Section 4.4.2, the Responsible Entity must provide the Regional Entity or NERC (i) with access to Confidential Information, Classified National Security Information, NRC Safeguards Information, and Protected FOIA Information included in the Part B Required Information, and

(ii) with access to the Covered Asset(s) and the related Facility(ies) for purposes of making a physical review and inspection.

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

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

4.5 Submission of TFE Request in Advance of Compliant Date

The Responsible Entity should submit a TFE Request at least sixty (60) calendar days prior to the Responsible Entity's Compliant Date for the Applicable Requirement that is the subject of the TFE Request, to avoid the risk that the initial screening will not be completed by the Compliant Date and the Responsible Entity will become subject to issuance of a notice of Alleged Violation for noncompliance with the Applicable Requirement. However, if a Responsible Entity whose Compliant Date for an Applicable Requirement was on or before December 31, 2009, submits a TFE Request for the Applicable Requirement by January 31, 2010 (either pursuant to this Appendix or pursuant to NERC Compliance Process Bulletin #2009-007 and Attachments 1 and 2 to that Bulletin), the Compliant Date will be deemed to be the date of submission of the TFE Request for purposes of Section 5.3 of this Appendix.

5.0 REVIEW, ACCEPTANCE/REJECTION, AND APPROVAL/DISAPPROVAL OF TFE REQUESTS

5.1 Initial Screening of TFE Request for Acceptance or Rejection

5.1.1. Upon receipt of Part A of a TFE Request, the Regional Entity (i) will assign a unique identifier to the TFE Request, and (ii) will review the TFE Request to determine that the TFE Request is for an Applicable Requirement and that all Part A Required Information has been provided.

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

geographic boundaries the Covered Asset is located⁴; and “ZZZZZ” is the sequential number of the TFE Requests received by the Regional Entity in that year. If the TFE Request is amended or resubmitted, “-AZ” will be added to the end of the identifier, where “Z” is the number of the amendment to the TFE Request.

5.1.3. (a) The Regional Entity will typically complete its initial screening within sixty (60) calendar days after receiving the TFE Request.

(b) If the Regional Entity determines at any time that for a specified period of time, the Regional Entity will be unable to complete initial screenings of TFE Requests within sixty (60) calendar days after receipt and substantive reviews of TFE Requests within one year after receipt, the Regional Entity, based on consultation with NERC, shall establish an alternative time period objective and work plan for completing initial screenings and substantive reviews of TFE Requests during the specified period of time. The alternative time period objective and work plan shall be publicized by issuance of a notice to all Registered Entities within the geographic boundaries of the Regional Entity and by posting on the Regional Entity’s Website.

(c) If the Regional Entity is unable to complete its initial screening within sixty (60) calendar days after receiving the TFE Request, the Responsible Entity will not be subject to imposition of any findings of violations, or imposition of penalties or sanctions for violations, for failure to be in Strict Compliance with the Applicable Requirement that is the subject of the TFE Request, beginning on the sixty-first (61st) calendar day after the Regional Entity received the TFE Request and continuing thereafter in accordance with Section 5.3.

5.1.4. If, based on its initial screening, the Regional Entity determines the TFE Request is for an Applicable Requirement and contains all Part A Required Information, and that the Part A Required Information provided by the Responsible Entity indicates the TFE Request satisfies the criteria for approval of a TFE in Section 3.1 of this Appendix, the Regional Entity shall send a notice to the Responsible Entity, with a copy to NERC, accepting the TFE Request as complete.

5.1.5. If the Regional Entity determines, based on its review of the Part A Required Information provided by the Responsible Entity, that the TFE Request (i) is not for an Applicable Requirement, or (ii) does not contain all Part A Required Information, or (iii) does not satisfy the criteria for approval of a TFE in Section 3.1 of this Appendix, the Regional Entity shall send a notice to the Responsible Entity, with a copy to NERC, rejecting the TFE Request. The notice shall state an Effective Date which shall be no less than thirty-one (31) calendar days and no

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

more than sixty-one (61) calendar days after the date of issuance of the notice, unless the Regional Entity determines there are exceptional circumstances that justify a later Effective Date. If the Regional Entity determines the Effective Date should be more than sixty-one (61) calendar days after the date of issuance of the notice due to exceptional circumstances, the Regional Entity shall include a detailed statement of the exceptional circumstances in the notice.

5.1.6. If the Regional Entity rejects the TFE Request because not all Part A Required Information was provided, the Regional Entity’s notice shall identify the Part A Required Information that was not provided in the TFE Request. The Responsible Entity may resubmit the TFE Request with all Part A Required Information included. If the Responsible Entity resubmits the TFE Request with all Part A Required Information included prior to the Effective Date, the Responsible Entity will not be subject to imposition of any findings of violations, or imposition of penalties or sanctions for violations, for failure to be in Strict Compliance with the Applicable Requirement that is the subject of the TFE Request, during the period the Regional Entity is conducting initial screening of the resubmitted TFE Request. The Responsible Entity may resubmit a TFE Request pursuant to this Section 5.1.6 only one time.

5.1.7. The Regional Entity must either accept the TFE Request in its entirety or reject the TFE Request in its entirety, even if the TFE Request is for two or more Covered Assets subject to the same Applicable Requirement.

5.2 Substantive Review of TFE Request for Approval or Disapproval

5.2.1 The Regional Entity shall conduct a substantive review of an accepted TFE Request to determine if it should be approved in accordance with Section 3.1 of this Appendix, or disapproved. The Regional Entity will conduct the substantive review in accordance with established compliance monitoring processes under the CMEP, such as a Compliance Audit or Spot Check. The compliance monitoring activity may be conducted solely for the purpose of substantive review of the TFE Request, or may include review of the Responsible Entity’s compliance with other reliability standards. As part of its substantive review, the Regional Entity may request access to and review the Part B Required Information, including any Confidential Information, Classified National Security Information, NRC Safeguards Information, and Protected FOIA Information that is necessary to support the TFE Request; may conduct one or more physical inspections of the Covered Asset(s) and the related Facility(ies); may request additional information from the Responsible Entity; and may engage in discussions with the Responsible Entity concerning possible revisions to the TFE Request.

5.2.2. The Regional Entity shall complete its substantive review of the TFE Request and make its determination of whether the TFE Request is approved or disapproved, and issue a notice (in accordance with Sections 5.2.4 or 5.2.5) stating the TFE Request is approved or disapproved, within one (1) year after receipt of the TFE Request or within an alternative time period objective as specified in a work plan established under Section 5.1.3(b). In addition, the Regional Entity may extend the one-year time period for individual TFE Requests by issuing a notice to the Responsible Entity, with a copy to NERC, stating the revised date by which the Regional Entity will issue its notice approving or disapproving the TFE Request.

5.2.3. The Regional Entity must either approve the TFE Request in its entirety or disapprove the TFE Request in its entirety, even if the TFE Request is for two or more Covered Assets subject to the same Applicable Requirement.

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

5.2.5. If the Regional Entity disapproves the TFE Request, the Regional Entity shall issue a notice to the Responsible Entity, with a copy to NERC, stating that the TFE Request is disapproved and stating the reasons for the disapproval. In its notice disapproving a TFE Request, the Regional Entity may also, but is not required to, state any revisions to the TFE Request the Regional Entity has identified, based on its review of the TFE Request, that, if made by the Responsible Entity, would result in approval of the TFE Request. Such revisions may include, but are not limited to, changes to the Responsible Entity's proposed (i) compensating measures and/or mitigating measures, (ii) implementation schedules, or (iii) Expiration Date. If the Responsible Entity submits an amended TFE Request to the Regional Entity incorporating, to the Regional Entity's satisfaction, the revisions to the TFE Request set forth in the notice of disapproval, then the Regional Entity shall issue a notice, in accordance with Section 5.2.4, approving the revised TFE Request.

5.2.6. A notice disapproving a TFE Request shall state an Effective Date, which shall be no less than sixty-one (61) calendar days and no more than ninety-one (91) calendar days after the date of issuance of the notice, unless the Regional Entity determines there are exceptional circumstances that justify a later Effective Date. If the Regional Entity determines the Effective Date should be more than ninety-one (91) calendar days after the date of issuance of the notice due to exceptional circumstances, the Regional Entity shall include a detailed statement of the exceptional circumstances in the notice. Following the Effective Date, the Responsible Entity is subject to issuance of a notice of Alleged Violation by the Regional Entity with respect to the Applicable Requirement that was the subject of the disapproved TFE Request, unless the Responsible Entity (i) has submitted an amended TFE Request in accordance with Section 5.2.5, or (ii) has achieved Strict Compliance with the Applicable Requirement. Provided, that if the Effective Date occurs prior to the Responsible Entity's Compliant Date for the Applicable Requirement, then the Responsible Entity is not subject to issuance of a notice of Alleged Violation until the Compliant Date. A notice of Alleged Violation issued with respect to the Applicable Requirement shall be processed in accordance with Sections 5.0, 6.0 and 7.0 of the CMEP.

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

5.2.8 A Responsible Entity may submit to NERC information that the Responsible Entity believes demonstrates that the approval, disapproval or rejection by a Regional Entity of a

TFE Request submitted by the Responsible Entity constitutes an inconsistent application of the criteria specified in Section 3.1 as compared to other determinations of TFE Requests made by the same Regional Entity or another Regional Entity for the same type of Covered Assets, and with such submission may suggest that NERC request the Regional Entity to reconsider its approval, disapproval or rejection of the TFE Request. A Responsible Entity's submission to NERC under this Section 5.2.8 shall be in writing and shall set forth (i) the TFE Request for which the Responsible Entity received a determination that the Responsible Entity believes represents an inconsistent application of the criteria specified in Section 3.1 (using the identifier assigned to the TFE Request pursuant to Section 5.1.2), (ii) a copy of the Regional Entity's notice of approval, disapproval or rejection of the TFE Request, and (iii) a description of the inconsistency in determinations that the Responsible Entity believes has occurred, including specific reference(s) to any other determinations of TFE Requests for the same type of Covered Assets that the Responsible Entity believes constitutes inconsistent application of the criteria specified in Section 3.1. The Responsible Entity's submission shall provide a clear and compelling demonstration that inconsistent applications of the criteria specified in Section 3.1 have occurred in the determinations of two or more TFE Requests for the same type of Covered Assets made by the same Regional Entity or two or more Regional Entities. NERC will provide a copy of the Responsible Entity's submission to the Regional Entity that approved, disapproved or rejected the TFE Request that is the subject of the submission. NERC will review the Responsible Entity's submission and the reports submitted by the Regional Entity or Regional Entities pursuant to Section 5.2.7 with respect to the TFE Requests that are the subject of the Responsible Entity's submission, and may decide, in accordance with Section 5.2.9, to request the Regional Entity to reconsider its determination. NERC will send a written notice to the Responsible Entity stating that NERC has determined to request reconsideration by the Regional Entity or has determined not to request reconsideration by the Regional Entity, as applicable.

5.2.9 NERC may request the Regional Entity to reconsider the approval, disapproval or rejection of a TFE Request, solely on the grounds that the approval, disapproval or rejection would result in inconsistent application of the criteria specified in Section 3.1 as compared to determinations made on TFE Requests for the same type of Covered Assets by the same Regional Entity or a different Regional Entity. Requests for reconsideration on any other grounds are not allowed. A request for reconsideration shall be submitted in writing to the Regional Entity and shall set forth (i) the TFE Request that is the subject of the request for reconsideration (using the identifier assigned to the TFE Request pursuant to Section 5.1.2), (ii) a copy of the Regional Entity's notice of approval, disapproval or rejection of the TFE Request, and (iii) a description of the inconsistency in determinations on which NERC relies as the basis for the request for reconsideration, including specific reference(s) to other determinations of TFE Requests for the same type of Covered Asset that NERC believes constitutes inconsistent application of the criteria specified in Section 3.1. The Regional Entity shall consider the request for reconsideration and shall issue a notice to NERC and the affected Responsible Entity(ies) approving, disapproving or rejecting the TFE Request in accordance with Section 5.1.4, Section 5.1.5, Section 5.2.4, Section 5.2.5, Section 5.2.6 and/or Section 9.2, as applicable, within one hundred twenty (120) days following receipt of the request for reconsideration. A determination on a request for reconsideration approving, disapproving or rejecting a TFE Request shall be effective prospectively only, from its Effective Date, provided, that if a Regional Entity receives a request for reconsideration of the rejection or disapproval of a TFE Request prior to the

Effective Date of the notice of rejection or disapproval, the Regional Entity shall issue a notice to the affected Responsible Entity pursuant to Section 5.1.5 or Section 5.2.6, as applicable, suspending the Effective Date pending determination of the request for reconsideration.

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

The Responsible Entity shall not be subject to imposition of any findings of violations, or imposition of penalties or sanctions for violations, for failure to be in Strict Compliance with an Applicable Requirement that is the subject of a TFE Request, for the period from:

- (i) the earlier of (A) the date of the Regional Entity’s notice that the TFE Request is accepted as complete and (B) the date that is sixty (60) calendar days after submission of the TFE Request,

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

Provided, that:

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

6.0 IMPLEMENTATION AND REPORTING BY THE RESPONSIBLE ENTITY PURSUANT TO AN APPROVED TFE

6.1. The Responsible Entity will be required to implement compensating measures and/or mitigating measures as described, and in accordance with the time schedule(s) set forth, in the approved TFE.

6.2. Unless the TFE has been approved with no Expiration Date, the Responsible Entity will be required to implement steps, or conduct research and analysis, towards achieving Strict Compliance with the Applicable Requirements and eliminating the TFE, as described, and in accordance with the time schedule set forth, in the approved TFE.

6.3. The Responsible Entity shall submit quarterly reports to the Regional Entity on (i) the Responsible Entity's progress in implementing the compensating measures and/or mitigating measures the Responsible Entity is adopting pursuant to the approved TFE, and (ii) the Responsible Entity's progress in implementing steps and/or conducting research and/or analysis to achieve Strict Compliance with the Applicable Requirement.

6.4. All quarterly reports shall be submitted to the Regional Entity by no later than the last business day of the month immediately following the end of the calendar quarter for which the report is being submitted.

6.5. If the Expiration Date of the TFE is more than one (1) year after the TFE Request was submitted, or if the approved TFE has no Expiration Date, the Responsible Entity shall submit annual reports to the Regional Entity supporting the continuing need and justification for the approved TFE. The first annual report shall be due on the last business day of the month immediately following the end of the fourth calendar quarter after acceptance of the TFE Request. The annual report shall contain information as specified in items 1 through 10 and 13 of Section 4.3.2, but revised as appropriate based on current information as of the date of the report. The annual report shall not propose revisions to implementation, research and reporting dates that were specified in the approved TFE, but rather shall report on the Responsible Entity's progress and accomplishments in carrying out the implementation and research activities. Any revisions to implementation, research and reporting dates, or to other requirements, that were specified in the approved TFE shall be requested by an amendment filing in accordance with Section 7.2 of this Appendix.

6.6. Each report submitted pursuant to Section 6.3 or Section 6.5 shall include a statement, signed and dated by the Senior Manager or Delegate, that the Senior Manager or Delegate has read, and approved the submission of, the report.

6.7. The Regional Entity shall issue an acknowledgement notice to the Responsible Entity and to NERC that a report has been received, but no other issuances shall be required from the Regional Entity in response to submission of such a report.

6.8. If a Responsible Entity fails to implement or maintain a compensating measure or mitigating measure or fails to conduct research or analysis towards achieving Strict Compliance,

in accordance with the approved TFE; or fails to submit one or more reports by the required submission date, the Responsible Entity (i) is required to file a Self Report in accordance with Section 3.5 of the CMEP, and (ii) will be subject to issuance of a notice of Alleged Violation for noncompliance with the Applicable Requirement that is the subject of the approved TFE. Any such notice of Alleged Violation shall be processed in accordance with Sections 5.0, 6.0 and 7.0 of the CMEP.

6.9. At least thirty (30) calendar days prior to the Expiration Date, the Responsible Entity shall submit a report to the Regional Entity, signed and dated by the Senior Manager or Delegate, demonstrating that the Responsible Entity has achieved, or will be able to achieve by the Expiration Date, Strict Compliance with the Applicable Requirement.

7.0 AMENDMENT OF A TFE REQUEST OR APPROVED TFE

7.1. Amendment of a Pending TFE Request

A Responsible Entity may at any time amend a pending TFE Request that is under review by a Regional Entity, for the purpose of providing additional or revised Required Information. The Responsible Entity shall submit an amended Part A and shall include in the Part B Required Information a written explanation of what Required Information is being added or revised and the purpose of the amendment. Submission of an amendment to a pending TFE Request may, in the Regional Entity's discretion, extend the time period for the Regional Entity's initial screening or substantive review, as applicable, of the TFE Request.

7.2. Amendment of an Approved TFE

7.2.1. A Responsible Entity may submit an amendment to an approved TFE for the purpose of requesting revision to any of the requirements specified in the approved TFE, such as, for example, revisions to the specific compensating measures and/or mitigating measures to be implemented, revisions to the schedule for implementing the compensating measures and/or mitigating measures, or a change in the Expiration Date. The Responsible Entity shall submit all the Part A Required Information, as amended, as specified in Section 4.3.1, and make available the Part B Required Information, as amended, as specified in Section 4.3.2. The Responsible Entity shall also include in the Part B Required Information a written explanation of the amendment, the reason for and purpose of the amendment, and the reason the requirements in the approved TFE should be revised.

7.2.2. The Regional Entity shall review the amended Part A Required Information to determine if it is complete, and shall issue a notice to the Responsible Entity, with a copy to NERC, stating if the amendment is accepted as complete or rejected as incomplete. If the Regional Entity issues a notice that the amendment is accepted as complete, the Regional Entity shall conduct a substantive review of the amendment, including such review of the amended Part B Required Information as the Regional Entity deems necessary, to determine if the amended TFE Request should be approved or disapproved, and shall issue a notice of approval or disapproval, in accordance with Section 5.2. If the Regional Entity determines the amendment should be approved, the TFE as amended replaces the previously approved TFE.

7.2.3. An approved TFE that is the subject of an amendment filing remains in effect unless and until the amendment is approved by the Regional Entity.

8.0 COMPLIANCE AUDIT REQUIREMENTS RELATING TO APPROVED TFE

8.1. Following approval of a Responsible Entity’s TFE Request, subsequent Compliance Audits of the Responsible Entity conducted prior to the Expiration Date shall include audit of (i) the Responsible Entity’s implementation and maintenance of the compensating measures and/or mitigating measures specified in the approved TFE, in accordance with the time schedule set forth in the approved TFE, and (ii) the Responsible Entity’s implementation of steps and conduct of research and analyses towards achieving Strict Compliance with the Applicable Requirement, in accordance with the time schedule set forth in the approved TFE. These topics shall be included in such Compliance Audits regardless of whether a Compliance Audit was otherwise scheduled to include the CIP Standard that includes the Applicable Requirement.

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

9.0 TERMINATION OF AN APPROVED TFE

9.1. An approved TFE shall terminate on its Expiration Date, unless it is terminated at an earlier date pursuant to this Section 9.0.

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

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

Regional Entity shall include a detailed statement of the exceptional circumstances in the notice of termination.

9.4. The Responsible Entity shall not be subject to imposition of any findings of violations, or imposition of penalties or sanctions for violations, for failure to be in Strict Compliance with an Applicable Requirement that is the subject of a TFE that has been terminated, until the Effective Date of the notice of termination.

10.0 HEARINGS AND APPEALS PROCESS FOR RESPONSIBLE ENTITY

A Responsible Entity whose TFE Request has been rejected or disapproved, or whose approved TFE has been terminated, and thereafter receives a notice of Alleged Violation for the Applicable Requirement that was the subject of the TFE Request or the approved TFE, is entitled to a hearing before the Regional Entity Hearing Body (or before the NERC Compliance and Certification Committee if NERC is the Compliance Enforcement Authority with respect to the Responsible Entity's compliance with the Applicable Requirement), in accordance with the Hearing Procedures, if the Responsible Entity contests the notice of Alleged Violation, the proposed penalty or sanction, or Mitigation Plan components. The Responsible Entity may raise issues relating to the rejection or disapproval of its TFE Request or the termination of the approved TFE in the hearing concerning the notice of Alleged Violation, proposed penalty or sanction, or Mitigation Plan components.

11.0 CONSISTENCY IN APPROVAL AND DISAPPROVAL OF TFE REQUESTS

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

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

1. NERC will review the reports of approved and disapproved TFE Requests submitted by the Regional Entities pursuant to Section 5.2.7 as the reports are received, and based on its review of such reports, NERC will issue to the Regional Entities, as Confidential Information, such guidance as NERC deems appropriate to achieve greater consistency in approval and disapproval of TFE Requests in the respects listed in Section 11.1.
2. NERC will maintain, as Confidential Information, based on reports submitted by Regional Entities, a catalogue of the types of Covered Assets for which TFE

Requests from the various Applicable Requirements have been approved and disapproved. The catalogue will be accessible to the Regional Entities for their use in connection with their substantive reviews of TFE Requests.

3. NERC and the Regional Entities will form a committee comprised of NERC and Regional Entity representatives involved in the review of TFE Requests and other critical infrastructure program activities, which shall be charged to review approved and disapproved TFE Requests for consistency and to issue such guidance to the Regional Entities, as Confidential Information, as the committee deems appropriate to achieve greater consistency in approval and disapproval of TFE Requests in the respects listed in Section 11.1. The committee shall include persons with appropriate subject matter expertise for the responsibilities and activities of the committee.
4. NERC will submit to the FERC and to other Applicable Governmental Entities an annual informational report containing the following information concerning the manner in which Regional Entities have made determinations to approve or disapprove TFE Requests based on the criteria of Section 3.1:
 - (i) whether any issues were identified during the period covered by the informational report with respect to the consistency of the determinations made based on the criteria in Section 3.1, either within a Regional Entity or among Regional Entities;
 - (ii) a description of any such identified consistency issues;
 - (iii) how each consistency issue was resolved;
 - (iv) the numbers of TFE Requests for which reconsideration was requested pursuant to Section 5.2.9 based on purported inconsistencies in determinations applying the criteria in Section 3.1 and the numbers of such requests which resulted in TFE Requests being approved, disapproved and rejected; and
 - (v) whether NERC has developed or is in a position to develop a uniform framework for Regional Entities to use to appraise the reliability benefits of Strict Compliance when making determinations based on the criteria in Section 3.1(iv) and (vi).

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

If NERC determines it is necessary to include any Confidential Information, Classified National Security Information, NRC Safeguards Information or

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

12.0 CONFIDENTIALITY OF TFE REQUESTS AND RELATED INFORMATION

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

- (i) All TFE Requests and proposed amendments, including without limiting the foregoing the Required Part A Information and Required Part B Information submitted, filed or made available by the Responsible Entity;
- (ii) All notices issued by a Regional Entity or NERC pursuant to this Appendix;
- (iii) All requests for documents or information made by a Regional Entity or NERC pursuant to this Appendix;
- (iv) All submissions of documents and information by a Responsible Entity to a Regional Entity or NERC pursuant to this Appendix;
- (v) All post-approval reports submitted by a Responsible Entity pursuant to this Appendix;
- (vi) All correspondence, notes, drawings, drafts, work papers, electronic communications, reports and other documents generated by a Regional Entity or NERC in connection with a TFE Request, including (without limiting the scope of this provision) in connection with reviewing a TFE Request and supporting documents and information submitted, filed or made available by the Responsible Entity, conducting a physical inspection of the Covered Asset(s) or the related Facility(ies), reviewing and analyzing post-approval reports submitted by a

Responsible Entity, or conducting compliance monitoring processes pursuant to the CMEP with respect to a TFE Request or approved TFE.

- (vii) All guidance issued to Regional Entities pursuant to Section 11.2 by NERC or by the committee described in Section 11.2(3), and all minutes of meetings of the committee and discussions between or among its members.
- (viii) All submissions by Responsible Entities to NERC pursuant to Section 5.2.8.
- (ix) All requests for reconsideration pursuant to Section 5.2.9.
- (x) Any confidential appendix to an informational report prepared and submitted pursuant to Section 11.2(4) or to an Annual Report prepared and submitted pursuant to Section 13.0.

13.0 ANNUAL REPORT TO FERC AND OTHER APPLICABLE GOVERNMENTAL AUTHORITIES

13.1. Contents of Annual Report

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

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

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

- (i) The frequency of use of the TFE Request process, disaggregated by Regional Entity and in the aggregate for the United States and for the jurisdictions of other Applicable Governmental Authorities, including (A) the numbers of TFE Requests that have been submitted, accepted/rejected, and approved/disapproved during the preceding year and cumulatively since the effective date of this Appendix, (B) the numbers of unique Covered Assets for which TFEs have been approved, (C) the numbers of approved TFEs that are still in effect as of on or about the date of the Annual Report; (D)

the numbers of approved TFEs that reached their Expiration Dates or were terminated during the preceding year; and (E) the numbers of approved TFEs that are scheduled to reach their Expiration Dates during the ensuing year;

(ii) Categorization of the submitted and approved TFE Requests to date by broad categories such as the general nature of the TFE Request, the Applicable Requirements covered by submitted and approved TFE Requests, and the types of Covered Assets that are the subject of submitted and approved TFE Requests;

(iii) Categorization of the circumstances or justifications on which the approved TFEs to date were submitted and approved, by broad categories such as the need to avoid replacing existing equipment with significant remaining useful lives, unavailability of suitable equipment to achieve Strict Compliance in a timely manner, or conflicts with other statutes and regulations applicable to the Responsible Entity;

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

(v) For each TFE Request that was rejected or disapproved, and for each TFE that was terminated, but for which, due to exceptional circumstances as determined by the Regional Entity, the Effective Date was later than the latest date specified in Section 5.1.5, 5.2.6, or 9.3, as applicable, a statement of the number of days the Responsible Entity was not subject to imposition of findings of violations of the Applicable Requirement or imposition of penalties or sanctions pursuant to Section 5.3.

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

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

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

13.2. Submission of Quarterly Reports by Regional Entities to NERC

In order to facilitate timely preparation of the Annual Report, each Regional Entity shall submit to NERC, within thirty (30) calendar days following the end of each calendar quarter, a report listing (i) the types of Covered Assets with respect to which TFE Requests were approved during such quarter, and (ii) final totals for the quarter of TFE Requests accepted and rejected

and TFE Requests approved and disapproved. The reports submitted by the Regional Entities to NERC shall be Confidential Information.

13.3. Due Date for Annual Reports

The first Annual Report shall cover the period through June 30, 2011, and shall be filed with FERC and with other Applicable Governmental Authorities no later than 90 days after the end of such calendar quarter. Subsequent Annual Reports shall be filed at one year intervals thereafter.

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

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

13.5. Responsible Entities Must Cooperate in Preparation of Annual Report

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

ATTACHMENT 2

**REVISED APPENDIX 4D
TO THE NERC RULES OF PROCEDURE**

REDLINED VERSION

~~April 12~~ **Approved by NERC Board of Trustees December 16, 2010**
Revised for **October 1, 2010** FERC Order

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

APPENDIX 4D TO THE RULES OF PROCEDURE

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1.0 INTRODUCTION

1.1. Purpose

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

1.2. Authority

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

1.3. Scope

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

CIP-005-~~23~~: R2.4, R2.6, R3.1 and R3.2

CIP-006-~~23c~~: R1.1, including the Interpretation in Appendix 3

CIP-007-~~23~~: R2.3, R3-~~2~~, R4, R5.3, R 5.3.1, R 5.3.2, R 5.3.3, R6 and R6.3

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

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

the requirement²; or (ii) so long as FERC does not direct that the subsequent versions are no longer they be removed from the list of Applicable Requirements. Other requirements of CIP Standards may become Applicable Requirements as the result of revisions to the CIP Standards in accordance with the NERC *Bylaws* and *Rules of Procedure* including Appendix 3A, ~~*Reliability Standards Process Manual*~~*Development Procedure*, or as a result of FERC directive. NERC shall maintain a current list of Applicable Requirements on its website.

1.4 Obligations of Canadian Entities and Cross-Border Regional Entities

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

2.0. DEFINITIONS

For purposes of this Appendix, the following terms shall be defined as set forth in this Section 2.0. Capitalized terms used in this Appendix that are not defined in this Section 2.0 shall have the meanings as defined in, as applicable, (i) the NERC *Glossary of Terms Used in Reliability Standards*, or (ii) Section 1.0 of the NERC *Uniform Compliance Monitoring and Enforcement Program*, Appendix 4C to the NERC *Rules of Procedure*, or (iii) Section 1501 of the NERC *Rules of Procedure*.

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

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

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

2.4 CIP Standard: Any of NERC Standards CIP-002 through CIP-009.

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

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

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

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

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

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

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

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

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

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

2.14 FERC: The United States Federal Energy Regulatory Commission.

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

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

2.17 NRC: The United States Nuclear Regulatory Commission.

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

2.19 Part A Required Information: Required Information that is to be provided in Part A of a Responsible Entity’s TFE Request.

2.20 Part B Required Information: Required Information that is to be provided in Part B of a Responsible Entity’s TFE Request.

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

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

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

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

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

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

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

3.0. BASIS FOR APPROVAL OF A TECHNICAL FEASIBILITY EXCEPTION

3.1. A Responsible Entity may request and obtain approval for a TFE on the grounds that Strict Compliance with an Applicable Requirement, evaluated in the context or environment of the Responsible Entity’s Covered Asset that is the subject of the TFE Request:

- (i) is not technically possible or is precluded by technical limitations; or

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

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

3.3. The burden to justify approval of a TFE Request in accordance with the provisions of this Appendix is on the Responsible Entity. It is the responsibility of the Regional Entity, subject to oversight by NERC as provided in this Appendix, to make all determinations as to whether a TFE Request has met the criteria for approval.³ NERC and the Regional Entities shall

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

carry out the activities described in Section 11.0 of this Appendix to provide consistency in the review and approval or disapproval of TFE Requests across Regional Entities and across TFE Requests.

3.4. A TFE typically must be requested for, and will be approved only for, a limited duration, until a stated Expiration Date. The Responsible Entity will be expected to achieve Strict Compliance with the Applicable Requirement by the Expiration Date. Under limited, justified circumstances, a TFE Request may be approved without a specified Expiration Date, subject to periodic review to verify continuing justification for the TFE.

4.0. FORM, CONTENTS AND SUBMISSION OF A TFE REQUEST

4.1. Separate Submissions for Each TFE Request

A separate TFE Request shall be submitted for each Applicable Requirement pertaining to each Covered Asset for which the Responsible Entity seeks a TFE. There is one exception to this requirement: where the Responsible Entity seeks TFEs from the same Applicable Requirement for multiple, similar Covered Assets (either at the same location or at different locations within the geographic boundaries of a Regional Entity) on the same basis, with the same compensating measures and/or mitigating measures, and with the same proposed Expiration Date, the TFE Requests for all the Covered Assets may be included in one submission. A TFE Request may not be submitted for Covered Assets located within the geographic boundaries of different Regional Entities.

4.2. Form and Format of TFE Request

A TFE Request shall consist of two parts:

(i) Part A of the TFE Request is the notification to a Regional Entity that a Responsible Entity is requesting a TFE. Part A must be submitted in a secure electronic form using the template provided by the Regional Entity. Regional Entities will use the Part A Required Information for initial screening to accept or reject the TFE Request.

(ii) Part B of the TFE Request contains the detailed material to support a TFE Request and includes the documents, drawings, and other information necessary to provide the details and justification for the requested TFE. Part B must also include a detailed description of the compensating measures and/or mitigating measures the Responsible Entity will implement while the TFE is in effect. The Part B Required Information must be available at the Responsible Entity's location for review by the Regional Entity and/or NERC beginning on the date the TFE Request is submitted.

(iii) A Regional Entity may also require the Responsible Entity to file all or a portion of the Part B Required Information with the Regional Entity, provided that (A) the information can be filed in a secure manner that does not compromise the confidentiality of any Confidential Information, Classified National Security Information, NRC Safeguards Information and/or Protected FOIA Information, and (B) the Responsible

Entity shall not be required to file with a Regional Entity any Part B Required Information if, and to the extent that, such filing is prohibited by law.

4.3. Required Information to be Included in the TFE Request

4.3.1. Part A of a TFE Request shall contain the Part A Required Information specified in this Section 4.3.1 and shall be submitted to the Regional Entity using its template referred to in Section 4.2. Consistent with the summary nature of the Part A Required Information, the Regional Entity’s template may provide lists of responses to be selected by the Responsible Entity and/or limited space for narrative descriptions, for the Part A Required Information listed below. Failure to provide all Part A Required Information will result in rejection of the TFE Request as incomplete. The Part A Required Information shall consist of the following information:

1. Responsible Entity name.
2. Responsible Entity NERC Compliance Registry ID.
3. TFE Request submittal date.
4. Whether the TFE Request is an original TFE Request or an amended TFE Request; and if it is an Amended TFE Request, the identification number of the original TFE Request.
5. Name, mailing address, phone number, facsimile number and E-mail address of the Responsible Entity’s technical contact person for the TFE Request.
6. Applicable Requirement for which the TFE is being requested.
7. Number of Covered Assets for which the TFE is being requested.
8. Whether the Responsible Entity is filing a similar TFE Request(s) with one or more other Regional Entities, and if yes, the name(s) of the other Regional Entity(ies).
9. The type(s) of equipment, process, or procedure at or associated with the Covered Asset(s) and subject to or required by the Applicable Requirement, for which the TFE is being requested.
10. The basis for the TFE Request from the criteria specified in Section 3.1.
11. A brief statement describing and justifying why the Responsible Entity cannot achieve Strict Compliance with the Applicable Requirement.
12. The estimated impact on reliable operation of the Bulk Electric System of the Responsible Entity if the compensating measures and mitigating measures are not

sufficient to achieve security for the Covered Assets, and cyber security is compromised.

13. A brief description of the compensating measures and/or mitigating measures that are planned or have been implemented in lieu of achieving Strict Compliance with the Applicable Requirement.
14. A statement as to whether or not the compensating measures and/or mitigating measures have been fully implemented at the time the TFE Request is submitted.
15. As applicable, (i) the actual implementation date(s) for the compensating measures and/or mitigating measures, and/or (ii) the proposed date(s) for implementing the proposed compensating measures and/or mitigating measures.
16. Whether the Responsible Entity has a proposed plan and time schedule for terminating the TFE and achieving Strict Compliance with the Applicable Requirement; if yes, the proposed Expiration Date and a description of the plan for terminating the TFE; if no, an explanation as to why a TFE with no Expiration Date is being requested.
17. Whether the TFE Request is supported, in whole or in part, by any of the following: Classified National Security Information; NRC Safeguards Information; or Protected FOIA Information.
18. A statement of the Responsible Entity's understanding of the requirement to submit timely periodic and other reports pertaining to the approved TFE.
19. A statement, signed and dated by the Responsible Entity's Senior Manager or Delegate, that the Senior Manager or Delegate has read the TFE Request and approved the proposed compensating measures and/or mitigating measures and the implementation plan, and that on behalf of the Responsible Entity that the Responsible Entity believes approval of the TFE Request is warranted pursuant to the criteria specified in Section 3.1 of this Appendix.

4.3.2 Part B of a TFE Request shall contain the Part B Required Information specified in this Section 4.3.2. Failure to include all Part B Required Information may result in disapproval of the TFE Request. The information provided for items ~~53~~ through ~~108~~ below should be comprehensive, as opposed to the summary information provided on the Part A submission, and should include any supporting documents.

1. A copy of Part A of the TFE Request.
2. Location(s) of the Covered Asset(s) for which the TFE is (are) requested.
3. A statement of the basis, consistent with Section 3.1 of this Appendix, on which the Responsible Entity contends the TFE Request should be approved, with

supporting documentation. Without limiting the content of this statement, it must include: (i) a description of the specific equipment, device(s), process(es) or procedure(s) at or associated with the Covered Asset(s) and subject to or required by the Applicable Requirement, for which the TFE is requested; and (ii) an explanation of why the Responsible Entity cannot achieve Strict Compliance with the Applicable Requirement.

4. A description of the compensating measures and/or mitigating measures the Responsible Entity proposes to implement and maintain as an alternate approach to achieving Strict Compliance with the Applicable Requirement, with supporting documentation. Without limiting the content of this description, it must include an explanation of how, and the extent to which, the proposed compensating measures and/or mitigating measures will reduce or prevent any adverse impacts on (i) the reliable operation of the Covered Asset(s) and (ii) the reliable operation of the Element(s) and Facility(ies) of the Bulk Electric System for which the Responsible Entity is responsible, resulting from the failure to achieve Strict Compliance with the Applicable Requirement, including reducing or eliminating any vulnerabilities resulting from lack of Strict Compliance.
5. An assessment of the impacts on reliable operation of (i) the Covered Asset(s) and (ii) the Elements and the Facility(ies), of the Bulk Electric System for which the Responsible Entity is responsible, if the proposed compensating measures and/or mitigating measures are insufficient or unsuccessful.
6. The Responsible Entity's proposed time schedule for implementing the proposed compensating measures and/or mitigating measures. The TFE Request may identify compensating measures and or mitigating measures that have already been implemented by the Responsible Entity.
7. The Responsible Entity's proposed plan and time schedule for terminating the TFE and achieving Strict Compliance with the Applicable Requirement, including the Responsible Entity's proposed Expiration Date. The Responsible Entity should either (i) describe the specific steps it plans to take to achieve Strict Compliance and the planned schedule for each step, including the date by which the Responsible Entity intends to achieve Strict Compliance with the Applicable Requirement, and/or (ii) describe the specific research, design, analytical, testing or other activities the Responsible Entity intends to engage in to determine a means of achieving Strict Compliance with the Applicable Requirement, and the Responsible Entity's proposed time schedule for these activities.
8. If the Responsible Entity contends it will not be possible for it to achieve Strict Compliance with the Applicable Requirement and that the TFE being requested should have no Expiration Date, an explanation of why it will not be possible for the Responsible Entity to establish a date by which it can achieve Strict Compliance with the Applicable Requirement, why the TFE Request should be approved with no Expiration Date, and under what conditions, if any, the

Responsible Entity will be able to achieve Strict Compliance with the Applicable Requirement at a future unknown and unspecified date.

9. The Responsible Entity's commitment to file quarterly reports with the Regional Entity on the Responsible Entity's progress (i) in implementing the proposed compensating measures and/or mitigating measures, and (ii) towards achieving Strict Compliance with the Applicable Requirement.
10. If the proposed Expiration Date is more than one (1) year from the date the TFE Request is submitted, or if the Responsible Entity contends the TFE should have no Expiration Date, the Responsible Entity's agreement to submit annual reports to the Regional Entity on the continued need for and justification for the TFE, for so long as the TFE remains in effect.
11. If the TFE Request is supported, in whole or in part, by Classified National Security Information, NRC Safeguards Information, and/or Protected FOIA Information, a statement identifying which of these categories each such item of information falls into and explaining why each such item of information is Classified National Security Information, NRC Safeguards Information, and/or Protected FOIA Information. If the Responsible Entity is prohibited by law from disclosing any Classified National Security Information, NRC Safeguards Information and/or Protected FOIA Information to any person who is not an Eligible Reviewer (such as, for example, the restriction on access to Classified National Security Information specified in Section 4.1 of Executive Order No. 12958, as amended), the TFE Request shall identify the Classified National Security Information, NRC Safeguards Information and/or Protected FOIA Information that is subject to such restrictions on disclosure and shall identify the criteria which a person must meet in order to be an Eligible Reviewer of the Classified National Security Information, NRC Safeguards Information and/or Protected FOIA Information.
12. A statement, signed and dated by the Senior Manager or Delegate, that the Senior Manager or Delegate has read the TFE Request and approved the compensating measures and/or mitigating measures and the implementation plan, and on behalf of the Responsible Entity that the Responsible Entity believes approval of the TFE Request is warranted pursuant to the criteria in Section 3.1 of this Appendix.

4.3.3. All scheduled implementation dates and other activity dates, and the Expiration Date, in the TFE Request shall be stated as specific calendar dates.

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

4.4.1. Upon reasonable advance notice from a Regional Entity or NERC, and subject to Section 4.4.2, the Responsible Entity must provide the Regional Entity or NERC (i) with access

to Confidential Information, Classified National Security Information, NRC Safeguards Information, and Protected FOIA Information included in the Part B Required Information, and (ii) with access to the Covered Asset(s) and the related Facility(ies) for purposes of making a physical review and inspection.

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

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

4.5 Submission of TFE Request in Advance of Compliant Date

The Responsible Entity should submit a TFE Request at least sixty (60) calendar days prior to the Responsible Entity’s Compliant Date for the Applicable Requirement that is the subject of the TFE Request, to avoid the risk that the initial screening will not be completed by the Compliant Date and the Responsible Entity will become subject to issuance of a notice of Alleged Violation for noncompliance with the Applicable Requirement. However, if a Responsible Entity whose Compliant Date for an Applicable Requirement was on or before December 31, 2009, submits a TFE Request for the Applicable Requirement by January 31, 2010 (either pursuant to this Appendix or pursuant to NERC Compliance Process Bulletin #2009-007 and Attachments 1 and 2 to that Bulletin), the Compliant Date will be deemed to be the date of submission of the TFE Request for purposes of Section 5.3 of this Appendix.

5.0 REVIEW, ACCEPTANCE/REJECTION, AND APPROVAL/DISAPPROVAL OF TFE REQUESTS

5.1 Initial Screening of TFE Request for Acceptance or Rejection

5.1.1. Upon receipt of Part A of a TFE Request, the Regional Entity (i) will assign a unique identifier to the TFE Request, and (ii) will review the TFE Request to determine that the TFE Request is for an Applicable Requirement and that all Part A Required Information has been provided.

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

geographic boundaries the Covered Asset is located⁴; and “ZZZZZ” is the sequential number of the TFE Requests received by the Regional Entity in that year. If the TFE Request is amended or resubmitted, “-AZ” will be added to the end of the identifier, where “Z” is the number of the amendment to the TFE Request.

5.1.3. (a) The Regional Entity will typically complete its initial screening within sixty (60) calendar days after receiving the TFE Request.

(b) If the Regional Entity determines at any time that for a specified period of time, the Regional Entity will be unable to complete initial screenings of TFE Requests within sixty (60) calendar days after receipt and substantive reviews of TFE Requests within one year after receipt, the Regional Entity, based on consultation with NERC, shall establish an alternative time period objective and work plan for completing initial screenings and substantive reviews of TFE Requests during the specified period of time. The alternative time period objective and work plan shall be publicized by issuance of a notice to all Registered Entities within the geographic boundaries of the Regional Entity and by posting on the Regional Entity’s Website.

(c) If the Regional Entity is unable to complete its initial screening within sixty (60) calendar days after receiving the TFE Request, the Responsible Entity will not be subject to imposition of any findings of violations, or imposition of penalties or sanctions for violations, for failure to be in Strict Compliance with the Applicable Requirement that is the subject of the TFE Request, beginning on the sixty-first (61st) calendar day after the Regional Entity received the TFE Request and continuing thereafter in accordance with Section 5.3.

5.1.4. If, based on its initial screening, the Regional Entity determines the TFE Request is for an Applicable Requirement and contains all Part A Required Information, and that the Part A Required Information provided by the Responsible Entity indicates the TFE Request satisfies the criteria for approval of a TFE in Section 3.1 of this Appendix, the Regional Entity shall send a notice to the Responsible Entity, with a copy to NERC, accepting the TFE Request as complete.

5.1.5. If the Regional Entity determines, based on its review of the Part A Required Information provided by the Responsible Entity, that the TFE Request (i) is not for an Applicable Requirement, or (ii) does not contain all Part A Required Information, or (iii) does not satisfy the criteria for approval of a TFE in Section 3.1 of this Appendix, the Regional Entity shall send a notice to the Responsible Entity, with a copy to NERC, rejecting the TFE Request. The notice shall state an Effective Date which shall be no less than thirty-one (31) calendar days and no

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

more than sixty-one (61) calendar days after the date of issuance of the notice, unless the Regional Entity determines there are exceptional circumstances that justify a later Effective Date. If the Regional Entity determines the Effective Date should be more than sixty-one (61) calendar days after the date of issuance of the notice due to exceptional circumstances, the Regional Entity shall include a detailed statement of the exceptional circumstances in the notice.

5.1.6. If the Regional Entity rejects the TFE Request because not all Part A Required Information was provided, the Regional Entity’s notice shall identify the Part A Required Information that was not provided in the TFE Request. The Responsible Entity may resubmit the TFE Request with all Part A Required Information included. If the Responsible Entity resubmits the TFE Request with all Part A Required Information included prior to the Effective Date, the Responsible Entity will not be subject to imposition of any findings of violations, or imposition of penalties or sanctions for violations, for failure to be in Strict Compliance with the Applicable Requirement that is the subject of the TFE Request, during the period the Regional Entity is conducting initial screening of the resubmitted TFE Request. The Responsible Entity may resubmit a TFE Request pursuant to this Section 5.1.6 only one time.

5.1.7. The Regional Entity must either accept the TFE Request in its entirety or reject the TFE Request in its entirety, even if the TFE Request is for two or more Covered Assets subject to the same Applicable Requirement.

5.2 Substantive Review of TFE Request for Approval or Disapproval

5.2.1 The Regional Entity shall conduct a substantive review of an accepted TFE Request to determine if it should be approved in accordance with Section 3.1 of this Appendix, or disapproved. The Regional Entity will conduct the substantive review in accordance with established compliance monitoring processes under the CMEP, such as a Compliance Audit or Spot Check. The compliance monitoring activity may be conducted solely for the purpose of substantive review of the TFE Request, or may include review of the Responsible Entity’s compliance with other reliability standards. As part of its substantive review, the Regional Entity may request access to and review the Part B Required Information, including any Confidential Information, Classified National Security Information, NRC Safeguards Information, and Protected FOIA Information that is necessary to support the TFE Request; may conduct one or more physical inspections of the Covered Asset(s) and the related Facility(ies); may request additional information from the Responsible Entity; and may engage in discussions with the Responsible Entity concerning possible revisions to the TFE Request.

5.2.2. The Regional Entity shall complete its substantive review of the TFE Request and make its determination of whether the TFE Request is approved or disapproved, and issue a notice (in accordance with Sections 5.2.4 or 5.2.5) stating the TFE Request is approved or disapproved, within one (1) year after receipt of the TFE Request or within an alternative time period objective as specified in a work plan established under Section 5.1.3(b). In addition, the Regional Entity may extend the one-year time period for individual TFE Requests by issuing a notice to the Responsible Entity, with a copy to NERC, stating the revised date by which the Regional Entity will issue its notice approving or disapproving the TFE Request.

5.2.3. The Regional Entity must either approve the TFE Request in its entirety or disapprove the TFE Request in its entirety, even if the TFE Request is for two or more Covered Assets subject to the same Applicable Requirement.

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

5.2.5. If the Regional Entity disapproves the TFE Request, the Regional Entity shall issue a notice to the Responsible Entity, with a copy to NERC, stating that the TFE Request is disapproved and stating the reasons for the disapproval. In its notice disapproving a TFE Request, the Regional Entity may also, but is not required to, state any revisions to the TFE Request the Regional Entity has identified, based on its review of the TFE Request, that, if made by the Responsible Entity, would result in approval of the TFE Request. Such revisions may include, but are not limited to, changes to the Responsible Entity's proposed (i) compensating measures and/or mitigating measures, (ii) implementation schedules, or (iii) Expiration Date. If the Responsible Entity submits an amended TFE Request to the Regional Entity incorporating, to the Regional Entity's satisfaction, the revisions to the TFE Request set forth in the notice of disapproval, then the Regional Entity shall issue a notice, in accordance with Section 5.2.4, approving the revised TFE Request.

5.2.6. A notice disapproving a TFE Request shall state an Effective Date, which shall be no less than sixty-one (61) calendar days and no more than ninety-one (91) calendar days after the date of issuance of the notice, unless the Regional Entity determines there are exceptional circumstances that justify a later Effective Date. If the Regional Entity determines the Effective Date should be more than ninety-one (91) calendar days after the date of issuance of the notice due to exceptional circumstances, the Regional Entity shall include a detailed statement of the exceptional circumstances in the notice. Following the Effective Date, the Responsible Entity is subject to issuance of a notice of Alleged Violation by the Regional Entity with respect to the Applicable Requirement that was the subject of the disapproved TFE Request, unless the Responsible Entity (i) has submitted an amended TFE Request in accordance with Section 5.2.5, or (ii) has achieved Strict Compliance with the Applicable Requirement. Provided, that if the Effective Date occurs prior to the Responsible Entity's Compliant Date for the Applicable Requirement, then the Responsible Entity is not subject to issuance of a notice of Alleged Violation until the Compliant Date. A notice of Alleged Violation issued with respect to the Applicable Requirement shall be processed in accordance with Sections 5.0, 6.0 and 7.0 of the CMEP.

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

5.2.8 A Responsible Entity may submit to NERC information that the Responsible Entity believes demonstrates that the approval, disapproval or rejection by a Regional Entity of a

TFE Request submitted by the Responsible Entity constitutes an inconsistent application of the criteria specified in Section 3.1 as compared to other determinations of TFE Requests made by the same Regional Entity or another Regional Entity for the same type of Covered Assets, and with such submission may suggest that NERC request the Regional Entity to reconsider its approval, disapproval or rejection of the TFE Request. A Responsible Entity's submission to NERC under this Section 5.2.8 shall be in writing and shall set forth (i) the TFE Request for which the Responsible Entity received a determination that the Responsible Entity believes represents an inconsistent application of the criteria specified in Section 3.1 (using the identifier assigned to the TFE Request pursuant to Section 5.1.2), (ii) a copy of the Regional Entity's notice of approval, disapproval or rejection of the TFE Request, and (iii) a description of the inconsistency in determinations that the Responsible Entity believes has occurred, including specific reference(s) to any other determinations of TFE Requests for the same type of Covered Assets that the Responsible Entity believes constitutes inconsistent application of the criteria specified in Section 3.1. The Responsible Entity's submission shall provide a clear and compelling demonstration that inconsistent applications of the criteria specified in Section 3.1 have occurred in the determinations of two or more TFE Requests for the same type of Covered Assets made by the same Regional Entity or two or more Regional Entities. NERC will provide a copy of the Responsible Entity's submission to the Regional Entity that approved, disapproved or rejected the TFE Request that is the subject of the submission. NERC will review the Responsible Entity's submission and the reports submitted by the Regional Entity or Regional Entities pursuant to Section 5.2.7 with respect to the TFE Requests that are the subject of the Responsible Entity's submission, and may decide, in accordance with Section 5.2.9, to request the Regional Entity to reconsider its determination. NERC will send a written notice to the Responsible Entity stating that NERC has determined to request reconsideration by the Regional Entity or has determined not to request reconsideration by the Regional Entity, as applicable.

5.2.9 NERC may request the Regional Entity to reconsider the approval, disapproval or rejection of a TFE Request, solely on the grounds that the approval, disapproval or rejection would result in inconsistent application of the criteria specified in Section 3.1 as compared to determinations made on TFE Requests for the same type of Covered Assets by the same Regional Entity or a different Regional Entity. Requests for reconsideration on any other grounds are not allowed. A request for reconsideration shall be submitted in writing to the Regional Entity and shall set forth (i) the TFE Request that is the subject of the request for reconsideration (using the identifier assigned to the TFE Request pursuant to Section 5.1.2), (ii) a copy of the Regional Entity's notice of approval, disapproval or rejection of the TFE Request, and (iii) a description of the inconsistency in determinations on which NERC relies as the basis for the request for reconsideration, including specific reference(s) to other determinations of TFE Requests for the same type of Covered Asset that NERC believes constitutes inconsistent application of the criteria specified in Section 3.1. The Regional Entity shall consider the request for reconsideration and shall issue a notice to NERC and the affected Responsible Entity(ies) approving, disapproving or rejecting the TFE Request in accordance with Section 5.1.4, Section 5.1.5, Section 5.2.4, Section 5.2.5, Section 5.2.6 and/or Section 9.2, as applicable, within one hundred twenty (120) days following receipt of the request for reconsideration. A determination on a request for reconsideration approving, disapproving or rejecting a TFE Request shall be effective prospectively only, from its Effective Date, provided, that if a Regional Entity receives a request for reconsideration of the rejection or disapproval of a TFE Request prior to the

Effective Date of the notice of rejection or disapproval, the Regional Entity shall issue a notice to the affected Responsible Entity pursuant to Section 5.1.5 or Section 5.2.6, as applicable, suspending the Effective Date pending determination of the request for reconsideration.

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

The Responsible Entity shall not be subject to imposition of any findings of violations, or imposition of penalties or sanctions for violations, for failure to be in Strict Compliance with an Applicable Requirement that is the subject of a TFE Request, for the period from:

- (i) the earlier of (A) the date of the Regional Entity’s notice that the TFE Request is accepted as complete and (B) the date that is sixty (60) calendar days after submission of the TFE Request,

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

Provided, that:

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

6.0 IMPLEMENTATION AND REPORTING BY THE RESPONSIBLE ENTITY PURSUANT TO AN APPROVED TFE

6.1. The Responsible Entity will be required to implement compensating measures and/or mitigating measures as described, and in accordance with the time schedule(s) set forth, in the approved TFE.

6.2. Unless the TFE has been approved with no Expiration Date, the Responsible Entity will be required to implement steps, or conduct research and analysis, towards achieving Strict Compliance with the Applicable Requirements and eliminating the TFE, as described, and in accordance with the time schedule set forth, in the approved TFE.

6.3. The Responsible Entity shall submit quarterly reports to the Regional Entity on (i) the Responsible Entity's progress in implementing the compensating measures and/or mitigating measures the Responsible Entity is adopting pursuant to the approved TFE, and (ii) the Responsible Entity's progress in implementing steps and/or conducting research and/or analysis to achieve Strict Compliance with the Applicable Requirement.

6.4. All quarterly reports shall be submitted to the Regional Entity by no later than the last business day of the month immediately following the end of the calendar quarter for which the report is being submitted.

6.5. If the Expiration Date of the TFE is more than one (1) year after the TFE Request was submitted, or if the approved TFE has no Expiration Date, the Responsible Entity shall submit annual reports to the Regional Entity supporting the continuing need and justification for the approved TFE. The first annual report shall be due on the last business day of the month immediately following the end of the fourth calendar quarter after acceptance of the TFE Request. The annual report shall contain information as specified in items 1 through 10 and 13 of Section 4.3.2, but revised as appropriate based on current information as of the date of the report. The annual report shall not propose revisions to implementation, research and reporting dates that were specified in the approved TFE, but rather shall report on the Responsible Entity's progress and accomplishments in carrying out the implementation and research activities. Any revisions to implementation, research and reporting dates, or to other requirements, that were specified in the approved TFE shall be requested by an amendment filing in accordance with Section 7.2 of this Appendix.

6.6. Each report submitted pursuant to Section 6.3 or Section 6.5 shall include a statement, signed and dated by the Senior Manager or Delegate, that the Senior Manager or Delegate has read, and approved the submission of, the report.

6.7. The Regional Entity shall issue an acknowledgement notice to the Responsible Entity and to NERC that a report has been received, but no other issuances shall be required from the Regional Entity in response to submission of such a report.

6.8. If a Responsible Entity fails to implement or maintain a compensating measure or mitigating measure or fails to conduct research or analysis towards achieving Strict Compliance,

in accordance with the approved TFE; or fails to submit one or more reports by the required submission date, the Responsible Entity (i) is required to file a Self Report in accordance with Section 3.5 of the CMEP, and (ii) will be subject to issuance of a notice of Alleged Violation for noncompliance with the Applicable Requirement that is the subject of the approved TFE. Any such notice of Alleged Violation shall be processed in accordance with Sections 5.0, 6.0 and 7.0 of the CMEP.

6.9. At least thirty (30) calendar days prior to the Expiration Date, the Responsible Entity shall submit a report to the Regional Entity, signed and dated by the Senior Manager or Delegate, demonstrating that the Responsible Entity has achieved, or will be able to achieve by the Expiration Date, Strict Compliance with the Applicable Requirement.

7.0 AMENDMENT OF A TFE REQUEST OR APPROVED TFE

7.1. Amendment of a Pending TFE Request

A Responsible Entity may at any time amend a pending TFE Request that is under review by a Regional Entity, for the purpose of providing additional or revised Required Information. The Responsible Entity shall submit an amended Part A and shall include in the Part B Required Information a written explanation of what Required Information is being added or revised and the purpose of the amendment. Submission of an amendment to a pending TFE Request may, in the Regional Entity's discretion, extend the time period for the Regional Entity's initial screening or substantive review, as applicable, of the TFE Request.

7.2. Amendment of an Approved TFE

7.2.1. A Responsible Entity may submit an amendment to an approved TFE for the purpose of requesting revision to any of the requirements specified in the approved TFE, such as, for example, revisions to the specific compensating measures and/or mitigating measures to be implemented, revisions to the schedule for implementing the compensating measures and/or mitigating measures, or a change in the Expiration Date. The Responsible Entity shall submit all the Part A Required Information, as amended, as specified in Section 4.3.1, and make available the Part B Required Information, as amended, as specified in Section 4.3.2. The Responsible Entity shall also include in the Part B Required Information a written explanation of the amendment, the reason for and purpose of the amendment, and the reason the requirements in the approved TFE should be revised.

7.2.2. The Regional Entity shall review the amended Part A Required Information to determine if it is complete, and shall issue a notice to the Responsible Entity, with a copy to NERC, stating if the amendment is accepted as complete or rejected as incomplete. If the Regional Entity issues a notice that the amendment is accepted as complete, the Regional Entity shall conduct a substantive review of the amendment, including such review of the amended Part B Required Information as the Regional Entity deems necessary, to determine if the amended TFE Request should be approved or disapproved, and shall issue a notice of approval or disapproval, in accordance with Section 5.2. If the Regional Entity determines the amendment should be approved, the TFE as amended replaces the previously approved TFE.

7.2.3. An approved TFE that is the subject of an amendment filing remains in effect unless and until the amendment is approved by the Regional Entity.

8.0 COMPLIANCE AUDIT REQUIREMENTS RELATING TO APPROVED TFE

8.1. Following approval of a Responsible Entity's TFE Request, subsequent Compliance Audits of the Responsible Entity conducted prior to the Expiration Date shall include audit of (i) the Responsible Entity's implementation and maintenance of the compensating measures and/or mitigating measures specified in the approved TFE, in accordance with the time schedule set forth in the approved TFE, and (ii) the Responsible Entity's implementation of steps and conduct of research and analyses towards achieving Strict Compliance with the Applicable Requirement, in accordance with the time schedule set forth in the approved TFE. These topics shall be included in such Compliance Audits regardless of whether a Compliance Audit was otherwise scheduled to include the CIP Standard that includes the Applicable Requirement.

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

9.0 TERMINATION OF AN APPROVED TFE

9.1. An approved TFE shall terminate on its Expiration Date, unless it is terminated at an earlier date pursuant to this Section 9.0.

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

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

days after the issuance of the notice of termination due to exceptional circumstances, the Regional Entity shall include a detailed statement of the exceptional circumstances in the notice of termination.

9.4. The Responsible Entity shall not be subject to imposition of any findings of violations, or imposition of penalties or sanctions for violations, for failure to be in Strict Compliance with an Applicable Requirement that is the subject of a TFE that has been terminated, until the Effective Date of the notice of termination.

10.0 HEARINGS AND APPEALS PROCESS FOR RESPONSIBLE ENTITY

A Responsible Entity whose TFE Request has been rejected or disapproved, or whose approved TFE has been terminated, and thereafter receives a notice of Alleged Violation for the Applicable Requirement that was the subject of the TFE Request or the approved TFE, is entitled to a hearing before the Regional Entity Hearing Body (or before the NERC Compliance and Certification Committee if NERC is the Compliance Enforcement Authority with respect to the Responsible Entity's compliance with the Applicable Requirement), in accordance with the Hearing Procedures, if the Responsible Entity contests the notice of Alleged Violation, the proposed penalty or sanction, or Mitigation Plan components. The Responsible Entity may raise issues relating to the rejection or disapproval of its TFE Request or the termination of the approved TFE in the hearing concerning the notice of Alleged Violation, proposed penalty or sanction, or Mitigation Plan components.

11.0 CONSISTENCY IN APPROVAL AND DISAPPROVAL OF TFE REQUESTS

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

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

1. NERC will review the reports of approved and disapproved TFE Requests submitted by the Regional Entities pursuant to Section 5.2.7 as the reports are received, and based on its review of such reports, NERC will issue to the Regional Entities, as Confidential Information, such guidance as NERC deems appropriate to achieve greater consistency in approval and disapproval of TFE Requests in the respects listed in Section 11.1.

2. NERC will maintain, as Confidential Information, based on reports submitted by Regional Entities, a catalogue of the types of Covered Assets for which TFE Requests from the various Applicable Requirements have been approved and disapproved. The catalogue will be accessible to the Regional Entities for their use in connection with their substantive reviews of TFE Requests.
3. NERC and the Regional Entities will form a committee comprised of NERC and Regional Entity representatives involved in the review of TFE Requests and other critical infrastructure program activities, which shall be charged to review approved and disapproved TFE Requests for consistency and to issue such guidance to the Regional Entities, as Confidential Information, as the committee deems appropriate to achieve greater consistency in approval and disapproval of TFE Requests in the respects listed in Section 11.1. The committee shall include persons with appropriate subject matter expertise for the responsibilities and activities of the committee.
4. NERC will submit to the FERC and to other Applicable Governmental Entities an annual informational report containing the following information concerning the manner in which Regional Entities have made determinations to approve or disapprove TFE Requests based on the criteria of Section 3.1:
 - (i) whether any issues were identified during the period covered by the informational report with respect to the consistency of the determinations made based on the criteria in Section 3.1, either within a Regional Entity or among Regional Entities;
 - (ii) a description of any such identified consistency issues;
 - (iii) how each consistency issue was resolved;
 - (iv) the numbers of TFE Requests for which reconsideration was requested pursuant to Section 5.2.9 based on purported inconsistencies in determinations applying the criteria in Section 3.1 and the numbers of such requests which resulted in TFE Requests being approved, disapproved and rejected; and
 - (v) whether NERC has developed or is in a position to develop a uniform framework for Regional Entities to use to appraise the reliability benefits of Strict Compliance when making determinations based on the criteria in Section 3.1(iv) and (vi).
 - (vi)

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

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

12.0 CONFIDENTIALITY OF TFE REQUESTS AND RELATED INFORMATION

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

- (i) All TFE Requests and proposed amendments, including without limiting the foregoing the Required Part A Information and Required Part B Information submitted, filed or made available by the Responsible Entity;
- (ii) All notices issued by a Regional Entity or NERC pursuant to this Appendix;
- (iii) All requests for documents or information made by a Regional Entity or NERC pursuant to this Appendix;
- (iv) All submissions of documents and information by a Responsible Entity to a Regional Entity or NERC pursuant to this Appendix;
- (v) All post-approval reports submitted by a Responsible Entity pursuant to this Appendix;
- (vi) All correspondence, notes, drawings, drafts, work papers, electronic communications, reports and other documents generated by a Regional Entity or NERC in connection with a TFE Request, including (without limiting the scope of this provision) in connection with reviewing a TFE Request and supporting documents and information submitted, filed or made available by the Responsible Entity, conducting a physical inspection of the Covered Asset(s) or the related

Facility(ies), reviewing and analyzing post-approval reports submitted by a Responsible Entity, or conducting compliance monitoring processes pursuant to the CMEP with respect to a TFE Request or approved TFE.

- (vii) All guidance issued to Regional Entities pursuant to Section 11.2 by NERC or by the committee described in Section 11.2(3), and all minutes of meetings of the committee and discussions between or among its members.

(viii) All submissions by Responsible Entities to NERC pursuant to Section 5.2.8.

(ix) All requests for reconsideration pursuant to Section 5.2.9.

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

13.0 ANNUAL REPORT TO FERC AND OTHER APPLICABLE GOVERNMENTAL AUTHORITIES

13.1. Contents of Annual Report

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

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

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

- (i) The frequency of use of the TFE Request process, disaggregated by Regional Entity and in the aggregate for the United States and for the jurisdictions of other Applicable Governmental Authorities, including (A) the numbers of TFE Requests that have been submitted, accepted/rejected, and approved/disapproved during the preceding year and cumulatively since the effective date of this Appendix, (B) the numbers of unique Covered Assets for which TFEs have been approved, (C) the numbers of

approved TFEs that are still in effect as of on or about the date of the Annual Report; (D) the numbers of approved TFEs that reached their Expiration Dates or were terminated during the preceding year; and (E) the numbers of approved TFEs that are scheduled to reach their Expiration Dates during the ensuing year;

(ii) Categorization of the submitted and approved TFE Requests to date by broad categories such as the general nature of the TFE Request, the Applicable Requirements covered by submitted and approved TFE Requests, and the types of Covered Assets that are the subject of submitted and approved TFE Requests;

(iii) Categorization of the circumstances or justifications on which the approved TFEs to date were submitted and approved, by broad categories such as the need to avoid replacing existing equipment with significant remaining useful lives, unavailability of suitable equipment to achieve Strict Compliance in a timely manner, or conflicts with other statutes and regulations applicable to the Responsible Entity;

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

(v) For each TFE Request that was rejected or disapproved, and for each TFE that was terminated, but for which, due to exceptional circumstances as determined by the Regional Entity, the Effective Date was later than the latest date specified in Section 5.1.5, 5.2.6, or 9.3, as applicable, a statement of the number of days the Responsible Entity was not subject to imposition of findings of violations of the Applicable Requirement or imposition of penalties or sanctions pursuant to Section 5.3.

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

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

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

13.2. Submission of Quarterly Reports by Regional Entities to NERC

In order to facilitate timely preparation of the Annual Report, each Regional Entity shall submit to NERC, within thirty (30) calendar days following the end of each calendar quarter, a report listing (i) the types of Covered Assets with respect to which TFE Requests were approved

during such quarter, and (ii) final totals for the quarter of TFE Requests accepted and rejected and TFE Requests approved and disapproved. The reports submitted by the Regional Entities to NERC shall be Confidential Information.

13.3. Due Date for Annual Reports

The first Annual Report shall cover the period through June 30, 2011, and shall be filed with FERC and with other Applicable Governmental Authorities no later than 90 days after the end of such calendar quarter. Subsequent Annual Reports shall be filed at one year intervals thereafter.

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

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

13.5. Responsible Entities Must Cooperate in Preparation of Annual Report

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