

Agenda – Open Session Board of Trustees Compliance Committee

February 8, 2012 | 10:45 a.m.–12:00 p.m. Mountain

Arizona Grand Resort
8000 S. Arizona Grand Parkway
Phoenix, AZ 85044

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines

Agenda

1. **Minutes* – Approve**
 - a. November 2, 2011
2. **Compliance Committee Self-Assessment Results* – Review**
3. **Compliance Enforcement Initiative***
 - a. Update on implementation of the initiative to date and input for the six-month report
 - b. Review of Find, Fix, Track and Report training schedule
4. **Quarterly Statistics**
 - a. Update on quarterly statistics to fulfill the Committee's mandate obligations

*Background materials included.

Antitrust Compliance Guidelines

I. General

It is NERC's policy and practice to obey the antitrust laws and to avoid all conduct that unreasonably restrains competition. This policy requires the avoidance of any conduct that violates, or that might appear to violate, the antitrust laws. Among other things, the antitrust laws forbid any agreement between or among competitors regarding prices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that unreasonably restrains competition.

It is the responsibility of every NERC participant and employee who may in any way affect NERC's compliance with the antitrust laws to carry out this commitment.

Antitrust laws are complex and subject to court interpretation that can vary over time and from one court to another. The purpose of these guidelines is to alert NERC participants and employees to potential antitrust problems and to set forth policies to be followed with respect to activities that may involve antitrust considerations. In some instances, the NERC policy contained in these guidelines is stricter than the applicable antitrust laws. Any NERC participant or employee who is uncertain about the legal ramifications of a particular course of conduct or who has doubts or concerns about whether NERC's antitrust compliance policy is implicated in any situation should consult NERC's General Counsel immediately.

II. Prohibited Activities

Participants in NERC activities (including those of its committees and subgroups) should refrain from the following when acting in their capacity as participants in NERC activities (e.g., at NERC meetings, conference calls and in informal discussions):

- Discussions involving pricing information, especially margin (profit) and internal cost information and participants' expectations as to their future prices or internal costs.
- Discussions of a participant's marketing strategies.
- Discussions regarding how customers and geographical areas are to be divided among competitors.
- Discussions concerning the exclusion of competitors from markets.
- Discussions concerning boycotting or group refusals to deal with competitors, vendors or suppliers.

- Any other matters that do not clearly fall within these guidelines should be reviewed with NERC's General Counsel before being discussed.

III. Activities That Are Permitted

From time to time decisions or actions of NERC (including those of its committees and subgroups) may have a negative impact on particular entities and thus in that sense adversely impact competition. Decisions and actions by NERC (including its committees and subgroups) should only be undertaken for the purpose of promoting and maintaining the reliability and adequacy of the bulk power system. If you do not have a legitimate purpose consistent with this objective for discussing a matter, please refrain from discussing the matter during NERC meetings and in other NERC-related communications.

You should also ensure that NERC procedures, including those set forth in NERC's Certificate of Incorporation, Bylaws, and Rules of Procedure are followed in conducting NERC business.

In addition, all discussions in NERC meetings and other NERC-related communications should be within the scope of the mandate for or assignment to the particular NERC committee or subgroup, as well as within the scope of the published agenda for the meeting.

No decisions should be made nor any actions taken in NERC activities for the purpose of giving an industry participant or group of participants a competitive advantage over other participants. In particular, decisions with respect to setting, revising, or assessing compliance with NERC reliability standards should not be influenced by anti-competitive motivations.

Subject to the foregoing restrictions, participants in NERC activities may discuss:

- Reliability matters relating to the bulk power system, including operation and planning matters such as establishing or revising reliability standards, special operating procedures, operating transfer capabilities, and plans for new facilities.
- Matters relating to the impact of reliability standards for the bulk power system on electricity markets, and the impact of electricity market operations on the reliability of the bulk power system.
- Proposed filings or other communications with state or federal regulatory authorities or other governmental entities.

Matters relating to the internal governance, management and operation of NERC, such as nominations for vacant committee positions, budgeting and assessments, and employment matters; and procedural matters such as planning and scheduling meetings.

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November 2, 2011 | 10:45 a.m.–Noon Eastern
Westin Buckhead Atlanta

Welcome and Introductions

Chair Bruce Scherr called to order a duly noticed open meeting of the Board of Trustees Compliance Committee of the North American Electric Reliability Corporation on November 2, 2011, at approximately 10:43 a.m., Eastern Time, and a quorum was declared present. The agenda and list of attendees are attached as **Exhibits A** and **B**, respectively.

NERC Antitrust Compliance Guidelines

Chair Scherr acknowledged NERC's Antitrust Compliance Guidelines.

Overview of Meeting Objectives and Process

Chair Scherr reviewed the meeting's objectives.

Consent Agenda

On motion of Paul Barber, the committee approved the meeting minutes of August 3, 2011.

NERC Staff Update

Compliance Enforcement

Rebecca Michael, associate general counsel corporate and regulatory matters and acting director of compliance enforcement, presented an update to the BOTCC and the industry on the implementation of the compliance and enforcement program process to date. NERC submitted a filing and petition to FERC on September 30, 2011 that set forth the initiative in detail and included the two new spreadsheet formats. The *Petition Requesting Approval of New Enforcement Mechanisms and Submittal of Initial Informational Filing* included: (i) a description of NERC's new compliance enforcement initiative (CEI), by which the ERO will exercise its inherent enforcement discretion to process Possible Violations pursuant to different tracks, according to risk; and (ii) for FERC's information, the first group of 117 Remediated Issues that were processed under a new enforcement track referred to as Find, Fix, Track and Report (FFT). On the same day, in separate proceedings, NERC also submitted 75 violations in a new Spreadsheet Notice of Penalty (NOP)

format, as well as 27 violations in three Full NOPs. The second FFT filing was made on October 31, 2011, and it included 82 Remediated Issues. In addition, on the same day, in separate proceedings, NERC submitted 46 violations in the Spreadsheet NOP format, as well as 31 violations in a Full NOP. Ms. Michael also provided to the committee the quarterly trending statistics.

Compliance Operations

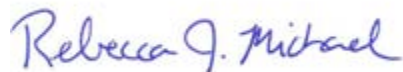
Michael Moon, director of compliance operations, provided the industry an update on the development of a template for an entity assessment to be used to inform compliance monitoring activities per the 2012 Compliance Monitoring and Enforcement Program (CMEP) Implementation plan. Stanley Kopman, assistant vice president of compliance registration and enforcement for Northeast Power Coordinating Council (NPCC), gave a presentation on assessment of an entity's culture of compliance and internal compliance program in the NPCC region. Jim Burley, vice president of compliance, mitigation and standards for Midwest Reliability Organization (MRO), gave a presentation on risk-based reliability and entity assessment in the MRO region.

Mr. Moon also provided information on the latest Compliance Analysis report, reliability standard TOP-002, as well as the draft Directive on Registration of Generator Owner/Operators to cover applicable Transmission Owner/Operator Functions.

Adjournment

There being no further business, Chair Scherr adjourned the meeting at 12:04 p.m. ET.

Submitted by,



Rebecca J. Michael
Committee Secretary

Agenda Board of Trustees Compliance Committee – OPEN Session

November 2, 2011 | 10:45 a.m.-Noon Eastern
Westin Buckhead Atlanta
3391 Peachtree Road, NE
Atlanta, GA 30326
404-365-0065

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines and Public Announcement

Agenda

1. **Minutes* – Approve**
 - a. August 3, 2011 meeting
2. **Compliance Enforcement Initiatives***

Purpose: Update to BOTCC and industry on implementation of the initiative to date.
3. **Risk-Based Reliability Compliance and Entity Assessment***

Purpose: Provide industry information and the initial template for the entity assessment to be used to inform compliance monitoring activities per the 2012 CMEP Implementation plan.
4. **Compliance Operations Update***

Purpose: Provide information on latest Compliance Analysis reports and GO/TO Directive.
5. **Quarterly Statistics***

Purpose: Update to BOTCC and industry on quarterly statistics to fulfill the Committee's mandate obligations.
6. **MRO/NPCC Item***

*Background materials included.

**List of Attendees
Board of Trustees Compliance Committee Meeting
Atlanta, Georgia
November 2, 2011**

Board of Trustees	
Chair of Board of Trustees	John Q. Anderson
Chair of Board of Trustees Compliance Committee	Bruce Scherr
Member	Vicky Bailey
Member	Paul Barber
Member	Fred Gorbet
Member	Ken Peterson
Member	Jan Shori

Regional Executives	
MRO	Dan Skaar
NPCC	Edward A. Schwerdt
TRE	Lane Lanford
FRCC	Sarah Rogers
SERC	Scott Henry
ReliabilityFirst	Tim Gallagher
WECC	Mark Maher

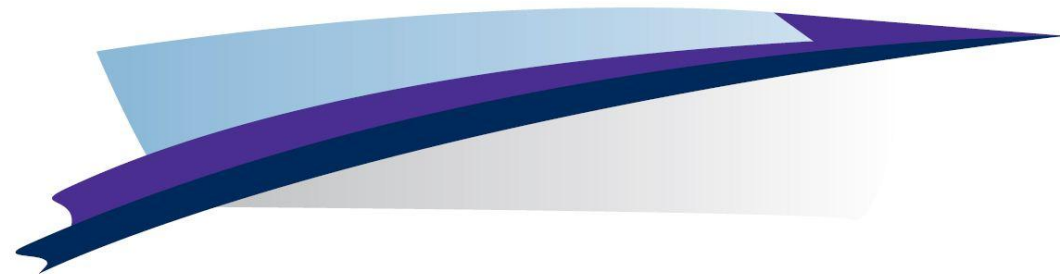
Guests	
APPA	Alan Mosher
Alison Silverstein	Alison Silverstein
Duke Energy	Ann Warren
Edison Electric	Barbara Hindin
NERC	Ben Engelby
MISO	Bill Phillips
Southern Company	Billy Ball
BC Hydro	Brett Hallborg
MEAG Power	Bob Johnston
Southern Company	Bob Schaffeld
Xcel Energy	Brenda Prokop
NERC	Caroline Clouse
SERC	Carter Edge

SCE&G	Charles White
ERCOT	Charles Manning
Burns McDonnell	Chris Underwood
WECC	Constance White
FERC	Christy Walsh
American Transmission Co.	Dale Burmester
NERC	Damon Epperson
MEAG	Danny Dees
Northeast Utility	Dave Boguslawski
NERC	David Cook
EEl	David Dworzak
WECC	David Godfrey
PSE&G	Don Holdsworth
Entergy	Ed Davis
NERC	Ed Kichline
KG&E-KU LLC	Ed Staton
Edison Mission Energy	Ellen Oswald
SPP RE	Emily Pennel
Grid Protection Alliance	F. Russell Robertson
MEAG Power	Gary Schaeff
Quanta Technology	Gerry Adamski
SPP RE	Gerry Burrows
Lafayette Utilities System	Gini Ingram
Balch & Bingham	Greg Butrus
Tampa Electric Company	Gregory Ramon
NERC	Herb Schrayshuen
NERC	Holly Hawkins
Nebraska Public Power	Jake Burger
NERC	Janet Sena
ReliabilityFirst	Jason Blake
MidAmerican Energy Holdings	Jay Carrier
PSE&G	Jeff Mueller
Western Interstate Energy Board	Jennifer Gardner
Exelon	Jennifer Sterling
NERC	Jessica Bian
NERC	Gerry Cauley

MRO	Jim Burley
NYISO	Jim Castle
EI	Jim Fama
Wisconsin Electric	Jim Keller
NERC	Jim Hughes
NERC	Jim Stuart
Associated Electric Cooperative	John Bussman
AEP	John Schechter
PSEG	John Seelke
FPL	John Tamsberg
SERC	John Twitchall
ITC Holdings	Jon E. Jipping
FERC	Joshua Konecni
NERC	Jule Tate
K-Rob Thomas	Southern Company
LG&E-LU LLC	Ken Sheridan
Detroit Edison	Kent Kujala
NERC	Kimberly Mielcarek
NERC	Kyle Howells
ReliabiligyFirst	Larry Bugh
FRCC	Linda Campbell
Dominion	Lou Oberski
SERC	Marissa Sifontes
Competitive Power Venture	Mark Bennett
NERC	Mark Lauby
NERC	Mark Weatherford
NERC	Marvin Santerfeit
NERC	Matt Blizzard
Dominion	Michael Gildea
Oncor Electric	Michael Quinn
MRO	Miggie Crambilt
NERC	Mike Moon
NERC	Mike Walker
NationalGrid	Nabil Hitti
Southern California Edison	Neil Shockey
Duke Energy	Nelson Peeler

Southern Company	Noel Black
CEA	Patrick Brown
NRECA	Patti Metro
Finley Engineering	Paul Beaulieu
NAESB	Rae McQuade
New York Power Authority	Randy Crissman
RFC	Ray Palmieri
NERC	Rebecca Michael
TVA	Richard Dearman
Utility System Efficiencies, Inc.	Robert Dingleman
FERC	Robert Ivanauskas
NERC	Roman Carter
Duke Energy	Ron Adams
NERC	Ryan Stewart
TRE	Sarah Hensley
MRO	Sara Patrick
AEP	Scott Moore
Oncor Electric	Stan Southers
WECC	Steve Goodwill
Exelon	Steve Naumann
NERC-consultant	Stuart Brindley
TRE	Susan Vincent
Hydro Quebec TransEnergie	Sylvain Clermont
Midwest ISO	Terry Bilke
SC Public Service	Terry Blackwell
Southern Company	Terry Coggins
NERC	Tina McClellan
NATF	Tom Galloway
NERC	Val Agnew
Chairman	Bill Gallagher
Vice Chairman	Scott Helyer
Investor-Owned Utility	Carol Chinn
Investor-Owned Utility	Thomas Burgess (Proxy: Robert Schaffield)
State/Municipal Utility	Timothy Arlt
State/Municipal Utility	John DiStasio
Cooperative Utility	Michael Smith (Proxy: Barry Lawson)

Cooperative Utility	Eric Baker
Federal/Provincial Utility	Julius Pataky
Federal/Provincial Utility	Anthony Montoya
Federal/Provincial Utility	Lorne Midford
Federal/Provincial Utility	Carmine Marcello
Transmission Dependent Utility	John Twitty (Proxy: Frank Gaffney)
Transmission Dependent Utility	Terry Huval (Proxy: Frank Gaffney)
Merchant Electricity Generator	Katy Wilson
Merchant Electricity Generator	William Taylor III
Electricity Marketer	Roy True (Proxy: Jason Marshall)
Electricity Marketer	Jack Cashin
Large End-Use Electricity Customer	Michelle D'Antuono
Large End-Use Electricity Customer	John Anderson
Small End-Use Electricity Customer	Lawrence Nordell
Small End-Use Electricity Customer	Charles Acquard (Proxy: Larry Nordell)
ISO/RTO	Paul Murphy
ISO/RTO	Terry Boston (Proxy: Tom Bowe)
Regional Entity (Voting)	Stacy Dochoda (SPP)
Regional Entity (Voting)	Craven Crowell (TRE) (Proxy: Lane Lanford)
State Government	Thomas Dvorsky
State Government	Robin Lunt
Canadian Provincial	Jean-Paul Théorêt (Proxy: Gilbert Neveu)
Canadian Federal	Amitabha Gangopadhyay
U.S. – Federal	Pat Hoffman
U.S. – Federal	Joseph McClelland
Regional Entity	Gorden Gillette (FRCC) (Proxy: Sarah Rogers)
Regional Entity	Ed Tymofichuk (MRO)
Regional Entity	Harvey Reed (NPCC)
Regional Entity	Susan Ivey (RFC)
Regional Entity	Maureen Borkowski (SERC)
Regional Entity	David Areghini (WECC)
Secretary	Dave Nevius



TALENTQUEST

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

2011 Board of Trustees Compliance Committee Survey

- TalentQuest worked with NERC to conduct its annual Board of Trustees - Compliance Committee (CC) survey through an online methodology
- The Compliance Committee survey was administered from December 1-21, 2011 to a total of 7 Committee members
- 7 Compliance Committee members responded to the survey
 - Response rate of 100%

RATING SCALE

Respondents were asked to rate items on a 1 to 5 scale to indicate their level of agreement with each item.

1 = Needs Prompt Attention *(level of performance is clearly unsatisfactory)*

2 = Below Expectations *(a question exists in the rater's mind as to the level of performance)*

3 = Meets Expectations *(meets the required standard of performance)*

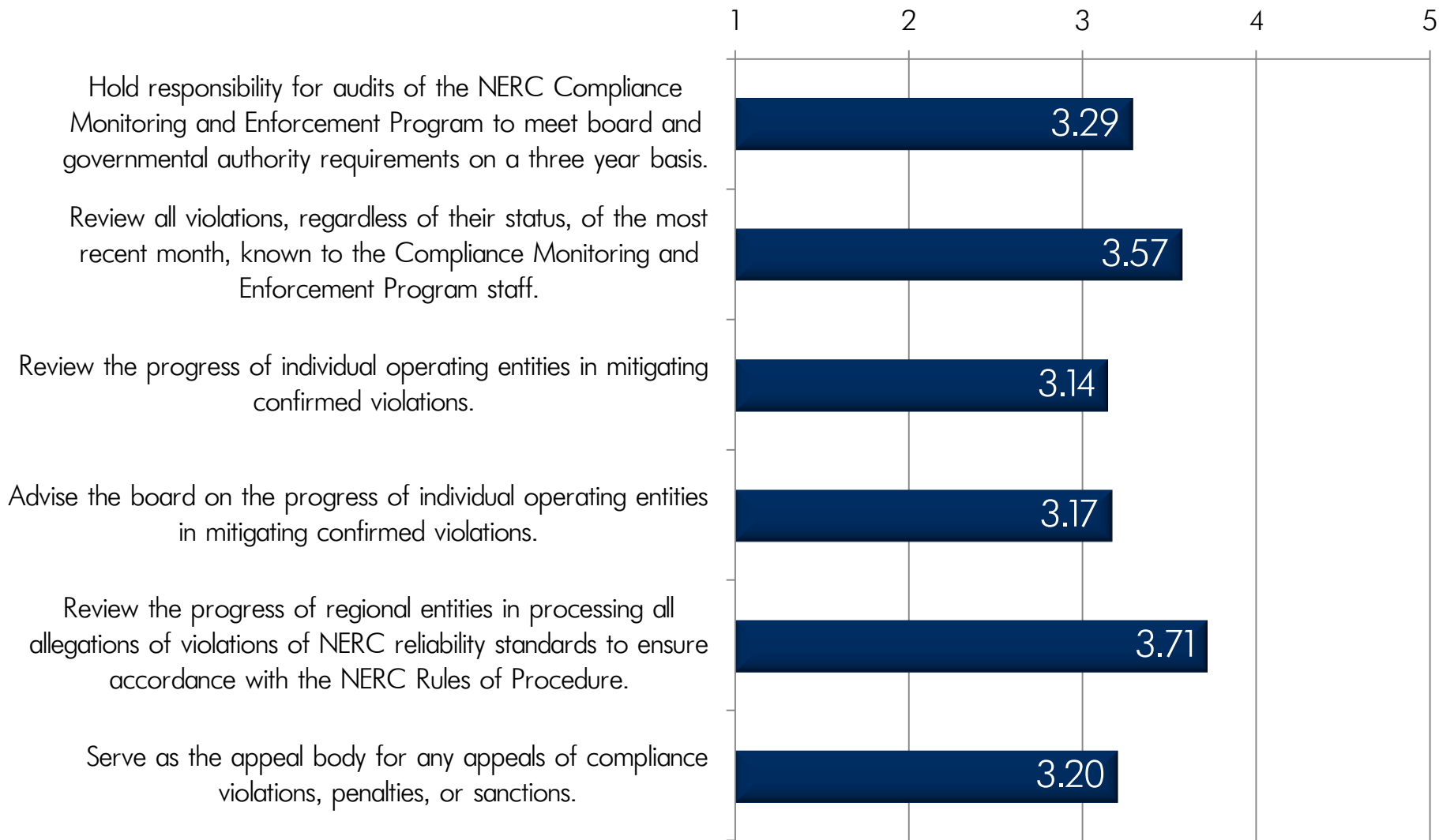
4 = Exceeds Expectations *(fully meets and exceeds the expected and required standard of performance)*

5 = Outstanding *(far exceeds the required standards of performance)*

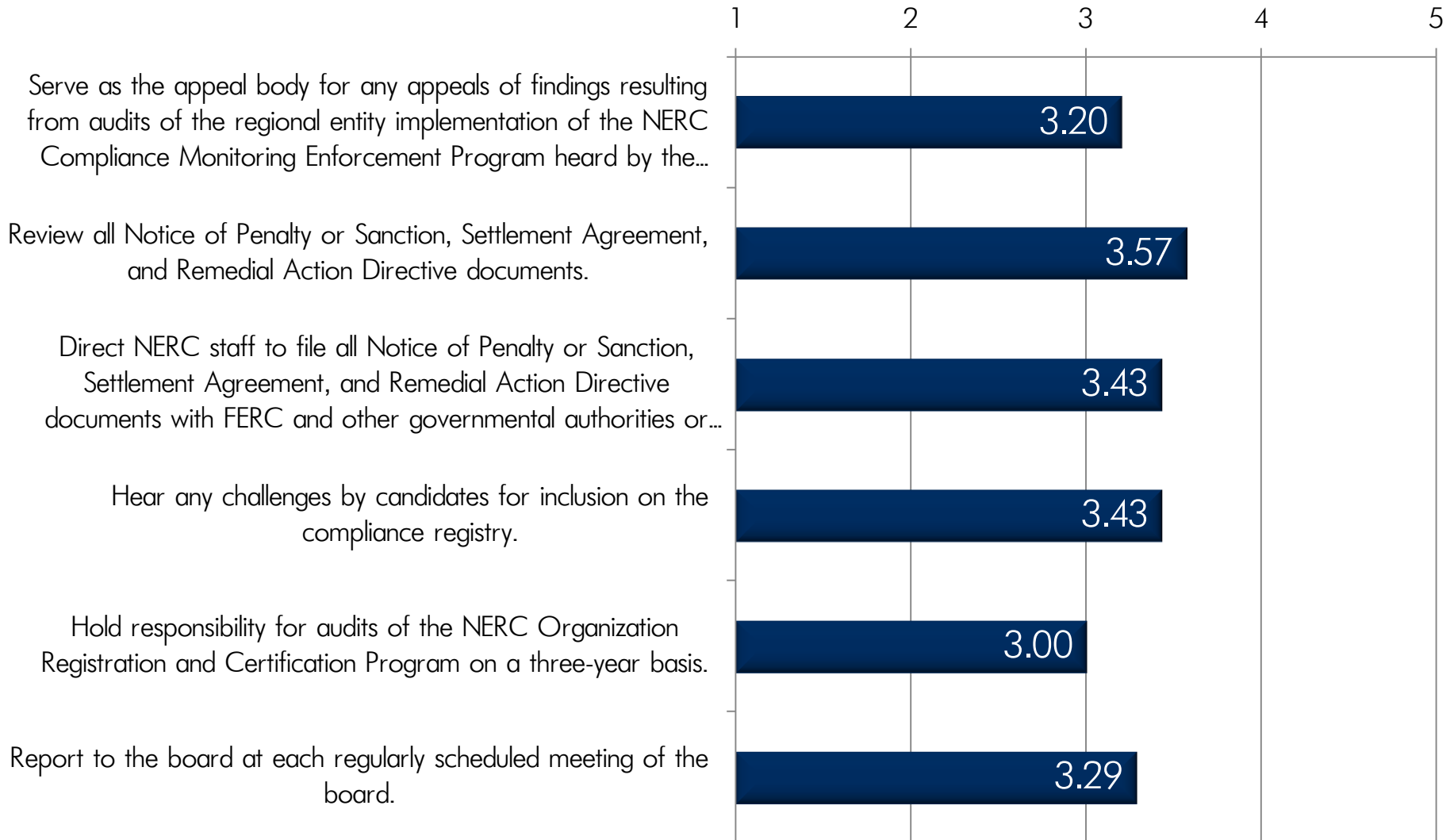


ITEM AVERAGES

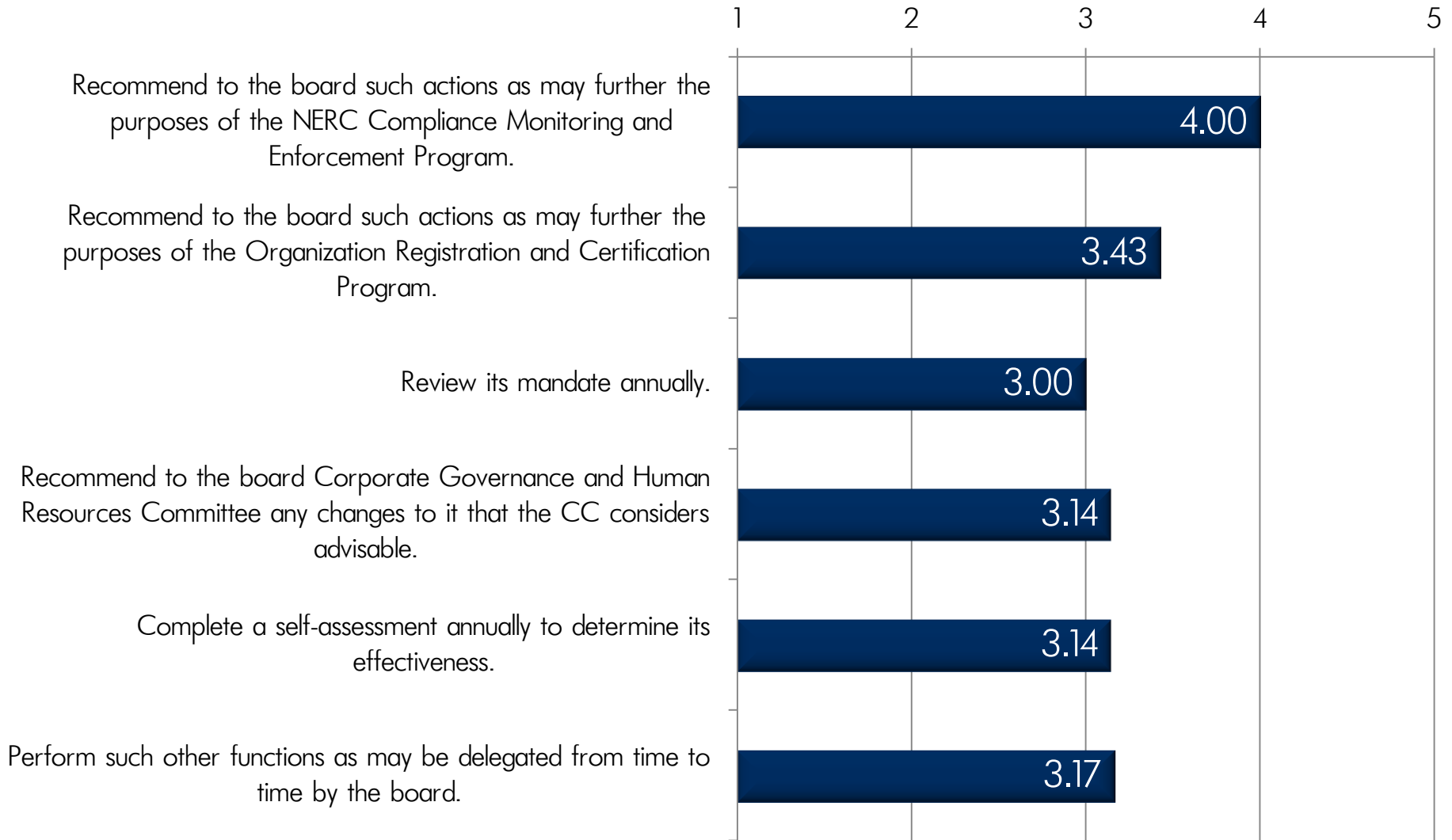
COMPLIANCE COMMITTEE (1 OF 3)



COMPLIANCE COMMITTEE (2 OF 3)



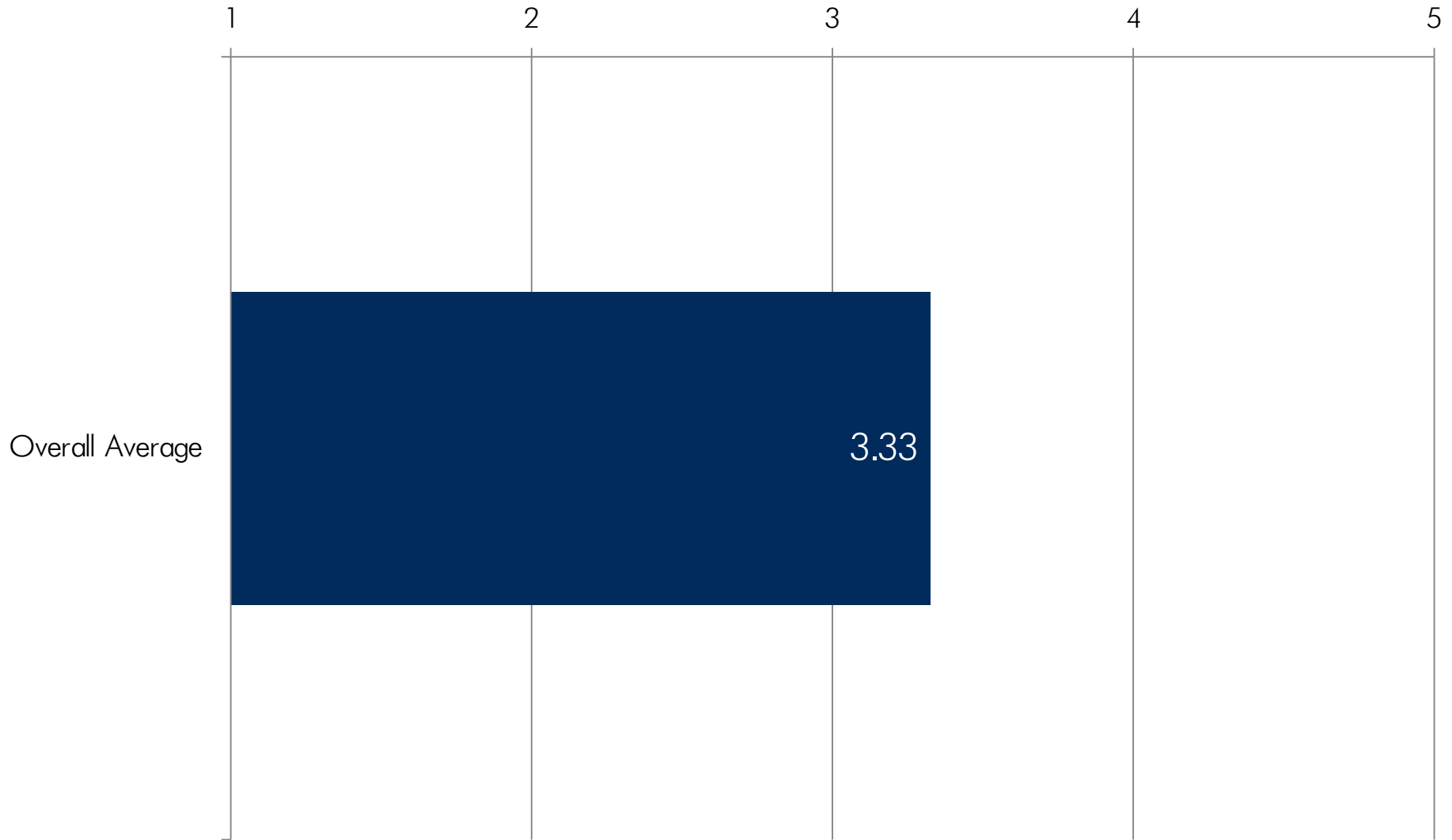
COMPLIANCE COMMITTEE (3 OF 3)



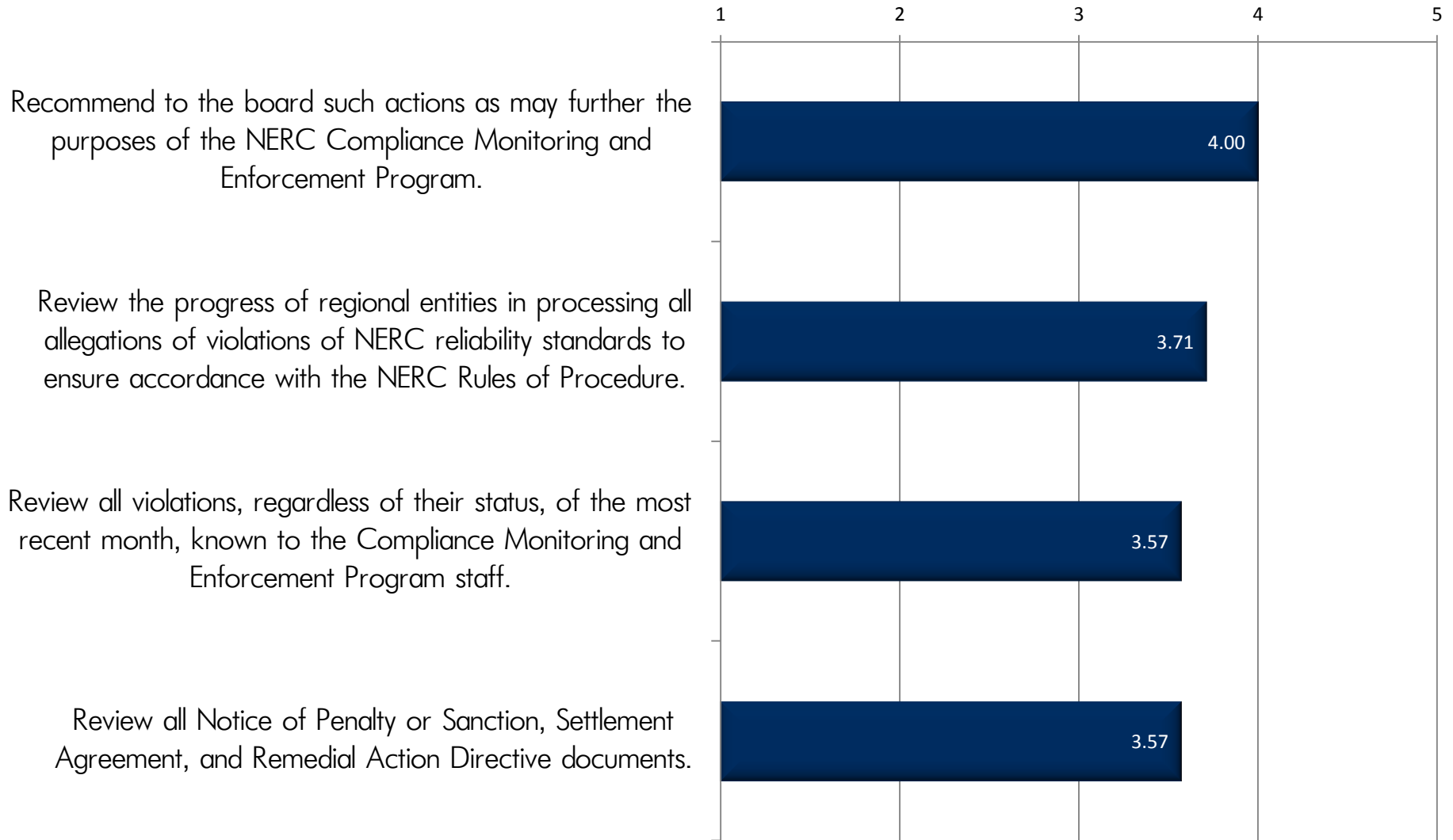


ITEM SUMMARIES

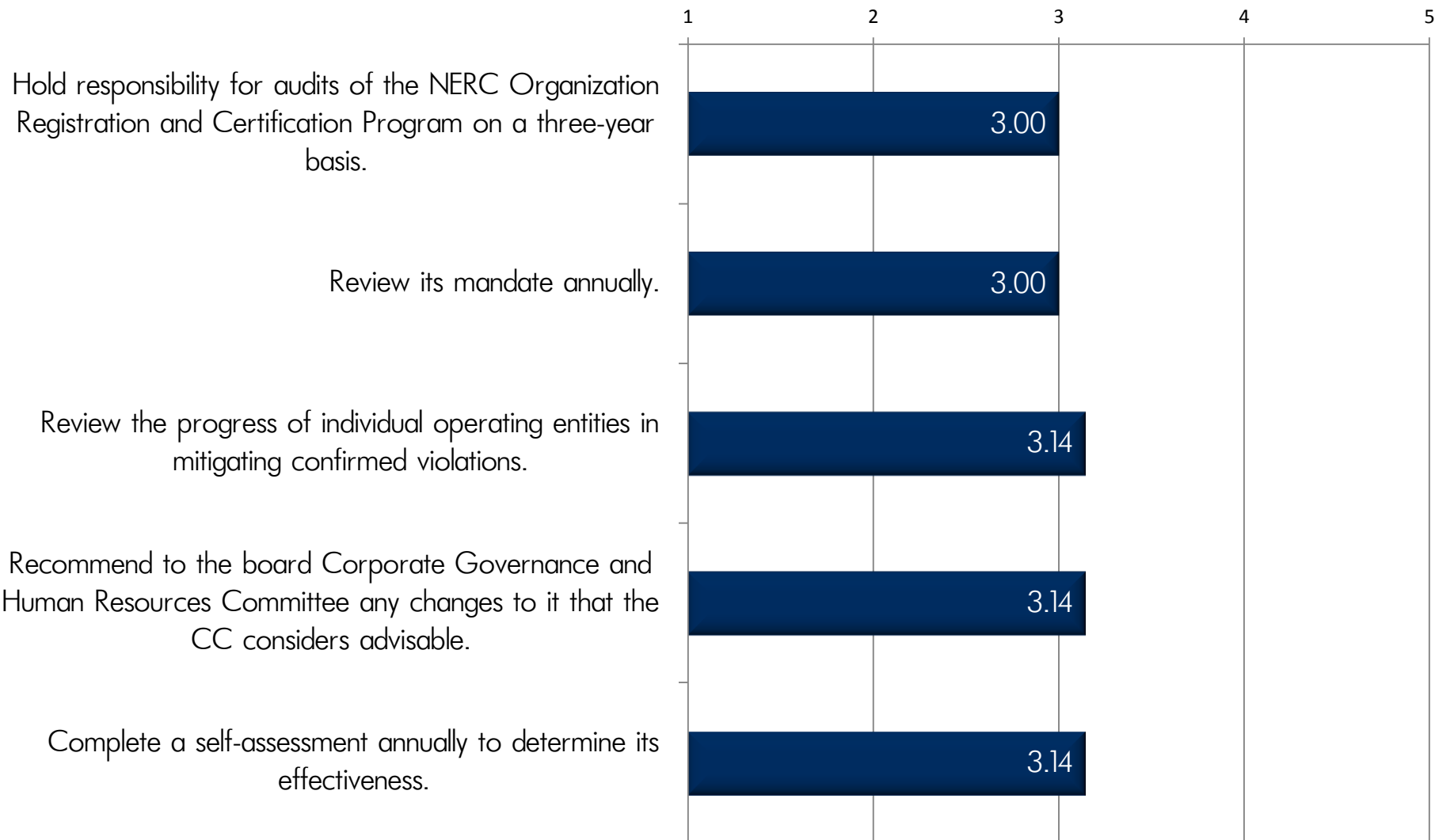
COMPLIANCE COMMITTEE OVERALL SURVEY AVERAGE



COMPLIANCE COMMITTEE TOP ITEMS



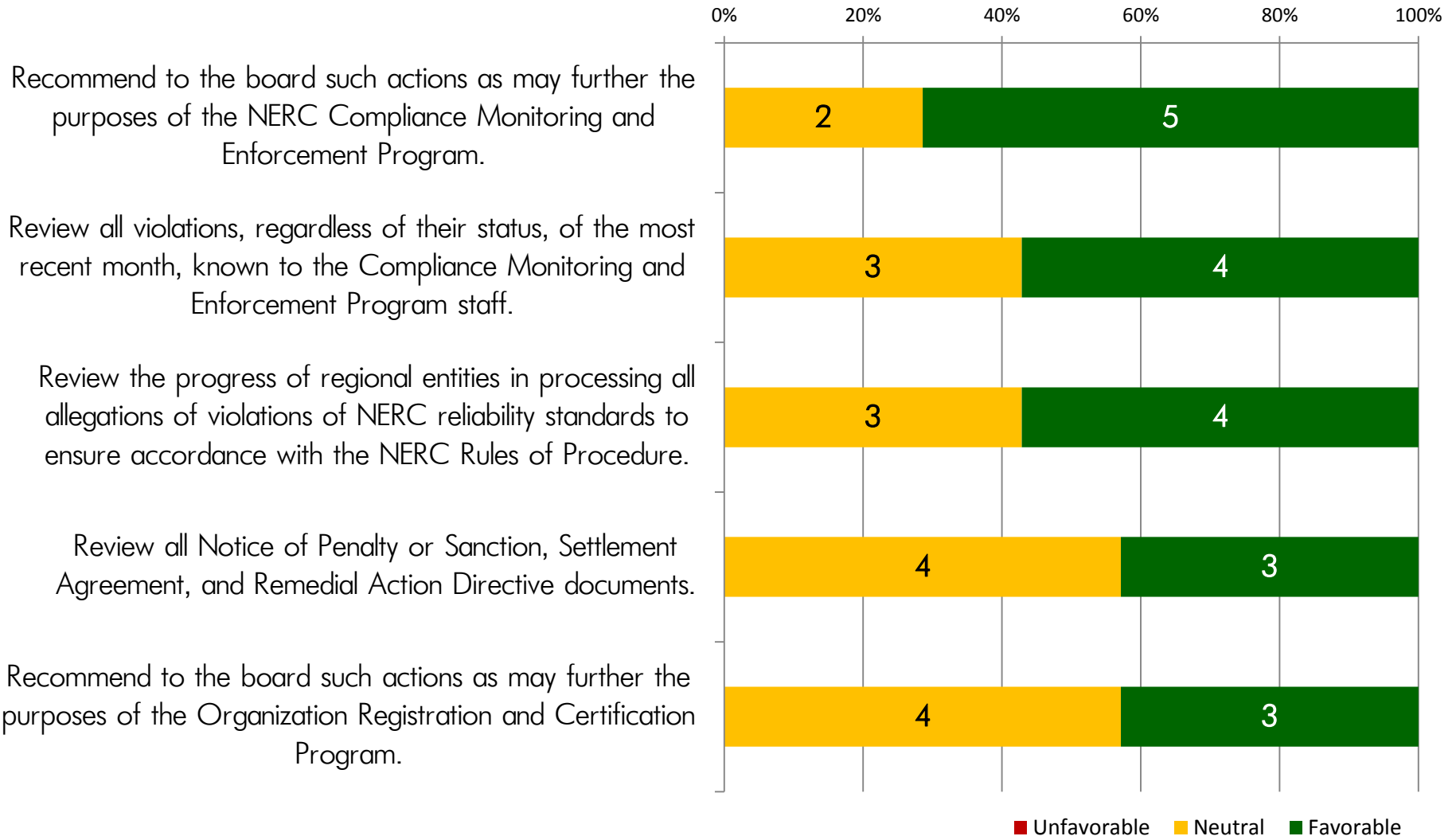
COMPLIANCE COMMITTEE BOTTOM ITEMS



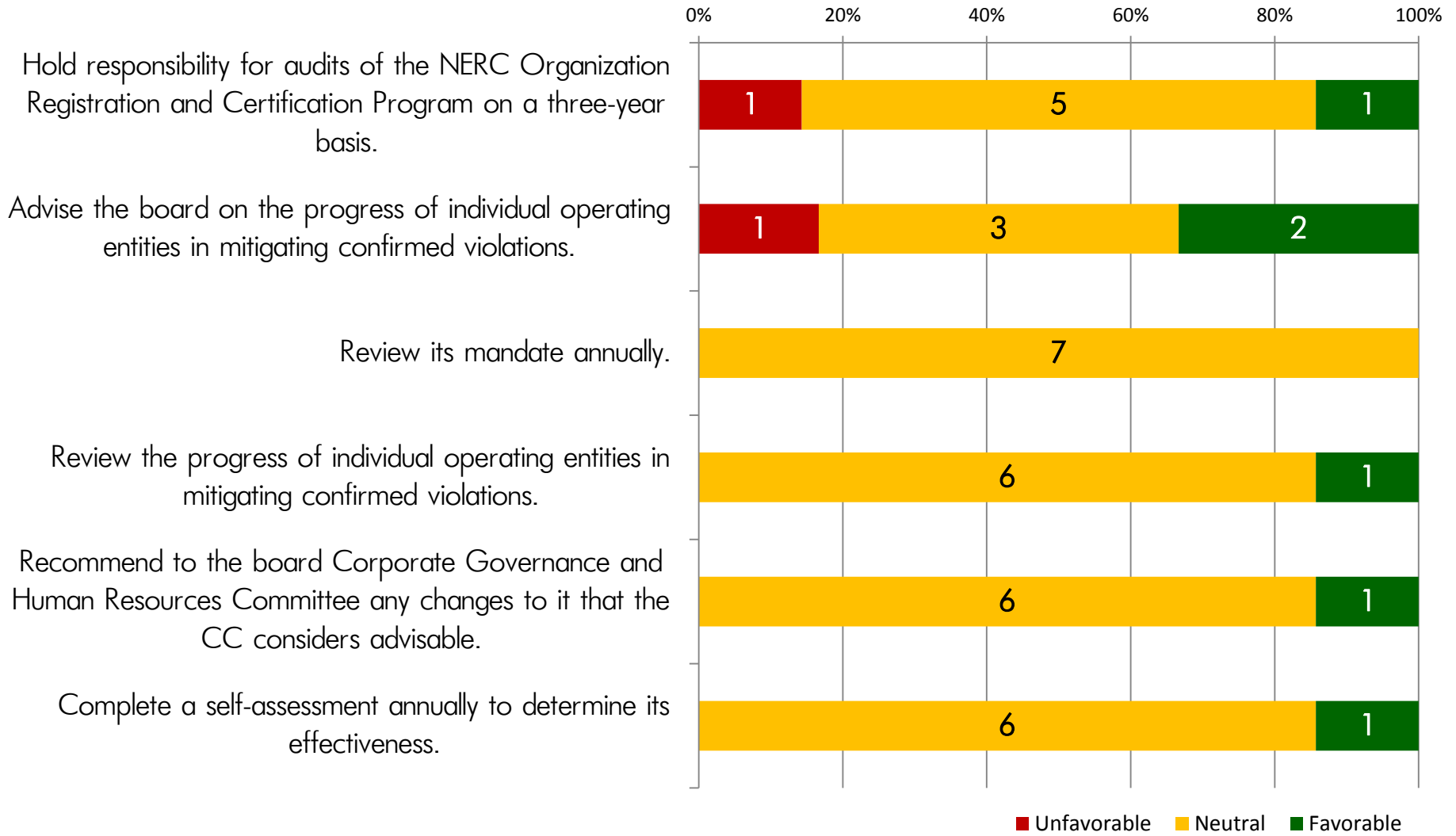
COMPLIANCE COMMITTEE FAVORABILITY ANALYSIS

- Examination of items by Favorability analysis demonstrates the dispersion of strongly favorable or unfavorable responses
- This analysis depicts which items have the greatest proportion of Favorable (Exceeds Expectations or Outstanding) and Unfavorable (Needs Prompt Attention or Below Expectations) ratings

COMPLIANCE COMMITTEE MOST FAVORABLE



COMPLIANCE COMMITTEE LEAST FAVORABLE





COMMENTS

- I don't recall seeing any audits of ORCP, but my memory may be faulty. We do not report to the Board progress of individual entities in mitigating violations -- unless it is by exception and I don't recall any instance of so doing. I think over the past year we have been working well and breaking new ground in relations with the regions and in becoming more strategic. It may be time to step back and take another look at the mandate and see if it accurately and adequately reflects what the Committee is doing.
- Most of these questions were really just Yes or No questions so my "Meets Expectations" ratings are not signaling any problems, but stating that the committee is performing the responsibility in that particular question.
- The BOTCC, along with NERC Compliance Staff and Regions, has made significant progress in streamlining its approach to case management. The BOTCC continues to maintain its focus on key risk areas and on the progress of mitigation plans by entities and regions. The transition in leadership from Barber to Scherr has been seamless.

- This committee quickly and effectively reviewed and approved significant proposals to improve the compliance enforcement procedures and to expedite the processing of all cases. The Chairman has maintained our continued focus on improvements.
- Very good progress this year moving to focus on most important, highest risk to reliability, type violations through streamlining efforts including implementation of "find, fix, track, report" compliance enforcement initiative, spreadsheet NOPs, closeout of old violations, implementation of regional entity issue discussion topic at CC meetings, new registered entity assessments, while continuing review of system events, high impact list, and other trend data. CANs are a work in progress (70 in hopper, if that is correct, seems like a lot when preference would be to have clearer standards?) Number of CIP violations remains challenging.

Compliance Enforcement Initiative

Action

Discussion

Summary

NERC continues to process violations through the streamlined Spreadsheet Notice of Penalty (SNOP) and the Find, Fix, Track and Report (FFT) informational filing. Since the initial Compliance Enforcement Initiative (CEI) filing on September 30, 2011, NERC has made four SNOP filings and four FFT filings with the Federal Energy Regulatory Commission (FERC). While FERC has not yet acted on the September 30 filing, it has issued orders of no further review on the SNOP and NOP filings submitted through the end of November.¹

The CEI has received significant support from the Regional Entities and the industry. NERC anticipates the FFT process will enable better alignment and substantially greater resources and attention to be devoted to matters that pose a more serious risk to the reliability of the bulk power system. NERC will continue to work collaboratively with the Regional Entity compliance and enforcement staffs as well as the industry throughout 2012 to continue to implement and improve the CEI.

Further Implementation of the CEI

During the initial phase of FFT implementation, auditors are able to recommend FFT treatment of certain audit findings, but the decision to afford FFT treatment to a specific issue resides with the Regional Entity enforcement staff. The second phase of the CEI, currently targeted for 2013, will vest the decision of processing a violation through the FFT process with the Compliance Enforcement Authority compliance staff as well as enforcement staff. NERC will be providing a series of webinars and workshops to guide compliance and enforcement staff at all levels on the application of FFT to possible violations.

NERC also has posted information regarding the CEI implementation on its website. This information includes guidance to Registered Entities on information to be included in self-reports, particularly with respect to the underlying factual situation, the assessment of the risk to the reliability of the bulk power system and mitigating activities to correct and prevent possible violations. NERC will continue to hold webinars and workshops with the industry to enhance understanding of FFT and the ERO's enforcement efforts. These webinars and workshops will focus on case studies based on the FFT informational filings to date.

On March 30, 2012, NERC will file with FERC a six-month status update on CEI implementation. In that filing, NERC will describe the experience gained and the results from implementation of the CEI to date. Specifically, the six-month report will address and provide context for the CEI processing statistics, discuss the benefits obtained from the program from a broad perspective (NERC, Regional Entity and industry) and discuss implementation challenge and how NERC is addressing them. In preparation of this filing, NERC will be working with the Regional Entities to ensure their input is incorporated into the filing. NERC has also distributed a survey to solicit information from the registered entities regarding their experience with the implementation of the CEI to date that will also inform the content of the six-month update to FERC.

¹ Action on the December 30, 2011 filing is expected by January 31, 2012.

Quarterly Statistics

Action

None

Background

NERC staff will present its regular quarterly report to the Committee and stakeholders on compliance statistics to fulfill the Committee's mandate obligations.