

## Agenda — Open Session Board of Trustees Compliance Committee

May 10, 2011 | 4:45-5:45 p.m.  
The Westin Arlington Gateway  
801 Glebe Road  
Arlington, VA  
703-717-6200

### **Introductions and Chair's Remarks**

### **NERC Antitrust Compliance Guidelines**

- 1. Overview of Meeting Objectives and Process\***
- 2. Consent Agenda\* — Approve**
  - a. Minutes — February 16, 2010
  - b. Future Meetings
- 3. NERC Staff Update**
  - a. Compliance Enforcement
    - i. Enforcement Streamlining Update
    - ii. Mitigation
    - iii. Quarterly Stats
  - b. Compliance Operations
    - i. Risk-based Reliability Compliance Monitoring
    - ii. Top reliability Issues to inform compliance
    - iii. Violations as a result of abrupt changes in Registration
    - iv. Compliance Application Notices Update
- 4. Other Matters**

\*Background material included.

## Antitrust Compliance Guidelines

### I. General

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

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

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

### II. Prohibited Activities

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

- Discussions involving pricing information, especially margin (profit) and internal cost information and participants' expectations as to their future prices or internal costs.
- Discussions of a participant's marketing strategies.
- Discussions regarding how customers and geographical areas are to be divided among competitors.

- Discussions concerning the exclusion of competitors from markets.
- Discussions concerning boycotting or group refusals to deal with competitors, vendors or suppliers.
- Any other matters that do not clearly fall within these guidelines should be reviewed with NERC's General Counsel before being discussed.

### **III. Activities That Are Permitted**

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

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

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

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

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

- Reliability matters relating to the bulk power system, including operation and planning matters such as establishing or revising reliability standards, special operating procedures, operating transfer capabilities, and plans for new facilities.
- Matters relating to the impact of reliability standards for the bulk power system on electricity markets, and the impact of electricity market operations on the reliability of the bulk power system.
- Proposed filings or other communications with state or federal regulatory authorities or other governmental entities.
- Matters relating to the internal governance, management and operation of NERC, such as nominations for vacant committee positions, budgeting and assessments, and employment matters; and procedural matters such as planning and scheduling meetings.

## Draft Meeting Minutes Board of Trustees Compliance Committee

February 16, 2011 | 10:30 a.m. – Noon MT  
Hyatt Regency Phoenix

Chair Paul Barber called to order a duly noticed open meeting of the Board of Trustees Compliance Committee of the North American Electric Reliability Corporation on February 16, 2011, at approximately 10:32 a.m., Mountain 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 Barber acknowledged NERC's Antitrust Compliance Guidelines.

### **Overview of Meeting Objectives and Process**

Chair Barber reviewed the meeting's objectives.

### **Consent Agenda**

On motion of Bruce Scherr, the committee approved the meeting minutes of November 3, 2010.

### **Review Compliance Committee Self-Assessment Results**

Chair Barber reviewed the Compliance Committee Self-Assessment Results.

### **NERC Staff Update**

#### **Compliance Operations**

Michael Moon, director of compliance operations, presented an update on posted Compliance Application Notices (CANs) and provided a prioritization case load for each pending CAN. Mr. Moon highlighted that the CAN process has been refined to expedite publication of CANs and the time period has been increased for industry comment. An internal NERC executive review team has been established to ensure NERC alignment prior to posting for Regional Entity and industry comment.

Mr. Moon also informed the committee of the EOP-005 Compliance Analysis Report and the VAR-002 and CIP-001 Addenda that are currently being drafted. Lastly, Mr. Moon conducted a presentation on the Key Reliability Standard Spot Check PRC-005. The spot check program is designed to review the adequacy and consistency of the processes and procedures being used to audit registered entities across all eight Regions. PRC-005 was the first standard chosen for this program.

#### **Compliance Enforcement**

Joel deJesus, director of compliance enforcement, presented a Streamlining Enforcement and Administrative Citation Update. In 2010, enforcement staff increased and processed 3.5 times the

number of violations per month than in 2009. Additionally, the new Administrative Citation Process (ACP) came into effect, streamlining the handling of batches of violations posing minimal risk to the bulk power system. The first ACP filing was in January, 2011 where 97 violations were approved for filing.

Rebecca Michael presented an overview of the Case Notes process. NERC began publicly posting Case Notes at the end of 2010. They are based on mitigation plans that have been accepted by the Regional Entities and approved by NERC.

Lastly, Mr. deJesus presented violation processing trends to the committee. The key trends were that: (a) the number of new violations each month is increasing above the number of violations dismissed or disposed of by the BOTCC; (b) more than half of the new violations each month were related to the CIP standards; (c) over 50 percent of all active violation are not yet mitigated; and (d) the high number of violations without mitigation plans experienced in 2010 is beginning to decline.

### **Adjournment**

There being no further business, on motion by Tom Berry, Chair Barber adjourned the meeting at 11:50 a.m. MT.

Submitted by,

A handwritten signature in black ink, appearing to read "Joel deJesus". The signature is stylized with large, sweeping loops.

Joel deJesus  
Committee Secretary

## Agenda — Open Session Board of Trustees Compliance Committee

February 16, 2011 | 10:30 a.m.-Noon MT  
Hyatt Regency Phoenix  
122 N. Second Street  
Phoenix, AZ  
602-252-1234

### **Introductions and Chair's Remarks**

### **NERC Antitrust Compliance Guidelines**

- 1. Overview of Meeting Objectives and Process\***
- 2. Consent Agenda\* — Approve**
  - a. Minutes — November 3, 2010
  - b. Future Meetings
- 3. Review Compliance Committee Self-Assessment Results\***
- 4. NERC Staff Update\***
  - a. Compliance Operations
    - i. Compliance Application Notices
    - ii. Compliance Analysis Reports and Addendums
    - iii. Key Reliability Standard Spot Check PRC-005
    - iv. Update on top 10 most violated standards and analysis papers
    - v. Consistency Discussions with Trades/Forums
  - b. Compliance Enforcement
    - i. Streamlining Enforcement - including Administrative Citations Update
    - ii. Case Notes
    - iii. Violations Processing Trends
- 5. Other Matters**

\*Background material included.

**List of Attendees**  
**NERC Board of Trustees Compliance Committee Meeting**  
**Phoenix, AZ**  
**February 16, 2011**

**Compliance Committee Members**

John Q. Anderson, Ex-officio  
 Paul Barber, Chairman  
 Tom Berry  
 Jim Goodrich

Fred Gorbet  
 Ken Peterson  
 Bruce Scherr  
 Jan Schori

**Guest**

RFC, Bill Gallagher  
 Tenaska, Inc. Scott Helyer  
 Investor-Owned Utility, Carol Chinn  
 Investor-Owned Utility, Thomas Burgess  
 State/Municipal Utility, Timothy Arlt  
 State/Municipal Utility, John DiStasio  
 Cooperative Utility, Michael Smith  
 Cooperative Utility, Eric Baker  
 Federal/Provincial Utility, Julius Pataky  
 Federal/Provincial Utility, Anthony Montoya  
 Federal/Provincial Utility, Lorne Midford  
 Federal/Provincial Utility, Ajay Garg  
 Transmission Dependent Utility, John Twitty  
 Transmission Dependent Utility, Terry Huval  
 Merchant Electricity Generator, Kathryn Mirr  
 Merchant Electricity Generator, William Taylor III  
 Electricity Marketer, Roy True  
 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  
 ISO/RTO, Paul Murphy

ISO/RTO, Terry Boston  
 SPP, Stacy Dochoda  
 TRE, Craven Crowell  
 State Government, Del Smith  
 Canadian Provincial, Jean-Paul Théorêt  
 Canadian Federal, Amitabha Gangopadhyay  
 U.S. – Federal, Joseph McClelland  
 MRO, Ed Tymofichuk  
 NPCC, Harvey Reed  
 RFC, Susan Ivey  
 SERC, Maureen Borkowski  
 WECC, David Areghini  
 NERC, Dave Nevius  
 MRO, Dan Skaar  
 NPCC, Edward A. Schwerdt  
 Texas Reliability Entity, Larry Grimm  
 WECC, Mark Maher  
 FRCC, Sarah Rogers  
 SERC, Scott Henry  
 RFC, Tim Gallagher  
 APPA, Alan Mosher  
 SPP, Alice Wright  
 NRECA, Barry Lawson  
 Midwest ISO, Bill Phillips  
 NERC, Bob Cummings  
 Southern Company, Bob Schaffeld  
 NERC, Brian Harrell  
 PRPA/LPPC, Brian Moeck

Colorado Springs Utilities, Bruce McCormick

Baltimore Gas & Electric, Carol Dodson  
SERC, Carter B. Edge  
Southwest Power Pool, Charles Yeung  
Georgia Systems Operations Corporation, Clay Smith  
WECC, Constance White  
SMUD, Craig Cameron  
Northeast Utility, Dave Boguslawski  
NERC, David Cook  
EEI, David Dworzak  
NRECA, David Mohre  
AZ Corporation Commission, Del Smith  
NERC, David Taylor  
PSE&G, Don Holdsworth  
IESO Ontario, Don Tench  
Entergy, Ed Davis  
Edison Mission Energy, Ellen Oswald  
NERC, Eleanor Crouch  
NERC, Gerry Adamski  
BPA, Hardev Juj  
NERC, Herb Schrayshuen  
Dayton Power & Light, Hertzal Shamash  
NERC, Holly Hawkins  
Natural Resources Canada, Ivan Harvie  
NERC, Janet Sena  
RFC, Jeff Mitchell  
PSE&G, Jeff Mueller  
NPCC, Jennifer Budd Matiello  
NEB, Jim Davidson  
Wisconsin Electric, Jim Keller  
FERC, Jim Pederson  
WIEB/WIRAB, Jim Williams  
NERC, Joel de Jesus  
FERC, Jon First  
CPS Energy, Jose Escamilla  
SPP, F. John Meyer  
SRP, Kelly Barr  
NERC, Kimberly Mielcarek  
FRCC, Linda Campbell  
NERC, Lynn Constantini

NERC, Liz Merlucci  
Dominion, Lou Oberski  
Constellation Energy, Maggy Powell  
Competitive Power Ventures, Mark Bennett  
WECC, Mark Maher  
NERC, Mark Lauby  
SPP, Michael Desselle  
Dominion, Michael Gildea  
MRO, Miggie Crambilt  
ITC, Mike Moltane  
NERC, Mike Moon  
ATC, Mike Rowe  
NERC, Mike Walker  
Sacramento Municipal Utility District, Michael Gianunzio  
Oncor Electric Delivery, Michael Quinn  
National Grid, Nabil Hitti  
Southern California Edison, Neil Shockey  
Southern California Edison, Patrick Farrell  
Canadian Electricity Association, Pierre Guimond  
NERC, Rebecca Michael  
NERC, Ric Cameron  
CPS Energy, Richard Castrejana  
FERC, Roger Morie  
Duke Energy, Sam Holeman  
MRO, Sara Patrick  
Exelon, Steve Naumann  
NERC-consultant, Stuart Brindley  
Midwest ISO, Terry Bilke  
SC Public Service, Terry Blackwell  
NERC, Tina McClellan  
AZ Corporation Commission, Toby Little  
PJM, Tom Bowe  
NERC, Tom Galloway

## Board of Trustees Compliance Committee

### 2011 Meeting Dates

Open Meetings		Closed Meetings		Closed-Closed Meetings	
		January 10	10 a.m.–noon	January 10	1–3 p.m.
February 16–17	Phoenix, AZ <sup>1</sup>	February 10	10 a.m.–noon	February 15	<u>4–6 p.m.</u>
		March 11	10 a.m.–noon	March 11	1–3 p.m.
		April 11	10 a.m.–noon	April 11	1–3 p.m.
May 10–11	Arlington, VA	May 16	10 a.m.–noon	May 9	<u>4–6 p.m.</u>
		June 10	10 a.m.–noon	June 10	1–3 p.m.
		July 11	10 a.m.–noon	July 11	1–3 p.m.
August 3–4	Vancouver <sup>2</sup>	August 10	10 a.m.–noon	August 2	<u>4–6 p.m.</u>
		September 12	10 a.m.–noon	September 12	1–3 p.m.
		October 11	10 a.m.–noon	October 11	1–3 p.m.
November 2–3	Atlanta, GA	November 10	10 a.m.–noon	November 1	<u>4–6 p.m.</u>
		December 12	10 a.m.–noon	December 12	1–3 p.m.

<sup>1</sup> All meetings in Phoenix are in Mountain Time

<sup>2</sup> All meetings in Vancouver are in Pacific Time