



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Agenda

Board of Trustees

May 11, 2011 | 8 a.m.–12:00 p.m. ET
The Westin Arlington Gateway
801 Glebe Road
Arlington, VA
703-717-6200

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines and Public Meeting Notice

Consent Agenda* — Approve

1. Minutes

- a. March 10, 2011 Conference Call
- b. February 17, 2011 Meeting

2. Committee Membership Appointments and Changes

- a. Standing Committee Membership Changes
- b. MRC Representatives to the Board Nominating Committee

3. Future Meetings

Regular Agenda

4. Comments by Commissioner John Norris

5. Comments by Commissioner Cheryl LaFleur

6. President's Report

7. Reliability Standards*

- a. Rules of Procedure Appendix 3B – Election Procedure for Members of NERC Standards Committee — **Approve**
 - Standards Committee Charter Revisions
- b. Rules of Procedure Appendix 3D – Registered Ballot Body Criteria — **Approve**
- c. ReliabilityFirst Corporation Regional Standards Development Procedure Version 3-b — **Approve**

8. **Amendments to NPCC Bylaws, Regional Reliability Standards Development Procedure and Compliance Monitoring and Enforcement Program — Approve**
9. **Northeast Power Coordinating Council, Inc. — Western Electricity Coordinating Council — Compliance Enforcement Authority Agreement — Approve**
10. **Update to NERC Membership Roster — Approve**
11. **Regulatory Update — Review**
12. **The North American Transmission Forum’s Role in Reliability – Don Benjamin**

Standing Committee Reports (Agenda Item 13)*

- a. [Compliance and Certification Committee](#)
 - i. Committee Report
 - ii. Request For Action
- b. [Critical Infrastructure Protection Committee](#)
- c. [Member Representatives Committee](#)
- d. [Operating Committee](#)
- e. [Personnel Certification Governance Committee](#)
- f. [Planning Committee](#)
- g. [Standards Committee](#)
- h. [Electricity Sub-Sector Coordinating Council](#)

Forum and Group Reports (Agenda Item 14)

- a. [North American Energy Standards Board](#)
- b. [Regional Entity Management Group](#)
- c. [North American Transmission Forum](#)
- d. [North American Generator Forum](#)

Board Committee Reports

15. **Corporate Governance and Human Resources**
16. **Compliance**

17. Finance and Audit

- a. Approve 2010 Audited Financial Statements*
- b. Accept Statement of Activities
- c. Update on Draft 2012 Business Plan and Budget
- d. Report to Board Regarding Review of Financial Aspects of Form 990 (No Board Action Required)

18. Standards Oversight and Technology

*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 Minutes Board of Trustees Conference Call

March 10, 2011 | 2 p.m. EST

Chairman John Q. Anderson convened a duly noticed open meeting by conference call of the Board of Trustees of the North American Electric Reliability Corporation on March 10, 2011 at 2:00 p.m., EST. As required by the bylaws of the Corporation, dial-in listen-only access was provided to members of the Corporation and the public for the meeting. The agenda is attached as **Exhibit A**.

Trustees present on the call in addition to Chairman Anderson were Vicky Bailey, Paul Barber, Tom Berry, Janice Case, Fred Gorbet, David Goulding, Ken Peterson, Bruce Scherr, Jan Schori, Roy Thilly and President and CEO Gerry Cauley. Also present were Allen Mosher, chair of the Standards Committee, and Dave Nevius, Tina McClellan, Herb Schrayshuen, Phil Tatro, David Taylor, Tom Galloway, Mallory Huggins, Holly Hawkins, and David Cook of NERC staff. Additional attendees are listed in **Exhibit B**.

Antitrust Compliance Guidelines

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

Standards Development Plan

Herb Schrayshuen presented the updated 2011-2013 Standards Development Plan. Following discussion among the trustees, on motion of Ken Peterson the board approved the updated plan and directed staff to file the updated plan with the Federal Energy Regulatory Commission and applicable governmental authorities in Canada for informational purposes.

Supplemental Violation Severity Level Modifications

Herb Schrayshuen presented supplemental modifications to NERC's March 5, 2010 Violation Severity Level filing. On motion of Dave Goulding, the board approved the supplemental modifications for filing with FERC.

Critical Infrastructure Protection VRFs and VSLs

Herb Schrayshuen presented for approval the comprehensive list of violation risk factors (VRFs) and violation severity levels (VSLs) for the CIP Reliability Standards Versions 2, 3, and 4 for filing with the FERC and applicable governmental authorities in Canada. On motion of Fred Gorbet, the board approved the comprehensive list of VRFs and VSLs as presented.

PRC-023 – Relay Loadability and NERC Rules of Procedure Section 1700 – Challenges to Determinations

Herb Schrayshuen presented for approval the proposed PRC-023-2 — Transmission Relay Loadability Reliability Standard, associated implementation plan, and a proposed Section 1700—Challenges to Determinations section to be added to the NERC Rules of Procedure, as directed by the FERC in Order No. 733 and Order No. 733-A. Following discussion among the trustees, on motion of Paul Barber, the board approved PRC-023-2, the associated implementation plan and proposed new Section 1700 to the NERC Rules of Procedure, as presented.

Response to FERC Order on Three-Year ERO Performance Assessment

Dave Nevius presented for approval the draft NERC response to FERC's September 16, 2010 order on NERC's three-year performance assessment. Following discussion among the trustees, on motion of Vicky Bailey the board approved the draft NERC response substantially in the form presented.

There being no further business, the call was terminated at 2:55 p.m.

Submitted by,



David N. Cook
Secretary



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Exhibit A

Agenda

Board of Trustees Conference Call

March 10, 2011 | 2:00–3:00 p.m. ET

Dial-In: 800-954-1051

Code: **No Code Needed**

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines

Agenda

1. Reliability Standards* — Approve

- a. *Reliability Standards Development Plan: 2011-2013*
- b. Supplemental Violation Severity Level Modifications
- c. CIP Reliability Standards Versions 2, 3, and 4 Violation Risk Factors and Violations Severity Levels
- d. PRC-023 – Relay Loadability Reliability Standard and NERC Rules of Procedure Section 1700 - Challenges to Determinations

2. Response to FERC Order on Three-Year ERO Performance Assessment* — Approve

*Background materials enclosed.

Board of Trustees Conference Call

Reservation Number: 21514627

Reservation Date/Time: 03-10-2011 14:00 ETN

Chair Person: John Q Anderson

Total Number of Lines: 68

Company Name: N AMER ELECTRIC RELIABILITY CORP

	First Name	Last Name	Company
1	John	Anderson	N/A
2	Guy	Andrews	Georgia System Operation
3	Vicky	Bailey	N/A
4	Paul	Barber	N/A
5	Thomas	Berry	N/A
6	Travis	Borrini	Ameren Missouri
7	Patrick	Brown	Canadian Electricity Assoc
8	Joseph	Bucciero	N E R C
9	Janice	Case	N/A
10	Carol	Chinn	American Transmission Co
11	Mark	Cole	Autry Horton Cole L L P
12	Tom	Connell	I M P A
13	David	Cook	N/A
14	Ed	Davis	Entergy
15	Claudia	Deneen	El Paso Electric
16	David	Dockery	A E C I
17	Barbara	Doland	N E R C
18	Andy	Dressel	N E R C
19	David	Dworzak	E E I
20	Sharon	Flores	Alliant Energy
21	William	Gallacher	Vermont Public Power
22	Tim	Gallagher	Reliability First Corp
23	Tom	Galloway	N/A
24	Fred	Gorbet	N/A
25	David	Goulding	N E R C
26	Barry	Green	Barry Green Consulting
27	Howard	Gugel	N E R C
28	Donna	Johnson	O P C

29	Don	Jones	Texas Reliability Entity
30	Andre	Komissarov	San Diego Gas & Electric
31	Michael	Kuhl	Duke Energy
32	Michael	Lombardi	North East Utilities
33	Kim	Long	Duke Energy
34	Chuck	Mattews	B P A
35	Bob	Mattey	Ohio Valley Electric Corp
36	Angela	McCarroll	Southwest Generation
37	Tina	McClellan	N/A
38	Patti	Metro	N E C A
39	Kasia	Mihalchuk	Manitoba Hydro
40	Jake	Miller	Dynergy
41	Micheal	Moon	N E R C
42	Allen	Mosher	N/A
43	Brian	Murphy	N E R C
44	Steven	Naumann	Exelon
45	David	Nevius	N/A
46	Lee	Pedowicz	N P C C
47	Kayleigh	Peters	Lincoln Electric Sys
48	Ken	Peterson	N/A
49	Gil	Prego	T N D
50	Brenda	Prokop	Xcel Energy
51	Ted	Risher	Energy Grp
52	Dan	Roethemeyer	Dynegy
53	Eric	Ruskamp	Lincoln Electric Sys
54	Bruce	Scherr	N E R C
55	Jan	Schori	N/A
56	Herb	Schrayshuen	N/A
57	Ed	Schwerdt	N P C C
58	Hertel	Shamash	Dayton Power & Light
59	Bob	Solomon	Hoosier Energy
60	Shawna	Speer	Duke Energy
61	Tracey	Stewart	Southwestern Power & Admin
62	PHILIP	Tatro	N/A

63	Roy	Thilly	N/A
64	Roy	Tued	Aces Entire Marketing
65	Serene	Wilson Archie	P E C O
66	Felicia	Withers	Duke Energy
67	Bbrad	Young	L G E K U
68	Guy	Zito	N P C C

Draft Minutes Board of Trustees

February 17, 2011 | 8:00 a.m.-12:00 p.m. MT
Hyatt Regency Phoenix
122 N. Second Street
Phoenix, AZ

Chairman John Q. Anderson called to order a duly noticed meeting of the North American Electric Reliability Corporation Board of Trustees on February 17, 2011 at 8 a.m., local time, and a quorum was declared present. The announcement, agenda, and list of attendees are attached as **Exhibits A, B, and C** respectively. He welcomed to the board newly elected independent trustee Roy Thilly.

NERC Antitrust Compliance Guidelines

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

Executive Session

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

Consent Agenda

On motion of President and CEO Gerry Cauley, the board approved the consent agenda, as follows:

Minutes

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

- January 24, 2011 – Conference Call
- January 7, 2011 – Action Without a Meeting
- December 16, 2010 – Conference Call
- November 19, 2010 – Conference Call
- November 4, 2010 – Meeting, Atlanta, GA

Committee Membership Appointments and Charter Changes

The board approved the proposed nominations to the membership of the Personnel Certification Governance Committee, the Compliance and Certification Committee, and the Critical Infrastructure Protection Committee (**Exhibit E**).

Future Meetings

The board approved February 22-23, 2012 in Phoenix, Arizona as a future meeting date and location.

President's Report

Mr. Cauley opened his report by addressing and clarifying his remarks regarding the LIDAR presentation from the Member Representatives Committee meeting. Mr. Cauley believes the report was exceptional and that it was an exceptional response from the organization. His enthusiasm towards the report is due to the responsiveness and aggressiveness to the issue at hand not stating the industry should be taking lines out of service. Mr. Cauley stated his intention is to endorse sustainable maintenance inspections.

In addition, Mr. Cauley stated that NERC continues to move toward better standards and better standards development processes. NERC is on a solid platform with its collaboration efforts with the federal government and industry that will enhance the credibility of NERC and secure the North American grid, he said. Mr. Cauley also provided an overview of the FERC February 8 technical conference on reliability noting the high value of the day-long conference.

Mr. Cauley ended his report expressing his hope that there could be a "State of Reliability" update provided to the Commission by NERC and FERC's Office of Energy Reliability on an annual basis.

Status Report on NERC's Relations in Canada

Mr. Ric Cameron, NERC's Canadian affairs representative, gave a presentation highlighting activities in the eight Canadian provinces. Mr. Cameron provided a background history for context, reported on the state of play on reliability and NERC priorities across Canadian jurisdictions, and ended his report addressing the issues presently at play in Canada. Mr. Cameron's presentation is attached here as **Exhibit F**.

Election and Appointment of Officers

On the motion of Bruce Scherr, the board elected the following officers for 2011: John Q. Anderson as Chairman of the Board; Tom Berry as Vice Chairman; and Gerry Cauley as President and Chief Executive Officer.

On the recommendation of CEO Gerry Cauley and the motion of Ken Peterson, the board appointed the following additional officers:

- David Nevius, Senior Vice President
- Tom Galloway, Senior Vice President and Chief Reliability Officer

- David Cook, Senior Vice President, Corporate Secretary and General Counsel
- Michael Walker, Senior Vice President and Chief Financial and Administrative Officer
- Lynn Costantini, Vice President and Chief Information Officer
- Herb Schrayshuen, Vice President and Director of Standards
- Mark Weatherford, Vice President and Chief Security Officer
- Janet Sena, Vice President and Director of Policy and External Affairs
- Mark Lauby, Vice President and Director of Reliability Assessment and Performance Analysis
- Julie Morgan, Assistant Secretary and Assistant Treasurer

ERO Enterprise Strategic Direction

Gerry Cauley reviewed the ERO's vision and strategic direction through 2015. Mr. Cauley cited seven goals:

Goal 1: The ERO will have clear, results-based reliability standards that provide for an adequate level of bulk power system reliability.

Goal 2: Bulk power system owners, operators, and users will demonstrate sustained cultures of learning and reliability excellence, built upon underlying foundations of compliance and effective risk management and mitigation.

Goal 3: The ERO will develop and maintain effective reliability performance measures and will continue to develop high quality reliability assessments based on long range and seasonal forecasts, as well as emerging issues.

Goal 4: Bulk power system owners, operators, and users will effectively manage risks from cyber and physical attacks and other high-impact, low-frequency events.

Goal 5: The ERO will balance the role of being a strong, independent enforcement authority, with one of providing owners, operators and users timely and transparent feedback on compliance and effective incentives for improving reliability.

Goal 6: NERC and the regional entities will execute statutory functions in a collaborative enterprise and thereby achieve efficiencies and effective process controls while leveraging the expertise of staff and reliability stakeholder resources.

Goal 7: The ERO will maintain an exceptional reputation as the trusted leader of the reliability community and instill a high degree of confidence in the reliability of the bulk power system.

Mr. Cauley stated that there are objectives assigned to each goal to provide direction and aid in successful achievement of each (full report attached here as **Exhibit G**).

Chair Anderson asked the Trustees for comments. Several trustees provided comments and recommendations to Mr. Cauley ending with the consensus that it is a well thought out plan and good direction for NERC to follow.

Reliability Standards

Herb Schrayshuen, vice president and director of standards, gave a presentation on the Reliability Standards Program (**Exhibit G**) and presented the following items for board action.

Project 2007-04 – Certifying System Operators

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

RESOLVED, that the board approves the proposed PER-003-1 – Operating Personnel Credentials Standard;

FURTHER RESOLVED, that the board approves the associated implementation plan, which provides the following:

- (1) The retirement of the PER-003-0 Reliability Standard upon the effectiveness of PER-003-1; and
- (2) An effective date of the first calendar day of the first calendar quarter twelve months after applicable regulatory approval in those jurisdictions where regulatory approval is required, or, in those jurisdictions where no regulatory approval is required, the standard shall become effective on the first day of the first calendar quarter twelve months after Board of Trustees adoption;

FURTHER RESOLVED, that the board approves the proposed Violation Risk Factors and Violation Severity Levels for the proposed PER-003-1 Reliability Standard;

FURTHER RESOLVED, that NERC Staff shall make the appropriate filings with ERO governmental authorities.

Project 2009-17 – Interpretation of PRC-004-1 and PRC-005-1

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

RESOLVED, that the board approves the proposed interpretations PRC-004-1 – Analysis and Mitigation of Transmission and Generation Protection System Misoperations, Requirements R1 and R3, and PRC-005-1 – Transmission and Generation Protection System Maintenance and Testing, Requirements R1 and R2, requested by Y-W Electric Association and Tri-State Generation and Transmission Association;

FURTHER RESOLVED, that NERC Staff shall make the appropriate filings with ERO governmental authorities.

Standards Development Program Prioritization for 2011-2013

Following extended discussion of the prioritization of standards development, the consensus of the board was to endorse the prioritization efforts and approach being following by the Standards Committee. The board will consider formal approval of the 2011-2013 standards development plan during a conference call meeting to be held in March 2011.

CIP-001-1 – Sabotage Reporting TRE Regional Variance

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

RESOLVED, that the board adopts Texas Reliability Entity's proposed regional variance to CIP-001-1 – Sabotage Reporting, Section E, that expands the applicability of the continent-wide standard to include Generator and Transmission Owners within the Texas Interconnection;

FURTHER RESOLVED, that NERC Staff shall make the appropriate filings with ERO governmental authorities.

Project 2010-11 – TPL Table 1, Footnote b

On motion of Jan Schori, the board approved the following resolutions:

RESOLVED, that the board approves the following proposed reliability standards and associated documents:

- (1) TPL-001-1 – System Performance Under Normal (No Contingency) Conditions (Category A);
- (2) TPL-002-1b – System Performance Following Loss of a Single Bulk Electric System Element (Category B);
- (3) TPL-003-1a – System Performance Following Loss of Two or More Bulk Electric System Elements (Category C); and
- (4) TPL-004-1 – System Performance Following Extreme Events Resulting in the Loss of Two or More Bulk Electric System Elements (Category D);

FURTHER RESOLVED, that the board approves the associated implementation plan, which includes:

- (1) Retirement of TPL-001-0.1, TPL-002-0b, TPL-003-0a, and TPL-004-0 upon the effectiveness of TPL-001-1, TPL-002-1b, TPL-003-1a, and TPL-004-1;

- (2) The application of revised Footnote 'b' in Table 1 will take effect on the first day of the first calendar quarter, 60 months after applicable regulatory approval. In those jurisdictions where no regulatory approval is required, the effective date will be the first day of the first calendar quarter, 60 months after Board of Trustees approval;
- (3) The existing Footnote b remains in effect until the revised Footnote b becomes effective;
- (4) All other requirements remain in effect in accordance with the effective date provisions of previous approvals;

FURTHER RESOLVED, that NERC Staff shall make the appropriate filings with ERO governmental authorities.

PRC-023 – Relay Loadability

Mr. Schrayshuen provided a status report on the relay loadability project, which will be presented to the board for action at a future meeting.

Bulk Electric Power System Definition – Policy Issues and Questions

Trustees engaged in a discussion of some of the policy issues and questions related to the proposed BES definition changes. Mr. Cauley advised the board of a creation of an MRC task force that will work on certain of the policy issues associated with the proposed change in definition.

Transmission Availability Data System (TADS) Event Type Data Collection

Mr. Mark Lauby, vice president and director of reliability assessment and performance analysis reviewed the proposed expansion of the Transmission Availability Data System (TADS) Event Type data collection, as approved by the Planning Committee in December 2010. On motion of Gerry Cauley, the board approved the following resolutions:

RESOLVED, that the board approves the expansion of the Transmission Availability Data System (TADS) Event Type Data collection, which was approved by the Planning Committee in December 2010 and specific changes are detailed in the TADS Working Group letter to Planning Committee dated November 12, 2010

[http://www.nerc.com/docs/pc/tadswg/PC_Agenda_Item_6.i.1 - TADSWG letter to PC.pdf](http://www.nerc.com/docs/pc/tadswg/PC_Agenda_Item_6.i.1_-_TADSWG_letter_to_PC.pdf));

FURTHER RESOLVED, that the board directs that this enhanced data collection will commence on January 1, 2012.

Nebraska Entities' Request to Transfer Compliance Registration

Mr. Cook reviewed the request of Nebraska Public Power District (NPPD), Omaha Public Power District (OPPD), City of Hastings, and City of Grand Island (collectively, Nebraska Entities) to transfer their compliance registration from the Midwest Reliability

Organization (MRO) to Southwest Power Pool Regional Entity (SPP RE) stating possible outcomes would include approving the request for a transfer and amendment of the two delegation agreements that NERC has with SPP RE and MRO, approving the request with conditions, or denying the request.

Representatives of SPP RE (Stacy Dochoda) and NPPD (Tim Arlt) then presented their views to the trustees orally in favor of amending the delegation agreements and approving the transfer request. Representatives of MRO (Dan Skaar) and Lincoln Electric System (Doug Curry) then presented their views orally to the trustees in opposition to amending the delegation agreements and approving the transfer request. SPP RE also provided further comments in rebuttal.

Trustees then engaged in an extended discussion of the issues, including asking questions of the parties to further explain their positions. Following that extended discussion, Ken Peterson moved to approve the proposed transfer and the proposed amendments to the two delegation agreements, subject to the conditions contained in the draft decision previously circulated to the board. Five trustees voted in favor of the motion; six trustees voted against the motion. Roy Thilly recused himself from participation in the matter. The motion failed, and the board did not approve the proposed request for a transfer of registration or the proposed amendments to the delegation agreements with MRO and SPP RE.

Compliance Filing re Regional Delegation Agreements

David Cook reviewed the Compliance Filing in Response to October 21, 2010 Order Approving Revised Delegation Agreements. On motion of Bruce Scherr, the board approved the following resolutions:

RESOLVED, that the board approves the compliance filing in response to the Federal Energy Regulatory Commission's October 21, 2010 Order Approving Revised Amended and Restated Delegation Agreements, including revisions to the delegation agreements, to the bylaws of FRCC and MRO, and to NERC's Rules of Procedure, substantially in the form set out in Attachments 1, 2, 3, 4, and 5 to the agenda background material;

FURTHER RESOLVED, that NERC Staff shall make the appropriate filings with ERO governmental authorities.

Amendment to WECC Compliance Monitoring and Enforcement Program

Mr. Cook then reviewed the proposed amendment to the WECC Compliance Monitoring and Enforcement Program for inclusion in the compliance filing in response to the October 21, 2010 Order approving the Revised Amended and Restated Delegation Agreements. On motion of Paul Barber, the board approved the following resolutions:

RESOLVED, that the board approves the proposed amendment to the WECC Compliance Monitoring and Enforcement Program for inclusion in the compliance filing in response

to the October 21, 2010 Order approving the Revised Amended and Restated Delegation Agreements;

FURTHER RESOLVED, that NERC Staff shall make the appropriate filings with ERO governmental authorities.

Committee, Group, and Forum Reports

Compliance and Certification Committee

Chair Clay Smith's report summarized the key activities of the Compliance and Certification Committee (CCC) and its associated subgroups in support of the NERC mission and goals and the CCC charter. Mr. Smith reviewed that the CCC completed two spot checks at NERC's Princeton headquarters and that applicable reports have been prepared, reviewed with NERC staff and submitted to the board. Further, Mr. Smith reviewed that the CCC is developing criteria for two more spot checks this year. The CCC and NERC will be meeting to discuss how the process is working and if the right categories are being identified and reviewed. Mr. Smith's full report is attached as **Exhibit H**.

Critical Infrastructure Protection Committee

Barry Lawson, Chair, provided a brief overview of the summary report presented to the board in advance of the meeting (attached as **Exhibit I**). Highlights of the CIPC activities are:

1. Business Continuity Guideline Task Force (BCGTF). The BCGTF is currently assigned the task of updating and combining three CIPC business continuity-related guidelines into one electricity sector-specific guideline for industry use.
2. Control Systems Security Working Group (CSSWG). The CSSWG is currently assigned the task of updating and combining nine CIPC control system-related guidelines into one or two electricity sector-specific guidelines for industry use. The CSSWG has also been assigned the work of the Cyber Attack Task Force under the Coordinated Action Plan mentioned above.
3. Protecting Sensitive Information Guideline Task Force (PSIGTF). The PSIGTF is currently assigned the task of updating the CIPC Protecting Sensitive Information Guideline to take into consideration recent developments and to make it more electricity sector specific.
4. Substation Guideline Task Force (SGTF). The SGTF is currently assigned the task of updating the CIPC Physical Security Substation Guideline to take into consideration recent developments and to make it more electricity sector-specific.

Member Representatives Committee

Chair Ed Tymofichuk reported to the board a summary of the matters presented during the Member Representatives Committee.

Operating Committee

Chair Sam Holeman provided a summary report on the key activities of the Operating Committee (OC) and its associated subcommittees in support of the NERC and OC mission and corporate goals. The full report is attached as **Exhibit J**.

Personnel Certification Governance Committee

The Personnel Certification Governance Committee written report is attached as **Exhibit K**.

Planning Committee

Chair Tom Burgess reported on the key activities of the Planning Committee (PC) and its associated subcommittees in support of the NERC and PC mission and corporate goals. The full report is attached as **Exhibit L**.

Regional Entity Management Group

Tim Gallagher, reported on the key activities of the Regional Entity Management Group highlighting such areas as Standards, Compliance, improving the Events Analysis process, implementation of the ERO Enterprise. Mr. Gallagher stated The Regional Entities are committed to working with NERC to implement the ERO enterprise in 2011 for the purpose of improving reliability and better working with registered entities. Regional Entities and NERC will continue to drive toward a common understanding of their roles, responsibilities and relationships within “The ERO Enterprise”. Mr. Gallagher stated the overarching goal is to seek consistency and efficiency where it makes sense for registered entities. The full report is attached as **Exhibit M**.

Standards Committee

Chairman Allen Mosher provided a brief overview of the Standards Committee activities. Mr. Mosher affirmed that the committee is striving to complete and improve the standards process while ensuring quality, technically sound standards. Mr. Mosher thanked the board for its endorsement of the Standards Prioritization Tool and believes it is a step in the right direction. A draft work plan was submitted by the committee to the Standards Oversight and Technology Committee and received the board committee’s endorsement. Mr. Mosher reported that results-based standards are ongoing and will be submitted in 2011. The Standards Committee also looks forward to increasing its working relationships with the Operating, Planning, and CIPC committees to ensure their technical products align with the standards. Finally, Mr. Mosher reported that the Standards Committee has an annual election of 2-year terms and currently there are two open vacancies, which are listed on the NERC website and open for nominations.

Electricity Sub-Sector Coordinating Council

Chair Gerry Cauley summarized the key activities of the Electricity Sub-sector Coordinating Council (ESCC) in support of the NERC mission and corporate goals related to critical infrastructure. The ESCC’s full report to the board is attached as **Exhibit N**.

North American Transmission Forum

Mr. Don Benjamin reported on the North American Transmission Forum in the areas of Facility Ratings Alert, Cybersecurity, NERC Standards and Metrics. Mr. Benjamin reviewed the Forum's mission and that it now encompasses 65 members as of the end of January 2011. The Forum is organized around four programs: Practices, Peer Reviews, Metrics, and Information Sharing. The full report to the board is attached as **Exhibit O**.

North American Generator Forum

Mr. Mark Bennett provided the first report to the board of the North American Generator Forum. Mr. Bennett reviewed that since its founding in August 2009, the NAGF has made substantial progress, thanks to the efforts of many individuals. For its initial report, Mr. Bennett summarized the steps taken to launch the NAGF, explained the key aspects of their charter, the nature of their membership and activities, and their progress to date and objectives for 2011. The full report to the board is attached as **Exhibit P**.

Board Committee Reports

Corporate Governance and Human Resources

Chair Janice Case provided a summary report of the meeting of the CGHRC on February 16.

On the recommendation of the Corporate Governance and Human Resources Committee and the motion of Janice Case, the board approved the following board committee assignments for 2011, noting that Board of Trustees John Q. Anderson is Ex officio to all.

Finance and Audit Committee

Fred Gorbet, Chair
Tom Berry
Dave Goulding
Roy Thilly

Compliance Committee

Bruce Scherr, Chair
Vicky Bailey
Paul Barber
Fred Gorbet
Ken Peterson
Jan Schori

Corporate Governance & Human Resources Committee

Janice Case, Chair
Vicky Bailey
Jan Schori
Roy Thilly

Standards Oversight & Technology Committee

Ken Peterson, Chair
Paul Barber
Tom Berry
Dave Goulding
Bruce Scherr

Nominating Committee

Dave Goulding, Chair

Vicky Bailey

Paul Barber

Tom Berry

Janice Case

Fred Gorbet

Roy Thilly

5 MRC Representatives

On motion of Janice Case, the board approved the proposed revisions to the mandate of the Board Compliance Committee, in the form attached as **Exhibit Q**.

On the recommendation of the Corporate Governance and Human Resources Committee and the motion of Janice Case, the board approved the following resolution:

RESOLVED, that on recommendation of the Corporate Governance and Human Resources Committee, the board authorizes the 2010 contribution equal to 10% of eligible compensation (salary and bonus) to the defined contribution plan for all eligible employees for the plan year ending December 31, 2010.

Compliance

Chair Paul Barber provided a brief report and overview of the activities of the Compliance Committee. Chair Barber reported that it would be his last meeting as Chair of the Compliance Committee and he appreciated the full support of the board, NERC, and industry representatives. Mr. Barber wished incoming Chair Bruce Scherr all the best and committed his continued support to the committee.

Chair Anderson thanked Mr. Barber for his outstanding contributions to the committee and for its success to date.

Finance and Audit

Chairman Fred Gorbet provided a summary report of the meetings of the Finance and Audit committee.

On motion of Fred Gorbet, the board adopted the following resolution:

RESOLVED, that the board accepts the Unaudited Year-End Financial Statements of NERC and the eight Regional Entities.

Standards Oversight and Technology

Chair Ken Peterson reported on the activities of the first meetings of the Standards Oversight and Technology Committee (SOTC). The committee heard a report from Standards Committee Chair Allen Mosher on the Standards Committee Strategic Goals for 2011, as well as a report from Herb Schrayshuen on the Standards Program Prioritization Process and Results noting that this item was changed from discussion to acceptance and recommendation to the board, which as noted earlier in the meeting was approved. Chair Peterson also reported that the SOTC met in closed session where Ms. Lynn Costantini reported on NERC's portal security and technology infrastructure planning. Mr. Peterson noted there is a lot of work to do and the committee is committed to fulfilling its obligations.

Closing

Chair Anderson stated he and the entire board fully believe in and are committed to the ERO model and look forward to the continued collaboration with FERC and the industry. He reconfirmed that the policy input is beneficial to the board and is read and requests that the industry members continue to submit their comments.

Adjournment

There being no further business, Chair Anderson terminated the meeting at 11:56 a.m.

Submitted by,



David N. Cook
Corporate Secretary

Compliance and Certification Committee Membership Change

Action

Approve the nomination to the Compliance and Certification Committee (CCC) of **Mr. Jim Stanton** to change his representation from the Merchant Electricity Generator sector to the Small End-Use Electricity Customer Sector for a three-year term beginning May 11, 2011.

Summary and Background

The CCC, a stakeholder Committee of NERC comprising 35 members representing various industry sectors, serves and reports directly to the NERC Board of Trustees. The CCC is responsible for engaging with, supporting, and advising the NERC Board and NERC Compliance staff regarding all facets of the NERC Compliance Monitoring and Enforcement Program, the NERC Organization Registration Program, and the NERC Organization Certification Program.

Planning Committee Membership Change

Action

Approve the nomination to the Planning Committee of Mr. David W. Weaver, Director of Transmission Operations & Planning for PECO, an Exelon Company, to represent the Investor Owned Utility sector for the remaining term of a member who resigned. The remaining term will run through June 2012.

Summary and Background

Mr. Richard J. Kafka of Pepco Holdings, Inc. resigned as a member representing the Investor Owned Utility sector of the Planning Committee in December 2010 due to retirement. Nominations were solicited in December 2010, and four candidates were nominated to fill the vacant position. A special election was announced in January 2011 to be held in accordance with the procedures of the Planning Committee Charter, dated February 16, 2010, and the Operating Committee and the Planning Committee Member Selection Process, dated May 18, 2009. Mr. Weaver was duly elected to fill the vacant position in February 2011.

**Member Representatives Committee Members to the
Board of Trustees Nominating Committee**

Action

Accept Member Representatives Committee (MRC) recommendation

Background

On the MRC's April 13, 2011 conference call, Chair Bill Gallagher invited members to volunteer to serve on the Board of Trustees Nominating Committee.

This year, David Goulding will chair the Nominating Committee. The other board members on the committee are: John Q. Anderson (ex-officio), Vicky Bailey, Paul Barber, Tom Berry, Janice Case, Fred Gorbet, and Roy Thilly.

Current board members whose terms expire February 2012 are: Bruce Scherr (initially elected 2002), Ken Peterson (initially elected 2006), and Jan Schori (initially elected in 2009.)

In response to Bill Gallagher's solicitation, several members of the MRC expressed interest in serving with MRC Chair Bill Gallagher and Vice Chair Scott Helyer on the Board of Trustees Nominating Committee. The following five MRC representatives are recommended to the Board for inclusion on the Nominating Committee.

- Bill Gallagher (MRC Chair)
- Scott Helyer (MRC Vice Chairman)
- John A. Anderson (Large End-Use Customer)
- Carol Chinn (Investor-Owned Utility)
- Craven Crowell (Regional Entity)

Future Meetings

Action

Approve a slate of meeting dates through the February 2014 Board of Trustees meeting. **Note:** The February 2012 dates approved during the February 17, 2011 meeting have been changed and the revised dates are part of the slate below.

2012 Dates

February 8-9	Phoenix, AZ
May 8-9	Baltimore/Washington, DC area
August 15-16	Quebec City, Canada
November 6-7	New Orleans, LA

2013 Dates

February 6-7	San Diego, CA
May 8-9	Philadelphia, PA
August 14-15	Montreal, Canada
November 6-7	Atlanta, GA

2014 Dates

February 5-6	Phoenix, AZ
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Reliability Standards

Action

Approve reliability standards and plans as follows:

- a. Rules of Procedure Appendix 3B – Election Procedure for Members of NERC Standards Committee — **Approve**
 - Standards Committee Charter Revisions
- b. Rules of Procedure Appendix 3D – Registered Ballot Body Criteria — **Approve**
- c. ReliabilityFirst Corporation Reliability Standards Development Procedure Version 3-b — **Approve**

a. **Rules of Procedure Appendix 3B – Election Procedure for Members of NERC Standards Committee**

Action

Approve changes to *Appendix 3B Election Procedure for Members of NERC Standards Committee* (SC Election Criteria) in the NERC Rules of Procedure and direct staff to file with applicable regulatory authorities.

[\[Clean –Appendix 3B Election Procedure for Members of NERC Standards Committee\]](#)

[\[Redline to last approval\]](#) [\[Consideration of Comments\]](#)

Summary and Background

NERC is requesting Board of Trustees approval of the proposed changes to *Appendix 3B Election Procedure for Members of NERC Standards Committee* that incorporates three substantive changes to the election procedure. These changes, proposed by members of the Standards Committee, are described below. Other minor, conforming changes are also included in the procedure.

1. Require the Chair and Vice Chair to serve as non-voting members of the Standards Committee. The purpose of this change is to clarify that the Standard Committee's officers are expected to act in support of the industry as a whole rather than in support of any particular industry segment. Fill the seats vacated by the election of officers during the next regular Standards Committee election. (Several times over the past year one of the officers was faced with a conflict of interest when determining whether to vote on behalf of the Industry Segment that elected him or on behalf of the industry as a whole. The proposed change would eliminate this conflict of interest and would ensure that each Industry Segment had two representatives.)
2. Require a Canadian representative on the Standards Committee to be any company or association incorporated in Canada; any agency of a federal, provincial, or local government in Canada; or any person with Canadian citizenship who is residing in Canada. (Currently there is no requirement that this individual reside in Canada.)
3. Simplify the process of filling vacant Standards Committee positions by eliminating the need to collect petitions and hold a ratification vote. (This would improve efficiency and result in shorter vacancies.)

Other minor conforming changes are also being proposed to Appendix 3B.

NERC posted the proposed changes for a 45-day public comment period from March 1, 2011 to April 15, 2011.

NERC received 15 sets of comments on the proposed modifications. Commenters were split on whether to adopt the proposed revisions. Many entities who submitted comments also proposed additional changes for improved clarity. Two entities indicated that the revisions would destroy the balance amongst industry segments. This is a difference of opinion that cannot be resolved.

One commenter indicated that restraining the officers from voting was not necessary as all other NERC committees allow their officers to vote. The change to the voting rights of officers is a change that was proposed by incumbent Standards Committee members who felt conflicted by trying to represent the industry segment that elected them at the same time they were trying to represent the industry as a whole.

Three commenters suggested adding more stringent language into the criteria for Canadian representatives and these suggestions were not adopted. If the criteria for representing Canada were made more stringent, by adding a minimum duration of two years to the time period for living in Canada, or by requiring that the Canadian representative have some minimum number of years of work experience in the Canadian electricity industry, this would present Canadians with a stricter threshold for Standards Committee eligibility than required for the United States representatives.

There were several suggestions to add language for further clarity, and the following suggestions were adopted and are shown in the redline version of the proposed revisions to Appendix 3B:

- Clarified that the officers are elected from incumbent Standards Committee members.
- Extended the term of office to two years to mimic other NERC committees.
- Added language to clarify that the vacancies resulting from election of officers will be filled during the regular election of Standards Committee members.

NERC Management recommends approval of the proposed changes to the *Appendix 3B Election Procedure for Members of NERC Standards Committee* for filing with applicable regulatory authorities.

If trustees have questions or need additional information, they may contact Herb Schrayshuen at herb.schrayshuen@nerc.net.

Standards Committee Charter Revisions

Action

Approve changes to the Standards Committee (SC) Charter to track the changes made to Appendix 3B and to shorten the timeframes to enable the SC to meet tight deadlines when a prompt response from the full committee is needed, along with other minor revisions.

[\[Clean – Standards Committee Charter\]](#) [\[Redline to last approval\]](#)

Summary and Background

NERC is requesting the Board of Trustees (BOT) approval of the proposed changes to the SC Charter.

NERC is proposing two substantive changes:

1. Require the Chair and Vice Chair to serve as non-voting members of the SC for a two-year term and fill their vacant seats during the regular SC election. The purpose of this change is to clarify that the SC's officers are expected to act in support of the industry as a whole rather than in support of any particular industry segment. (This would eliminate any conflict of interest.)
2. Shorten the timeframe for public notice of actions without a meeting from 10 to three calendar days and shorten the timeframe for posting the results of the ballot from 10 days to five business days.
 - a. The SC meets monthly, and limits its use of actions without a meeting to those items that require the prompt, full SC approval but don't require discussion. Shortening these timeframes would help the SC meet tight deadlines in situations where a prompt response from the full committee is needed.

Other minor changes are also being proposed to the Charter to more accurately reflect the SC's activities.

The SC approved the revisions to its charter during its April 13-14, 2011 meeting.

NERC Management recommends approval of the SC Charter, once the decision on the amendments to Appendix 3B have been made.

If board members have questions or need additional information, they may contact Herb Schrayshuen at herb.schrayshuen@nerc.net.

b. Rules of Procedure – Appendix 3D – Registered Ballot Body Criteria

Action

Approve *Appendix 3D Registered Ballot Body Criteria* for addition to the NERC Rules of Procedure and direct staff to file the changes with applicable regulatory authorities.

[\[Clean – Appendix 3D Registered Ballot Body Criteria\]](#) [\[Redline to last approval\]](#)
[\[Consideration of Comments\]](#)

Summary and Background

On September 3, 2010, the Federal Energy Regulatory Commission (FERC) approved NERC's *Standard Processes Manual* to replace the previous FERC approved *Reliability Standards Development Procedure Version 7*, which was included as Appendix 3A to the NERC Rules of Procedure. The previously approved *Reliability Standards Development Procedure Version 7* included the Registered Ballot Body Criteria as part of the Rules of Procedure. The new *Standard Processes Manual* excluded the Registered Ballot Body criteria, in the belief it was not necessary for the document. NERC has determined that these criteria need to be re-incorporated into the NERC Rules of Procedure. NERC is proposing to include the Registered Ballot Body Criteria as a new *Appendix 3D Registered Ballot Body Criteria* to the NERC Rules of Procedure. The proposed changes include the following:

1. For clarity, the term "individuals" replaces the term "persons" (in addition to entities) in the criteria of potential Registered Ballot Body members.
2. Several places in the criteria were clarified to include Independent System Operators (ISOs) to those areas that were previously limited to RTOs.
3. In the Segment Qualification Guidelines, clarification was added to state that after members of each segment are selected, registered participants may apply to change these segments annually on a schedule determined by the Standards Committee.
4. Segment 3: A new criterion was added allowing agents or associations to represent groups of Load-Serving Entities.
5. Segment 5: A new criterion was added allowing agents or associations to represent groups of electric generators; for clarity, the language was expanded to expressly include variable and other renewable resources.
6. Segment 6: A new criterion was added allowing agents or associations to represent groups of electricity brokers, aggregators, or marketers; added a provision for inclusion of demand-side management providers.
7. Segment 8: A provision was added to clarify that individuals or entities, such as consultants, vendors, or trade associations, providing products or services related to bulk power system reliability within the previous 12 months to another entity eligible to join Segments 1 through 7 (and therefore eligible to join one of those segments) are not eligible to join Segment 8; clarified that individuals or entities that elect to participate in Segment 8 are not eligible to participate in multiple segments. Clarified that individuals who are employed by an entity registered in another segment are not eligible to join Segment 8.

8. Regional reliability organizations were replaced in Segment 10 with regional entities.

Other minor conforming changes are also being proposed to the Registered Ballot Body Criteria from the criteria included in the previously approved *Reliability Standards Development Procedure Version 7*.

NERC posted the proposed Registered Ballot Body criteria for a forty-five day public comment period from March 1, 2011 to April 15, 2011.

NERC received seven sets of comments on the proposed criteria. Most of the comments indicated that the additional language added for clarity was not needed. However, the language was added specifically to address issues raised by entities and individuals with questions about joining the Registered Ballot Body. Following the comment period, NERC made only minor changes to the segment criteria.

NERC Management recommends approval of the proposed *Appendix 3D Registered Ballot Body Criteria* for addition to the NERC Rules of Procedure for filing with applicable regulatory authorities.

If trustees have questions or need additional information, they may contact Herb Schrayshuen at herb.schrayshuen@nerc.net.

c. **ReliabilityFirst Corporation Regional Standards Development Procedure Version 3-b**

Action

Approve changes to ReliabilityFirst Corporation's (RFC) *Regional Standards Development Procedure* and direct staff to file with FERC for approval.

[\[Clean and Redline - Reliability Standards Development Procedure Version 3-b\]](#)

[Consideration of Comments – see attached]

Summary

On January 14, 2011, NERC received a request from RFC to modify its Regional Standards Development Procedure approved by the RFC Board of Directors. NERC has determined that RFC's proposed regional standards development procedure meets the criteria included in Section 311.3.1 of the NERC Rules of Procedure (open, inclusive, balanced, due process, and transparent).

Background

RFC is proposing modifications to its Regional Standards Development Procedure to improve the openness of the process, to increase the requirement on affirmative votes to align with the NERC process, to better align the RFC process with the NERC process, and to improve clarity and understanding of the process.

FERC's regulations require that NERC, as the Electric Reliability Organization, approve any modifications or revisions to the procedure, and submit any approved modifications or revisions to FERC for approval. FERC's regulations require that when NERC submits changes in Regional Entity Rules to the Commission, NERC must explain the basis and purpose for the Rule or Rule change, together with a description of the proceedings conducted by the Regional Entity to develop the proposal.

The Basis and Purpose for the Revisions to the Procedure

RFC's revisions to its regional standards development procedure (Procedure) include the following substantive revisions:

1. A Standards Authorization Request (SAR) comment step was added to assist the RFC Standards Committee (RFC SC) in determining whether the SAR should move into the standard drafting phase.
2. The Category Ballot approval percentage was made consistent with NERC super-majority vs. simple majority by changing the approval percentage to two-thirds or greater.
3. The voting and Ballot Pool structure was modified to further align with the NERC process.
4. The rules were changed to allow corporations or organizations the ability to cast one vote in each RFC registered voting category as long as a different individual is registered in each registered voting category. If a corporation or organization is registered in each one of the RFC voting categories, the maximum number of votes possible is five including corporation and organization affiliates.

5. A Recirculation Ballot period was added that will be required if RFC receives any negative ballot comments during the initial 15-Day Category Ballot (the addition of a recirculation ballot will give stakeholders the opportunity to review the comments submitted by other entities during the initial Category Ballot to determine if they wish to reconsider their voting position).
6. An informal comment period was added to the Interpretation section which will increase the transparency of the Procedure and allow stakeholders to weigh in on interpretations developed by RFC.
7. Language was added referencing the use of NERC Standards Template to allow RFC standards and NERC standards to follow a consistent format and template.
8. Language was added to further clarify the effective dates for RFC standards.
 - i. RFC standards are mandatory and enforceable without monetary penalties for non-compliance upon the effective date for applicable entities that are members of RFC. With respect to members, the effective date is upon approval by the RFC board.
 - ii. RFC standards are mandatory and enforceable with monetary penalties for non-compliance for all applicable registered entities within the RFC footprint upon approval by the Commission.

Additional changes were made to correct typographical errors and inconsistencies.

RFC followed the current, FERC-approved, standards development procedure to develop the revisions submitted with this filing. Specifically, on January 20, 2010, the RFC SC authorized a SAR to modify the first two items listed above. On April 30, 2010, the RFC SC authorized a supplemental SAR to modify the scope to account for items three through eight identified above.

RFC posted its revised regional standards development procedure for one 30-Day Comment period (June 16, 2010 through July 15, 2010) in which a total of 17 commenters provided comments. After responding to all comments and modifying the Procedure accordingly, RFC posted the Procedure for the required 15-day period prior to Category Ballot (August 17, 2010 through August 31, 2010) followed by the 15-Day Category Ballot (September 1, 2010 through September 15, 2010). The Procedure passed the 15-Day Category Ballot, achieving quorum (97.2 percent), with an affirmative category vote of 100 percent. Following the Category Ballot, the Procedure was publically posted for the required 30 days prior to RFC board action (September 24, 2010 through October 23, 2010). The RFC Board of Directors unanimously approved the Procedure on December 15, 2010.

On January 14, 2011, NERC received a request from RFC to modify its regional standard development process changes approved by the RFC Board of Directors. In accordance with Section 311 of the NERC Rules of Procedure, NERC publicly noticed and requested comments on RFC's proposed changes for a forty-five day comment period, from March 1, 2011 to April 15, 2011.

NERC received nine sets of comments. The principal issue raised in the comments was the addition of the language with respect to the effective date of standards for members of RFC. Commenters, most of whom are not members of RFC, objected to inclusion of the language, stating that standards cannot be made mandatory and enforceable under section 215 until they have been approved by NERC and FERC. The provision regarding the enforceability on RFC members is not new. The provision has been part of the bylaws of RFC since its inception. The only thing that is new is the language in the standards process that clarifies the issue. As demonstrated in the response to comments filed by RFC [see attached], there is no doubt that RFC only intends for the provision to be applicable to its members, in accordance with its bylaws. RFC has no intention of enforcing regional standards as to non-members until such time as they have been approved by FERC. Further, RFC's rules contain no enforcement mechanism that would apply to such standards.

NERC Management recommends approval of the proposed RFC Corporation's Regional Standards Development Procedure for filing with FERC. As to the effective date provision, management does not wish to undercut voluntary arrangements by which entities bind themselves to adherence to reliability practices that would improve overall system reliability.

If trustees have questions or need additional information, they may contact Herb Schrayshuen at herb.schrayshuen@nerc.net.

April 20, 2011

NERC Board of Trustees
c/o David Cook, General Counsel
1120 G Street NW
Suite 990
Washington, DC 20005-3801

Re: *ReliabilityFirst's Response to Comments Regarding Proposed Revisions to the ReliabilityFirst Standards Development Procedure*

Dear NERC Board of Trustees,

On March 2, 2011, the North American Electric Reliability Corporation ("NERC") requested comments on ReliabilityFirst Corporation's ("ReliabilityFirst") proposed changes to the ReliabilityFirst Corporation Reliability Standards Development Procedure (the "Standards Development Procedure"). NERC received comments until April 15, 2011. Some commenters, including Midwest ISO, the ReliabilityFirst Member that initiated the proposed revisions to the Standards Development Procedure, and PJM, another ReliabilityFirst Member, submitted comments in support of the proposed revisions. Other commenters¹ expressed concern with certain language in the Standards Development Procedure that relates to the commitment of ReliabilityFirst Members to comply with ReliabilityFirst Regional Reliability Standards prior to Federal Energy Regulatory Commission (the "Commission") approval. ReliabilityFirst reviewed these comments and hereby responds as follows.

1. Commenters expressed concern that the Standards Development Procedure contravenes Section 215 of the Federal Power Act.

ReliabilityFirst considered these comments and determined that revisions to the proposed Standards Development Procedure are unnecessary. ReliabilityFirst understands and agrees that a Regional Reliability Standard is not subject to enforcement, including penalties, under section 215 of the Federal Power Act until Commission approval of the Regional Reliability Standard. ReliabilityFirst does not, however, agree with the suggestion that section 215 limits a registered entity's ability to voluntarily agree to be subject to additional obligations in order to enhance the reliability of the Bulk-Power System.

This is because nothing in section 215 prohibits a registered entity from voluntarily agreeing to be subject to additional obligations in order to enhance the reliability of the Bulk-Power System. As a

¹ These commenters include three Members: Dominion Energy Marketing, Inc., Consumers Energy Company, and PSEG Companies; and four non-Members: Liberty Electric Power, LLC, Electric Power Supply Association, Constellation Energy Companies, and Competitive Power Ventures Inc.

result, the ReliabilityFirst Members have voluntarily agreed to comply with ReliabilityFirst's Regional Reliability Standards prior to Commission approval in order to avoid any potential reliability gaps during NERC or the Commission's review and approval of those standards.

The Commission has recently recognized the validity of this voluntary agreement by basing the implementation of a ReliabilityFirst Regional Reliability Standard on the very existence of this voluntary agreement. Specifically, in Order No. 747, 134 FERC ¶ 61,212 (March 17, 2011), the Commission held that no implementation time was required for BAL-502-RFC-02, because it only applied to ReliabilityFirst Members that were “*already subject to BAL-502-RFC-02 by the terms of the RFC membership agreement.*” Order No. 747, at P. 54 (emphasis added).

2. **Commenters expressed concern that the Standards Development Procedure contravenes ReliabilityFirst's regional delegation agreement to the extent it addresses enforcing Reliability Standards prior to Commission approval. Commenters also expressed concern with ReliabilityFirst's ability to expend funds toward enforcing Regional Reliability Standards prior to Commission approval.**

ReliabilityFirst considered these comments and determined that revisions to the proposed Standards Development Procedure are unnecessary. First, ReliabilityFirst's Delegation Agreement authorizes, *inter alia*, ReliabilityFirst to develop Regional Reliability Standards pursuant to its current Standards Development Procedure (the procedure that the proposed Standards Development Procedure is seeking to clarify). Similar to section 215 of the Federal Power Act, the Delegation Agreement does not preclude or attempt to preclude ReliabilityFirst Members from voluntarily agreeing to be subject to the Regional Reliability Standards prior to Commission approval. As previously mentioned, the Commission has acknowledged the ability of ReliabilityFirst Members to so agree. Order No. 747, at P. 54. Accordingly, the Standards Development Procedure does not contravene ReliabilityFirst's Delegation Agreement.

Second, ReliabilityFirst has not expended any funds concerning its Members' compliance with Regional Reliability Standards prior to Commission approval, and it presently does not intend to do so. ReliabilityFirst does not engage in any auditing or enforcement activity relating to its Regional Reliability Standards prior to Commission approval. Instead, ReliabilityFirst's role is limited to reviewing correspondence voluntarily submitted from its Members confirming their compliance with Regional Reliability Standards prior to Commission approval. In the event that the correspondence indicates non-compliance, ReliabilityFirst may submit a letter requesting that the Member comply with the Regional Reliability Standards in accordance with the Bylaws and membership agreement.

As an aside, ReliabilityFirst disagrees with any suggestion that either section 215 or its Delegation Agreement impedes its ability to utilize section 215 funding to monitor its Members' compliance with Regional Reliability Standards prior to Commission approval where ReliabilityFirst believes that such monitoring is appropriate to ensure the reliability of the Bulk-Power System. The Commission has held that “section 215 of the Federal Power Act provides for federal authorization of funding ... [for] *monitoring the reliability of the Bulk-Power System.*” Order No. 672, 114 FERC ¶ 61,104, P.202 (Feb. 3, 2006) (emphasis added). Monitoring compliance with the Regional Reliability Standards may directly relate to monitoring the reliability of the Bulk-Power System, given that the Standards Development Procedure specifically characterizes a Regional Reliability Standard as a “policy, including adequacy criteria to provide for the *reliable regional and sub-*



regional planning and operation of the BPS, consistent with Good Utility Practice.” Standards Development Procedure, at p.3 (emphasis added).

3. **Commenters expressed concern that requiring compliance with Regional Reliability Standards prior to Commission approval is contrary to the section 215 definition of “Reliability Standard,” which is limited to standards approved by the Commission.**

ReliabilityFirst considered these comments and determined that revisions to the proposed Standards Development Procedure are unnecessary. As previously discussed, nothing in section 215, including its definition of Reliability Standard, prohibits a registered entity from voluntarily agreeing to be subject to Regional Reliability Standards prior to Commission approval in order to enhance the reliability of the Bulk-Power System. *See*, Order No. 747, at P. 54 (acknowledging that ReliabilityFirst Members have agreed to be subject to ReliabilityFirst Regional Reliability Standards prior to Commission approval).

Furthermore, the Standards Development Procedure clearly distinguishes between Commission approved Reliability Standards and ReliabilityFirst Standards (*i.e.*, Regional Reliability Standards that are approved by the ReliabilityFirst Board but not yet approved by the Commission). This distinction is made to avoid confusion between the statutory term “Reliability Standards,” which applies to all registered entities pursuant to section 215, and ReliabilityFirst Standards which apply to Members pursuant to the ReliabilityFirst Bylaws and membership agreement. The Standards Development Procedure further clarifies that ReliabilityFirst Standards do not include monetary penalties because they are voluntary obligations, not section 215 obligations.

4. **A Commenter expressed concern that ReliabilityFirst’s Bylaws may obligate a Member’s affiliates to comply with Regional Reliability Standards prior to Commission approval.**

ReliabilityFirst considered these comments and determined that revisions to the proposed Standards Development Procedure are unnecessary. Although ReliabilityFirst considers the ReliabilityFirst Bylaws unambiguous, ReliabilityFirst staff will convey this concern to its Board to determine if any clarification in the Bylaws is necessary. In any event, any ambiguity that may or may not exist in the Bylaws is best addressed by ReliabilityFirst’s Board and is unrelated to the proposed Standards Development Procedure.

5. **Commenters expressed concern that the Standards Development Procedure may affect future potential violations of Regional Reliability Standards after Commission approval and may impose compliance burdens on ReliabilityFirst Members.**

ReliabilityFirst considered these comments and determined that revisions to the proposed Standards Development Procedure are unnecessary. First, ReliabilityFirst agrees that it is inappropriate for it to consider a ReliabilityFirst Member’s noncompliance with a Regional Reliability Standard prior to Commission approval when evaluating that Member’s alleged violation of any Commission approved Reliability Standard or Regional Reliability Standard. Simply put, a Member’s compliance with Regional Reliability Standards prior to Commission approval is a voluntary agreement, undertaken to enhance the reliability of the Bulk-Power System, which is separate and apart from section 215 compliance. Accordingly, ReliabilityFirst does not intend to consider and

opposes the consideration of a Member's non-compliance with a Regional Reliability Standard prior to Commission approval when addressing that Member's violation history or culture of compliance in the section 215 context.

As an aside, ReliabilityFirst applauds its Members for addressing potential reliability gaps and further enhancing the reliability of the Bulk-Power System by voluntarily agreeing to be subject to Regional Reliability Standards prior to Commission approval. Consequently, ReliabilityFirst would not attach negative implications in the section 215 context to this positive and voluntary undertaking. Simply put, the Members' voluntary agreement to comply with Regional Reliability Standards prior to Commission approval is above and beyond their section 215 obligation to only comply with Commission approved Reliability.

Second, ReliabilityFirst considered the concerns regarding a Member's obligation to expend funds to achieve compliance with specific Regional Reliability Standards prior to Commission approval (e.g., PRC-002-RFC). ReliabilityFirst believes that this concern is unrelated to the language of the Standards Development Process itself. Instead, the concern is rooted in the implementation plans for specific Regional Reliability Standards.

If a Member is concerned with the implementation plan for a specific Regional Reliability Standard, that Member should fully avail itself of the Regional Reliability Standard process by, *inter alia*, voting and/or commenting against any Regional Reliability Standard with an offensive implementation plan or requesting the creation of an implementation plan for Members that is tied to Commission approval rather than Board approval where appropriate.

ReliabilityFirst sincerely appreciates the opportunity to respond to the comments.

Very truly yours,

RELIABILITYFIRST CORPORATION



Timothy R. Gallagher
President & CEO

cc:

Susan Ivey – ReliabilityFirst Corporation, Chair of the Board of Directors

Kenneth W. DeFontes – ReliabilityFirst Corporation, Vice-Chair of the Board of Directors

L. Jason Blake – ReliabilityFirst Corporation, Corporate Counsel

**Amendments to NPCC Bylaws,
Regional Reliability Standards Development Procedure and
Compliance Monitoring and Enforcement Program**

Action

Approve amendments to the NPCC Bylaws (included in Exhibit B to the NPCC RDA), the NPCC Regional Reliability Standards Development Procedure (NPCC RSDP) (included in Exhibit C to the NPCC RDA), and Section 2.0 of Exhibit D, "Compliance Monitoring and Enforcement Program," to the NPCC RDA (these amendments are shown in legislative style in Exhibits B, C and D to the NPCC RDA, Attachment 1 to this Agenda item) to be filed at the Federal Energy Regulatory Commission (FERC) for approval.

Background

In addition to approval for the new agreements and the related amendments to existing delegation agreements set forth in Agenda Item 10, approval is requested for unrelated amendments to the NPCC Bylaws (included in Exhibit B to the NPCC RDA), the NPCC RSDP (included in Exhibit C to the NPCC RDA), and Section 2.0 of Exhibit D, "Compliance Monitoring and Enforcement Program," to the NPCC RDA (these amendments are shown in legislative style in the NPCC RDA, Attachment 3 to this Agenda item).

The proposed amendments to the NPCC Bylaws are intended to enhance the NPCC governance structure by trimming the relatively large size of the current NPCC Board structure, combining a sparsely populated stakeholder section into another existing sector, introducing independent, outside perspectives from independent directors retained at the Board level thereby creating a hybrid board structure, and establishing a mechanism for populating the NPCC hearing body to meet the requirement for impartial resolution of any contested compliance matter. This is accomplished by: reducing the number of Directors in each voting sector from 3 to 2; combining the Customer sector and Sub-Regional Councils and Other Regional Entities and Interested Entities sector into 1 voting sector (thereby reducing the number of stakeholder sections from eight to seven); and introducing 2 Independent Directors and having those Independent Directors serve on the Hearing Body instead of members of the Compliance Committee. The Hearing Body would still include an Independent Hearing Officer.

The proposed amendments to the NPCC RSDP and to Section 2.0 of Exhibit D to the NPCC RDA are for the purposes of conforming the RSDP and Exhibit D to the amended Bylaws. The amendments to the NPCC RSDP change two references to "eight sectors" to "seven sectors," consistent with the Bylaws amendment. In addition, a scrivener's error is corrected in Section 3 of the NPCC RSDP. The amendments to Section 2.0, "Regional Hearing of Compliance Matters," of Exhibit D to the NPCC RDA revise the description of the composition of the NPCC Hearing Body to conform to the amended NPCC Bylaws, *i.e.*, to establish that the Hearing Body will consist of an independent Hearing Officer and two Independent Directors.

NERC management intends to make separate filings with FERC for approval of (i) the NPCC-WECC CEA Agreement, the NERC-WECC Termination Agreement and the related amendments to the NPCC RDA and the WECC RDA, and (ii) the unrelated amendments to the NPCC Bylaws, the NPCC RSDP and Exhibit D to the NPCC RDA.

The background of the slide is a blue-tinted image showing the silhouettes of five business professionals in a meeting room. A woman stands on the left, gesturing towards a group of four people seated around a table. The background features a large, glowing world map with white lines connecting various points. A semi-transparent grey box is overlaid on the bottom right of the image, containing the title text.

Proposed Revisions to NPCC's Board Structure

Northeast Power Coordinating Council, Inc.

www.npcc.org

Jennifer Budd Mattiello
Vice President and Chief Operating Officer

- **Rationale for Change**
- **Summary of NPCC Member Approved Changes**
 - ◆ Hybrid Board Structure
 - ◆ Merge Stakeholder Sectors
 - ◆ Election of Stakeholder Directors
 - ◆ Election of Independent Directors
 - ◆ NPCC Hearing Body
- **Timeline for January 1, 2012 Implementation**

Proposed Revisions: *“Independent Director” Representation on the NPCC Board*

- ◆ Governance structures in the ERO Enterprise
 - NERC and some Regional Entities have fully independent Boards
 - Some Regional Entities have hybrid boards with independent director classes
 - Other Regional Entities have fully stakeholder Boards
- ◆ Facilitates an “independent” review of compliance disputes
 - Conflict-of-interest issues may arise if NPCC stakeholder directors participate in compliance proceedings involving Members
- ◆ Corporate governance best practice in the not-for-profit sector
 - Inspired by Sarbanes-Oxley reforms for public companies, the appointment of independent directors on a not-for-profit board is often viewed as evidence that the board has the ability to make independent decisions in the best interests of the organization
 - Revised IRS Form 990 (Annual Information Return for Not-for-Profits) focuses on director independence and new definition of *independent director*

Proposed Revisions: *Hybrid Board Structure*

◆ 14 Stakeholder Directors

- currently, up to 24 directors from eight stakeholder sectors may serve on the Board
- reduce eight stakeholder sectors to **seven stakeholder sectors** by merging Sector 6 (*Customers*) with and into Sector 8 (*Sub-Regional Reliability Councils, Other Regional Entities and Interested Entities*)
- reduce the number of directors in each sector from three to **two directors**

◆ 2 Independent Directors

- no independent directors currently serve on the Board
- add a **new independent director sector** to the Board

◆ Independent Board Chair

- Board is currently chaired by an independent chairman with no voting rights
- grant independent Board Chair a **casting vote to resolve deadlocks**

◆ Officers - - President & CEO, and others as appropriate

- officers are not entitled to vote on Board matters

Proposed Revisions: *Election of Stakeholder Directors*

- ◆ Elected by majority of Members in the respective stakeholder sector:
 - **Sector 1 Transmission Owners** (maximum of 2 directors)
 - **Sector 2 Reliability Coordinators** (maximum of 2 directors)
 - **Sector 3 Transmission Dependent Utilities, Distribution Companies and Load-Serving Entities** (maximum of 2 directors)
 - **Sector 4 Generator Owners** (maximum of 2 directors)
 - **Sector 5 Marketers, Brokers and Aggregators** (maximum of 2 directors)
 - **Sector 6 Regulators** (maximum of 2 directors)
 - **Sector 7 Sub-Regional Reliability Councils, Customers, Other Regional Entities and Interested Entities** (maximum of 2 directors)

No Member or any affiliate of a Member may designate more than 1 Stakeholder Director to represent such Member or affiliate
- ◆ May serve multiple terms of office
- ◆ Not entitled to compensation

Proposed Revisions: *Election of Independent Directors*

- ◆ Elected by a majority of Members present at the NPCC Annual Meeting of Members
- ◆ Drawn from diverse backgrounds
- ◆ Possess a broad range of industry expertise, perspectives, experiences, skill sets and knowledge
- ◆ Satisfy the “independence” requirements established by the Board and its Corporate Governance and Nominating Committee (CGNC)
- ◆ Serve a two-year term
 - up to three terms for a **maximum of six years**
- ◆ Entitled to compensation as determined in the sole discretion of the NPCC Board of Directors

- **Purpose of NPCC's Hearing Body**

- ◆ to conduct and render decisions in a formal compliance hearing of any entity registered in the NERC compliance registry who is the subject of a notice of alleged violation, proposed penalty or sanction, contested mitigation plan or contested remedial action directive
- ◆ to conduct all compliance hearings in accordance with the hearing procedures set forth in the NERC Hearing Procedure

- **Hearing Body shall comprise**

- ◆ 2 Independent Directors (excluding the NPCC Board Chair), *plus*
- ◆ a Hearing Officer (*i.e.*, an individual employed or contracted by NPCC and designated by NPCC to preside over formal compliance hearings)

Timeline for January 1, 2012 Implementation

- **February/Early March** - - Board met to review draft Amended and Restated Bylaws of NPCC reflecting the proposed hybrid board structure, and summary chart of proposed bylaw changes
- **March 15** - - Unanimous Board recommendation to Membership of final draft Amended and Restated Bylaws of NPCC
- **March 23** - - Draft Amended and Restated Bylaws of NPCC and summary matrix of proposed bylaw changes presented to Members via Webinar and teleconference
- **Tuesday, April 12** - - NPCC Members Approved the Amended and Restated Bylaws of NPCC via electronic voting, and authorized filing with NERC and FERC for approvals
- **Mid-April** - - Draft Amended and Restated Bylaws of NPCC sent to NERC Board of Trustees for approval early May, 2011
- **May to Early-November** - - Draft Amended and Restated Bylaws of NPCC to be approved by NERC and submitted to FERC subsequently for approval
- **Mid-November** - - Stakeholder Director nominees and Independent Director nominees to be presented by NPCC Board of Directors to Membership for approval
- **November 30** - - NPCC Members to approve slate of Stakeholder Director nominees and Independent Director nominees during 2011 Annual Meeting of Members



Thank You



**Agreement for Northeast Power Coordinating Council, Inc. (NPCC) to perform
Compliance Monitoring and Enforcement Functions
for Western Electricity Coordinating Council (WECC) Registered Functions;
Agreement to Terminate Current CMEP Agreement between NERC and WECC; and
Amendments to Delegation Agreements with WECC and NPCC**

Action

Subject to the Northeast Power Coordinating Council, Inc. (NPCC) and the Western Electricity Coordinating Council (WECC) obtaining all requisite approvals from their respective Boards, the NERC Board of Trustees is requested to:

(1) approve a proposed “Agreement Between Northeast Power Coordinating Council, Inc. and Western Electricity Coordinating Council Concerning Compliance Monitoring and Enforcement of WECC Registered Functions” (NPCC-WECC CEA Agreement), pursuant to which NPCC will act as the Compliance Enforcement Authority (CEA) with respect to the reliability functions (Reliability Coordinator (RC) and Interchange Authority (IA)) for which WECC is the registered entity in the U.S. portion of the WECC Region (WECC Registered Functions) (Attachment 1 to this Agenda item);

(2) approve a proposed “Agreement Concerning Termination of ‘Agreement Between North American Electric Reliability Corporation and Western Electricity Coordinating Council Concerning Compliance Monitoring and Enforcement for WECC Registered Functions’” (NERC-WECC Termination Agreement), which will terminate the existing agreement (NERC-WECC CEA Agreement) pursuant to which NERC acts as the CEA for the WECC Registered Functions (Attachment 2 to this Agenda item);

(3) approve proposed amendments to the Delegation Agreement with NPCC (NPCC RDA) that are necessary in light of NPCC’s entry into the NPCC-WECC CEA Agreement (Attachment 3 to this Agenda item). Unrelated revisions to Exhibits B-D of the NPCC RDA are separately provided as part of Agenda Item 9 and will be filed separately with the Commission by NERC management; and

(4) approve an amendment to the Delegation Agreement with WECC (WECC RDA) that is necessary in light of WECC’s entry into the NPCC-WECC CEA Agreement;

all to be filed at the Federal Energy Regulatory Commission (FERC) for approval.

Background

As the result of approval of the NPCC-WECC CEA Agreement, the NERC-WECC Termination Agreement, and the related amendments to the NPCC RDA and the WECC RDA, NPCC will assume responsibility for performance of the compliance monitoring and enforcement functions with respect to the RC and IA functions for which WECC is the registered entity in the U.S. portion of the WECC Region, and NERC will cease to perform the compliance monitoring and enforcement functions with respect to the WECC Registered Functions. NPCC will act as the CEA with respect to the WECC Registered Functions, in a manner similar to how SERC Reliability Corporation (SERC), pursuant to agreements previously approved by the Board and by FERC, acts as the CEA with respect to the reliability functions for which Florida Reliability Coordinating Council (FRCC) and Southwest Power Pool (SPP) are the registered entities within their respective Regions (the SERC-FRCC CEA Agreement and SERC-SPP CEA Agreement, respectively).

NERC entered into the NERC-WECC CEA Agreement, effective January 1, 2009, to act as the CEA with respect to the WECC Registered Functions, in order to address FERC's concerns about a perceived lack of independence in WECC's performance of the CEA responsibilities over the reliability functions for which WECC is the registered entity. NERC continues to act as the CEA for the WECC Registered Functions, pursuant to the NERC-WECC CEA Agreement. NPCC, WECC and NERC have now negotiated the proposed NPCC-WECC CEA Agreement, pursuant to which NPCC would take over performance of the CEA responsibilities with respect to the WECC Registered Functions.

The NPCC-WECC CEA Agreement (Attachment 1 to this Agenda item) has been developed to follow as closely as possible the existing SERC-FRCC CEA Agreement and SERC-SPP CEA Agreement that have previously been approved by the Board and by FERC and are currently in effect. The NPCC-WECC CEA Agreement provides for NPCC to be responsible for performing the full range of CMEP activities with respect to the WECC Registered Functions.

NPCC and WECC have agreed that NPCC will be paid \$18,000 per quarter (prorated for any partial quarter) from the Effective Date (i.e., following FERC approval) of the NPCC-WECC CEA Agreement through December 31, 2012 for these services. For subsequent years, NPCC will develop annual budgets, including an appropriate allocation of NPCC's General and Administrative (G&A) costs, for its CEA services to WECC, which will be reviewed and approved by NERC and, ultimately, by FERC, in the annual business planning and budgeting process. The approved NPCC budget for its CEA services to WECC will then be included in the assessments to load-serving entities and designees (LSE) in the WECC Region for the budget year. (Further, this approved budget amount will not be included in the calculation of NPCC's assessments to LSE within the NPCC Region). The NPCC-WECC Agreement also provides for a true-up of the budget to NPCC's actual costs (including an appropriate allocation of its G&A costs) following the budget year, with the resulting over- or under-recoveries of NPCC's costs to be reflected in the assessments to LSEs in the WECC Region in the second year following the budget year. Additionally, the NPCC-WECC CEA Agreement allows NPCC to issue a supplemental invoice(s) to WECC during the budget year if NPCC's actual costs for performing the CEA functions are

exceeding the budgeted amount by more than 10 percent. (The last-described provision is slightly different than the comparable provision in the SERC-FRCC and SERC-SPP CEA Agreements, which allow SERC to issue a supplemental invoice(s) during the year if SERC's actual costs of performing the CEA functions for either FRCC or SPP exceed the budgeted funding by an amount that is greater than 10 percent of SERC's budgeted cash reserve.)

In accordance with FERC's directives with respect to the SERC-FRCC and SERC-SPP CEA Agreements, the NPCC-WECC CEA Agreement specifies that any penalties assessed with respect to a WECC Registered Function will be transmitted to NERC, to be used by NERC as a general offset to NERC's budget under the Federal Power Act as the Electric Reliability Organization for the following year.

The Initial Term of the current NERC-WECC CEA Agreement ends on December 31, 2013. In light of the fact that NPCC will presumably be taking over the CEA responsibilities for the WECC Registered Functions in late 2011 or early 2012 (based on the timing of FERC approval), the NPCC-WECC CEA Agreement provides for an Initial Term ending December 31, 2014. Consistent with FERC's directives concerning the SERC-FRCC and SERC-SPP CEA Agreements, the NPCC-WECC CEA Agreement will not automatically renew at the end of the Initial Term. Rather, the NPCC-WECC CEA Agreement provides that if NPCC and WECC wish to renew the Agreement following the Initial Term, they must submit a joint filing requesting renewal to NERC by April 1, 2014; if NERC approves a renewal agreement, it must then also be approved by FERC.

The NERC-WECC Termination Agreement (Attachment 2 to this Agenda item) provides for the termination of the existing NERC-WECC CEA Agreement as of the date that the NPCC-WECC CEA Agreement becomes effective (Termination Effective Date), and for NERC's participation in the transfer of the CEA responsibilities over the WECC Registered Functions to NPCC. As of the Termination Effective Date, NPCC will assume responsibility for the performance of all in-process compliance monitoring and enforcement activities with respect to the WECC Registered Functions, with the exception of any settlement negotiations that were already in progress as of April 30, 2011 and have not been completed. (This reservation is included because it would not be efficient nor productive to turn over to NPCC in-progress settlement negotiations to which NERC and WECC have already devoted significant efforts.) NERC will transfer to NPCC all documents, records, files and other information necessary for NPCC to assume responsibility for the in-progress compliance monitoring and enforcement matters. The NERC-WECC Termination Agreement also provides that, within 60 days following the Termination Effective Date, NERC and WECC will jointly review the previous billings by NERC and payments to WECC for NERC's activities under the NERC-WECC CEA Agreement and will arrive at a final invoice, with any net payment due by one party to the other to be made within 30 days thereafter.

Approval is also requested for related amendments to the NPCC RDA (Attachment 3 to this Agenda item) and a related amendment to the WECC RDA (described below). These amendments are consistent with amendments to the SERC RDA and to the delegation

agreements with FRCC and SPP that were adopted in connection with the SERC-FRCC and SERC SPP CEA Agreements.

With respect to the NPCC RDA: (i) A new subsection 6(j) is proposed to be added, stating: “NPCC may also perform compliance monitoring and enforcement activities outside of the Region shown on Exhibit A, on behalf of NERC and/or other Regional Entities, such activities to be undertaken pursuant to a contract between NPCC and such other Regional Entity that is approved by NERC and the Commission.” (ii) In Exhibit E to the NPCC RDA, the following new Section 9 is proposed to be added:

9. Costs Associated with Cross-Regional Compliance Monitoring and Enforcement

The costs associated with any Cross-Regional Compliance Monitoring and Enforcement performed by NPCC pursuant to section 6(j) of this Agreement with respect to registered functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with NPCC for such services, in accordance with the contract between NPCC and the other Regional Entity. Where such a contract has been entered into, NPCC will include a description of the resources it has budgeted to perform such services, and its estimated costs (including appropriate allocation of NPCC’s General and Administrative costs) to perform such services, in each budget year, in NPCC’s annual business plan and budget that is submitted to NERC and the Commission for approval.

With respect to the WECC RDA, the following text is proposed to be added to Exhibit A: “Within the WECC region compliance monitoring and enforcement functions with respect to reliability functions for which WECC is a registered entity are performed by the Northeast Power Coordinating Council, Inc. (NPCC) pursuant to an agreement between NPCC and WECC dated (date).” (Because only this single, discrete amendment to the WECC RDA is being proposed, an entire redlined WECC RDA has not been included with this Agenda item, but will be filed with FERC.)

**AGREEMENT BETWEEN
NORTHEAST POWER COORDINATING COUNCIL, INC. and
WESTERN ELECTRICITY COORDINATING COUNCIL
CONCERNING COMPLIANCE MONITORING AND ENFORCEMENT
OF WECC REGISTERED FUNCTIONS**

THIS AGREEMENT ("Agreement") made effective as of **[insert date]** (the "Effective Date"), is between the Northeast Power Coordinating Council, Inc. ("NPCC"), an organization established to develop and enforce Reliability Standards, and Western Electricity Coordinating Council ("WECC"), an organization established to develop and enforce Reliability Standards within the geographic boundaries identified in **Exhibit A** to this Agreement (the portion of such geographic boundaries lying within the United States is referred to herein as the "WECC Region"), and for other purposes. NPCC and WECC may be individually referred to herein as "Party" or collectively as "Parties."

RECITALS

I. WECC currently performs the Reliability Coordinator ("RC") function (as "Reliability Coordinator" is defined in the North American Electric Reliability Corporation ("NERC") *Glossary of Terms Used in Reliability Standards*) for the WECC Region, and is registered on the NERC *Compliance Registry* as the RC for the WECC Region. WECC also performs the Interchange Authority ("IA") function (as "Interchange Authority" is defined in the NERC *Glossary of Terms Used in Reliability Standards*), and is registered on the NERC *Compliance Registry*, for all Balancing Authority ("BA") Areas in the WECC Region listed in **Exhibit B** to this Agreement, as may be revised from time to time. In this Agreement, the RC function for the WECC Region and the IA function for the BA Areas for which WECC is the registered IA are sometimes referred to as the "WECC Registered Functions," and WECC is referred to as the "Registered Entity" with respect to its performance of the WECC Registered Functions.

II. NPCC is a party to a certain “Amended and Restated Delegation Agreement Between the North American Electric Reliability Corporation and Northeast Power Coordinating Council, Inc.” (the “NERC-NPCC Delegation Agreement”), which has been approved by the Commission and which states in Section 6 thereof, in pertinent part, that NPCC shall enforce Reliability Standards (including Regional Reliability Standards) through a compliance enforcement program set forth in Exhibit D to the NERC-NPCC Delegation Agreement.

III. WECC is a party to a certain “Amended and Restated Delegation Agreement Between the North American Electric Reliability Corporation and Western Electricity Coordinating Council” (the “NERC-WECC Delegation Agreement”), which has been approved by the Commission and which states in Section 6 thereof, in pertinent part, that WECC shall enforce Reliability Standards (including Regional Reliability Standards) within the WECC Region through a compliance enforcement program set forth in Exhibit D to the NERC-WECC Delegation Agreement.

IV. Notwithstanding the provisions of Section 6 of the NERC-WECC Delegation Agreement, the Commission has ruled that WECC’s responsibility to enforce Reliability Standards applicable to WECC Registered Functions provides insufficient separation of functions, may result in a lack of independence in compliance monitoring and enforcement for WECC Registered Functions, and presents a deficiency in compliance monitoring and enforcement that should be remedied. The Commission therefore directed that WECC arrange for NERC, another Regional Entity or a third party, rather than WECC, to be responsible for enforcing Reliability Standards applicable to the WECC Registered Functions.

V. In light of the Commission’s directive, NERC and WECC entered into an “AGREEMENT BETWEEN NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION and WESTERN ELECTRICITY COORDINATING COUNCIL CONCERNING COMPLIANCE MONITORING AND ENFORCEMENT FOR WECC REGISTERED FUNCTIONS” whereby NERC assumed responsibility as the Compliance Enforcement Authority (“CEA”) with respect to

the WECC Registered Functions (the “NERC-WECC CEA Agreement”). The Commission approved the NERC-WECC CEA Agreement by Letter Order issued February 17, 2009.

VI. NPCC and WECC agree, subject to approval by NERC and by the Commission, that, contemporaneously with the termination of the NERC-WECC CEA Agreement, NPCC should assume responsibility for the Compliance Monitoring and Enforcement Program (“CMEP”) with respect to the WECC Registered Functions.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties, intending to be bound, agree as follows:

1. Responsibilities of NPCC.

(a) Beginning on the Effective Date, NPCC will perform all responsibilities of the CEA as specified in the NERC CMEP, Appendix 4C to the NERC Rules of Procedure (“ROP”), as amended from time to time (the “NERC CMEP”), with respect to the WECC Registered Functions.

(b) Without limiting the scope of NPCC’s responsibilities as stated in Subsection 1(a), NPCC agrees to perform the following activities:

(1) Administer all compliance processes in Section 3.0 of the NERC CMEP with respect to the WECC Registered Functions, in accordance with the NERC Annual CMEP Implementation Plan required by Section 4.1 of the NERC CMEP for each year. If at any time, WECC’s registration status changes, NPCC will monitor the Registered Functions for which WECC is registered at that time.

(2) Lead all compliance audits and compliance investigations of the WECC Registered Functions.

(i) NPCC shall conduct a scheduled compliance audit of the WECC Registered Functions in accordance with the frequency established by NERC. As WECC is currently registered, NPCC will audit the WECC RC function at least once

every three (3) years and shall conduct a scheduled compliance audit of the WECC IA function at least once every six (6) years.

(ii) Scheduled compliance audits of the WECC Registered Functions shall include all actively-monitored standards in accordance with the NERC Annual CMEP Implementation Plan.

(iii) As required by the NERC ROP, all compliance audits of the WECC RC function shall be conducted on site. Such audits will be conducted at the WECC RC Center (RCC) in Vancouver, Washington. However, upon timely notice as specified in the NERC CMEP, site visits may also be conducted at the WECC RCC in Loveland, Colorado. Spot checks or other compliance monitoring methods may be completed off site.

(iv) The Parties anticipate compliance audits of the WECC IA function will be conducted off-site. However, NPCC reserves the right to conduct compliance monitoring activities of the WECC IA function on-site as it deems necessary and in accordance with the CMEP.

(3) Determine if notices of alleged violations and proposed penalties or sanctions should be issued with respect to a WECC Registered Function, and calculate or determine any proposed penalties or sanctions in accordance with the NERC *Sanction Guidelines*.

(4) Administer processes as specified in Section 5.0 of the NERC CMEP with respect to any notices of alleged violations and proposed penalties or sanctions issued with respect to the WECC Registered Functions including, but not limited to conducting settlement negotiations for any such alleged violations.

(5) Review and approve proposed Mitigation Plans submitted with respect to a WECC Registered Function, and monitor implementation and completion of approved Mitigation Plans, in accordance with Section 6.0 of the NERC CMEP.

(6) Determine if Remedial Action Directives should be issued with respect to a WECC Registered Function, and issue such Remedial Action Directives if determined to be necessary, in accordance with Section 7.0 of the NERC CMEP.

(7) Conduct settlement negotiations for any violations of Reliability Standards discovered by NPCC per this agreement, if requested by WECC, in accordance with Section 5.6 of the NERC CMEP.

(8) Provide due process hearings with respect to notices of alleged violations, proposed penalties and sanctions, disputed Mitigation Plans, and disputed Remedial Action Directives with respect to a WECC Registered Function, as requested by WECC, in accordance with Attachment 2, Hearing Procedures, to the NERC CMEP.

(c) Compliance audit teams, compliance investigation teams, and review teams for self-certifications, spot check responses, periodic data submittals, self-reports, exception reports and complaints submitted with respect to, or relating to, a WECC Registered Function shall not include any employees of WECC, but may include employees of other Regional Entities, NERC and Commission staff members. Provided, that in accordance with Section 2(c) of this Agreement, NPCC may request and obtain technical advice and assistance from WECC employees, acting in a consulting or advisory capacity, who are not employed in a WECC Registered Function or performing activities in support of a WECC Registered Function.

2. Responsibilities of WECC.

(a) WECC shall establish and designate to NPCC a primary compliance contact for each WECC Registered Function, in accordance with Section 2.0 of the NERC CMEP.

(b) WECC shall timely respond to and comply with all notices, requests for information and schedules issued by NPCC as the CEA for the WECC Registered Functions pursuant to the NERC CMEP.

(c) WECC, acting in its delegated role as a Regional Entity, shall provide subject-matter experts (“SME”) as requested by NPCC to provide technical advice and assistance to NPCC, in NPCC’s discretion, in carrying out the CMEP with respect to the WECC Registered Functions. A SME provided by WECC may be an employee of WECC or an industry volunteer, provided that no SME provided by WECC may be employed by WECC in a WECC Registered Function or performing activities in support of a WECC Registered Function. The Parties agree that SMEs provided by WECC shall only be used by NPCC in a consulting or advisory capacity to provide expertise and advice on technical matters pertaining to the WECC Registered Functions, shall have no decision-making responsibilities with respect to any compliance processes or compliance enforcement matters, and shall not be a member of any compliance audit team, compliance investigation team, or review team for self-certifications, spot check responses, periodic data submittals, self-reports, exception reports or complaints submitted by or relating to a WECC Registered Function.

(d) WECC shall reimburse NPCC the actual, reasonable costs of NPCC’s performance of the CMEP with respect to the WECC Registered Functions, including an appropriate allocation of NPCC’s General and Administrative costs, in accordance with Section 6 of this Agreement.

(e) Except as provided in this Agreement, WECC, acting in its delegated role as a Regional Entity, shall continue to perform all CMEP responsibilities in the WECC Region in accordance with the NERC-WECC Delegation Agreement.

3. Disposition of Penalties Paid by WECC with respect to a WECC Registered Function.

In accordance with Section 9(j), and Section 5 of Exhibit E, of the NERC-WECC Delegation Agreement, any penalties to be paid by WECC for violations of Reliability Standards by a WECC Registered Function, shall be transmitted to NERC, to be used by NERC as a general offset to NERC’s budget for its activities as the Electric Reliability Organization under

the Federal Power Act for the following year, in accordance with the *NERC Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards*.

4. Transfer of Responsibilities for CMEP Activities With Respect To WECC Registered Functions That Are In Progress on the Effective Date.

(a) Upon the Effective Date, the NERC-WECC CEA Agreement shall be terminated pursuant to a separate termination agreement between NERC and WECC; provided that any obligations of WECC under the NERC-WECC CEA Agreement that have not been completed as of the Effective Date shall survive the termination of the NERC-WECC CEA Agreement and shall be timely completed by WECC in accordance with the terms of the NERC-WECC CEA Agreement.

(b) Upon the Effective Date, responsibility for being the CEA with respect to the WECC Registered Functions shall be transferred to and assumed by NPCC.

(c) Upon the Effective Date, NPCC shall assume full responsibility, as the CEA, for completion of all compliance processes with respect to the WECC Registered Functions that are in progress as of the Effective Date, including without limiting the foregoing, (i) completion and issuance of reports of compliance audits and compliance investigations of the WECC Registered Functions, (ii) completion of review of, and issuance of any findings or reports concerning, any self-certifications, spot-checks, periodic data submittals, self-reports, exception reports or complaints, submitted with respect to, or pertaining to, a WECC Registered Function, (iii) determination of whether any notice of alleged violations and/or proposed penalties or sanctions should be issued with respect to a WECC Registered Function as a result of any such compliance processes, (iv) processing of any notices of alleged violations and/or proposed penalties or sanctions that were issued before the Effective Date, or are issued after the Effective Date as the result of compliance processes conducted before the Effective Date, and (v) review, approval and monitoring of implementation and completion of any Mitigation Plans

required with respect to a WECC Registered Function as the result of compliance processes conducted before the Effective Date.

5. Revisions to Exhibit B to this Agreement

(a) If WECC becomes registered on the NERC *Compliance Registry* as the IA for a BA Area not listed on **Exhibit B** to this Agreement, the Parties shall revise **Exhibit B** to add the BA Area for which WECC has become the Registered Entity for the IA function.

(b) If WECC ceases to be registered on the NERC *Compliance Registry* as the IA for a BA Area, the Parties shall revise **Exhibit B** to delete the BA Area for which WECC has ceased to be the Registered Entity for the IA function.

6. Compensation to NPCC for Performance of CMEP With Respect to the WECC Registered Functions.

(a) Compensation through December 31, 2012.

For the period from the Effective Date of this Agreement through December 31, 2012, NPCC shall invoice WECC the amount of \$18,000.00 per quarter (pro-rated for any partial quarter) on or about the first day of each calendar quarter. The first invoice shall also include the amount for the partial quarter, if any, between the Effective Date and the date of the first invoice. WECC shall remit to NPCC the amount of each invoice by check or electronic funds transfer to NPCC within twenty (20) business days following the date of each invoice.

(b) Compensation for Years Subsequent to 2012.

(i) In its annual Business Plans and Budgets submitted to NERC and the Commission for the year 2013 and subsequent years within the term of this Agreement, NPCC shall identify a portion of its CMEP budget, including an appropriate allocation of NPCC's General and Administrative Costs (the "WECC Registered Functions CMEP Budget"), that is attributable to the performance of the CMEP with respect to the WECC Registered Functions. NPCC's allocation of resources to the performance of its

obligations under this Agreement and the corresponding budgeted amount shall be subject to approval by NERC and by the Commission as part of their overall approval of NPCC's business plan and budget. The amount of NPCC's proposed WECC Registered Functions CMEP Budget shall also be included in WECC's business plan and budget that is submitted to NERC and to the Commission for approval. The amount of the WECC Registered Functions CMEP Budget for each year, as approved by the Commission, (i) shall be excluded from the calculation of NPCC's assessments to Load Serving Entities ("LSEs") in the NPCC Region for each such year, and (ii) shall be included in the calculation of WECC's assessments to LSEs in the WECC Region for each such year. NPCC shall invoice WECC for the amount of the WECC Registered Functions CMEP Budget in four equal quarterly amounts during each year, with the invoices to be issued by NPCC to WECC on or about January 1, April 1, July 1 and October 1 and to be paid by WECC by check or electronic funds transfer to NPCC within twenty (20) business days following the date of the invoice.

(c) Reconciliation of Costs.

No later than ninety (90) days after the end of a budget-year, NPCC shall provide to WECC a statement of actual expenses incurred by NPCC in the fulfillment of NPCC's responsibilities under this agreement for that budget-year. The statement shall disclose the actual costs of labor, travel and meetings, and all other direct costs, as well as NPCC's allocation of its actual General and Administrative Costs. The statement shall summarize the reasons for any variances as compared to the budget amount. NPCC shall provide supporting documentation for the final statement upon request by WECC. The total variance for the concluded budget year shall be incorporated as a compensating adjustment in both the NPCC and WECC budgets in the second year following the budget-year and, as approved by NERC and the Commission, reflected in

the quarterly invoices from NPCC to WECC and quarterly payments by WECC to NPCC in such year.

(d) Supplemental Invoice.

If during any budget-year, including 2012, the actual cost of performing NPCC's responsibilities under this agreement exceeds the budgeted funding by more than ten (10) percent (for example as may be necessitated by the conduct of a compliance investigation or hearing), NPCC shall have the right to issue supplemental invoices to WECC to recover in full all actual costs incurred above the budgeted funding. Upon receipt of such a supplemental invoice, WECC shall pay the full amount of the invoice by check or electronic funds transfer to NPCC within sixty (60) days.

7. Term and Termination.

(a) Initial Term. The Initial Term of this Agreement shall be from the Effective Date of this Agreement to December 31, 2014.

(b) Renewal Terms. This Agreement shall not automatically renew at the end of the Initial Term without the express approval of NERC and the Commission. If either NPCC or WECC does not plan to seek approval for renewal of the agreement, that Party must give written notice to the other Party at least one (1) year prior to the end of the Initial Term. In the event NPCC and WECC intend to renew the Agreement, they shall make a joint filing to NERC not later than April 1, 2014 requesting approval of the renewal. In the event of termination of the Agreement, NPCC will work with WECC and NERC to transfer responsibility for any compliance activities in progress to the entity that will be the CEA for the WECC Registered Functions.

(c) Early Termination. Notwithstanding the provisions of subsections 7(a) and 7(b), Early Termination of this Agreement shall occur in the following events:

(i) If either NPCC or WECC ceases to be a Regional Entity, this Agreement shall terminate as of the end of the calendar year that NPCC or WECC ceases to be a Regional Entity.

(ii) If WECC ceases to be the Registered Entity for both the RC function and the IA function in the WECC Region, this Agreement shall terminate as of the last date that WECC ceases to be a Registered Entity for the RC function or the IA function.

(iii) If WECC ceases to be the Registered Entity for either the RC or the IA function but remains the Registered Entity for the other function, the Parties will amend this Agreement accordingly.

(iii) If both Parties agree in writing to terminate this Agreement at any time.

(iv) If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by the Commission, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification or condition. If any Party finds such holding, modification or condition unacceptable and the Parties are unable to renegotiate a mutually acceptable resolution, said Party may unilaterally terminate this Agreement. Such termination shall be effective as of one year following written notice provided by said Party to the other Party, or at such other time as may be mutually agreed by NERC, NPCC and WECC.

(v) Provided, that in the event of the termination of this Agreement, NPCC will transfer responsibility for completion of all compliance processes that are in progress as of the date of Early Termination, or within a reasonable time after as mutually agreed to by the Parties, to the entity that will be the CEA for the WECC Registered Functions.

(d) In the event of termination, the costs associated with the wind-down of this Agreement and transfer of any compliance processes in progress to the new CEA are payable by WECC to NPCC in accordance with Section 6 of this Agreement.

8. Geographic Scope of Agreement

This Agreement, and the responsibilities of the Parties hereunder, is effective and binding only within the portion of the geographic boundaries of WECC shown in **Exhibit A** that is within the United States with respect to the WECC RC and those Balancing Authority areas within the United States listed in **Exhibit B** with respect to the WECC IA.

9. Representations of the Parties.

(a) Representations of WECC. WECC represents and warrants that (i) WECC is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relative to this Agreement, (ii) no applicable law, contract or other legal obligation prevents WECC from executing this Agreement and fulfilling its obligations hereunder, (iii) entry into this Agreement by WECC is duly authorized under its governing corporate documents, and (iv) the person or persons executing this Agreement on behalf of WECC are duly authorized to do so.

(b) Representations of NPCC. NPCC represents and warrants (i) NPCC is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relative to this Agreement, (ii) no applicable law, contract or other legal obligation prevents NPCC from executing this Agreement and fulfilling its obligations hereunder, (iii) entry into this Agreement by NPCC is duly authorized under its governing corporate documents, and (iv) the person or persons executing this Agreement on behalf of NPCC are duly authorized to do so.

10. Limitation of Liability.

NPCC and WECC agree not to sue one another or their directors, officers, employees, and persons serving on their committees and subgroups based on any act or omission of any of the foregoing in the performance of duties pursuant to this Agreement or in conducting activities under the authority of Section 215 of the Act, other than seeking a review of such action or

inaction by the Commission. NPCC and WECC shall not be liable to one another for any damages whatsoever, other than for non-payment of or failure to remit compensation due pursuant to Section 6 of this Agreement, including without limitation, direct, indirect, incidental, special, multiple, consequential (including attorneys' fees and litigation costs), exemplary, or punitive damages arising out of or resulting from any act or omission associated with the performance of NPCC's or WECC's responsibilities under this Agreement or in conducting activities under the authority of Section 215 of the Act, except to the extent that NPCC or WECC is found liable for gross negligence or intentional misconduct, in which case NPCC or WECC shall not be liable for any indirect, incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

11. No Third Party Beneficiaries.

Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.

12. Confidentiality.

During the course of the Parties' performance under this Agreement, a Party may receive Confidential Information, as defined in Section 1500 of the NERC ROP. Except as set forth herein, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the issuing Party, unless disclosure is required by subpoena, law, or other directive of a court, administrative agency, or arbitration panel, in which event the recipient hereby agrees to provide the Party that provided the Confidential Information with prompt notice of such request or requirement in order to enable such issuing Party to (a) seek an appropriate protective order or other remedy, (b) consult with the recipient with respect to taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section 12. In the event a protective order or other remedy is not obtained or the

issuing Party waives compliance with the provisions, the recipient agrees to furnish only that portion of the Confidential Information which the recipient's counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information. In addition, each Party shall ensure that its officers, trustees, directors, employees, subcontractors and subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those contained herein. This confidentiality provision does not prohibit reporting and disclosure by NPCC, as the CEA with respect to the WECC Registered Functions, in accordance with Section 8.0 and other provisions of the NERC CMEP.

13. Amendment.

Neither this Agreement nor any of the terms hereof, may be amended unless such amendment is made in writing, signed by the Parties, and approved by the Commission.

14. Dispute Resolution.

In the event a dispute arises under this Agreement between the Parties, representatives of the Parties with authority to settle the dispute shall meet and confer in good faith in an effort to resolve the dispute in a timely manner. In the event the designated representatives are unable to resolve the dispute within thirty (30) days or such other period as the Parties may agree upon, each Party shall have all rights to pursue all remedies, except as expressly limited by the terms of this Agreement. No Party shall have the right to pursue other remedies until the Dispute Resolution procedures of this Section 14 have been exhausted. This Section 14 shall not apply to enforcement actions or Remedial Action Directives by NPCC, as the CEA, against a WECC Registered Function, or hearings conducted at the request of WECC as the Registered Entity for a WECC Registered Function, pursuant to the NERC CMEP.

15. Notices.

Whether expressly so stated or not, all notices, demands, requests, and other communications required or permitted by or provided for in this Agreement shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall designate for itself in writing in accordance with this Section, and shall be delivered by hand or reputable overnight courier:

If to NPCC:

Northeast Power Coordinating Council
1040 Avenue of the Americas
10th Floor
New York, NY 10018
Attn: Edward A. Schwerdt
Facsimile: 212 302-2782

If to WECC:

Western Electricity Coordinating Council
155 North 400 West
Suite 200
Salt Lake City, UT 84103
Attn: General Counsel
Facsimile: 801-582-6899

Provided, that the foregoing notice provision shall not be applicable to notices and other communications between NPCC, as the CEA, and WECC as the Registered Entity for a WECC Registered Function, which notices and other communications shall instead be provided or transmitted in accordance with the NERC CMEP.

16. Governing Law.

When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of Delaware without giving effect to the conflict of law principles thereof. The Parties recognize and agree not to contest the exclusive or primary jurisdiction of the Commission to interpret and apply this Agreement; provided however, that if the Commission declines to exercise or is precluded from exercising jurisdiction of any action arising out of or concerning this Agreement, such action shall be brought in any state or federal court of competent jurisdiction in Delaware. All Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in Delaware for the purpose of hearing and determining any action not heard and determined by the Commission.

17. Headings.

The headings and captions in this Agreement are for convenience of reference only and shall not define, limit, or otherwise affect any of the terms or provisions hereof.

18. Entire Agreement.

This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the Parties with respect to the subject matter of this Agreement.

19. Execution of Counterparts.

This Agreement may be executed in counterparts and each counterpart shall have the same force and effect as the original.

NOW, THEREFORE, the Parties have caused this Agreement to be executed by their duly authorized representatives, to be effective as of the Effective Date.

NORTHEAST POWER COORDINATING
COUNCIL, INC.

By: _____

Name: Edward A. Schwerdt

Title: President and CEO

Date: _____

WESTERN ELECTRICITY
COORDINATING COUNCIL

By: _____

Name: Mark W. Maher

Title: Chief Executive Officer

Date: _____

EXHIBIT A

WECC's physical boundaries coincide with the boundaries of the Western Interconnection. The Western Interconnection consists of the synchronously operated electric transmission grid in the western part of North America, which includes parts of Montana, Nebraska, New Mexico, South Dakota, Texas, Wyoming, and Mexico and all of Arizona, California, Colorado, Idaho, Nevada, Oregon, Utah, Washington and the Canadian Provinces of British Columbia and Alberta. The WECC region encompasses approximately 1.8 million square miles.

WECC's northern border runs along the northern border of British Columbia and Alberta. The western border extends along the western coast of North America from British Columbia into northern Baja California, Mexico. The southern border traverses northern Baja and extends along the southern United States border to Texas. The eastern border bisects North America from Alberta, Canada through the states of Montana, South Dakota, Wyoming, Nebraska, Texas and New Mexico to the southern United States border.

EXHIBIT B

Balancing Authority Areas in the WECC Region for which WECC is the Registered Entity on the NERC *Compliance Registry* for the Interchange Authority function:

Arizona Public Service Company
Avista Corporation
Bonneville Power Administration
Balancing Authority of Northern California
California Independent System Operator
City of Tacoma, Department of Public Utilities, Light Division
Dynegy Arlington Valley, LLC - DEAA
El Paso Electric Company
Gila River Power, LP – BA
Griffith Energy
Idaho Power Company
Imperial Irrigation District
Los Angeles Department of Water and Power
NaturEner Glacier Wind Energy 1, LLC
Nevada Power Company
New Harquahala Generating Company, LLC - HGBA
NorthWestern Corporation
Pacificorp East
Pacificorp West
Portland General Electric
Public Service Company of Colorado (PSCo)
Public Service Company of New Mexico
Public Utility District No. 1 of Chelan County
Public Utility District No. 2 of Grant County, Washington
PUD No. 1 of Douglas County
Puget Sound Energy
Salt River Project Agricultural Improvement and Power District
Seattle City Light
Sierra Pacific Power Company
Tucson Electric Power
Turlock Irrigation District
Western Area Power Administration - Desert Southwest Region
Western Area Power Administration - Rocky Mountain Region
Western Area Power Administration - Upper Great Plains Region

**AGREEMENT CONCERNING TERMINATION OF
“AGREEMENT BETWEEN
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION and
WESTERN ELECTRICITY COORDINATING COUNCIL
CONCERNING COMPLIANCE MONITORING AND ENFORCEMENT
FOR WECC REGISTERED FUNCTIONS”**

THIS AGREEMENT (“Termination Agreement”) is made effective as of [DATE] (the “Termination Effective Date”), between the North American Electric Reliability Corporation (“NERC”) and the Western Electricity Coordinating Council (“WECC”), for the purpose of terminating that certain “Agreement Between North American Electric Reliability Corporation and Western Electricity Coordinating Council Concerning Compliance Monitoring and Enforcement for WECC Registered Functions” entered into as of January 1, 2009 (“NERC-WECC CEA Agreement”). Capitalized terms used in this Termination Agreement that are not separately defined herein shall have the same meanings as in the NERC-WECC CEA Agreement.

RECITALS

I. NERC and WECC entered into the NERC-WECC CEA Agreement, effective as of January 1, 2009, whereby NERC assumed responsibility as the CEA with respect to the WECC Registered Functions, as more fully set forth in the NERC-WECC CEA Agreement.

II. The Northeast Power Coordinating Council, Inc. (“NPCC”) and WECC have entered into, subject to approval by NERC and the Commission, a certain “Agreement Between Northeast Power Coordinating Council, Inc. and Western Electricity Coordinating Council Concerning Compliance Monitoring and Enforcement of WECC Registered Functions,” to be effective as of [DATE], pursuant to which NPCC

will assume responsibility as the CEA with respect to the WECC Registered Functions (“NPCC-WECC CEA Agreement”).

III. Upon the effective date (the “Effective Date”) of the NPCC-WECC CEA Agreement, the NERC-WECC Agreement, and NERC’s responsibilities as the CEA with respect to the WECC Registered Functions, can be terminated, subject to implementation of appropriate provisions for the transfer of NERC’s responsibilities as the CEA with respect to the WECC Registered Functions to NPCC and the closeout of NERC’s and WECC’s obligations under the NERC-WECC CEA Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Termination Agreement, NERC and WECC, intending to be bound, agree as follows:

1. The Termination Effective Date shall be the same date as the Effective Date; *provided*, that this Termination Agreement shall not be effective unless and until both this Termination Agreement and the NPCC-WECC CEA Agreement have been approved by both (i) the NERC Board of Trustees and (ii) the Commission.

2. The NERC-WECC CEA Agreement shall terminate on the Termination Effective Date, subject to the responsibilities of NERC and WECC to perform any of their respective obligations under the NERC-WECC CEA Agreement or this Termination Agreement that require actions after the Termination Effective Date. *Provided*, that the provisions of Section 14, Dispute Resolution, of the NERC-WECC CEA Agreement shall survive the termination of the NERC-WECC CEA Agreement for the purpose of resolving any disputes that arose between NERC and WECC under the NERC-WECC CEA Agreement prior to the Termination Effective Date.

3. (a) Upon the Termination Effective Date, NPCC shall assume full responsibility, as the CEA, for completion of all compliance processes with respect to the WECC Registered Functions that are in progress as of the Termination Effective Date, including without limiting the foregoing, (i) completion and issuance of reports of compliance audits and compliance investigations of the WECC Registered Functions, (ii) completion of review of, and issuance of any findings or reports concerning, any self-certifications, spot-checks, periodic data submittals, self-reports, exception reports or complaints, submitted with respect to, or pertaining to, a WECC Registered Function, (iii) determination of whether any notice of alleged violations and/or proposed penalties or sanctions should be issued with respect to a WECC Registered Function as a result of any such compliance processes, (iv) processing of any notices of alleged violations and/or proposed penalties or sanctions that were issued before the Effective Date, or are issued after the Effective Date as the result of compliance processes conducted before the Effective Date, and (v) review, approval and monitoring of implementation and completion of any Mitigation Plans required with respect to a WECC Registered Function as the result of compliance processes conducted before the Effective Date. *Provided*, that NPCC shall not assume responsibility, and NERC shall retain responsibility, for the conduct and completion of any settlement negotiations that were initiated on or before April 30, 2011 and have not been completed as of the Termination Effective Date pertaining to any notices of alleged violations that have been issued with respect to, or any investigations concerning, a WECC Registered Function.

(b) NERC shall work cooperatively with NPCC to effectuate the transfer to NPCC of NERC's responsibilities as the CEA with respect to the WECC Registered Functions, in accordance with Section 3(a).

(c) On the Termination Effective Date or as soon as practicable thereafter, NERC shall transfer to NPCC all documents, records, files and other information necessary for NPCC to assume responsibility, as the CEA, for completion of all compliance processes with respect to the WECC Registered Functions that are in progress as of the Termination Effective Date.

(d) NERC and WECC agree that this Section 3 supersedes and takes precedence over the provisions of the last paragraph of Section 7 of the NERC-WECC CEA Agreement.

4. Within sixty (60) days following the Termination Effective Date, NERC and WECC shall jointly review the previous billings by NERC and payments by WECC with respect to NERC's activities under the NERC-WECC CEA Agreement, and shall reach agreement on a final invoice covering NERC's activities under the NERC-WECC CEA Agreement through the Termination Effective Date. WECC shall pay NERC, or NERC shall pay WECC, as the case may be, any net amounts owed by WECC to NERC or by NERC to WECC as reflected in the final invoice, within thirty (30) days following the date of the final invoice.

5. All notices, demands, requests, and other communications required or permitted by or provided for in this Termination Agreement shall be given in writing to NERC or WECC, as the case may be, at the respective addresses set forth below, or at

such other address as NERC or WECC shall designate for itself in writing in accordance with this Section, and shall be delivered by hand or reputable overnight courier:

If to NERC:

North American Electric
Reliability Corporation
1120 G Street, N.W., Suite 990
Washington, D.C. 20005
Attention: David N. Cook

If to WECC:

Western Electricity Coordinating Council
155 North 400 West
Suite 200
Salt Lake City, UT 84103
Attention: General Counsel

6. Neither this Termination Agreement nor any of the terms hereof may be amended unless such amendment is made in writing, signed by NERC and WECC, and approved by the Commission.

7. This Termination Agreement constitutes the entire agreement on its subject matter, and supersedes all prior agreements and understanding, both written and oral, between NERC and WECC with respect to the subject matter of this Termination Agreement.

8. This Termination Agreement may be executed in counterparts and each counterpart shall have the same force and effect as the original.

NOW, THEREFORE, NERC and WECC have caused this Termination Agreement to be executed by their duly authorized representatives, to be effective as of the Termination Effective Date.

**NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION**

**WESTERN ELECTRICITY
COORDINATING COUNCIL**

By: _____
Name: Gerald W. Cauley

By: _____
Name: Mark W. Maher

Title: President and CEO

Title: Chief Executive Officer

Date: _____

Date: _____

**AMENDED AND RESTATED DELEGATION AGREEMENT BETWEEN
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
AND NORTHEAST POWER COORDINATING COUNCIL, INC.**

AMENDED AND RESTATED DELEGATION AGREEMENT (“Agreement”) made as of January 1, 2011, between the North American Electric Reliability Corporation (“NERC”), an organization certified by the Federal Energy Regulatory Commission (“Commission”) pursuant to Section 215(c) of the Federal Power Act to establish and enforce Reliability Standards for the Bulk-Power System, and Northeast Power Coordinating Council, Inc. (“NPCC”), an organization established to develop and enforce Reliability Standards within the geographic boundaries identified on **Exhibit A** to this Agreement, and for other purposes. NERC and NPCC may be individually referred to herein as “Party” or collectively as “Parties.”

WITNESSETH

WHEREAS, Subtitle A of the Electricity Modernization Act of 2005 added Section 215 to the Federal Power Act (16 U.S.C. § 824n) (hereafter “the Act”), which, among other things, provides for the establishment of an electric reliability organization (“ERO”) to develop and enforce Reliability Standards applicable to all owners, operators, and users of the Bulk-Power System;

WHEREAS, the Commission has adopted regulations for the implementation of the Act, which are set forth at Chapter I, Title 18, Code of Federal Regulations, Part 39 (the “ERO Regulations”);

WHEREAS, the Commission has certified NERC as the ERO that will, in accordance with the Act, establish and enforce Reliability Standards for the Bulk-Power System, subject to certain delegation provisions described below;

WHEREAS, the Act recognizes the international interdependency of electric reliability within North America and envisions the ERO and such applicable Regional Entities as international organizations;

WHEREAS, the Act and Section 39.8 of the ERO Regulations provide for the delegation by the ERO of authority to propose and enforce Reliability Standards to regional entities (“Regional Entities”) such as NPCC provided that:

(A) The Regional Entity is governed by —

- (i) an independent board;
- (ii) a balanced stakeholder board; or
- (iii) a combination independent and balanced stakeholder board.

(B) The Regional Entity otherwise satisfies the provisions of Section 215(c)(1) and (2) of the Act; and

(C) The agreement promotes effective and efficient administration of Bulk-Power System reliability;

WHEREAS, certain Regional Entities are organized on an Interconnection-wide basis and are therefore entitled to the presumption set forth in the Act that: “[t]he ERO and the Commission shall rebuttably presume that a proposal for delegation to a Regional Entity organized on an Interconnection-wide basis promotes effective and efficient administration of bulk power system reliability and should be approved”;

WHEREAS, the Act further provides that the ERO shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Reliability Standard or modification to a Reliability Standard to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest;

WHEREAS, NPCC is not organized on an Interconnection-wide basis and therefore is not entitled to the rebuttable presumptions accorded such an entity;

WHEREAS, NERC will work through NPCC to carry out certain of its activities in furtherance of its responsibilities as the ERO under the Act;

WHEREAS, NERC has concluded that NPCC meets all requirements of the Act, the ERO Regulations, and the NERC Rules of Procedure as approved by the Commission (“NERC Rules of Procedure”) necessary to qualify for delegation; and

WHEREAS, NERC and NPCC having operated under a predecessor agreement to this Agreement, have negotiated this amended and restated Agreement so as to incorporate the benefits of their mutual experience and lessons learned while operating under the predecessor agreement and thereby provide for the more efficient and effective execution of their respective responsibilities in a transparent manner that is pursuant to Section 215 of the Act and the ERO Regulations;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, NERC and NPCC agree as follows:

1. Definitions. The capitalized terms used in this Agreement shall be defined as set forth in the Act, the ERO Regulations, the NERC Rules of Procedure, or the NERC Glossary of Terms Used in Reliability Standards, or, if not so defined, shall be defined as set forth in this Section 1 or elsewhere in the text of this Agreement:

(a) Breach means (i) the failure of a Party to perform or observe any material term, condition or covenant of the Agreement or (ii) a representation in Section 2 of the Agreement shall have become materially untrue.

(b) Cross-Border Regional Entity means a Regional Entity that encompasses a part of the United States and a part of Canada or Mexico.

(c) Delegated Authority means the authority delegated by NERC to NPCC to propose and enforce Reliability Standards pursuant to the Act and to undertake related activities set forth in this Agreement in furtherance of these delegated functions in accordance with the Act, the ERO Regulations and this Agreement.

2. Representations.

(a) For purposes of its Delegated Authority, NPCC hereby represents and warrants to NERC that:

(i) NPCC is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder. NPCC is governed in accordance with its bylaws by a combination independent and balanced stakeholder board. Pursuant to these bylaws, no two industry sectors can control any NPCC decision and no single industry sector can veto any NPCC decision. The relevant portions of such bylaws are attached hereto in **Exhibit B**¹, and as so attached are in full force and effect. No other such corporate governance documents are binding upon NPCC.

(ii) As set forth in **Exhibit C** hereto², NPCC has developed a standards development procedure, which provides the process that NPCC may use to develop Regional Reliability Standards [and Regional Variances, if the regional entity is organized on an Interconnection-wide basis] that are proposed to NERC for adoption.

(iii) As set forth in **Exhibit D** hereto, NPCC has adopted the NERC Compliance Monitoring and Enforcement Program, Appendix 4C to the NERC Rules of Procedure, which provides for the enforcement of Reliability Standards within NPCC geographic boundaries as shown on **Exhibit A**.

(b) NERC hereby represents and warrants to NPCC that:

(i) NERC is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder; and

(ii) NERC has been certified as the ERO by the Commission pursuant to the Act.

¹ The **Exhibit B** from NPCC shall meet the requirements contained in **Exhibit B** to this Agreement.

² The **Exhibit C** from NPCC shall meet the requirements contained in **Exhibit C** to this Agreement.

3. Covenants.

(a) During the term of this Agreement, NPCC shall maintain and preserve its qualifications for delegation pursuant to the Act and shall not amend its Regional Entity Rules without NERC's approval, which shall not be unreasonably withheld or delayed and which shall, in the case of a Regional Entity organized on an Interconnection-wide basis, be governed by the presumptions provided for in Section 215(d)(2) and (e)(4)(C) of the Act, and be subject to any required Commission approval.

(b) During the term of this Agreement, NERC shall maintain its qualification and status as the ERO pursuant to the Act and, subject to the provisions of Sections 17 and 18 of this Agreement, NERC shall not adopt amendments to the NERC Rules of Procedure that conflict with the rights, obligations or programs of NPCC under this Agreement without first obtaining the consent of NPCC, which consent shall not be unreasonably withheld or delayed.

(c) During the term of this Agreement, NERC and NPCC shall adhere to and require that all participants in their respective activities under this Agreement follow and comply with the NERC Antitrust Compliance Guidelines.

4. Delegation of Authority.

(a) Based upon the representations, warranties and covenants of NPCC in Sections 2 and 3 above, the corporate governance documents set forth in **Exhibit B**, the standards development process set forth in **Exhibit C**, and the compliance monitoring and enforcement program set forth in **Exhibit D**, NERC hereby delegates authority, pursuant to Section 215(e)(4) of the Act, to NPCC for the purpose of proposing Reliability Standards to NERC, as set forth in Section 5 of this Agreement, and enforcing Reliability Standards, as set forth in Section 6 of this Agreement, within the geographic boundaries and such other scope set forth on **Exhibit A**, *provided*, that NPCC shall not monitor and enforce compliance with Reliability Standards for NPCC or an affiliated entity with respect to reliability functions for which NPCC or an affiliate is a Registered Entity. Any exclusions from this delegation of authority to NPCC within, or additions to this delegation of authority to NPCC beyond, the geographic boundaries set forth on **Exhibit A** are stated on **Exhibit A**.

(b) In circumstances where NPCC or an affiliated entity is a Registered Entity, NPCC shall enter into an agreement with another Regional Entity or NERC for the other

Regional Entity or NERC to monitor and enforce NPCC or affiliate's compliance with Reliability Standards. Such agreements are subject to NERC and Commission approval.

(c) Nothing in this Agreement shall prohibit NPCC from entering into an arrangement between one or more other Regional Entities to perform compliance monitoring and enforcement activities outside of its region, on behalf of NERC and/or other Regional Entities, for Registered Entities that have registered functions monitored by more than one Regional Entity, subject to approval by NERC.

(d) For Cross-Border Regional Entities, the authority delegated by this Agreement shall extend only to the portion of the region identified on **Exhibit A** that is within the United States. Any delegation of authority by ERO Governmental Authorities in Canada or Mexico shall be governed by a separate agreement and is outside the scope of this Agreement; provided, however, that both NPCC and NERC shall endeavor to ensure that this Agreement and such separate agreements are compatible.

(e) As a condition to this delegation of authority and subject to the provisions of Section 17 of this Agreement, NPCC shall comply with the applicable provisions of NERC's Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards, as from time to time adopted, approved, or amended.

5. Development and Proposal of Reliability Standards.

- (a) In connection with its Delegated Authority, NPCC shall be entitled to:
- (i) propose Reliability Standards, Regional Variances, or modifications thereof to NERC, which shall be considered by NERC through an open and inclusive process for proposing and adopting Reliability Standards that affords NPCC reasonable notice and opportunity to be heard; and
 - (ii) develop Regional Reliability Standards [and Regional Variances, if Regional Entity is organized on an Interconnection-wide basis] through NPCC process as set forth in **Exhibit C**. Proposals approved through NPCC process shall be reviewed by the NERC Board after NERC provides notice and an opportunity for interested persons to comment. In the case of a proposal from a Regional Entity organized on an Interconnection-wide basis, comments shall be limited to the factors identified in NERC Rule of Procedure 312.3 as it may be amended from time to time. The NERC Board shall promptly thereafter consider such

proposed Regional Reliability Standard or Regional Variance, applying the rebuttable presumption described in subsection 5(b) of this Agreement if the proposed Regional Reliability Standard or Regional Variance is from a Regional Entity organized on an Interconnection-wide basis, and either approve the proposed Regional Reliability Standard or Regional Variance and submit it to the Commission for approval, or disapprove it in writing setting forth its reasons. NPCC may appeal any disapproval of a proposed Regional Reliability Standard or Regional Variance to the Commission.

(b) Pursuant to Section 215(d)(3) of the Act, NERC shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Regional Reliability Standard or Regional Variance or modification thereof to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest. Any person challenging such proposal from the Regional Entity organized on an Interconnection-wide basis shall have the burden of proof. NERC shall not find that this presumption has been rebutted except based upon substantial evidence that has been disclosed to, and been subject to comment by, the Interconnection-wide Regional Entity during NERC's review of the proposal.

6. Enforcement of Compliance with Reliability Standards.

(a) In connection with its delegated authority pursuant to this Agreement, NPCC shall enforce Reliability Standards (including Regional Reliability Standards and Regional Variances) within the geographic boundaries set forth, or as otherwise specified, in **Exhibit A** through the compliance monitoring and enforcement program set forth in **Exhibit D**. NERC and NPCC agree that this compliance monitoring and enforcement program meets all applicable requirements of the Act, Order No. 672 of the Commission, and the ERO Regulations, including, *inter alia*, the requirement for an audit program pursuant to Section 39.7(a) of the ERO Regulations, the assessment of penalties pursuant to Section 39.7(c) through 39.7(g) of the ERO Regulations and the requirements for due process. NPCC may not change its compliance monitoring and enforcement program set forth in **Exhibit D** absent NERC's approval, which shall not be unreasonably withheld or delayed, and the approval of the Commission. Subject to the rights and limitations specified in Sections 17 and 18 of this Agreement, NPCC agrees to comply with the NERC Rules of Procedure, with any directives issued pursuant to Section 8(c)

of this Agreement, and with any guidance and directions issued by the NERC Board or a Board committee pursuant to Section 8(d) of this Agreement, in implementing this program.

(b) NPCC shall report promptly to NERC any Possible Violation, Alleged Violation, or Confirmed Violation of a Reliability Standard, and its eventual disposition by NPCC. Such report shall include the owner's, operator's, or user's name, which Reliability Standard or Reliability Standards were the subject of the Possible Violation, Alleged Violation, or Confirmed Violation, when the Possible Violation, Alleged Violation, or Confirmed Violation occurred, other pertinent facts including circumstances surrounding the Possible Violation, Alleged Violation, or Confirmed Violation with any known risk to the Bulk-Power System, when the Possible Violation, Alleged Violation, or Confirmed Violation was or will be mitigated, the name of a person knowledgeable about the Possible Violation, Alleged Violation, or Confirmed Violation to serve as a point of contact with the Commission, and any other information required by NERC compliance program procedures. NERC shall promptly forward such report to the Commission. NERC and NPCC shall cooperate in filing such periodic summary reports as the Commission shall from time to time direct on Possible Violations, Alleged Violations, and Confirmed Violations of Reliability Standards and summary analyses of such Possible Violations, Alleged Violations, and Confirmed Violations.

(c) Each Possible Violation, Alleged Violation, or Confirmed Violation shall be treated as nonpublic unless the matter is filed with the Commission as a Notice of Penalty, or, if disclosure is required, dismissed. The disposition of each Possible Violation, Alleged Violation, or Confirmed Violation that relates to a Cybersecurity Incident or that would jeopardize the security of the Bulk-Power System if publicly disclosed shall remain nonpublic unless the Commission directs otherwise.

(d) All dispositions by NPCC of Possible Violations, Alleged Violations, and Confirmed Violations of Reliability Standards shall be reported to NERC for review and, in the case of Confirmed Violations, penalties or sanctions, and settlements, for approval. Following approval of a disposition by NERC, NERC shall file the disposition with the Commission, if required by, and in accordance with, Section 215(e) of the Act and Section 39.7 of the ERO Regulations. NERC shall review NPCC dispositions based on the following criteria:

(i) whether the disposition is supported by a sufficient record compiled by NPCC in accordance with the NERC Rules of Procedure, NERC directives and

Commission requirements, taking into account the nature of the Possible Violation, Alleged Violation, or Confirmed Violation,

(ii) whether the disposition is consistent with any applicable directives issued pursuant to Section 8(c) of this Agreement, any applicable directions or guidance issued by the NERC Board or a Board committee pursuant to Section 8(d) of this Agreement, or other applicable NERC guidance, concerning the Reliability Standards to which the Possible Violation, Alleged Violation, or Confirmed Violation relates,

(iii) if the disposition is a Confirmed Violation or settlement, whether it provides for a penalty or sanction, or a determination of no penalty or sanction, determined in accordance with the NERC Sanction Guidelines, Appendix 4B to the NERC Rules of Procedure, and

(iv) whether the disposition is reasonably consistent with other dispositions by NPCC and by other Regional Entities of Possible Violations, Alleged Violations, and Confirmed Violations involving the same or similar facts and circumstances.

NERC may reject any disposition, with an explanation of why NERC believes the disposition does not meet the above criteria. NPCC may submit a disposition requiring NERC approval that has been rejected by NERC, or a revised disposition following a rejection, directly to the NERC Board Compliance Committee for approval without revising the disposition to address all the grounds on which NERC originally rejected the disposition. The final approval of NPCC disposition of a Possible Violation, Alleged Violation, or Confirmed Violation shall be made by the NERC Board Compliance Committee, provided, that the NERC Board or NERC Board Compliance Committee may, by appropriate resolution, delegate authority for final approval of dispositions of specified categories of Possible Violations, Alleged Violations, or Confirmed Violations to the NERC President.

(e) All appeals of penalties imposed by NPCC as a result of a decision by NPCC Hearing Body shall be filed with, heard by and disposed of by, NERC in accordance with the NERC Rules of Procedure.

(f) NPCC shall maintain the capability to conduct investigations of Possible Violations and Alleged Violations of Reliability Standards and to conduct such investigations in a confidential manner.

(g) NPCC shall maintain a program of proactive monitoring and enforcement of compliance with Reliability Standards, in accordance with the NERC Compliance Monitoring and Enforcement Program and the annual NERC Compliance Monitoring and Enforcement Program Implementation Plan.

(h) As part of its compliance monitoring and enforcement program, NPCC shall maintain a conflict of interest policy that assures the integrity and independence of such program, including the integrity and independence of the persons or decision-making bodies making final determinations in compliance enforcement actions under Section 5.0 of the NERC Compliance Monitoring and Enforcement Program. NPCC may have stakeholders lead or participate in its board compliance committee so long as integrity and independence are assured through reasonable and appropriate recusal procedures.

(i) As often as NERC deems necessary, but no less than every five years, NERC shall review NPCC compliance monitoring and enforcement program to determine that: (i) the program meets all applicable legal requirements; (ii) actual practices reflect the requirements; and (iii) the program administered pursuant to the Delegated Authority promotes consistent interpretations across North America of Reliability Standards and comparable levels of sanctions and penalties for violations of Reliability Standards constituting comparable levels of threat to reliability of the Bulk-Power System.

(j) NPCC may also perform compliance monitoring and enforcement activities outside of the Region shown on Exhibit A, on behalf of NERC and/or other Regional Entities, such activities to be undertaken pursuant to a contract between NPCC and such other Regional Entity that is approved by NERC and the Commission.

7. Delegation-Related Activities.

NERC will engage NPCC on its behalf to carry out certain of its activities that are in furtherance of Bulk-Power System reliability and NERC's responsibilities as the ERO under the Act or in support of the Delegated Authority, as specified in the NERC Rules of Procedure and listed on **Exhibit E**. These delegation-related activities shall include, but are not limited to, those described in subsections (a) through (f), each of which shall be considered a statutory activity:

(a) Certification of Bulk-Power System Entities. The NERC Board shall set criteria for certification in accordance with the NERC Rules of Procedure. NPCC shall issue certifications in accordance with the NERC Rules of Procedure.

(b) Registration of owners, operators, and users of the Bulk-Power System as responsible for compliance with requirements of Reliability Standards.

(i) The NERC Board shall develop criteria for registration of owners, operators, and users of the Bulk-Power System as Registered Entities and shall apply the registration criteria to register owners, operators and users of the Bulk-Power System as Registered Entities.

(ii) NERC shall maintain a registration database of Registered Entities, based on data and information provided by NPCC and other Regional Entities. NPCC shall provide timely and accurate information relating to registrations to NERC, on at least a monthly basis, to enable NERC to maintain a registration database that is accurate and up-to-date.

(iii) The NERC Board Compliance Committee shall hear and decide appeals from owners, operators and users of the Bulk-Power System contesting registration, in accordance with the NERC Rules of Procedure. If the NERC Board Compliance Committee upholds the decision to register an owner, operator, or user, NERC shall defend the decision in any subsequent appeal of the decision by the Registered Entity to the Commission.

(c) Reliability Assessment and Performance Analysis. NPCC shall develop assessments of the reliability of the Bulk-Power System, or ensure that data and information are collected, analyzed and provided to NERC in support of the development of reliability assessments, in accordance with the NERC Rules of Procedure. NPCC shall also develop and maintain, and collect data in support of the development and maintenance of, reliability performance metrics and assessments of risks to the Reliable Operation of the Bulk-Power System, in accordance with the NERC Rules of Procedure and NERC directives. NERC shall develop data-gathering quality control procedures, forms and reporting mechanisms, which shall be used by NPCC and other Regional Entities in carrying out their responsibilities under this subsection (c).

(d) Event Analysis and Reliability Improvement. NPCC shall conduct event analysis pursuant to the NERC Rules of Procedure and applicable governmental regulations. NERC and NPCC shall coordinate event analysis to support the effective and efficient use of their collective resources, consistency in event analysis, and timely delivery of event analysis reports.

In collaboration with NERC, NPCC shall disseminate to the electric industry lessons learned and other information obtained or resulting from event analysis.

(e) Training and Education. NPCC may provide training and education to Registered Entities, as it deems necessary, in support of its performance of delegated functions and related activities under this Agreement. NERC may also provide training and education programs to Registered Entities on topics relating to NERC's responsibilities as the ERO.

(f) Situation Awareness and Infrastructure Security.

(i) NPCC shall gather and assess situation awareness information provided by Registered Entities pursuant to the NERC Rules of Procedure and applicable governmental regulations, and shall provide other data, information and assistance to NERC in support of NERC's activities in monitoring present conditions, and responding to events, on the Bulk-Power System

(ii) NPCC shall collaborate with NERC in its efforts to coordinate electric industry activities to promote critical infrastructure protection of the Bulk-Power System in North America.

8. Oversight of Performance of Delegated Functions and Related Activities.

This Section 8 sets forth processes and procedures which the Parties intend shall be used in NERC's oversight of NPCC performance of its Delegated Authority and related activities pursuant to this Agreement. It is the intent of NERC and NPCC that matters relating to NERC's oversight of NPCC performance of its Delegated Authority and related activities shall be established or resolved by collaboration between NERC and NPCC and, where applicable, other Regional Entities, to the maximum extent possible, consistent with the construct that NERC and the Regional Entities are operating together in a collaborative manner to carry out the responsibilities of the ERO under Section 215 of the Act and the ERO Regulations.

(a) (i) NERC shall develop, in collaboration with NPCC and other Regional Entities, performance goals, measures and other parameters (including, without limiting the scope of such goals, measures and parameters, financial performance goals, measures and parameters), and performance reports, which shall be used to measure NERC's and NPCC performance of their respective functions and related activities. The performance goals, measures and parameters and the form of performance reports shall be approved by the NERC President and shall be made public. NPCC shall provide data, information and reports to NERC, in

accordance with established schedules, to enable NERC to calculate NPCC performance to the agreed-upon goals, measures and parameters.

(ii) NERC shall use the performance goals, measures and parameters and performance reports to evaluate NPCC performance of its delegated functions and related activities and to provide advice and direction to NPCC on performance improvements. The performance goals, measures and other parameters and the values of such goals, measures and parameters, shall be reviewed by NERC, NPCC and the other Regional Entities, revised if appropriate, and made public, on the same timeline as the annual business planning and budgeting process described in Section 9 of this Agreement.

(iii) At the request of the President of NERC, NPCC shall be required to develop, submit for NERC approval, and implement action plans to address areas of its performance that are reasonably determined by NERC, based on analysis of NPCC performance against the performance goals, measures and parameters, or performance of specific activities, to be unsatisfactory, *provided*, that prior to requiring NPCC to adopt and implement an action plan or other remedial action, NERC shall issue a notice to NPCC of the need and basis for an action plan or other remedial action and provide an opportunity for NPCC to submit a written response contesting NERC's evaluation of NPCC performance and the need for an action plan. NPCC may request that the President of NERC reconsider the request, and thereafter may request that the NERC Board review and reconsider the request. NERC and NPCC shall work collaboratively as needed in the development and implementation of NPCC action plan. A final action plan submitted by NPCC to NERC shall be made public unless the President of NERC makes a written determination that the action plan or specific portions of the plan should be maintained as non-public.

(b) NERC shall make available to NPCC standardized training and education programs, which shall be designed taking into account input from NPCC and other Regional Entities, for NPCC personnel on topics relating to the delegated functions and related activities.

(c) (i) NERC may issue directives to NPCC concerning the manner in which NPCC shall perform its delegated functions and related activities under this Agreement. The NERC Rules of Procedure, or any other ERO Rule requiring approval of the Commission, shall not be considered "directives." NERC shall initiate the development of a directive through a collaborative process with NPCC and, if applicable, other Regional Entities to which the

directive will apply. Any directive developed through the collaborative process shall be approved by, and issued under the signature of, the NERC President.

(ii) If after a period of time that is reasonable under the circumstances, NERC and NPCC and, if applicable, other Regional Entities are unable to reach agreement on the contents of the directive, NERC may issue the directive with the approval of and under the signature of the NERC President; *provided*, that before the NERC President issues a directive pursuant to this paragraph (ii), NPCC and, if applicable, other Regional Entities, shall be given a reasonable opportunity to present their positions on, and a suggested alternative version or versions of, the proposed directive to the NERC President.

(iii) Upon issuance of a directive by the NERC President, it shall be binding upon, and shall be complied with by, NPCC subject to reasonable time periods for adoption, implementation, and funding of any necessary resources. Upon request by NPCC the NERC Board (or a committee of the Board to which the Board delegates appropriate authority) shall review and shall confirm, revise or revoke any directive that was issued by the NERC President without NPCC agreement, *provided*, that NPCC shall request such review within thirty (30) days following issuance of the directive by the NERC President unless good cause can be shown for a later request.

(iv) NERC and NPCC and, if applicable, other Regional Entities, shall collaborate in deciding whether a directive (whether issued pursuant to paragraph (ii) or paragraph (iii)) shall be made public. If no agreement is reached by the date of issuance as to whether the directive shall be made public, the NERC President shall decide whether the directive will be made public, *provided*, that is the intent of the Parties that the NERC President shall apply a presumption that directives should be made public, unless the NERC President makes a written determination stating a specific reason for maintaining a particular directive as non-public.

(d) In addition to the issuance of directives pursuant to subsection (c), the NERC Board (or a Board committee to which the Board has delegated authority) may issue guidance or directions as to the manner in which NPCC and, if applicable, other Regional Entities, shall perform delegated functions and related activities. The Board or Board committee shall also establish reasonable time periods for the implementation of any such guidance or directions, taking into account the impact on the reliability of the Bulk-Power System and the need for

funding of additional resources. Any such guidance or directions shall be stated in writing and shall be public, unless the Board or Board committee makes a written determination stating a specific reason for maintaining particular guidance or directions as non-public. NPCC either individually or in conjunction with other Regional Entities, may request that the NERC Board or Board committee reconsider or revise the guidance or direction.

(e) NERC shall conduct collaborative reviews with NPCC either individually or in conjunction with one or more other Regional Entities, that provide for the exchange of information on practices, experiences, and lessons learned in the implementation of the delegated functions.

(f) Any audits of NPCC performed by NERC shall be limited to an examination of NPCC compliance with this Agreement, NERC's Rules of Procedure, the Compliance Monitoring and Enforcement Program, Commission requirements, and directives that are in effect pursuant to Section 8(c).

(g) The Commission and the Commission staff shall have full access to action plans and remedial actions, directives, and directions and guidance issued pursuant to subsections (a)(iii), (c)(iv) and (d), respectively, that are maintained as non-public.

9. Funding. NPCC and NERC shall ensure, subject to Commission approval in accordance with the ERO Regulations, that the delegated functions and related activities described in Sections 5, 6 and 7 and listed on **Exhibit E** have reasonable and adequate funding and resources by undertaking the following:

(a) NPCC shall develop, through a collaborative process with NERC, and propose, an annual business plan and budget, in accordance with ERO Regulations, Commission orders and NERC business planning and budgeting policies and instructions. NPCC proposed business plan and budget shall describe the activities necessary for, and provide a budget with adequate resources for, NPCC to carry out its Delegated Authority under this Agreement, including the functions and activities described in Sections 5, 6 and 7 and listed on **Exhibit E**. NPCC business plan and budget shall show the funding sources and amounts to fund the proposed budget, including as applicable assessments to end users, penalty monies, and other sources of funds.

(b) NPCC and NERC agree that the portion of NPCC approved budget for the functions and activities described in Sections 5, 6 and 7 and listed on **Exhibit E** that is to be funded by assessments, will be equitably allocated among end users within the geographic boundaries described in **Exhibit A** and recovered through a formula based on Net Energy for Load, or through such other formula as is proposed by NPCC and approved by NERC and the Commission. If NPCC proposes to use a formula other than Net Energy for Load beginning in the following year, NPCC shall submit the proposed formula to NERC in sufficient time that NERC may review and approve the proposed formula and file it with the Commission by May 15 for approval, and the proposed formula shall be effective for the following year if approved by the Commission on or before the date the Commission approves the annual business plan and budget submitted by NERC and NPCC to the Commission pursuant to the ERO Regulations for such year.

(c) NERC shall determine that the assessments to fund the costs for its statutory functions in its Commission-approved budget are first allocated fairly among the Interconnections and regions according to the applicability of this work to those Interconnections and regions, and then equitably among the end users of the applicable interconnections and regions as appropriate. Allocation on a Net Energy for Load basis will be presumed to satisfy this equitability requirement.

(d) NERC shall provide NPCC with the form or forms for business plan and budget submittal, and any accompanying instructions, in accordance with the schedule for preparation of the business plan and budget developed by NERC and the Regional Entities.

(e) NPCC shall submit its proposed annual business plan and budget for carrying out its Delegated Authority functions and related activities described in Sections 5, 6 and 7 and listed on Exhibit E, as well as for all other activities of NPCC to NERC for review and approval in accordance with the annual schedule for the preparation of business plans and budgets which shall be developed collaboratively by NERC and the Regional Entities, as more fully described in **Exhibit E**.

(f) NERC shall fund NPCC performance of its Delegated Authority and related activities in accordance with NPCC Commission-approved business plan and budget, in the amount of NPCC assessments to end users approved by the Commission. **Exhibit E** sets forth the procedures and timing for billing and collecting NPCC approved assessments from end

users and other entities and payment of the approved assessment amount to NPCC unless otherwise modified and approved by NERC and the Commission. NERC shall not impose any material obligation or requirement regarding the Delegated Authority upon NPCC that has not been provided for in an approved business plan and budget or an approved amended or supplemental business plan and budget, without NPCC consent.

(g) NERC shall develop, in consultation with the Regional Entities, a reasonable and consistent system of accounts, with a level of detail and record keeping comparable to the Commission's Uniform System of Accounts and sufficient to allow the Commission to compare each Commission-approved NERC and NPCC fiscal year budget with the actual results at the NERC and Regional Entity levels. NPCC shall follow NERC's prescribed system of accounts except to the extent that NERC permits a departure from the prescribed system of accounts. NERC shall make an informational filing with the Commission describing any such waiver it permits and providing an explanation supporting the permitted departure.

(h) NPCC shall submit unaudited quarterly interim financial statements in form provided by NERC no later than 20 days after the end of the fiscal quarter (March 31, June 30, September 30, and December 31).

(i) NPCC shall submit audited financial statements annually, including supporting materials, in a form provided by NERC no later than May 1 of the following year.

(j) **Exhibit E** to this Agreement sets forth the mechanism through which NPCC shall offset penalty monies it receives (other than penalty monies received from an operational function or division or affiliated entity of NPCC) against its next year's annual budget for carrying out functions under this Agreement, and the mechanism by which NPCC shall transmit to NERC any penalty monies received from an operational function or division or affiliated entity of NPCC. *Provided*, that, subject to approval by NERC and the Commission, NPCC may propose and implement an alternative use of penalty monies to that set forth in **Exhibit E**.

10. Assignment. This Agreement may be assigned by either Party only with the prior written consent of the other, which consent shall be granted or withheld in such non-assigning Party's sole discretion, subject to approval by the Commission. Any assignment under this Agreement shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. NPCC may not delegate in whole or in part its

Delegated Authority to any other entity without NERC's express consent; provided, however, that nothing in this provision shall prohibit NPCC from contracting with other entities to assist it in carrying out its Delegated Authority, provided NPCC retains control and responsibility for such Delegated Authority.

11. Default and Cure. Upon a Breach, the non-breaching Party shall give written notice of such Breach to the breaching Party (the "Default Notice"). Subject to a suspension of the following deadlines as specified below, the breaching Party shall have thirty (30) calendar days from receipt of the Default Notice within which to cure such Breach; *provided however*, that if such Breach is not capable of cure within thirty (30) calendar days, the breaching Party shall commence such cure within thirty (30) calendar days after notice and continuously and diligently complete such cure within ninety (90) calendar days from receipt of the Default Notice; and, if cured within such time, the Breach specified in such notice shall cease to exist. Subject to the limitation specified in the following sentence, if a Breach is not cured as provided in this Section 11, or if a Breach is not capable of being cured within the period provided for herein, the nonbreaching Party shall have the right to declare a default and terminate this Agreement by written notice at any time until cure occurs, and be relieved of any further obligation hereunder. The deadlines for cure and the right to declare a default and terminate this Agreement shall be suspended during the pendency of any efforts or proceedings in accordance with Section 18 of this Agreement to resolve a dispute as to whether a Breach has occurred or been cured. The provisions of this Section 11 will survive termination of this Agreement.

12. Term and Termination.

(a) This Agreement shall become effective on January 1, 2011 (the "Effective Date").

(b) The term of the Agreement shall be five (5) years from the Effective Date, prior to which time NERC shall conduct an audit pursuant to subsection 6(i) to ensure that NPCC continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. If NPCC meets such requirements, this Agreement may be renewed for another five (5) year term. This Agreement may be renewed for successive additional five (5) year renewal terms provided that prior to the end of each renewal term, NERC shall conduct

an audit pursuant to subsection 6(i) to ensure that NPCC continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. Provided, that either Party may terminate this Agreement as of the end of a term by giving written notice to terminate at least one (1) year prior to the end of the term. If this Agreement is not renewed or becomes subject to termination for any reason, the Parties shall work to provide for a transition of NPCC Delegated Authority to NERC or to another eligible entity and to provide for the resolution of any wind-up costs associated with termination of this Agreement. The termination of this Agreement shall not take effect until such transition has been effected, unless the transition period exceeds one year, at which time NPCC may unilaterally terminate.

(c) If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by a regulatory authority exercising jurisdiction over this Agreement, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification or condition. If either Party finds such holding, modification or condition unacceptable and the Parties are unable to renegotiate a mutually acceptable resolution, either Party may unilaterally terminate this Agreement. Such termination shall be effective one year following written notice by either Party to the other Party and to the Commission, or at such other time as may be mutually agreed by NPCC and NERC.

(d) Notwithstanding any termination of this Agreement, provisions contained in Limitation of Liability (Section 13), No Third Party Beneficiaries (Section 14) and Confidentiality (Section 15) shall survive this Agreement in accordance with their terms until sixty (60) days following the expiration of any applicable statute of limitations.

13. Limitation of Liability. NPCC and NERC agree not to sue each other or their directors, officers, employees, and persons serving on their committees and subgroups based on any act or omission of any of the foregoing in the performance of duties pursuant to this Agreement or in conducting activities under the authority of Section 215 of the Act, other than seeking a review of such action or inaction by the Commission. NERC and NPCC shall not be liable to one another for any damages whatsoever, including without limitation, direct, indirect, incidental,

special, multiple, consequential (including attorneys' fees and litigation costs), exemplary, or punitive damages arising out of or resulting from any act or omission associated with the performance of the NPCC or NERC's responsibilities under this Agreement or in conducting activities under the authority of Section 215 of the Act, except to the extent that the NPCC or NERC is found liable for gross negligence or intentional misconduct, in which case NPCC or NERC shall not be liable for any indirect, incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

14. No Third Party Beneficiaries. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to, any third party.

15. Confidentiality. During the course of the Parties' performance under this Agreement, a Party may receive Confidential Information, as defined in Section 1500 of NERC's Rules of Procedure. Except as set forth herein, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the issuing Party, unless disclosure is required by subpoena, law, or other directive of a court, administrative agency, or arbitration panel, in which event the recipient hereby agrees to provide the Party that provided the Confidential Information with prompt notice of such request or requirement in order to enable such issuing Party to (a) seek an appropriate protective order or other remedy, (b) consult with the recipient with respect to taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section. In the event a protective order or other remedy is not obtained or the issuing Party waives compliance with the provisions, the recipient agrees to furnish only that portion of the Confidential Information which the recipient's counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information. In addition, each Party shall ensure that its officers, trustees, directors, employees, subcontractors and subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those contained herein. This confidentiality provision does not prohibit reporting and disclosure as directed by NERC, as set forth in Section 6 of this Agreement.

16. **Amendment.** Neither this Agreement nor any of the terms hereof, may be amended unless such amendment is made in writing, signed by the Parties, and filed with and approved by the Commission.

17. **Amendments to the NERC Rules of Procedure.** NERC shall not adopt amendments to the NERC Rules of Procedure that conflict with the rights, obligations, or programs of NPCC under this Agreement without first obtaining the consent of NPCC which consent shall not be unreasonably withheld or delayed. To the extent NPCC does not consent, NERC shall have the right to invoke the dispute resolution provisions of Section 18 and, if such effort fails to resolve the dispute, to petition the Commission to adopt the amendment to the NERC Rules of Procedure. To the extent that the Commission issues an order amending or materially affecting the rights or obligations of NPCC under this Agreement, NPCC shall have the option, exercisable no later than 60 days after issuance of such order, to terminate this Agreement. Such termination shall be effective one year following written notice by NPCC to NERC and the Commission, or at such other time as may be mutually agreed by NPCC and NERC.

18. **Dispute Resolution.** In the event a dispute arises under this Agreement between NERC and NPCC (including disputes relating to NERC's performance of its obligations under this Agreement and/or disputes relating to NPCC's performance of its obligations under this Agreement) which cannot be resolved through discussions between representatives of the Parties in the normal course of operations, the Parties shall use the following procedures ("Dispute Resolution") to attempt to resolve the dispute. NPCC shall not suspend performance of any delegated function, and the Parties shall continue to make reasonable, good faith efforts to comply with their obligations under this Agreement, during the pendency of Dispute Resolution. All notices required to be sent pursuant to this Dispute Resolution procedure shall be sent in accordance with Section 19 of this Agreement. This Dispute Resolution procedure is separate from and in addition to all other processes provided for in this Agreement.

(a) The Party invoking Dispute Resolution shall send a notice to the other Party describing the dispute, stating the invoking Party's position with respect to the dispute, stating that the Party is invoking Dispute Resolution, and naming the Party's designated representative

for negotiating a resolution of the dispute. The designated representative shall have authority to resolve the dispute on behalf of the invoking Party.

(b) Within three (3) business days after receipt of the notice invoking Dispute Resolution, the receiving Party shall send a notice to the invoking Party acknowledging receipt of the notice invoking Dispute Resolution, stating the receiving Party's position with respect to the dispute, and naming the Party's designated representative for negotiating a resolution of the dispute. The designated representative shall have authority to resolve the dispute on behalf of the receiving Party.

(c) During the period commencing three (3) business days and ending twenty (20) business days after the date of the receiving Party's notice, the designated representatives shall engage in good faith negotiations to attempt to resolve the dispute, *provided*, that the designated representatives may agree prior to the end of such twenty (20) business day period that the process should move to the next step of Dispute Resolution.

(d) If the designated representatives are unable to arrive at a resolution of the dispute by the end of the time period described in subsection (c), they shall notify the chief executive officers of their respective Parties. The chief executive officers of the Parties shall thereafter engage in good faith negotiations to attempt to resolve the dispute during the period of twenty (20) business days immediately following the time period described in subsection (c), *provided*, that the chief executive officers may agree prior to the end of such twenty (20) business day period that negotiations are at impasse and the process may move to the next step as described in subsection (f). Upon mutual agreement of the Parties, the twenty (20) business day period may be extended to pursue ongoing good faith negotiations.

(e) If a resolution of the dispute is achieved by the Parties, it shall be memorialized in a writing that is acceptable in form and substance to each party and is signed by the designated representative or chief executive officer on behalf of each Party.

(f) If the Parties are unable to resolve the dispute pursuant to the process described in subsections (a) through (e), then either Party may invoke any other available dispute resolution mechanism, including, without limitation, filing a complaint or petition with the Commission requesting resolution of the dispute by the Commission, or filing a complaint for relief in a court having jurisdiction over Parties and the subject matter of the dispute in accordance with Section 20. *Provided, however*, that: (i) it is the intent of the Parties that unresolved disputes shall be

presented to and resolved by the Commission if the Commission has and accepts jurisdiction over the subject matter of the dispute, (ii) the Parties may, by mutual agreement, attempt to resolve the dispute through arbitration, mediation, or other process involving resort to an impartial neutral, and (iii) it is the intent of the Parties that resolution of disputes through Commission proceedings, arbitration, mediation, or other use of an impartial neutral, is preferred over resort to judicial proceedings.

(g) This Section 18 shall not apply to compliance enforcement actions against individual Registered Entities.

19. Notice. Whether expressly so stated or not, all notices, demands, requests, and other communications required or permitted by or provided for in this Agreement shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall designate for itself in writing in accordance with this Section, and shall be delivered by hand or reputable overnight courier:

If to NERC:

North American Electric
Reliability Corporation
116-390 Village Blvd.
Princeton, NJ 08540-5721
Attn: General Counsel
Facsimile: (609) 452-9550

If to NPCC:

Northeast Power
Coordinating Council, Inc.
1040 Avenue of the Americas – 10th Floor
New York, New York 10018 -3703
Attn: Edward Schwerdt
Facsimile: 212-302-2782

20. Governing Law. When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of New Jersey without giving effect to the conflict of law principles thereof. The Parties recognize and agree not to contest the exclusive or primary jurisdiction of the Commission to interpret and apply this Agreement; provided however that if the Commission declines to exercise or is precluded from exercising jurisdiction of any action arising out of or concerning this Agreement, such action shall be brought in any state or federal court of competent jurisdiction in New Jersey. All Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in New Jersey for the purpose of hearing and determining any action not heard and determined by the Commission.

21. **Headings.** The headings and captions in this Agreement are for convenience of reference only and shall not define, limit, or otherwise affect any of the terms or provisions hereof.

22. **Savings Clause.** Nothing in this Agreement shall be construed to preempt or limit any authority that NPCC may have to adopt reliability requirements or take other actions to maintain reliability of the Bulk-Power System within the geographic boundaries described in **Exhibit A** that are outside the Delegated Authority, as long as such reliability requirements and actions are not inconsistent with Reliability Standards applicable to the region described in **Exhibit A** and do not result in a lessening of reliability outside the region described in **Exhibit A**.

23. **Entire Agreement.** This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement.

24. **Execution of Counterparts.** This Agreement may be executed in counterparts and each shall have the same force and effect as the original.

NOW THEREFORE, the parties have caused this Agreement to be executed by its duly authorized representatives, effective as of the Effective Date.

NORTH AMERICAN
ELECTRIC RELIABILITY CORPORATION

NORTHEAST POWER
COORDINATING COUNCIL, INC.

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

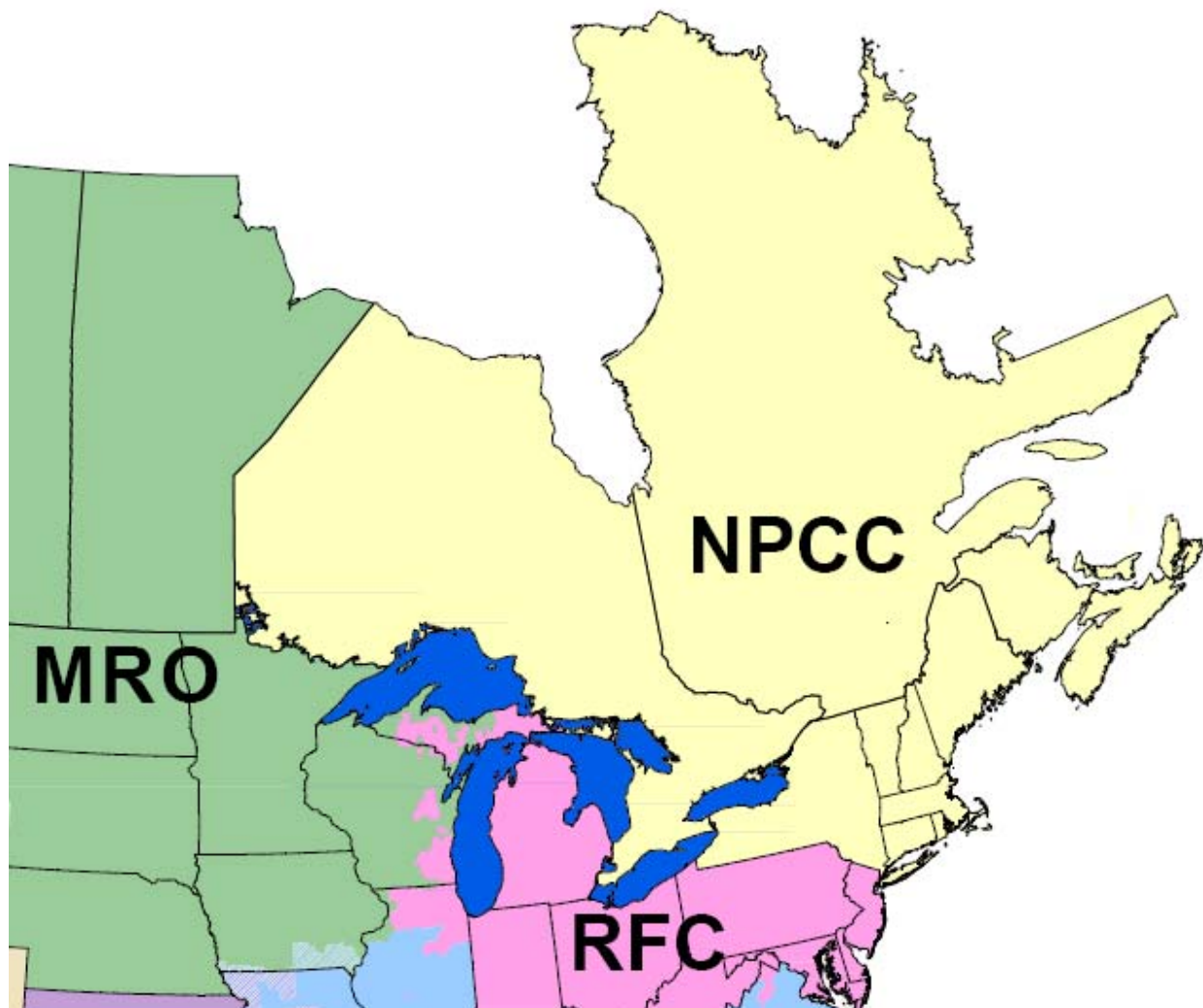
Date: _____



Northeast Power Coordinating Council, Inc. (NPCC)

Exhibit A – Geographic Area

The geographic area covered by NPCC includes New York state, the six New England states, and Ontario, Quebec, and the Maritime Provinces in Canada. The total population served is approximately 56 million. The area covered is approximately 1 million square miles.



NPCC may also perform compliance monitoring and enforcement activities outside of the Region shown above, on behalf of NERC and/or other Regional Entities, such activities undertaken pursuant to a contract between NPCC and such other Regional Entity that is approved by NERC and the Commission.

Exhibit B – Governance

Exhibit B shall set forth the Regional Entity’s bylaws, which NERC agrees demonstrate that the Regional Entity meets the following criteria:

CRITERION 1: The Regional Entity shall be governed by an independent board, a balanced stakeholder board, or a combination independent and balanced stakeholder board. (Federal Power Act § 215(e)(4)(A), 18 C.F.R. § 39.8(c)(1), Order No. 672 at ¶ 727.)

CRITERION 2: The Regional Entity has established rules that assure its independence of the users and owners and operators of the bulk power system, while assuring fair stakeholder representation in the selection of its directors. Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶¶ 699, 700.)

CRITERION 3: If the Regional Entity has members, the Regional Entity has established rules that assure that its membership is open, that it charges no more than a nominal membership fee and agrees to waive the fee for good cause shown, and that membership is not a condition for participating in the development of or voting on proposed Regional Reliability Standards. (Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶¶ 170-173.)

CRITERION 4: The Regional Entity has established rules that assure balance in its decision-making committees and subordinate organizational structures and assure no two industry sectors can control any action and no one industry sector can veto any action. (Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶ 728.)

CRITERION 5: The Regional Entity has established rules that provide reasonable notice and opportunity for public comment, due process, openness, and balance of interests in exercising its duties. (Federal Power Act § 215(c)(2)(D) and (e)(4), 18 C.F.R. § 39.8(c)(2).)



AMENDED AND RESTATED BYLAWS
OF
NORTHEAST POWER COORDINATING COUNCIL, INC.
(a New York not-for-profit corporation)

Adopted on May 18, 2006

Amended on July 24, 2007

and April 15, 2011

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AMENDED AND RESTATED BYLAWS

OF

NORTHEAST POWER COORDINATING COUNCIL, INC.
(a New York not-for-profit corporation)

I. Offices

ARTICLE I - DEFINITIONS

1.1 Definitions. As used herein, the following terms have the respective meanings set forth below:

“Affiliate” means, with respect to any entity, any other entity that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such entity, as determined in the sole discretion of the Board. For this purpose, “control” may be presumed by the direct or indirect ownership of ten percent (10%) or more of the outstanding voting capital stock or other equity interests having ordinary voting power. Notwithstanding the foregoing, “Affiliate” excludes any entity wholly-owned or controlled by a Canadian Provincial government.

“Board” means the Board of Directors of NPCC.

“Board Chair” means the independent non-executive chairman of the Board who is retained by NPCC pursuant to a separate Board-approved agreement.

“Bulk Power System” shall have the meaning in the United States set forth in Section 215 of the Federal Power Act, as amended (16 U.S.C. § 824 et seq.), and such meaning in Canada as is consistent with applicable Provincial regulatory and/or governmental authority determinations.

“Bylaws” means these Amended and Restated Bylaws of NPCC, as approved by the Members of NPCC on April 15, 2011, and effective as of [], 2011.

“Certificate of Incorporation” means the Certificate of Incorporation of NPCC filed with the Secretary of State of the State of New York, as may be amended from time to time.

“FERC” means the Federal Energy Regulatory Commission.

“Hearing Body” means a group comprising the Hearing Officer and two (2) Independent Directors (excluding the Board Chair) which has been authorized by NPCC to conduct and render decisions in a formal compliance hearing of any entity registered in the NERC compliance registry who is the subject of a notice of alleged violation, proposed penalty or sanction, contested mitigation plan or contested remedial action directive.

“Hearing Officer” means an individual employed or contracted by NPCC and designated by NPCC to preside over formal compliance hearings.

“Independent Director” means a director who satisfies the “independence” criteria in Section 6.7(b) and serves in Sector 8 (Independent Directors) of the Board.

“NERC” means the North American Electric Reliability Corporation, or any successor entity, which has been certified by FERC as the ERO pursuant to Section 215 of the Federal Power Act, as amended (16 U.S.C. § 824 et seq.).

“Northeastern North America” means the geographical area within the perimeter border enclosing the State of New York, the six New England States of the United States, and the Canadian Provinces of Ontario, Québec, New Brunswick and Nova Scotia, including any radial load or generation connecting to these systems.

“NPCC” means Northeast Power Coordinating Council, Inc., or any successor entity.

“Stakeholder Director” means a director who serves in one of the seven (7) stakeholder sectors of the Board described in Section 4.4.

1.2 Additional Defined Terms. Terms not defined in these Bylaws shall have the definitions set forth in the Federal Power Act, Part 39 of the regulations of the FERC, as further clarified in FERC’s April 19, 2007 Order 119 FERC ¶ 61,060, and if not defined in any of those sources, shall be defined in accordance with their commonly understood and used technical meanings in the electric power industry, including applicable codes and standards.

ARTICLE II - OFFICES

2.1 Principal Office. The principal office of Northeast Power Coordinating Council, Inc. (“NPCC”) **NPCC** shall be located in New York County, State of New York.

ARTICLE III - PURPOSE

3.1 Not-for-Profit Corporation. **NPCC is operated as a New York not-for-profit corporation and is organized pursuant to the Not-for-Profit Corporation Law of the State of New York (“N-PCL”).**

3.2 H. — Purpose of Northeast Power Coordinating Council, Inc. The purpose of NPCC is to promote and enhance the reliable and efficient operation of the international, interconnected bulk power system **Bulk Power System** in Northeastern North America through (i) the development of regional reliability standards **Regional Reliability Standards** and compliance assessment and enforcement of continent-wide and regional reliability standards **Regional Reliability Standards**, coordination of system planning, design and operations, and assessment of reliability, pursuant to an agreement with the Electric Reliability Organization (“ERO”) which designates NPCC as a regional entity **Regional Entity** and delegates authority from the U.S. Federal Energy Regulatory Commission (“FERC”) **FERC**, and

by Memoranda of Understanding with applicable Canadian Provincial regulatory and/or governmental authorities (collectively, “~~statutory~~Regional Entity activities”), and (ii) the establishment of regionally-specific reliability criteria, and the monitoring and enforcement of compliance with such criteria (collectively, “~~non-statutory criteria services~~Criteria Services activities”). In the development of regionally-specific reliability criteria, NPCC, to the extent possible, facilitates the attainment of fair, effective and efficient competitive electric markets.

III. Terms

~~Terms not defined in these Bylaws shall have the definitions set forth in the Federal Power Act, Part 39 of the regulations of the FERC, as further clarified in FERC’s April 19, 2007 Order 119 FERC 61,060, and if not defined in any of those sources, shall be defined in accordance with their commonly understood and used technical meanings in the electric power industry, including applicable codes and standards.~~

~~“Bulk Power System” shall be deemed to refer to the interconnected electrical systems within Northeastern North America comprising generation and transmission facilities on which faults or disturbances can have a significant adverse impact outside of the local area. In this context, local areas and the specific facilities that comprise the bulk power system are determined by the Members of NPCC, utilizing a reliability impact based methodology.~~

~~“Northeastern North America” shall be deemed to comprise the geographical area within the perimeter border enclosing the State of New York, the six New England States of the United States, and the Canadian Provinces of Ontario, Québec, New Brunswick and Nova Scotia, including any radial load or generation connecting to these systems.~~

IV. Membership

ARTICLE IV - MEMBERSHIP

4.1 A.—List of Members. The Members of NPCC are listed on Schedule A attached hereto.

4.2 B.—Eligibility. Upon suitable application describing the nature and activities of the applicant, additional entities shall be accepted by the Board of Directors of NPCC (the “~~Board~~”) as Members in the appropriate categories, defined as follows:

- (1)** ~~(1)~~—General Membership is voluntary and is open to any person or entity, including any entity participating in the Registered Ballot Body of the ERO that has an interest in the reliable operation of the Northeastern North American bulk power system Bulk Power System. General Members that are also registered entities within the NPCC Region are subject to compliance with reliability standards and, consistent with their registration, and are also entitled to receive additional services from the regional entity Regional Entity division of NPCC.

- (2)** ~~(2)~~—***Full Membership*** shall be available to entities which are General Members that also participate in electricity markets in the international, interconnected bulk power system in Northeastern North America. Independent system operators (“ISOs”), regional transmission organizations (“RTOs”), Transcos and other organizations or entities that perform the Balancing Authority function operating in Northeastern North America are expected to be Full Members of NPCC. The New York State Reliability Council and any other sub-regional reliability councils which may be formed are also expected to be Full Members. Full Members are subject to compliance with regionally-specific criteria, ~~in addition to~~ **more stringent reliability criteria for their generation and transmission facilities on which faults or disturbances can have a significant adverse impact outside of the local area and which are identified utilizing a reliability impact-based methodology. Full Members are also subject to compliance with** reliability standards, and **are entitled to** receive additional services from the ~~criteria services~~ **Criteria Services** division of NPCC.

4.3 Application as a Member.

(a) ~~C.~~ ~~Application as a Member.~~ Any person or entity that is eligible to become a Member of NPCC in accordance with ~~Article IV.B.~~ **Section 4.2** may become either a General Member or a Full Member by completing and submitting to NPCC a membership application on a form prescribed by the Board. Any person or entity that applies to NPCC as a Member shall comply with the conditions and obligations of membership specified in these Bylaws. As an additional condition of membership in NPCC, each person or entity registering as a Member shall execute an agreement with NPCC, in a form to be specified by the Board, that such person or entity will hold **harmless** all Directors, officers, employees and agents of NPCC, as well as volunteers participating in good faith in the activities of NPCC, ~~harmless,~~ to the extent permitted by U.S. Federal or Canadian Provincial laws, rules and regulations, for any injury or damage caused by any act or omission of any Director, officer, employee, agent or volunteer in the course of performance of his or her duties on behalf of NPCC, other than for acts of gross negligence, intentional misconduct or a breach of confidentiality.

(b) If not a natural person, the Member shall designate a representative and an alternate representative with authority to receive notices, cast votes, execute waivers and consents, and enter into binding agreements on behalf of the Member. NPCC shall maintain a current roster of the Members of NPCC, including each Member’s designated representative and alternate representative. From time to time, the Board may establish a date by which Members shall submit their application renewals. All Members shall confirm their applications within thirty (30) calendar days of the date of receipt of request by NPCC, using an application renewal form prescribed by the Board. Any Member that has not submitted an application renewal within thirty (30) calendar days following the date established by the Board shall be removed from the NPCC roster. NPCC shall notify any Member that is removed from the roster of Members of such removal, by **written** notice sent to such former Member’s last known address on the records of NPCC.

4.4 Voting. ~~There shall be eight (8)~~Members are eligible to vote in one of the seven (7) stakeholder voting sectors (~~“Voting Sectors”~~), defined as followsdescribed below:

~~**Sector (1).**~~ ~~**Sector (1).**~~ ~~Transmission Owners:~~ This ~~Voting Sector~~voting sector shall consist of any entity within Northeastern North America that owns at least 200 circuit miles of integrated transmission facilities, or has an Open Access Transmission Tariff or equivalent on file with the FERC or the appropriate regulatory or governmental authority. This sector includes transmission owners that have placed their transmission under the operational control of an ISO/RTO, independent transmission companies and merchant transmission owners/developers.

~~**Sector (2).**~~ ~~**Sector (2).**~~ ~~Reliability Coordinators:~~ This ~~Voting Sector~~voting sector shall consist of any entity within Northeastern North America certified as a Reliability Coordinator.

~~**Sector (3).**~~ ~~**Sector (3).**~~ ~~Transmission Dependent Utilities (“TDUs”); Distribution Companies and Load-Serving Entities (“LSEs”).~~ This ~~Voting Sector~~voting sector shall consist of entities within Northeastern North America that are:

- ~~(a)~~ (a) —Entities with a regulatory contract, or other legal obligation to serve wholesale aggregators or end-use customers, and that depend primarily on the transmission systems of third parties to provide this service;
- ~~(b)~~ (b) —Agents or associates that represent groups of TDUs;
- ~~(c)~~ (c) —Electric distribution companies;
- ~~(d)~~ (d) —Entities serving end-use customers under a regulated tariff, a contract governed by a regulatory tariff, or other legal obligation to serve; or
- ~~(e)~~ (e) —~~Each member~~Members of a generation and transmission (“G&T”) cooperative or a joint-action agency permitted to designate the G&T or joint action agency to represent ~~it~~such entities in this sector.

~~**Sector (4).**~~ ~~**Sector (4).**~~ ~~Generator Owners:~~ This ~~Voting Sector~~voting sector shall consist of entities within Northeastern North America that are affiliated and/or independent generators.

~~**Sector (5).**~~ ~~**Sector (5).**~~ ~~Marketers, Brokers and Aggregators:~~ This ~~Voting Sector~~voting sector shall consist of entities within Northeastern North America that are:

- (a) (a) —Entities providing energy to end-use customers under a power marketing agreement or other authorization not classified as a regulated tariff;
- (b) (b) —Entities that buy, sell, or broker energy and related services for resale in wholesale or retail markets, whether a non-jurisdictional entity operating within its charter or an entity licensed by a jurisdictional regulator; or
- (c) (c) —Generation and transmission cooperatives and joint-action agencies that perform an electricity broker, aggregator, or marketer function.

Sector (6). ~~Customers:~~ This Voting Sector shall consist of entities within Northeastern North America that are:

- ~~(a) —Entities or customers that take delivery of energy that is not purchased for resale within Northeastern North America;~~
- ~~(b) —Agents or associations representing groups of large end users within Northeastern North America; or~~
- ~~(c) —Agents, state consumer advocates, or other advocate groups representing groups of small customers within Northeastern North America.~~

Sector (6). ~~Sector (7).~~ State and Provincial Regulatory and/or Governmental Authorities. This Voting Sector voting sector shall consist of State and Provincial regulatory or governmental authorities within Northeastern North America.

Sector (7). ~~Sector (8).~~ Sub-Regional Reliability Councils, ~~other~~ **Customers,** **Other** Regional Entities and Interested Entities: This Voting Sector voting sector shall consist of:

- (a) (a) —Any entity within Northeastern North America authorized by an appropriate regulatory and/or governmental authority to be a Sub-Regional Reliability Council;
- (b) **Entities or customers that take delivery of energy that is not purchased for resale within Northeastern North America;**
- (c) **Agents or associations representing groups of large end users within Northeastern North America;**
- (d) **Agents, state consumer advocates, or other advocate groups representing groups of small customers within Northeastern North America;**

(e) Any other delegated Regional Entity; or

(f) (e) — Any person or entity, including any entity participating in the Registered Ballot Body of the ERO, that has an interest in the reliable operation of the bulk power system in Northeastern North America.

4.5 E. — Assignment to Voting Sector. A new applicant for membership shall request to be assigned to a ~~Voting Sector~~ **stakeholder voting sector**, subject to Board approval. ~~A Member~~ **An applicant** may request to be assigned to any ~~Voting Sector~~ **stakeholder voting sector** so long as membership in that ~~Voting Sector~~ **stakeholder voting sector** is consistent with the ~~Member~~ **applicant**'s business or other activities within the NPCC region. Multiple memberships of the separate business functions of an entity are permitted, with each ~~membership~~ **business function** assigned to the appropriate separate sector and each membership designating a different. **Each such business function may designate its own** representative and alternate, **however, no representative and alternate can represent more than one business function of an entity in a stakeholder voting sector.** A consultant, attorney, agent, vendor, trade or industry association, state, provincial or local consumer advocate organization that provides services to or otherwise represents the interests of the Members of one or more ~~Voting Sectors~~ **stakeholder voting sectors** may elect to be assigned to one such ~~Voting Sector~~ **stakeholder voting sector** subject to Board approval. Entities may ~~elect~~ **request** to change their ~~Voting Sector~~ participation in connection with the **stakeholder voting sector designation during an** Annual Meeting of Members of NPCC, subject to Board approval.

4.6 F. — Term of Membership. Membership in NPCC shall be retained so long as a Member meets ~~its~~ **its** respective qualifications, obligations, and conditions of membership as set forth in this Article IV.

ARTICLE V - V. — Organization of ORGANIZATION OF NPCC

5.1 A. Member Representatives. Each Member shall designate ~~an~~ **a senior** executive level representative and an alternate representative with full authority to act on its behalf in carrying out the work of NPCC.

B. — NPCC shall have a Board of Directors and shall retain a Chairman, who shall serve as Chair of the Board. The Board shall also consist of two Co-Vice Chairs, the President and the Secretary, all *ex officio*; and additional Directors to be selected by the eight Voting Sectors of Members as specified below. The Directors shall designate two Co-Vice Chairs. The Co-Vice Chair designees shall be from different Voting Sectors and shall be elected by a vote of the entire Membership. In the temporary absence of the Chair, a Vice Chair designated by two-thirds vote of the Directors shall perform the duties of the Chair. NPCC's Chairman, President and officers, when serving *ex officio*, shall not have any vote on Board matters, except that the Co-Vice Chairs shall retain the voting rights that they otherwise held by virtue of serving as a Director.

5.2 Board of Directors. The business and affairs of NPCC shall be managed under the direction of the Board.

5.3 C-Officers. The officers of NPCC shall consist of a President **and Chief Executive Officer (CEO)**, a Secretary and a Treasurer, with assistants as appropriate, and such additional officers as may be approved by the Members. Officers, except for the President **and CEO**, shall hold office for one **(1)** year or until the next Annual Meeting of Members of NPCC and until their successors are duly elected and qualified.

5.4 D-President and CEO. NPCC shall employ a President and **CEO and** staff, as required, to carry out NPCC's mission and to perform the functions of NPCC. The President **and CEO** shall be appointed by the Board and shall serve at the Board's discretion. In the event of a vacancy in the presidency, the Board shall appoint an interim President **and CEO** who shall serve until such time as the Board appoints a new President. **and CEO. The authority and responsibilities of the President and CEO shall be defined by the Board.**

5.5 Vacancies.

(a) E.—In the event a vacancy occurs in the Board of Directors, or in the office of Co-Vice Chair, Secretary, or Treasurer in the interim between Annual Meetings of Members of NPCC, the **Board** Chair may designate **(i)** a person from the same ~~Voting Sector~~ **stakeholder voting sector** to fill such vacancy with the approval of a majority vote of Members from the applicable Sector **the Directors, or (ii) in the case of a vacancy in the office of the Secretary or Treasurer, from outside of NPCC to fill such vacancy with the approval of a majority vote of the Directors.**

(b) F.—In the event a vacancy occurs in the ~~Office~~ **office** of **Board** Chair in the ~~interim period~~ between Annual Meetings of Members of NPCC, the Board may fill such vacancy by a two-thirds **(2/3)** affirmative majority of the weighted sector votes, with each Director casting one **(1)** vote within the applicable sector, at a meeting of the Board at which a quorum is present. The term of office of the persons designated to fill any such vacancy shall expire on the date of the next subsequent Annual Meeting of Members of NPCC. The authority and responsibilities of the **Board** Chair ~~and the President~~ shall be defined by the Board. **and set forth in a separate agreement approved by the Board.**

~~G. —Statutory activities will be conducted by the regional entity division of NPCC. Non-statutory criteria services will be provided by the criteria services division of NPCC.~~

VI. Board of Directors

A. ~~Hybrid Board.~~ NPCC shall have a Board of Directors consisting of stakeholders balanced by sector and an independent Chairman, two Co-Vice Chairs, the President, and the Secretary.

5.6 NPCC Activities. NPCC engages in (i) Regional Entity activities which are conducted by its Regional Entity division, and (ii) Criteria Services activities which are conducted by its Criteria Services division.

ARTICLE VI - BOARD OF DIRECTORS

6.1 Hybrid Board.

(a) The Board shall consist of fourteen (14) Stakeholder Directors, two (2) Independent Directors, an independent Board Chair and the President and CEO.

(b) While serving on the Board, the President and CEO shall not be entitled to vote on any Board matters.

(c) Two (2) Co-Vice Chairs from different voting sectors on the Board shall be selected by the Directors and approved by a vote of the entire membership. In the temporary absence of the Board Chair, a Vice Chair designated by a two-thirds (2/3) vote of the Directors shall perform the duties of the Board Chair. The Co-Vice Chairs shall retain the voting rights that they otherwise held by virtue of serving as a Director.

6.2 Term and Compensation.

(a) B. ~~Term and Compensation.~~ The term of office of the Directors each Stakeholder Director shall be three two (32) years. Initial terms of Stakeholder Directors shall be staggered by the Board so that these Board members serve initial terms of one, two, (1) or three two (2) years. There shall be no limit on the number of terms which may be served by any individual. Stakeholder Director. Stakeholder Directors shall serve without compensation, including when performing duties of a Co-Vice Chair.

(b) The term of office of each Independent Director shall be two (2) years. Independent Directors may serve up to three (3) terms for a maximum of six (6) years. Each Independent Director shall be entitled to receive compensation as the Board may from time to time determine in its sole discretion.

(c) The term of office of the Board Chair shall be two (2) years, with no limitations on the number of terms that may be served. Compensation arrangements of the Board Chair shall be contained in a separate written agreement approved by the Board.

6.3 Powers and Duties.

(a) C. ~~Powers and Duties.~~ The Board shall develop NPCC policies, direct the activities of NPCC, accept additional entities as Members, review and approve or

modify Member ~~Voting Sector~~voting sector assignment, and make assignments to the committees of NPCC. The Board shall (i) approve a Regional Delegation Agreement, and any amendments thereto, with the ERO ~~which~~that delegates authority from FERC in the United States and any additional agreements with appropriate Canadian Provincial regulatory and/or governmental authorities, (ii) approve and oversee NPCC's Regional Reliability Standards Development Process and submit such Regional Standards to the ERO for adoption by FERC and appropriate Canadian Provincial regulatory and/or governmental authorities, (iii) approve the NPCC Compliance Monitoring and Enforcement Program and oversee the assessment and enforcement of mandatory compliance with Reliability Standards consistent with the Regional Delegation Agreement and agreements with Canadian Provincial regulatory and/or governmental authorities, and (iv) oversee NPCC's assessment and enforcement of mandatory compliance with regionally-specific more stringent reliability criteria through administration of the NPCC Reliability Compliance and Enforcement Program. The duties of the Board shall also include consideration and resolution of budgetary matters, including the levying of any special assessments; and the determination of any annual membership fee for Full Members. ~~However~~Notwithstanding the foregoing, the Board may not amend these Bylaws or establish, modify or eliminate any of NPCC's Regional Reliability Standards; or regionally-specific more stringent reliability criteria, ~~guides, programs or procedures~~; nor may the Board add, modify, or eliminate ~~Voting Sectors~~voting sectors established pursuant to these Bylaws.

(b) To carry out the purposes of NPCC, the Board, acting through the President and CEO and NPCC staff, shall enlist such personnel from Members as may be necessary; and, within the limits of the annual budget, may employ such personnel, incur such administrative expenses, and retain such independent professional consulting services for NPCC and the committees of NPCC as it may deem desirable.

6.4 ~~D.~~ Board Composition. NPCC shall have a ~~The Board of Directors that shall consist of up to~~shall consist of an independent Board Chair, the President and CEO, such officers as shall from time to time be determined by the Board, and Directors in eight (8) voting sectors. ~~The voting sectors shall include the following~~ comprising seven (7) stakeholder sectors and one (1) independent sector, as described below:

Sector (1). ~~Sector (1).~~ Transmission Owners (Maximum of ~~3~~2, with no more than 1 per Balancing Authority Area)

Sector (2). ~~Sector (2).~~ Reliability Coordinators (Maximum of ~~3~~2)

Sector (3). ~~Sector (3).~~ Transmission Dependent Utilities ("TDUs"); Distribution Companies and Load-Serving Entities ("LSEs") (Maximum of ~~3~~2)

Sector (4). ~~Sector (4).~~ Generator Owners (Maximum of ~~3~~2)

Sector (5). ~~Sector (5).~~ Marketers, Brokers and Aggregators (Maximum of ~~3~~2)

Sector (6). ~~Sector (6).~~ Customers (Maximum of ~~3~~2)

Sector (6). ~~Sector (7).~~ Regulators (Maximum of ~~3~~2)

~~Sector (7). Sector (8).~~—Sub-Regional Reliability Councils, ~~other Customers, Other~~ Regional Entities and Interested Entities (Maximum of 3, with a representative of the New York State Reliability Council, LLC included)2)

Sector (8). Independent Directors (Maximum of 2)

6.5 Quorum and Voting Requirements for the Board.

(a) ~~E. — Quorum and Voting Requirements for the Board.~~ At any meeting of the Board, attendance in person or by proxy by at least one-half (1/2) of the Stakeholder Directors in each of at least sixty percent (60%) of the stakeholders sectors and at least one (1) Independent Director shall constitute a quorum. Except as otherwise expressly provided in NPCC's Certificate of Incorporation, these Bylaws or applicable law, actions by the Board shall be approved upon receipt of a two-thirds (2/3) affirmative majority of the weighted sector votes, with each Director casting one (1) vote within the applicable sector, at a meeting of the Board at which a quorum is present. The Board Chair shall also be entitled to cast one (1) vote during any meeting of the Board at which a quorum is present to prevent any deadlock. The following process shall be used to determine if there are sufficient affirmative votes:

- The number of votes cast is the sum of affirmative and negative votes, excluding abstentions.
- The number of affirmative votes cast in each ~~Voting Sector~~voting sector will be divided by the sum of affirmative and negative votes cast in that ~~Voting Sector~~voting sector to determine the fractional affirmative vote for each ~~Voting Sector~~voting sector. Abstentions will not be counted for the purposes of determining the fractional affirmative vote for a ~~Voting Sector~~voting sector.
- The sum of the fractional affirmative votes from all sectors divided by the number of sectors voting will be used to determine if a two-thirds (2/3) affirmative majority has been achieved. A sector will be considered as "voting" if any ~~Member~~Director of the sector casts either an affirmative or a negative vote.

(b) An action of the Board will be approved if the sum of fractional affirmative votes from all sectors divided by the number of voting sectors is at least two-thirds (2/3).

6.6 ~~F. — Board Action Without Meeting.~~ Any action required, or permitted to be taken at a meeting of the Board of Directors, may be taken without a meeting if the action is taken by all members of the Board. The action must be evidenced by one or more written consents (which may be in electronic form) describing the action taken, signed by each Director, and included in the minute book of NPCC. Any action taken under this Section ~~VI.F. is~~6.6 shall be deemed effective when the last Director signs the consent, unless the consent specifies a different effective date.

6.7 Election and Removal of Directors.

(a) G. — Election and Removal of Directors. The Initial Board shall be the persons named in the Certificate of Incorporation and shall serve until the first Annual Meeting of the Members. The Initial Board shall nominate a list of **Stakeholder** Directors consistent with the Board composition requirements set forth in **Section VI.D Bylaws at such time.** At the first meeting of the Members, the Members from each sector shall vote to elect **the Stakeholder** Directors in their respective sector. ~~A Director~~ **Stakeholder Directors** shall be elected by a vote of the majority of the Members in the respective **stakeholder** sector. No **stakeholder** sector shall elect more **than two Stakeholder** Directors ~~than the number of Members in such sector.~~ **No Member or any Affiliate of a Member may designate more than one (1) Stakeholder Director to represent such Member or Affiliate. Stakeholder Director candidates will be selected in accordance with the Rules of Procedure set forth in Schedule B.**

(b) Individual Members may nominate an Independent Director candidate by petition. Each petition shall present only one Independent Director candidate who has met requirements in the Rules of Procedure set forth in Schedule B. Petitions shall be received by the Corporate Governance and Nominating Committee on a date set by the committee. The names on the petition shall reflect at least ten percent (10%) of the Members of NPCC as of January 1 of the year in which the election is to be held. Upon receipt of a valid petition, the Corporate Governance and Nominating Committee shall add the petitioned candidate's name to the slate of director nominees to be presented to the Members for approval at the Annual Meeting of Members.

(c) Independent Directors shall be nominated in accordance with the Rules of Procedure set forth in Schedule B and recommended by the Board to the Members for consideration and approval. In order to contribute to the effective functioning of the Board and NPCC, Independent Directors will be drawn from diverse backgrounds and will possess a broad range of industry expertise, perspectives, experiences, skill sets and knowledge. An individual is eligible to serve as an Independent Director if such individual (i) is not an officer or employee of NPCC, (ii) is not an officer, director or employee of a Member, (iii) is not an officer, director or employee of any entity that would reasonably be perceived as having a direct financial interest in the outcome of Board decisions, and (iv) does not have a relationship that would interfere with the exercise of independent judgment in performing the responsibilities of a director. Independent Directors shall be elected by an affirmative vote of the majority of the Members present at a meeting where a quorum exists.

(d) A Stakeholder Director may be removed for cause by at least two-thirds (2/3) of the Members in their respective sector at a regular meeting of the Members or at a special meeting called for that purpose; provided that there is a quorum of that sector's Members present at that meeting, or by at least a majority of the Directors present at a meeting called for that purpose; and provided, further, that there is a quorum of not less than a majority present at the meeting of Directors at which such action is taken recommended.

(e) An Independent Director may be removed for cause by the affirmative vote of at least two-thirds (2/3) of the Directors present at a meeting called for

that purpose; *provided* that there is a quorum of not less than ten (10) Directors present at the meeting of Directors at which such action is taken.

(f) For purposes of Section 6.7(d) and (e), grounds for removal “for cause” include, but are not limited to, failure to adequately perform Board duties and committee responsibilities, a felony conviction, misappropriation of funds, mental incapacity, and misconduct. In accordance with the N-PCL, an action to procure a judgment removing any Director for cause may also be brought by the Attorney-General of the State of New York.

6.8 Indemnification. Subject to the limitation set forth in Section ~~VII.6.9~~ below, NPCC shall indemnify its Directors, ~~Officers~~**officers**, employees and other corporate agents, including volunteers participating in good faith in the activities of NPCC and persons serving on duly constituted committees of NPCC (collectively, “NPCC Indemnitees”), in each case, to the full extent from time to time permitted by New York Not for Profit Corporation Law (“~~the~~ N-PCL”) and other applicable law. Such right of indemnification shall inure to the benefit of the legal representative of any NPCC Indemnatee. The foregoing right of indemnification shall be in addition to, and not in restriction or limitation of, any right such NPCC Indemnatee may have under applicable law (including the N-PCL).

6.9 Limitation on Indemnification. The maximum amount of losses (*i.e.*, damages, judgments, fines, penalties, liability, costs and expenses, including reasonable attorneys’ fees and expenses) for which NPCC will be obligated to indemnify the NPCC Indemnitees under Section ~~VI.H.6.8~~ will be the policy limit of directors and officers’ (“D&O”) liability insurance set forth in the D&O insurance policy maintained by NPCC.

ARTICLE VII - COMMITTEES AND HEARING BODY

7.1 ~~VII. Number of Committees.~~ NPCC shall have such committees, subcommittees, task forces and other groups as the Board may deem appropriate, including a Regional Standards Committee (RSC), a Compliance Committee (CC), a Reliability Coordinating Committee (**RCC**), NPCC’s principal technical committee), a Public Information Committee (**PIC**) and an ~~Audit and~~ Finance **and Audit** Committee: (**FAC**).

7.2 ~~The Finance and Audit and Committee.~~ **The Finance and Audit** Committee shall be comprised of at least three (**3**) members of the Board and **shall** include one (**1**) Director which shall be designated ~~as a finance and~~ audit committee financial expert by the Board. A chairperson of the ~~Audit and Finance~~ **and Audit** Committee shall be designated by the Board from among the members of the committee.

7.3 Committee Structure. Committee members shall be nominated and approved by the Board in accordance with guidelines established by the Board. Quorum and voting rules applicable to the Board shall also apply to voting on any such NPCC decision making committees, unless otherwise determined by the Board. Each committee shall establish a charter or scope of work, which shall be presented to the Board for approval.

VIII. Members’ Voting Rights

7.4 Hearing Body. The Hearing Body shall conduct all compliance proceedings in accordance with the hearing procedures set forth in the NERC Hearing Procedure.

ARTICLE VIII - MEMBERS' VOTING RIGHTS

8.1 Quorum and Voting Requirements for Meetings of Members.

(a) A. ~~Quorum and Voting Requirements for Meetings of Members.~~ At any meeting of the Members of NPCC, attendance in person or by proxy by one-half **(1/2)** of the Members in each of at least sixty percent (60%) of the ~~Voting Sectors~~ **stakeholder voting sectors** on the roster of Members maintained by NPCC shall constitute a quorum. Except as otherwise expressly provided in NPCC's Certificate of Incorporation, these Bylaws or applicable law, actions by the Members of NPCC shall be approved upon receipt of a two-thirds **(2/3)** affirmative majority vote of the sectors at a meeting of the Members of NPCC at which a quorum is present, where (i) each Member shall have one **(1)** vote within a sector, except that if less than one-half **(1/2)** of the Members in a sector are present, in person or by proxy, at the meeting, the vote of that sector shall be weighted by a percentage equal to the number of Members of the sector present in person or by proxy at the meeting divided by one-half **(1/2)** of the Members in the sector; (ii) the vote of each sector of NPCC shall be allocated for and against the proposed action based on the respective percentages of votes cast for and against the proposed action by the Members in that sector voting in person or by proxy; and (iii) the proportions of the votes of each sector allocated for and against the proposed action shall be summed to determine the total number of votes for and against the proposed action.

(b) The following process ~~is~~ **shall be** used to determine if there are sufficient affirmative votes:

- The number of votes cast ~~is~~ **will be** the sum of affirmative and negative votes, excluding abstentions.
- The number of affirmative votes cast in each sector will be divided by the sum of affirmative and negative votes cast to determine the fractional affirmative vote for each sector. Abstentions will not be counted for the purposes of determining the fractional affirmative vote for a sector.
- The sum of the fractional affirmative votes from all sectors divided by the number of sectors voting will be used to determine if a two-thirds **(2/3)** affirmative majority has been achieved. (A sector will be considered as "voting" if any Member of the sector casts either an affirmative or a negative vote.)

8.2 B. ~~Waivers of Notice of Meetings of Members; Member Meeting Adjournments.~~ Notice of a Meeting of Members need not be given to any Member who signs a waiver of notice, in person or by proxy, whether before or after the meeting. The attendance of any Member at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice of the meeting by

such Member. When any Meeting of Members is adjourned to another time or place, it shall not be necessary to give notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken, and if at the adjourned meeting only such business is transacted as might have been transacted at the original meeting.

8.3 C.—Actions Without a Meeting of Members. Any action, required or permitted to be taken at a Meeting of Members, may be taken without a meeting if the action is consented to in writing by the minimum number of Members that would be required to approve the action at a Meeting of Members at which all Members were present. The call for action without a Meeting of Members may be initiated by the ~~Chairman of the Board~~ **Chair** or by a number of Members constituting at least ten percent (10%) of the Members on the roster of Members maintained by NPCC, which number shall include Members in at least four (4) of the ~~Voting Sectors~~ **voting sectors**. Notice of the proposal for action without a meeting shall be provided to all Members on the roster of Members maintained by NPCC at least seven (7) days prior to the date established for the tabulation of consents. The Members shall receive written notice of the results within fourteen (14) days of the action vote, and all written responses of the Members shall be filed with the minutes of proceedings of Members.

8.4 D.—Meeting of Members to be Open. Notice to the public of the dates, places, and times of Meetings of Members, and all non-confidential material provided to the Members, shall be posted on NPCC's web site at approximately the same time that notice is given to the Members. Meetings of Members shall be open to the public, subject to reasonable limitations due to the availability and size of meeting facilities; *provided* that the meeting may be held in or adjourn to closed session to discuss matters of a confidential nature, including, but not limited to, personnel matters, compliance and enforcement matters, litigation, or commercially sensitive or critical energy infrastructure information of any entity.

8.5 E.—Electronic Voting. Upon completion of applicable processes that permit parties to comment on the subject issue(s), electronic voting on matters before the ~~membership~~ **Members**, Board or any committee is permitted. A quorum will be determined to exist for purposes of conducting an electronic vote when NPCC receives completed ballots from two-thirds (**2/3**) of the total number of outstanding ballots. In the event that a quorum exists for purposes of an electronic vote but the matter has not been resolved, NPCC may continue to solicit additional responses in order to resolve the matter by electronic voting. **In the event that quorum has not been achieved for purposes of an electronic vote, NPCC may continue to solicit electronic ballots, including abstentions, to obtain quorum and resolve the matter.**

ARTICLE IX - MEMBERS' RIGHTS AND OBLIGATIONS, AND ORGANIZATIONAL PROCESS

9.1 **IX.—Members' Rights and Obligations, and Organizational**
ProcessA. All General and Full Members shall have the following rights and obligations:

(1) (1)—Rights:

- (a) ~~(a)~~—Attendance at all meetings of the general membership of NPCC; and, subject to procedures established by the committees and to the terms of applicable confidentiality agreements, attendance at meetings of NPCC’s committees, task forces and any other such NPCC groups.
- (b) ~~(b)~~—Access to minutes of each committee, subcommittee, task force or any other NPCC group, subject to procedures established by the committees and to the terms of applicable confidentiality agreements.
- (c) ~~(c)~~—Vote to amend these Bylaws: **in accordance with Section 19.1.**
- (d) ~~(d)~~—Vote to establish, modify or eliminate NPCC Regional Reliability Standards and programs.
- (e) ~~(e)~~—For Full Members only: Vote to establish, modify or eliminate NPCC’s regionally-specific **more stringent** reliability criteria.

(2) ~~(2)~~—Obligations:

- (a) ~~(a)~~—Each Member shall agree, in writing, to accept the responsibility to promote, support, and comply with the purposes and policies of NPCC as set forth in its Certificate of Incorporation and Bylaws as from time to time adopted, approved or amended.
- (b) ~~(b)~~—Each Member acknowledges that it has the responsibility to plan and design its bulk power system and conduct its operations, **consistent with its registration,** in compliance with ERO Reliability Standards, Regional Reliability Standards and Regional Variances consistent with applicable laws, regulations, permits and licenses.
- (c) ~~(c)~~—Each Member agrees to submit such data and reports as required by NPCC in order to perform compliance enforcement obligations delegated to it by the ERO, subject to established procedures and to the terms of applicable confidentiality agreements.
- (d) ~~(d)~~—In addition, each Full Member shall:
 - (i) plan and design its ~~bulk power system in compliance with Criteria, Guides, and Procedures~~ **generation and transmission facilities on which faults or disturbances can have a significant adverse impact outside of the local area, as identified utilizing a reliability impact-**

based methodology, in compliance with criteria, guides and procedures established by NPCC and applicable ERO Standards;

- (ii) (ii)——conduct its operations in compliance with ~~Criteria, Guides, and Procedures~~criteria, guides and procedures established by NPCC and applicable ERO Standards, and consistent with applicable laws, regulations, permits and licenses;
- (iii) (iii)——assure that, whenever it enters into arrangements with non-members which could have an impact on the reliability of the international, interconnected ~~bulk power systems~~Bulk Power System in Northeastern North America, the arrangements will not adversely impact the ability of the Full Members to comply with regionally-specific more stringent reliability criteria established by NPCC, ERO Standards, or the criteria of regional reliability organizations established in areas in which the facilities used for such arrangements are located;
- (iv) (iv)——notify NPCC of its existing facilities and operating procedures and of its plans for major additions or modifications affecting the operation of the interconnected systems; and shall report to NPCC any decision as to significant alterations or changes proposed for their respective electric systems, whether in generation, transmission, inter-system communication or control and protective equipment, or in operating procedures; such report to be submitted promptly and, except in cases of emergency, before final commitments are undertaken or changes in operating procedures become effective;
- (v) (v)——promptly notify NPCC and all other Members in writing or electronically if its ~~bulk power system~~ is generation and transmission facilities on which faults or disturbances can have a significant adverse impact outside of the local area, as identified utilizing a reliability impact-based methodology, are not being designed or operated, or its operations are not being conducted, in compliance with Criteria, Guides, and Procedures established by NPCC, stating its reasons, and providing its plan and schedule to achieve compliance;
- (vi) (vi)——submit such data and reports as required by the Reliability Compliance and Enforcement Program and to abide by the compliance assessments and sanctions

prescribed by NPCC's enforcement procedures, subject to Alternative Dispute Resolution; and

- (vii) (vii)—undertake and perform the administrative and financial obligations described in Article XIII of these Bylaws.

9.2 B.—Standards Development Procedure. NPCC shall develop a Regional Reliability Standards Development Procedure that provides the design-basis approach to a consensus building process by which NPCC may develop Regional Reliability Standards and Regional Variances to be proposed to the ERO for adoption, under delegated authority by the FERC and the Canadian Provincial regulatory and/or governmental authorities.

9.3 C.—Procedures for Enforcing Compliance with Reliability Standards. Where regulatory approval has been obtained or governmental authority has been provided, upon the determination of the NPCC Board NPCC compliance staff and verification by the President and CEO that a user, owner or operator of the ~~bulk power system~~ Bulk Power System has violated a reliability standard, NPCC shall enforce compliance for such ~~violations~~ violation, pursuant to procedures and processes that shall be specified in the ~~NPCC~~ NERC Compliance Monitoring and Enforcement Program. Such procedures and processes shall provide for reasonable notice and opportunity for hearing. Any sanction imposed for a violation of a Reliability Standard shall bear a reasonable relation to the seriousness of the violation and shall take into consideration circumstances surrounding the violation and efforts of the owner, operator, or user of the ~~bulk power system~~ Bulk Power System to remedy the violation in a timely manner. Subject to any necessary action by any applicable governmental authorities, no sanction imposed for a violation of a reliability standard shall take effect (i) until the thirty-first (31st) day after ~~the NPCC Board~~, where authorized by law or agreement, files with the FERC or other applicable Canadian Provincial regulatory and/or governmental ~~authority's~~ authorities notice of the sanction and the record of the proceedings in which the violation and sanction were determined, or (ii) such other date as ordered by the FERC or other applicable Canadian Provincial regulatory and/or governmental authorities or as prescribed by applicable law.

ARTICLE X - FULL MEMBERS: ENFORCEMENT OF MANDATORY COMPLIANCE WITH REGIONALLY-SPECIFIC CRITERIA

10.1 X.—Full Members: Compliance Enforcement of Mandatory Compliance With Regionally-specific Criteria. Subject to approval of the Full Members, NPCC shall establish an NPCC Reliability Criteria Compliance and Enforcement Program, including matrices for measuring compliance, levying non-monetary sanctions, and developing procedures for Alternative Dispute Resolution. Such program shall be administered by the ~~NPCC Board~~. The Reliability Coordinating Committee, with the full cooperation of each ~~member~~ Member, shall expeditiously evaluate, as appropriate, alterations or measures designed to correct any assessed non-compliance and shall report such studies to the ~~NPCC Board~~.

ARTICLE XI - MEETINGS

11.1 XI.—Meetings. Meetings of NPCC may be held on such dates as the Board may from time to time determine and shall be held in such places as the Board may from time to time designate. Special meetings may be called from time to time by the Board Chair, the Board, or by a number of Members constituting at least ten percent (10%) of the Members on the roster of Members maintained by NPCC, which number shall include Members in at least four (4) of the ~~Voting Sectors.~~ voting sectors. **Except as provided in Section 19.1, notice** of all meetings, stating the time and place, shall be given by NPCC in writing to each Member by issuing the notice at least one **(1)** week prior to the date of the meeting. The Secretary, Assistant Secretary, or, in their absence, a secretary *pro tempore* designated by the Board Chair or the President and CEO, shall keep the records of NPCC meetings.

11.2 Proxies. When appropriate, ~~the membership, the Board and the committees may use proxies or teleconference facilities~~ **Members, Directors and committee members may appoint a proxy, consistent with NPCC proxy procedures, to vote or otherwise act for such Member, Director or committee member at any meeting.** Such participation by proxy shall constitute attendance for purposes of quorum requirements.

11.3 Action by Remote Communication. **A meeting among the Members or the Board by means of a communication through which the participants may simultaneously hear each other during the conference shall constitute a meeting of the Members or the Board, as the case may be, if the same notice is given of the conference as would be required for a meeting and if the number of persons participating in such conference constitute a quorum. Participation in any meeting by this means shall constitute personal presence at such meeting.**

ARTICLE XII - BUDGET

12.1 XII.—Annual Budget. The Board shall prepare or cause to be prepared an annual budget for the administrative and other expenses of NPCC, including the expenditures for the fiscal year for any material special projects undertaken by NPCC and reasonable and proper reserves and provisions for contingencies, an accompanying business plan for NPCC, and a funding mechanism including any supplemental funding mechanism, for each fiscal year. The annual budget, business plan, and funding mechanism of NPCC shall be developed in the form and format and on the schedule stipulated by the ERO for a fiscal year commencing on January 1 and ending on December 31. Each annual budget, business plan, and funding mechanism shall be approved by the Board at a regular meeting or a special meeting of the Board duly called for that purpose. The Board shall approve each annual budget, business plan, and funding mechanism on or before the date stipulated by the ERO during the year prior to the start of the fiscal year in order to allow for timely submittal of the approved annual budget, business plan, and funding mechanism to the FERC and the applicable Canadian Provincial regulatory and/or governmental authorities.

12.2 Budget Remands. If the ERO or a regulatory and/or governmental authority by order remands an annual budget, business plan, or annual, modified, or supplemental funding

mechanism, the Board shall promptly address such ~~other order~~ through appropriate follow-up measures with the Members and regulatory and/or governmental authorities.

12.3 Criteria Services Budget. Each Full Member shall be notified of the annual administrative expense budget for the ~~criteria services~~ **Criteria Services** division, on or ~~before~~ **about** December 1st of the preceding year.

ARTICLE XIII - FUNDING

13.1 XIII.—Funding Sources. NPCC's annual administrative expenses, including any special assessments approved by the Board, shall be apportioned and funded as follows:

- A.** A.—Funding of NPCC General Member ~~regional entity~~ **Regional Entity** division activities shall be through mechanisms established by the ERO, FERC and applicable Canadian **Provincial** regulatory and/or governmental authorities.
- B.** General Members shall not be assessed an annual membership fee.
- C.** Full Members, other than Full Members that perform the Balancing Authority function, shall not be assessed an annual membership fee.
- D.** Full Members that perform the Balancing Authority function shall be assessed and pay a proportional share of the expenses for ~~non-statutory~~ criteria services in proportion to the ratio of the second previous year's Net Energy for Load within the Balancing Authority Area to the aggregate Net Energy for Load within all Balancing Authority Areas in Northeastern North America. NPCC will directly assign ~~non-statutory criteria services~~ **Criteria Services division** costs to a Balancing Authority Area or entity where significant costs are incurred by NPCC for such **Balance Authority** Area or entity.
- E.** No Full Member shall, without its consent, be responsible for expenses of NPCC in any one calendar year in excess of its assessed portion of the amount budgeted for ~~non-statutory criteria services~~ **the Criteria Services division** for that year; *provided, however*, that special assessments may be separately budgeted and their cost allocated by the Board to the Full Members that perform the Balancing Authority function.

XIV.—Termination of Membership and Cessation of Non-Statutory Criteria Services

ARTICLE XIV - TERMINATION OF MEMBERSHIP AND CESSATION OF CRITERIA SERVICES DIVISION RELIABILITY ACTIVITIES

14.1 A.—Termination. All General Members and Full Members, other than Full Members that perform the Balancing Authority function, may terminate their membership in NPCC at any time upon fifteen (15) days' written or electronic notice without liability to NPCC.

A Full Member that performs the Balancing Authority function may terminate its rights and obligations under these Bylaws (other than its obligation to pay its proportionate share of the ~~non-statutory~~Criteria Services division expenses of NPCC, including special assessments, if applicable, for the full calendar year within which such termination is effective) at any time upon one (1) year's written notice to the President and CEO; whereupon, it shall cease to be a Full Member of NPCC as of the date such termination is effective. The President and CEO shall promptly inform all Members of receipt of any such notices.

14.2 ~~B.—Cessation of Non-Statutory-Criteria Services~~ **Division Reliability Activities**. The Full Members of NPCC may elect by a majority vote to cease ~~non-statutory criteria services~~ **Criteria Services division reliability activities**.

ARTICLE XV - CONFLICTS OF INTEREST

15.1 ~~XV.—Conflicts of Interest~~ **Policy**. NPCC has developed a Code of Conduct that sets forth NPCC policies with respect to, among other things, conflicts of interest. On an annual basis, Directors shall evidence their compliance with NPCC conflict of interest principles by either: (i) signing an Individual Participant Implementation Agreement and thereby agreeing to comply with NPCC's Code of Conduct to the best of his/her ability; or (ii) agreeing that the execution of a Member Entity Implementation Agreement by the employer of such ~~Board member~~ **Director** evidences the ~~Board member~~ **Director**'s agreement to be bound by its employer's Code of Conduct when performing NPCC activities. The Board shall establish similar Code of Conduct compliance requirements for NPCC staff and membership personnel participating on committees, task forces, and working groups as appropriate.

XVI.—General

ARTICLE XVI - GENERAL

16.1 ~~A.—Member Liability~~. No Member shall be liable for the failure of any other Member to perform its obligations hereunder.

16.2 ~~B.—No Personal Liability~~. No NPCC officer, member of the Board or member of any other NPCC committee or group, or employee of NPCC shall be personally liable to NPCC or any member thereof, for damages for breach of any duty owed to NPCC or any member thereof, except for liabilities arising from breach of any duty based upon an act or omission (i) in breach of the duty of loyalty owed to NPCC or any individual member, (ii) not in good faith or involving a knowing violation of law, or (iii) resulting in receipt of an improper personal benefit by such NPCC officer, member of the Board or member of any other NPCC committee or group, or employee of NPCC. Neither the amendment nor repeal of this paragraph, nor the adoption of any provision of these Bylaws inconsistent with this paragraph, shall eliminate or reduce the protection offered by this paragraph to an NPCC officer, member of the Board or member of any other such NPCC committee or group, or employee of NPCC in respect of any matter which occurred, or any cause of action, suit or claim which, but for this paragraph, would have accrued or arisen, prior to such amendment, repeal, or adoption.

16.3 **Binding Nature**. Those entities listed as Members on Schedule A and subsequent applicants granted membership in NPCC shall be deemed to have accepted and to be

bound by all the terms and conditions of these Bylaws, as adopted on July 24, 2007. [_____] ,
2011.

ARTICLE XVII - CONTRACTS, CHECKS, DEPOSITS

17.1 Contracts. The Board may authorize, by resolution, any officer or officers, agent or agents of NPCC, in addition to the officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of NPCC, and such authority may be general or confined to specific instances.

17.2 Checks, Drafts or Orders. All checks, drafts or orders for the payment of money, notes or other evidences of indebtedness issued in the name of NPCC shall be signed by such officer or officers, or agent or agents of NPCC and in such manner as shall from time to time be determined by resolution of the Board. In the absence of such determination by the Board, such instruments shall be signed by the President and CEO.

17.3 Deposits. All funds of NPCC shall be deposited from time to time to the credit of NPCC in such banks, trust companies or other depositories as the Board may select.

ARTICLE XVIII - DISSOLUTION

18.1 Distribution of Assets. Upon dissolution of NPCC, in accordance with paragraph EIGHTH of the Certificate of Incorporation, the remaining assets of NPCC after payment of debts shall be distributed in the manner determined by the Board, provided that (i) no part of the assets shall be distributed to any Director, and (ii) the distribution of assets shall be consistent with the requirements of Section 501(c)(6) of the United States Internal Revenue Code of 1986, as amended.

ARTICLE XIX - AMENDMENT OF BYLAWS

19.1 Amendment of Bylaws. These Bylaws may be modified, amended or repealed by an affirmative vote of two-thirds (2/3) of the Members entitled to vote at a meeting at which quorum is present, or by electronic voting in accordance with Section 8.5. Written notice of the subject matter of the proposed changes to the Bylaws shall be provided, as appropriate, to the Members no less than fourteen (14) nor more than sixty (60) days prior to the date of the meeting of the Members at which the vote is to be taken. Any modification, amendment or repeal of these Bylaws shall be subject to any application requirements for filing with or approval by NERC and FERC and other applicable governmental authority.

ARTICLE XX - EFFECTIVE DATE

20.1 Effective Date. These Bylaws shall take effect on [_____] , 2011.

SCHEDULE A – MEMBERS OF NPCC

[to be attached]

SCHEDULE B – RULES OF PROCEDURE (SELECTION OF NPCC DIRECTORS)

1. Selection of Director Candidates

In selecting candidates to serve as Stakeholder Directors and Independent Directors on the NPCC Board of Directors ("Board"), NPCC's Corporate Governance and Nominating Committee ("CGNC") will endeavor to find individuals of high integrity who have a solid record of accomplishment in their chosen fields and who display the independence of mind and strength of character to effectively represent the best interests of NPCC. Candidates will be selected for their ability to exercise good judgment, and to provide practical insights and diverse perspectives. Consistent with its charter, the CGNC is responsible for screening director candidates, establishing criteria for nominees, and recommending a slate of nominees to the Board for consideration. The slate of director nominees will be presented to the Members for approval at the Annual Meeting of Members.

2. Criteria for Board Service

The CGNC will consider and recruit candidates for director nominees based upon recommendations from Members, current directors, NPCC management, outside consultants or search firms engaged for the purpose, and any other source recommended by the Board. All candidates recommended will be evaluated for nomination based on the criteria set forth below:

- (a) Stakeholder Directors must reflect the geographic diversity of the NPCC Region, which comprises the State of New York, the six New England States of the United States, and the Canadian Provinces of Ontario, Québec, New Brunswick and Nova Scotia.
- (b) Directors must possess corporate and business experience at the senior-executive level, or the equivalent thereof.
- (c) Each Stakeholder Director must be an officer or senior executive-level employee of a Member of NPCC.
- (d) Each Independent Director must be an individual who:
 - (i) is not an officer or employee of NPCC;
 - (ii) is not an officer, director or employee of a Member;
 - (iii) is not an officer, director or employee of any entity that would reasonably be perceived as having a direct financial interest in the outcome of Board decisions;
and
 - (iv) does not have a relationship that would interfere with the exercise of independent judgment in performing the responsibilities of a director of NPCC.
- (e) Directors must have no actual or potential conflicts of interests that would or could interfere with the diligent performance of the responsibilities of a Board member in the best interests of NPCC.

Exhibit C – Regional Standard Development Procedure

Exhibit C shall set forth the Regional Entity’s standards development procedure, which NERC agrees meets the following common attributes:

COMMON ATTRIBUTE 1

Proposed regional reliability standards shall be subject to approval by NERC, as the electric reliability organization, and by FERC before becoming mandatory and enforceable under Section 215 of the FPA and any applicable authorities in Canada. No regional reliability standard shall be effective within the NPCC area unless filed by NERC with FERC and applicable authorities in Canada and approved by FERC and applicable authorities in Canada.

COMMON ATTRIBUTE 2

NPCC regional reliability standards shall provide for as much uniformity as possible with reliability standards across the interconnected bulk power system of the North American continent. A NPCC reliability standard shall be more stringent than a continent-wide reliability standard, including a regional difference that addresses matters that the continent-wide reliability standard does not, or shall be a regional difference necessitated by a physical difference in the bulk power system. A regional reliability standard that satisfies the statutory and regulatory criteria for approval of proposed North American reliability standards, and that is more stringent than a continent-wide reliability standard, would generally be acceptable.

COMMON ATTRIBUTE 3

NPCC regional reliability standards, when approved by FERC and applicable authorities in Canada, shall be made part of the body of NERC reliability standards and shall be enforced upon all applicable bulk power system owners, operators, and users within the NPCC area, regardless of membership in the region.

COMMON ATTRIBUTE 4

Requester — The requester is the sponsor of the regional reliability standard request and may assist in the development of the standard. Any member of NPCC or group within NPCC shall be allowed to request that a regional reliability standard be developed, modified, or withdrawn. Additionally, any entity (person, organization, company, government agency, individual, etc.) that is directly and materially affected by the reliability of the bulk power system in the NPCC area shall be allowed to request a regional reliability standard be developed, modified, or withdrawn.

COMMON ATTRIBUTE 5

Regional Standards Committee — The NPCC Regional Standards Committee manages the standards development process. The NPCC Regional Standards Committee will consider which requests for new or revised standards shall be assigned for development (or existing standards considered for deletion). The NPCC Regional Standards Committee will advise the NPCC board on standards presented for adoption.

COMMON ATTRIBUTE 6

Registered ballot body — The registered ballot body comprises all entities or individuals that qualify for one of the stakeholder segments; are registered with NPCC as potential ballot participants in the voting on standards; and are current with any designated fees. Each member of the registered ballot body is eligible to vote on standards. [Each standard action has its own ballot pool formed of interested members of the registered ballot body. Each ballot pool comprises those members of the registered ballot body that respond to a pre-ballot survey for that particular standard action indicating their desire to participate in such a ballot pool.] The representation model of the registered ballot body is provided in Appendix A.]

COMMON ATTRIBUTE 7

NPCC will coordinate with NERC such that the acknowledgement of receipt of a standard request identified in step 1, notice of comment posting period identified in step 4, and notice for vote identified in step 5 below are concurrently posted on both the NPCC and NERC websites.

COMMON ATTRIBUTE 8

An acceptable standard request shall contain a description of the proposed regional reliability standard subject matter containing sufficiently descriptive detail to clearly define the purpose, scope, impacted parties, and other relevant information of the proposed standard.

COMMON ATTRIBUTE 9

Within [no greater than 60] days of receipt of a completed standard request, the NPCC Regional Standards Committee shall determine the disposition of the standard request.

COMMON ATTRIBUTE 10

The NPCC Regional Standards Committee may take one of the following actions:

- Accept the standard request as a candidate for development of a new standard, revision of an existing standard, or deletion of an existing standard. The NPCC Regional Standards Committee may, at its discretion, expand or narrow the scope of the standard request under consideration. The NPCC Regional Standards Committee shall prioritize the development of standard in relation to other proposed standards, as may be required based on the volume of requests and resources.
- Reject the standard request. If the NPCC Regional Standards Committee rejects a standard request, a written explanation for rejection will be delivered to the requester within [no greater than 30] days of the decision.
- Remand the standard request back to the requester for additional work. The standards process manager will make reasonable efforts to assist the requester in addressing the deficiencies identified by the NPCC Regional Standards Committee. The requester may then resubmit the modified standard request using the process above. The requester may choose to withdraw the standard request from further consideration prior to acceptance by the NPCC Regional Standards Committee.

COMMON ATTRIBUTE 11

Any standard request that is accepted by the NPCC Regional Standards Committee for development of a standard (or modification or deletion of an existing standard) shall be posted for public viewing on the NPCC website within [no greater than 30] days of acceptance by the committee.

COMMON ATTRIBUTE 12

The standards process manager shall submit the proposed members of the drafting team to the NPCC Regional Standards Committee. The NPCC Regional Standards Committee shall approve the drafting team membership within 60 days of accepting a standard request for development, modifying the recommendations of the standards process manager as the committee deems appropriate, and assign development of the proposed standard to the drafting team.

COMMON ATTRIBUTE 13

At the direction from the NPCC Regional Standards Committee, the standards process manager shall facilitate the posting of the draft standard on the NPCC website, along with a draft implementation plan and supporting documents, for a no less than a [30]-day comment period. The standards process manager shall provide notice to NPCC stakeholders and other potentially interested entities, both within and outside of the NPCC area, of the posting using communication procedures then currently in effect or by other means as deemed appropriate.

COMMON ATTRIBUTE 14

The drafting team shall prepare a summary of the comments received and the changes made to the proposed standard as a result of these comments. The drafting team shall summarize comments that were rejected by the drafting team and the reason(s) that these comments were rejected, in part or whole. The summary, along with a response to each comment received will be posted on the NPCC website no later than the next posting of the proposed standard.

COMMON ATTRIBUTE 15

Upon recommendation of the drafting team, and if the NPCC Regional Standards Committee concurs that all of the requirements for development of the standard have been met, the standards process manager shall post the proposed standard and implementation plan for ballot and shall announce the vote to approve the standard, including when the vote will be conducted and the method for voting. Once the notice for a vote has been issued, no substantive modifications may be made to the proposed standard unless the revisions are posted and a new notice of the vote is issued.

COMMON ATTRIBUTE 16

The standards process manager shall schedule a vote by the NPCC registered ballot body. The vote shall commence no sooner than [15] days and no later than [30] days following the issuance of the notice for the vote.

COMMON ATTRIBUTE 17

The NPCC registered ballot body shall be able to vote on the proposed standard during period of not less than 10 days.

COMMON ATTRIBUTE 18

All members of NPCC are eligible to participate in voting on proposed new standards, standard revisions or standard deletions. [Alternatively: Each standard action requires formation of a ballot pool of interested members of the registered ballot body.]

COMMON ATTRIBUTE 19

Approval of the proposed regional reliability standard shall require a [two thirds] majority in the affirmative (affirmative votes divided by the sum of affirmative and negative votes). Abstentions and non-responses shall not count toward the results, except that abstentions may be used in the determination of a quorum. A quorum shall mean [XX%] of the members of the [registered ballot body/ballot pool] submitted a ballot.

COMMON ATTRIBUTE 20

Under no circumstances may the board substantively modify the proposed regional reliability standard.

COMMON ATTRIBUTE 21

Once a regional reliability standard is approved by the NPCC board, the standard will be submitted to NERC for approval and filing with FERC and applicable authorities in Canada.

COMMON ATTRIBUTE 22

- **Open** - Participation in the development of a regional reliability standard shall be open to all organizations that are directly and materially affected by the NPCC bulk power system reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in NPCC, and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements. Meetings of drafting teams shall be open to the NPCC members and others.

COMMON ATTRIBUTE 23

- **Balanced** - The NPCC standards development process strives to have an appropriate balance of interests and shall not be dominated by any two interest categories and no single interest category shall be able to defeat a matter.

COMMON ATTRIBUTE 24

- **Inclusive** — Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the bulk power system in the NPCC area shall have a right to participate by: a) expressing a position and its basis, b) having that position considered, and c) having the right to appeal.

COMMON ATTRIBUTE 25

- **Fair due process** — The regional reliability standards development procedure shall provide for reasonable notice and opportunity for public comment. At a minimum, the procedure shall include public notice of the intent to develop a standard, a public comment period on the proposed standard, due consideration of those public comments, and a ballot of interested stakeholders.

COMMON ATTRIBUTE 26

- **Transparent** — All actions material to the development of regional reliability standards shall be transparent. All standards development meetings shall be open and publicly noticed on the NPCC Web site.

COMMON ATTRIBUTE 27

- Does not unnecessarily delay development of the proposed reliability standard.

COMMON ATTRIBUTE 28

Each standard shall enable or support one or more of the reliability principles, thereby ensuring that each standard serves a purpose in support of the reliability of the regional bulk power system. Each standard shall also be consistent with all of the reliability principles, thereby ensuring that no standard undermines reliability through an unintended consequence.

COMMON ATTRIBUTE 29

While reliability standards are intended to promote reliability, they must at the same time accommodate competitive electricity markets. Reliability is a necessity for electricity markets, and robust electricity markets can support reliability. Recognizing that bulk power system reliability and electricity markets are inseparable and mutually interdependent, all regional reliability standards shall be consistent with NERC's market interface principles. Consideration of the market interface principles is intended to ensure that standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.

COMMON ATTRIBUTE 30

To ensure uniformity of regional reliability standards, a regional reliability standard shall consist of the elements identified in this section of the procedure. These elements are intended to apply a systematic discipline in the development and revision of standards. This discipline is necessary to achieving standards that are measurable, enforceable, and consistent.

COMMON ATTRIBUTE 31

All mandatory requirements of a regional reliability standard shall be within the standard. Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself.

COMMON ATTRIBUTE 32

Applicability	<p>Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions.</p> <p>If not applicable to the entire NPCC area, then a clear identification of the portion of the bulk power system to which the standard applies. Any limitation on the applicability of the standard based on electric facility requirements should be described.</p>
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COMMON ATTRIBUTE 33

Measure(s)	Each requirement shall be addressed by one or more measures. Measures are used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measure will identify to whom the measure applies and the expected level of performance or outcomes required demonstrating compliance. Each measure shall be tangible, practical, and as objective as is practical. It is important to realize that measures are proxies to assess required performance or outcomes. Achieving the measure should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.
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COMMON ATTRIBUTE 34

Compliance Monitoring Process	<p>Defines for each measure:</p> <ul style="list-style-type: none">• The specific data or information that is required to measure performance or outcomes.• The entity that is responsible for providing the data or information for measuring performance or outcomes.• The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes.• The entity that is responsible for evaluating data or information to assess performance or outcomes.• The time period in which performance or outcomes is measured, evaluated, and then reset.• Measurement data retention requirements and assignment of responsibility for data archiving.
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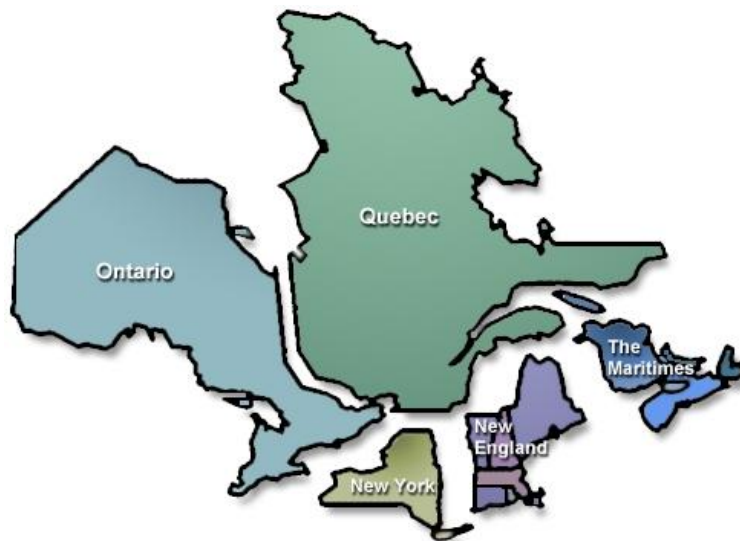


NORTHEAST POWER COORDINATING COUNCIL, INC.
1040 AVE OF THE AMERICAS, NEW YORK, NY 10018 TELEPHONE (212) 840-1070 FAX (212) 302-2782

Exhibit C

Northeast Power Coordinating Council, Inc.

Regional Reliability Standards Development Procedure



Approved by NPCC Board of Directors

~~September 19, 2007~~ May 3, 2011

Effective January 1, 2012

NPCC

REGIONAL RELIABILITY STANDARDS DEVELOPMENT PROCEDURE

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I. EXECUTIVE SUMMARY

The purpose of the Northeast Power Coordinating Council, Inc. ("NPCC"), is to enhance the reliability of the international, interconnected bulk power system in Northeastern North America through the development of more stringent and specific regional reliability standards and compliance assessment and enforcement of continent-wide and regional reliability standards pursuant to the execution and implementation of a Regional Delegation Agreement with the Electric Reliability Organization ("ERO") and applicable Canadian Memoranda of Understanding that are backstopped by the Federal Energy Regulatory Commission ("FERC") and Canadian Provincial authorities. In the development and enforcement of Regional Reliability Standards, NPCC, to the extent possible, facilitates attainment of fair, effective, efficient, and competitive electric markets.

General Membership in NPCC is voluntary and is open to any person or entity, including any entity participating in the Registered Ballot Body of the ERO that has an interest in the reliable operation of the Northeastern North American bulk power system.

The NPCC Regional Reliability Standards Development Procedure describes the procedures, policies and practices implemented to ensure an "open, fair, and inclusive" process for the transparent initiation, development, implementation and revision of NPCC Regional Reliability Standards necessary for the reliable operation of the international and interconnected bulk power system in Northeast North America. These Standards will, in all cases, not be inconsistent with or less stringent than any requirements of the North American Electric Reliability Council/Electric Reliability Organization (NERC/ERO) Reliability Standards. The procedure will not unnecessarily delay the development of the proposed reliability standards. Each regional reliability standard shall enable or support one or more of the reliability principles, thereby ensuring that each standard serves a purpose in support of the reliability of the regional bulk power system. Each standard shall also be consistent with all of pertinent reliability principles and criteria, thereby ensuring that no standard undermines reliability through an unintended consequence.

II. REGIONAL RELIABILITY STANDARD DEVELOPMENT PROCEDURE

1. CHARACTERISTIC ATTRIBUTES

The NPCC Regional Reliability Standards Development Procedure is:

- **Open** — The NPCC Regional Reliability Standards Development Procedure provides any person the ability to participate in the development of a standard. Any entity that is directly and materially affected by the reliability of the NPCC's bulk power system has the ability to participate in the development and approval of reliability standards. There are no undue financial barriers to participation. Participation in the open comment process is not conditional upon membership in the ERO, NPCC or any organization, and participation is not unreasonably restricted on the basis of technical qualifications or other such requirements. NPCC utilizes a website to accomplish this. Online posting and review of standards and the real time sharing of comments uploaded to the website allow complete transparency.

- **Inclusive** — The NPCC Regional Reliability Standards Development Procedure provides any person with a direct and material interest the right to participate by expressing an opinion and its basis, have that position considered, and appealed through an established appeals process if adversely affected.
- **Balanced** — The NPCC Regional Reliability Standards Development Procedure has a balance of interests and all those entities that are directly and materially affected by the reliability of the NPCC's bulk power system are welcome to participate and shall not be dominated by any two interest categories and no single interest category shall be able to defeat a matter. This will be accomplished through the NPCC Bylaws defining [eightseven](#) sectors (categories) for voting.
- **Fair Due Process** — The NPCC Regional Reliability Standards Development Procedure provides for reasonable notice and opportunity for public comment. The procedure includes public notice of the intent to develop a standard, a 45 calendar day public comment period on the proposed standard request, or standard with due consideration of those public comments, and responses to those comments will be posted on the NPCC website. A final draft will be posted for a 30 calendar day pre-balloting period, and then a ballot of NPCC Members will be conducted. Upon approval by the NPCC Members, the NPCC Board then votes to approve submittal of the Regional Standard to NERC.
- **Transparent** — All actions material to the development of Regional Reliability Standards are transparent and information regarding the progress is posted on the NPCC website as well as through extensive email lists.

In as much as NPCC is one of several regional entities within the Eastern Interconnection of North America, there will be **no presumption of validity** by the ERO for any NPCC Regional Reliability Standard. In order to receive the approval of the ERO, the NPCC Reliability Standards Development Process must also achieve the following objectives:

- **No Adverse Impact on Reliability of the Interconnection** — An NPCC Regional Reliability Standard provides a level of bulk power system reliability that is necessary and adequate to protect public health, safety, welfare, and North American security and will not have an adverse impact on the reliability of the Interconnection or other Regions within the Interconnection.
- **Justifiable Difference** — An NPCC Regional Reliability Standard is based on justifiable differences between Regions, such as different electrical systems or facilities, sensitivity of load to disruptions, sensitivity of generation to disruptions, frequency and voltage sensitivity, system operating limit development and facilities ratings process, electrical system interactions, etc.
- **Uniformity** - NPCC Regional Reliability Standards shall provide for as much uniformity as possible with reliability standards across the interconnected bulk power system of the North American continent. A NPCC Reliability Standard shall be more stringent than a continent-wide reliability standard, may include a regional variation that addresses matters that the continent-wide reliability standard does not, or shall be a regional difference necessitated by a physical difference in the northeast's bulk power system, where the interpretation of the phrase "physical difference" will be consistent with FERC's Order, issued September 22, 2004, Granting Request For Clarification

regarding Docket No. PL04-5-000, Policy Statement on Matters Related to Bulk Power System Reliability.

- **No Undue Adverse Impact on Commerce** — An NPCC Regional Reliability Standard will not cause any undue adverse impact on business activities that are not necessary for reliability of the Region and its interconnected Regions. All regional reliability standards shall be consistent with NERC's market principles.

Other Attributes of the NPCC Regional Reliability Standards Development Procedure include;

- **Maintenance of Regional Reliability Standards**-NPCC Regional Standards will be reviewed for possible revision at least every three years and follow the same process as a new standard. The old standard will remain in place until such time as the revised version has passed through the entire process, at which point the old standard will be retired in accordance with any applicable new implementation plan associated with the approved revised standard. The review process shall be conducted by soliciting comments from the stakeholders and through open posting on the NPCC website. If no changes are warranted, Regional Standards Committee (RSC) shall recommend to the NPCC Board that the standard be reaffirmed. If the review indicates a need to revise or withdraw a standard, a regional standard authorization request shall be prepared by the RSC and submitted in accordance with the standards development process contained in this procedure.
- **Maintenance of Regional Reliability Standards Development Procedure**-This NPCC Regional Reliability Standards Development Procedure will be reviewed for possible revision at least once every five years or more frequently if needed and subject to the same procedure as that of the development of a standard. All such revisions shall be subject to approval by the NPCC Board, NERC, FERC, and could be subject to approval, if required, by applicable authorities in Canada. The NPCC RSC has the authority to make non-substantive changes to this procedure and subsequently notify the NPCC Board for their concurrence at their next scheduled meeting.
- **Interpretation of Standards**- All persons who are directly and materially affected by the NPCC's bulk power system reliability shall be permitted to request an interpretation of a standard. The person requesting an interpretation will send an email request to the Regional Standards Process Manager (RSPM), as noted on the NPCC website, explaining the specific circumstances surrounding the request and what clarifications are required as applied to those circumstances. The request should indicate the material impact to the requesting party or others caused by the lack of clarity or a possibly incorrect interpretation of the standard. The RSPM along with guidance from the RSC will forward the request to the originating Task Force which acted as the drafting team for that regional reliability standard. The Task Force will address, through a written response, the request for clarification as soon as practical, but not more than 45 business days from its receipt by the Task Force. This written interpretation will be posted along with the final approved and adopted standard and will stand until such time as the standard is revised through the normal RSAR process, at which time the standard will be modified to incorporate the clarifications provided by the interpretation.

2. ELEMENTS OF A RELIABILITY STANDARD

- **Elements of a Regional Reliability Standard**
To ensure uniformity of regional reliability standards, a regional reliability standard shall consist of the elements identified in this section of the procedure. These elements are intended to apply a systematic discipline in the development and revision of standards. This discipline is necessary to achieving standards that are measurable, enforceable, and consistent.

All mandatory requirements of a regional reliability standard shall be within the standard document. Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself.

The most current version of the approved NERC Reliability Standard template and its associated elements as or if applicable, will be used at the time of the development of the NPCC Regional Reliability Standard to ensure all essential elements are contained therein to achieve consistency and uniformity and meet all statutory requirements. A sample of the elements contained in the standard appears in Table 1 below, however the latest ERO Board approved Standard template, that may be found on the NERC website, will supersede the list below at the time the regional standard is developed.

Table 1- Elements of a Regional Reliability Standard

Identification Number	A unique identification number assigned in accordance with an administrative classification system to facilitate tracking and reference. (i.e. “NPCC- BAL-002-0-Date” which refers to NPCC Regional Standard, referencing NERC BAL-002 Version 0, with NPCC Effective Date-final adoption by all Regional Authorities)
Title	A brief, descriptive phrase identifying the topic of the standard.
Applicability	Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions. The standard will be applicable to the Bulk Power System unless otherwise noted.
Effective Date and Status	The effective date of the standard or, prior to approval of the standard, the proposed effective date.
Purpose	The purpose of the standard. The purpose shall explicitly state what outcome will be achieved or is expected by this standard.
Requirement(s)	Explicitly stated technical, performance, and preparedness requirements. Each requirement identifies what entity is responsible and what action is to be performed or what outcome is to be achieved. Each statement in the requirements section shall be a statement for which compliance is mandatory.
Risk Factor(s)	The potential reliability significance of each requirement, designated as a High, Medium, or Lower Risk Factor in accordance with the criteria listed below: A High Risk Factor requirement (a) is one that, if violated, could directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures; or (b) is a requirement in a planning timeframe that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to a normal condition. A Medium Risk Factor requirement (a) is a requirement that, if violated, could directly affect the electrical state or the capability of the bulk power system, or the ability to effectively monitor and control the bulk power system, but is unlikely to lead to bulk power system instability, separation, or cascading failures; or (b) is a requirement in a planning timeframe that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system, but is unlikely, under emergency, abnormal, or restoration conditions anticipated by the preparations, to lead to bulk power system instability, separation, or cascading failures, nor to hinder restoration to a normal

	<p>condition.</p> <p>A Lower Risk Factor requirement is administrative in nature and (a) is a requirement that, if violated, would not be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor and control the bulk power system; or (b) is a requirement in a planning time frame that, if violated, would not, under the emergency, abnormal, or restorative conditions anticipated by the preparations, be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system.</p>
Measure(s)	<p>Each requirement shall be addressed by one or more measures. Measures are used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measure will identify to whom the measure applies and the expected level of performance or outcomes required demonstrating compliance. Each measure shall be tangible, practical, and as objective as is practical. It is important to realize that measures are proxies to assess required performance or outcomes. Achieving the measure should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.</p>

Table 2 — Compliance Elements of a Regional Reliability Standard

Compliance Monitoring Process	<p>Defines for each measure:</p> <ul style="list-style-type: none"> • The specific data or information that is required to measure performance or outcomes. • The entity that is responsible for providing the data or information for measuring performance or outcomes. • The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes. • The entity that is responsible for evaluating data or information to assess performance or outcomes. • The time period in which performance or outcomes is measured, evaluated, and then reset. • Measurement data retention requirements and assignment of responsibility for data archiving. • Violation severity levels.
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Supporting Information Elements

Interpretation	<p>Any interpretation of regional reliability standard that is developed and approved in accordance with the “Interpretation of Standards” section of Appendix A of this procedure, to expound on the application of the standard for unusual or unique situations or to provide clarifications.</p>
Implementation Plan	<p>Each regional reliability standard shall have an associated implementation plan describing the effective date of the standard or effective dates if there is a phased implementation. The implementation plan may also describe the implementation of the standard in the compliance program and other considerations in the initial use of the standard, such as necessary tools, training, etc. The implementation plan must be posted for at least one public</p>

	comment period and is approved as part of the ballot of the standard.
Supporting References	<p>This section references related documents that support reasons for, or otherwise provide additional information related to the regional reliability standard. Examples include, but are not limited to:</p> <ul style="list-style-type: none"> • Glossary of terms • Developmental history of the standard and prior versions • Notes pertaining to implementation or compliance • Standard references • Standard supplements • Procedures • Practices • Training references • Technical references • White papers • Internet links to related information

3. TERMS AND FUNCTIONS

- **Regional Standards Committee (RSC)**—An NPCC committee charged with management of the NPCC Standards Procedure under a sector based voting structure as described in the NPCC Bylaws. The NPCC RSC will consider requests for new or revised standards and be available for advisement to the NPCC Board on the standards.

The RSC may not itself modify the standard without issuing a new notice to stakeholders regarding a vote of the modified standard. Any RSC action will only be activated in the event of a minor correction of a standard such as errata.

The RSC is an open and balanced stakeholder committee inclusive of all stakeholder interests that provide for or are materially impacted by the reliability of the bulk power system.

The RSC disposition regarding the regional standard authorization request, which will in all cases be within 60 calendar days of receipt of a completed standard request, shall include:

- Accept the standard request as a candidate for development of a new standard, revision of an existing standard, or deletion of an existing standard. The RSC may, at its discretion, expand or narrow the scope of the standard request under consideration. The RSC shall prioritize the development of standards in relation to other proposed standards, as may be required based on the volume of requests and resources.
- Reject the standard request. If the RSC rejects a standard request, a written explanation for rejection will be delivered to the requester within 30 calendar days of the decision.
- Remand the standard request back to the requester for additional work. The standards process manager will make reasonable efforts to assist the requester in addressing the deficiencies identified by the RSC. The requester may then resubmit the modified standard request using the process above. The requester may choose to withdraw the standard request from further consideration prior to acceptance by the RSC.

The NPCC Standard Process responsibilities of the RSC will include:

- Review of NPCC Draft Standards for such factors as completeness, sufficient detail, rational result, and compatibility with existing standards; clarifying standard development issues not specified in this procedure. Under no circumstance will the RSC change the substance of a draft standard.
 - Due consideration to the work of the drafting team as well as the comments of stakeholders and minority objections, in approving a proposed regional reliability standard to go to ballot.
 - Approve standards for pre-ballot posting under a sector based voting structure as described later in the NPCC ~~Inc.~~ Bylaws or
 - Remand the standard back to the Task Force acting as the drafting team for further work or recommend a change in those participating in the drafting team (i.e. a new drafting team).
- **Regional Standards Process Manager (RSPM)** - The Regional Reliability Standards Procedure shall be administered by a NPCC staff Regional Standards Process Manager. The RSPM is responsible for ensuring that the development and revision of standards is in accordance with this manual. The RSPM works to ensure the integrity of the process, format, consistency of quality, and completeness of the reliability standards. The RSPM facilitates all steps in the process.
 - **Reliability Coordinating Committee (RCC)** —The RCC, will support the standards development process through the assignment of NPCC Task Forces. They will also provide a technical advisory role in the Regional Reliability Standards development procedure through recommendations.
 - **Requester**— A Requester is any individual or an entity (organization, company, government authority, etc.) that submits a complete request for development, revision, or withdrawal of a standard. Any person or an entity that is directly and materially affected by an existing standard or the need for a new standard may submit a request for a new standard or revision to a standard. The Requester is assisted by the RSAR drafting team (if one is appointed by the RSC) to respond to comments and to decide if and when the RSAR is forwarded to the RSC with a request to draft a standard. The Requester is responsible for the RSAR, assisted by the RSAR drafting team and Regional Standards Process Manager, until such time the RSC authorizes development of the standard. The Requester has the option at any time to allow the RSAR drafting team to assume full responsibility for the RSAR. The Requester may chose to participate in subsequent standard drafting efforts related to the RSAR.
 - **Task Forces and Working Groups**,—The committees, task forces and working groups within NPCC , serve an active role in the standards process:
 - Identify the need for new or modified regional standards.
 - Initiate NPCC Standards actions by developing Regional Standard Authorization Requests (RSARs).
 - Develop comments (views and objections) to standards actions.
 - Participate in NPCC Standard drafting.
 - Provide technical oversight in response to changing industry conditions and ERO Requirements.
 - Conduct Field Tests as required

4. PROCEDURE DESCRIPTION

STEPS 1 AND 2: REQUEST TO DEVELOP A NEW REGIONAL STANDARD

Requests to develop a new Regional Reliability Standard shall be submitted to the RSPM by completing a **Regional Standard Authorization Request (RSAR)** (*see Appendix A*). The RSAR is a description of the new or revised standard in sufficient detail to clearly define the

scope, purpose, and importance of the Regional Standard, impacted parties or other relevant information. A “needs” statement will provide the justification for the development of the standard, including an assessment of the reliability and market interface impacts of implementing or not implementing the standard. The RSPM shall maintain the RSAR form and make it available electronically on the NPCC website.

Any person or entity (“Requester”) directly or materially affected by an existing standard or the need for a new or revised standard may initiate a RSAR.

The Requester will submit the RSAR to the RSPM electronically and the RSPM will acknowledge receipt of the RSAR immediately, through electronic receipt. The RSAR, as a minimum, needs to contain the following information in order to be qualified for consideration. The NPCC RSPM will assist the Requester to ensure all the following information is submitted (on the RSAR) in a form appearing in Appendix A:

1. Proposed Title and Date of New RSAR
2. Requester’s Name and Contact Information
3. Purpose of the Regional Standard
4. Description of Industry Need
5. Provide a Brief Description of the Standard
6. Identification of the Entities in the Functional Model as being responsible to adhere to the standard.
7. Necessary information to assist the drafting the team, to the extent feasible, to allow them to draft the standard.
8. A cross references to existing NPCC or NERC documents

The RSPM shall forward all properly completed RSARs to the RSC. The RSC shall meet at established intervals to review all pending RSARs. The frequency of this review process will depend on workload, but in no case shall a properly completed RSAR wait for RSC action more than 60 calendar days from the date of receipt. The RSC may take one of the following actions:

- Remand the RSAR back to the RSPM for additional work. In this case, the RSPM may request additional information or clarification for the RSAR from the Requester.
- Accept the RSAR as a candidate for a new or revised standard. In this case, the RSC will forward the RSAR to the RCC to assign a NPCC Task Force to provide technical support and analysis of comments for that RSAR, and assist the Requester and the RSPM in the remaining steps of the process. The RSPM shall post notification of intent to develop a standard on both NPCC and ERO websites within 30 calendar days of acceptance.
- Reject the RSAR. In this case, the RSC will provide a written explanation for rejection to the Requester within 30 calendar days of the rejection decision.

STEPS 3, 4, AND 5: RSC ACCEPTS RSAR AND RCC ASSIGNS TF TO DRAFT NEW OR REVISED STANDARD

A RSAR that is accepted by the RSC will be submitted to the RCC. Within 60 calendar days the RCC shall assign the development of the standard to a Task Force Drafting Team. The RSPM shall solicit and recommend a list of additional candidates for appointment to the team and shall submit the list to the RSC. This list shall include the Requester. The RSC may select other individuals to serve, with the Task Force to draft the Standard. This team shall consist of a small group of people who collectively have the necessary technical expertise and work process skills.

The RSPM shall assign NPCC staff personnel to assist in the drafting of the standard including compliance measure, process and elements. The drafting of measures and compliance administration aspects of the standard will be coordinated with the Compliance Program.

STEP 6: SOLICIT PUBLIC COMMENTS ON DRAFT STANDARD

Once a draft standard has been verified by the RSC to be within the scope and purpose of the RSAR, the RSPM will post the draft standard for the purpose of soliciting public comments. The posting of the draft standard will be linked to the RSAR for reference. In addition to the standard, an implementation plan shall be posted to provide additional details to the public and aid in their commenting and decision process. Comments on the draft standard will be accepted for a 45 calendar day period from the public notice of posting. Comments will be accepted on-line using the NPCC Open Process web-based application.

Final draft standards will be concurrently posted on the ERO website for comments.

STEPS 7, 8, AND 9: OPEN PROCESS POSTING AND ANALYSIS OF THE COMMENTS

The RSPM will assemble the comments on the new draft standard and distribute those comments to the Task Force acting as the standard drafting team. The Task Force shall give prompt consideration to the written views and comments of all participants. An effort to address all expressed comments shall be made, and each commenter shall be advised of the disposition of the comment and the reasons therefore, in addition to public posting of the responses.

The Task Force acting as the Standard Drafting Team shall take one of the following actions:

- Submit the draft standard for RCC endorsement as it stands, along with the comments received and responses to the comments. Based on the comments received, the Task Force acting as the standard drafting team may include revisions that are not substantive. A substantive change is one that directly and materially affects the application of the standard, including, for example: changing “shall” to “should,” changing “should” to “shall”; adding, deleting, or revising requirements; or adding, deleting, or revising measures for which compliance is mandatory.
- Make substantive revisions to the draft standard and reposts it for further open review and comment.
- Task Force recommends Field Test if necessary to RSC.

Requester also may withdraw the request for a standard.

RCC submits proposed RRS to the RSC along with its recommendation based on comments, Task Force statements and any field test results.

STEPS 10 AND 11: RSC APPROVES OF THE NEW OR REVISED STANDARD FOR POSTING

If the RSC, acting with consideration of any recommendations by the RCC and utilizing the composite sector voting structure, as outlined in the NPCC, votes to post the draft standard for approval, the draft standard, all comments received, and the responses to those comments shall be posted electronically for the NPCC Members, by the RSPM and made public through the NPCC Website (www.npcc.org) for a 30 calendar day “pre-ballot review” and request for balloting. If the RSC decides more work is needed, the draft standard will be remanded back to

the drafting Task Force. All actions of the RCC, Task Forces acting as drafting teams and the Regional Standards Committee will be recorded in regular minutes of the group(s) and posted on the NPCC website. Once the notice for a ballot has been issued, no substantive modifications may be made to the proposed standard unless the revisions are posted and a new notice of the vote is issued

STEPS 12, 13 AND 14: BALLOT OF STANDARD

Upon notification of a ballot, the Members of NPCC's registered ballot body will cast their vote consistent with the NPCC Bylaws. This ballot shall commence no sooner than 15 calendar days and no later than 30 calendar days following the notification of ballot. All members of the NPCC are eligible to participate in the voting on proposed, standard revisions or deletions of regional standards. The ballot period will typically begin immediately following the 30 calendar day pre-ballot posting and will last at least 10 business days.

The NPCC registered ballot body comprises all entities or individuals that qualify for one of the ~~eight~~^{seven} NPCC stakeholder sectors and are registered with NPCC as potential ballot participants in the voting on standards. Each member of the NPCC registered ballot body is eligible to vote on standards.

In order for a NPCC Regional Standard to be approved;

- A quorum must be established by at least 50% of the NPCC Members of at least 60% of the Voting Sectors on the roster of Members maintained by NPCC.
- A two-thirds majority of the total weighted sector votes cast must be affirmative. The number of votes cast is the sum of affirmative and negative votes, excluding abstentions, and non-responses. Weighted sector vote will be calculated as follows;
 - Affirmative votes cast in each sector will be divided by the sum of affirmative and negative votes cast, in that same sector, to determine the fractional affirmative vote for each sector. Abstentions and non-responses will not be counted for the purposes of determining the fractional affirmative vote for a sector.
 - The sum of the fractional affirmative votes from all sectors divided by the number of sectors voting will be used to determine if a two-thirds majority has been achieved. (A sector will be considered as "voting" if any member of the sector in the ballot pool casts either an affirmative or a negative vote.)
 - A standard will be approved if the sum of fractional affirmative votes from all sectors divided by the number of voting sectors is at least 2/3.

Ballots will be cast electronically and alternatives are as follows;

- Affirmative
- Affirmative with Comments
- Negative
- Negative with Comments
- Abstain

The RSPM shall post the final outcome of the ballot process. If the standard is rejected, it may be withdrawn by either the RCC or the original Requester, or the standard may be remanded by the RSC back to the Task Force acting as the drafting team to address the issues. All comments submitted during the process will be posted and archived for consideration when redrafting the standard upon review.

The standard, once approved by ballot, and a recommendation will be forwarded to the NPCC Board for final Regional approval. The Board may not make substantive modifications to the standard. If the Board does not approve the standard for transmittal to NERC it will be remanded back to the RSC.

If the standard is approved, the standard will be submitted to the NERC/ERO Board of Trustees for approval.

STEPS 15, 16 AND 17: IMPLEMENTATION OF THE NPCC REGIONAL STANDARD

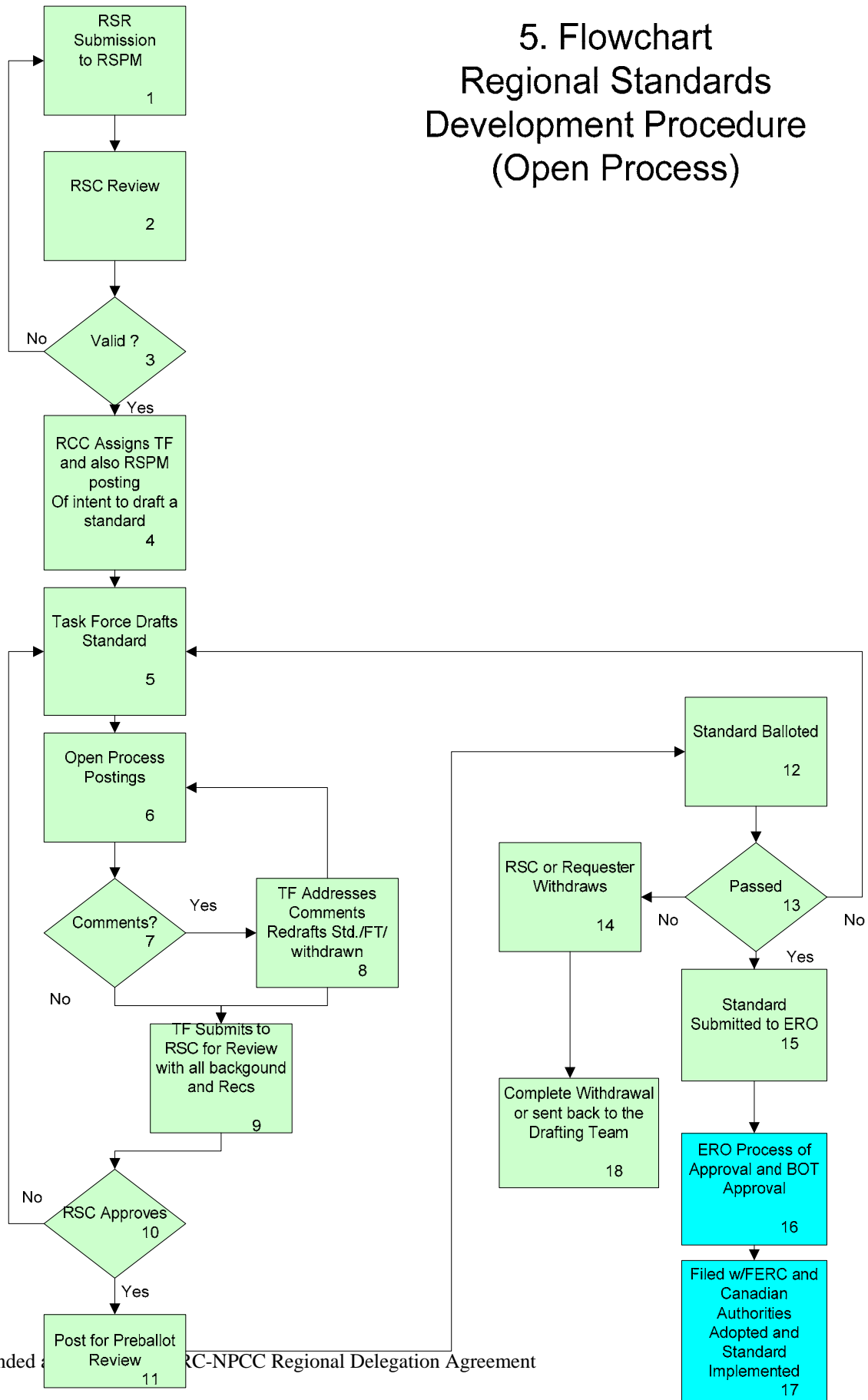
Upon approval within the NPCC , the standard will be submitted to the NERC/ERO for approval(s) and filing with FERC and applicable Canadian Governmental and/or Regulatory Authorities for adoption.

Once a reliability standard is adopted and made effective, all users, owners, planners, and operators of the Bulk Power System in the NPCC geographic area of the Northeast are required to comply with the standard. The NERC/ERO Board of Trustees has established a separate compliance program, also administered in the Northeast by NPCC , to measure compliance with the standards and administer sanctions as appropriate. After adoption of a NPCC Regional Standard, the standard will be forwarded to the compliance program for compliance monitoring and enforcement.

STEP 18: WITHDRAWAL OF STANDARD

Upon rejection of a proposed standard, the RCC or the requester may withdraw the standard completely or remand it back to the Task Force acting as the standard drafting team for further work.

5. Flowchart Regional Standards Development Procedure (Open Process)



6. ERO and Regulatory Process and Approvals

- **NERC/ERO Comment Period** —NERC/ERO shall publicly notice and request comment on the NPCC Regional Reliability Standard, allowing a minimum of 45 calendar days for comment on NERC's website and actively notify all adjoining Regions. Concurrent with this regional posting, final drafts will be forwarded to NERC for posting on the NERC website to ensure full industry awareness of the standard and expedite and coordinate all commenting. All comments will be responded to electronically through a posted response on the NPCC website or a link on the NERC website. NPCC shall have an opportunity to resolve any objections identified in the comments and may choose to withdraw the request, revise the NPCC Regional Reliability Standard and request another posting for comment, or submit the NPCC Regional Reliability Standard along with a response to any objections received, for approval by NERC.
- **NERC/ERO Approval of NPCC Regional Reliability Standards** —Proposed regional reliability standards shall be subject to approval by the NERC/ERO who shall have a process to evaluate and recommend whether a proposed non-Interconnection-wide NPCC Regional Reliability Standard has been developed in accordance with all applicable procedural requirements and whether NPCC has considered and addressed stakeholder objections. NPCC Board, having been notified of the results of the regional ballot concerning a NPCC Regional Reliability Standard, shall vote to submit the Standard to the NERC/ERO Board for approval as a NERC Reliability Standard. The NERC/ERO Board shall consider NPCC's request, the scope and implications of the Standard, the recommendation for action on the Standard, any unresolved stakeholder comments, and NPCC's consideration of comments and unresolved issues if any, in determining whether to approve the NPCC Regional Reliability Standard as a NERC Reliability Standard.
- **Regulatory Authority Approval** — An NPCC Regional Reliability Standard that has been approved by the NERC/ERO board shall be filed with FERC and applicable Canadian Governmental and/or Regulatory Authorities for approval and shall become effective and enforceable within the U.S., per Section 215 of the Federal Power Act, only when adopted by FERC, and within Canada, only when adopted by applicable Canadian Governmental and/or Regulatory Authorities. The regional reliability standard, once adopted will be made part of the body of NERC reliability standards and shall be mandatory and enforceable on all applicable bulk power system owners, operators, and users within the NPCC Region, regardless of membership status.

7. Appeals

- Persons who have directly and materially affected interests and who have been or will be adversely affected by any substantive or procedural action or inaction related to the development, approval, revision, reaffirmation, or withdrawal of a regional reliability standard shall have the right to appeal. This appeals process applies only to the standards process as defined in this procedure.

The burden of proof to show adverse effect shall be on the appellant. Appeals shall be made within 30 calendar days of the date of the action purported to cause the adverse effect, except appeals for inaction, which may be made at any time. In all cases, the request for appeal must be made prior to the next step in the process.

The final decisions of any appeal shall be documented in writing and made public.

The appeals process provides two levels, with the goal of expeditiously resolving the issue to the satisfaction of the participants:

- Level 1 Appeal

Level 1 is the required first step in the appeals process. The appellant submits a complaint in writing to the RSPM that describes the substantive or procedural action or inaction associated with a reliability standard or the standards process. The appellant describes in the complaint the actual or potential adverse impact to the appellant. Assisted by any necessary staff and committee resources, the RSPM shall prepare a written response addressed to the appellant as soon as practical, but not more than 45 calendar days after receipt of the complaint. If the appellant accepts the response as a satisfactory resolution of the issue, both the complaint and response will be made a part of the public record associated with the standard and posted with the standard.

- Level 2 Appeal

If after the Level 1 Appeal the appellant remains unsatisfied with the resolution, as indicated by the appellant in writing to the regional standards process manager, the RSPM shall convene a Level 2 Appeals Panel. This panel shall consist of five members total appointed by the NPCC's board.

In all cases, Level 2 Appeals Panel members shall have no direct affiliation with the participants in the appeal.

The RSPM shall post the complaint and other relevant materials and provide at least 30 calendar days notice of the meeting of the Level 2 Appeals Panel. In addition to the appellant, any person that is directly and materially affected by the substantive or procedural action or inaction referenced in the complaint shall be heard by the panel. The panel shall not consider any expansion of the scope of the appeal that was not presented in the Level 1 Appeal. The panel may in its decision find for the appellant and remand the issue to the RSC with a statement of the issues and facts in regard to which fair and equitable action was not taken. The panel may find against the appellant with a specific statement of the facts that demonstrate fair and equitable treatment of the appellant and the appellant's objections. The panel may not, however, revise, approve, disapprove, or adopt a reliability standard. The actions of the Level 2 Appeals Panel shall be publicly posted.

In addition to the foregoing, a procedural objection that has not been resolved may be submitted to the NPCC Board for consideration at the time the board decides whether to adopt a particular reliability standard. The objection must be in writing, signed by an officer of the objecting entity, and contain a concise statement of the relief requested and a clear demonstration of the facts that justify that relief. The objection must be filed no later than 30 calendar days after the announcement of the vote on the standard in question.

APPENDIX A

Information in a Regional Standard Authorization Request (RSAR)

The tables below identify information to be submitted in a Regional Standard Authorization Request to the NPCC Regional Standards Process Manager, NPCCstandard@npcc.org. The NPCC Regional Standards Process Manager shall be responsible for implementing and maintaining this form as needed to support the information requirements of the standards process.

Regional Standard Authorization Request Form

Title of Proposed Standard:
Request Date:

RSAR Requester Information

Name:	RSAR Type (Check box for one of these selections.)
Company:	<input type="checkbox"/> New Standard
Telephone:	<input type="checkbox"/> Revision to Existing Standard
Fax:	<input type="checkbox"/> Withdrawal of Existing Standard
Email:	<input type="checkbox"/> Urgent Action

<p>Purpose (Describe the purpose of the proposed standard – what the standard will achieve in support of reliability.)</p>
<p>Industry Need (Provide a detailed statement justifying the need for the proposed standard, along with any supporting documentation.)</p>
<p>Brief Description (Describe the proposed standard in sufficient detail to clearly define the scope in a manner that can be easily understood by others.)</p>

Reliability Functions

The Standard will Apply to the Following Functions (Check all applicable boxes.)		
<input type="checkbox"/>	Reliability Coordinator	The entity that is the highest level of authority who is responsible for the reliable operation of the Bulk Electric System, has the Wide Area view of the Bulk Electric System, and has the operating tools, processes and procedures, including the authority to prevent or mitigate emergency operating situations in both next-day analysis and real-time operations. The Reliability Coordinator has the purview that is broad enough to enable the calculation of Interconnection Reliability Operating Limits, which may be based on the operating parameters of transmission systems beyond any Transmission Operator's vision.
<input type="checkbox"/>	Balancing Authority	The responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports Interconnection frequency in real time.
<input type="checkbox"/>	Interchange Authority	Authorizes valid and balanced Interchange Schedules.
<input type="checkbox"/>	Planning Authority	The responsible entity that coordinates and integrates transmission facility and service plans, resource plans, and protection systems.
<input type="checkbox"/>	Transmission Service Provider	The entity that administers the transmission tariff and provides Transmission Service to Transmission Customers under applicable transmission service agreements.
<input type="checkbox"/>	Transmission Owner	The entity that owns and maintains transmission facilities.
<input type="checkbox"/>	Transmission Operator	The entity responsible for the reliability of its "local" transmission system, and that operates or directs the operations of the transmission facilities.

<input type="checkbox"/>	Transmission Planner	The entity that develops a long-term (generally one year and beyond) plan for the reliability (adequacy) of the interconnected bulk electric transmission systems within its portion of the Planning Authority Area.
<input type="checkbox"/>	Resource Planner	The entity that develops a long-term (generally one year and beyond) plan for the resource adequacy of specific loads (customer demand and energy requirements) within a Planning Authority Area.
<input type="checkbox"/>	Generator Operator	The entity that operates generating unit(s) and performs the functions of supplying energy and Interconnected Operations Services.
<input type="checkbox"/>	Generator Owner	Entity that owns and maintains generating units.
<input type="checkbox"/>	Purchasing-Selling Entity	The entity that purchases or sells, and takes title to, energy, capacity, and Interconnected Operations Services. Purchasing-Selling Entities may be affiliated or unaffiliated merchants and may or may not own generating facilities.
<input type="checkbox"/>	Distribution Provider	Provides and operates the “wires” between the transmission system and the customer.
<input type="checkbox"/>	Load-Serving Entity	Secures energy and transmission service (and related Interconnected Operations Services) to serve the electrical demand and energy requirements of its end-use customers.

Reliability and Market Interface Principles

Applicable Reliability Principles <i>(Check all boxes that apply.)</i>	
<input type="checkbox"/>	1. Interconnected bulk power systems shall be planned and operated in a coordinated manner to perform reliably under normal and abnormal conditions as defined in the NERC Standards.
<input type="checkbox"/>	2. The frequency and voltage of interconnected bulk power systems shall be controlled within defined limits through the balancing of real and reactive power supply and demand.
<input type="checkbox"/>	3. Information necessary for the planning and operation of interconnected bulk power systems shall be made available to those entities responsible for planning and operating the systems reliably.
<input type="checkbox"/>	4. Plans for emergency operation and system restoration of interconnected bulk power systems shall be developed, coordinated, maintained, and implemented.
<input type="checkbox"/>	5. Facilities for communication, monitoring, and control shall be provided, used, and maintained for the reliability of interconnected bulk power systems.
<input type="checkbox"/>	6. Personnel responsible for planning and operating interconnected bulk power systems shall be trained, qualified, and have the responsibility and authority to implement actions.
<input type="checkbox"/>	7. The security of the interconnected bulk power systems shall be assessed, monitored, and maintained on a wide-area basis.

<p>Does the proposed Standard comply with all of the following Market Interface Principles? <i>(Select 'yes' or 'no' from the drop-down box.)</i></p>
<p>Recognizing that reliability is an Common Attribute of a robust North American economy:</p>
<p>1. A reliability standard shall not give any market participant an unfair competitive advantage. Yes</p>
<p>2. A reliability standard shall neither mandate nor prohibit any specific market structure. Yes</p>
<p>3. A reliability standard shall not preclude market solutions to achieving compliance with that standard. Yes</p>
<p>4. A reliability standard shall not require the public disclosure of commercially sensitive information. All market participants shall have equal opportunity to access commercially non-sensitive information that is required for compliance with reliability standards. Yes</p>

<p>Detailed Description (Provide enough detail so that an independent entity familiar with the industry could draft a standard based on this description.)</p>

Related Standards

Standard No.	Explanation

-t

Related SARs or RSARs

SAR ID	Explanation



Northeast Power Coordinating Council, Inc.

Exhibit D – Compliance Monitoring and Enforcement Program

1.0 Regional Compliance Monitoring and Enforcement Program

1.1 Obligations of NPCC

NPCC will implement the NERC Compliance Monitoring and Enforcement Program, Appendix 4C to the NERC Rules of Procedure (which for purposes of this section 1.0 shall not include Attachment 2, Hearing Procedures), to monitor and enforce compliance with Reliability Standards by the owners, operators, and users within the U.S. portion of NPCC's geographic or electrical boundaries, and such other scope, set forth on **Exhibit A** of this Agreement, subject to any deviations from the NERC Compliance Monitoring and Enforcement Program described in Section 1.2 below (the "Compliance Program").

1.2 Deviations from the NERC Compliance Monitoring and Enforcement Program

Compliance monitoring and enforcement programs will be implemented within the Canadian portion of NPCC's geographic area, consistent with individual Canadian Provincial Memoranda of Understanding (MOU) or Agreements and Canadian laws. All executed MOU's and Agreements will be provided to NERC as allowable under Canadian law.

2.0 REGIONAL HEARING OF COMPLIANCE MATTERS

NPCC shall establish and maintain a hearing body with authority to render decisions in compliance hearings in which a Registered Entity may contest a finding of alleged violation, proposed penalty or sanction, or a proposed mitigation plan. The NPCC Compliance Committee, reporting to the NPCC Board, will be responsible for impaneling a Hearing Body, when required. The Hearing Body will consist of ~~five voting members of the NPCC Compliance Committee plus two alternates and business will always be conducted by five voting members as described in the NPCC Hearing Procedure (each member of the Hearing Body will be from a different voting sector)~~ an independent Hearing Officer and two (2) Independent Directors. ~~An independent~~ The Hearing Officer, who is not a member of the Compliance Committee, the NPCC Board, or NPCC Staff, will conduct the hearing. ~~Committee members who represent the Registered Entity involved in the Hearing cannot participate on the Hearing Body.~~ The Hearing Body will utilize a simple majority vote to resolve issues. This voting rule, along with the structure of the Hearing Body, fully supports the requirement that no two stakeholder sectors may control, and no single stakeholder sector may veto, a matter before the Hearing Body.

NPCC shall conduct all compliance hearings in which a Registered Entity may contest a finding of alleged violation, proposed penalty or sanction, proposed Mitigation Plan, or a proposed Remedial Action Directive, in accordance with Attachment 2, Hearing Procedures, to the NERC Compliance Monitoring and Enforcement Program, subject to the following deviations, if any:
None

3.0 OTHER DECISION-MAKING BODIES

NPCC Compliance Staff will be the sole decision making body to review and make final determinations on compliance submittals from Registered Entities related to Self-Certification; Self-Reporting; Exception Reporting; and Periodic Data Submittals. NPCC Compliance Staff will initially review all submittals received to assure that the information forwarded is accurate and complete. This process will be conducted by the staff members and may require contact via e-mail or phone to confirm information. If after, initially receiving a compliance submittal, the Compliance Staff identifies an instance of non-compliance, a Notice of Possible Violation (NOPV), without penalty, is issued to the registered entity and NERC while the Compliance Staff continues its more detailed and comprehensive review of the submittal. It is during this review that the Compliance Staff confirms the violation, calculates an appropriate penalty or sanction and issues a Notice of Confirmed Violation (NOCV).

Exhibit E — Funding

1. Scope of activities funded through the ERO funding mechanism

NPCC shall include in its annual budget submission to NERC amounts for costs it will incur in performing its delegated functions and related activities as described in Sections 5, 6 and 7 of the Agreement. These activities shall include:

- Reliability Standard Development
- Compliance Monitoring and Enforcement
- Organization Registration and Certification
- Reliability Assessment and Performance Analysis (including necessary data gathering activities)
- Event Analysis and Reliability Improvement
- Training and Education
- Situation Awareness
- Infrastructure Security

2. Preparation of Annual Business Plan and Budget

(a) NERC and NPCC in conjunction with the other Regional Entities shall collaboratively develop an annual schedule for the development, submission, review and approval of NPCC's business plan and budget. The annual schedule for the preparation of business plans and budgets shall require NPCC (i) to submit to NERC draft(s) of NPCC's proposed business plan and budget and other preliminary documents and information, and (ii) to submit a final proposed business plan and budget that has been approved by NPCC Board of Directors to NERC by July 1 or such other agreed date as provides sufficient time for NERC's review, approval and submission of NPCC's business plan and budget to the Commission 130 days in advance of the beginning of each fiscal year. The NPCC business plan and budget submission shall include supporting materials, including NPCC's complete business plan and organization chart, explaining the proposed collection of all assessments, dues, fees and charges, and the proposed expenditure of the funds to be collected in sufficient detail to justify the requested budgeted expenditures and assessments. NPCC's business plan and budget and proposed assessments shall provide for reasonable reserve mechanisms for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted accounting principles.

(b) NERC shall review and approve NPCC's proposed business plan and budget and proposed assessments for performing the delegated functions and related activities described in Sections 5, 6 and 7 of this Agreement and listed above in Section 1 of this **Exhibit E**, or shall direct NPCC to make such revisions as NERC deems appropriate prior to approval. NERC shall submit NPCC's approved business plan and budget and proposed assessments to the Commission for approval as part of NERC's overall business plan and budget submission, in accordance with the ERO Regulations.

3. Allocation of Costs

Assessments to fund the costs of NPCC delegated functions and related activities pursuant to the Agreement shall be allocated among all load-serving entities on the basis of Net Energy for Load, unless a different method(s) of allocating and calculating such assessments has been submitted to and approved by NERC and the Commission in accordance with Section 9(b) of the Agreement. NPCC shall submit to NERC annually at the same time it submits its budget request a list of the load-serving entities or designees within its geographic boundaries that shall be responsible for paying NPCC's assessment and the load-serving entities' proportionate Net Energy for Load, and such other data and information as is necessary to allocate and calculate the allocation of NPCC's assessment to the load-serving entities or designees under the method(s) of allocation and calculation that will be used.

4. Collection of Funding

(a) NERC shall submit invoices to the load-serving entities or designees identified by NPCC covering the NERC and NPCC assessments approved for collection.

(b) NERC shall pursue any non-payments of assessment amounts and shall request assistance from ERO Governmental Authorities as necessary to secure collection. To the extent reasonably practicable, NPCC shall assist NERC in pursuing and collecting any non-payments. Notwithstanding the foregoing, NPCC is not responsible and does not assume any liability for recovering non-payments or underpayments of assessment amounts. NERC shall retain sole responsibility for recovering non-payments or underpayments of assessment amounts. NERC shall add the amount of any non-payments by end-users or designees within NPCC region, that are reasonably determined to be uncollectible, to NERC's assessments for a subsequent year with the amount of such non-payments to be allocated to end-users within NPCC region.

(c) Upon approval by ERO Governmental Authorities of NPCC annual assessment to fund the costs of its delegated functions and related activities, NERC shall pay NPCC's annual assessment to NPCC in four equal quarterly payments on January 15, April 15, July 15 and October 15 of the budget year.

5. Application of Penalties

Except as otherwise approved by the Commission, all penalty monies received by NPCC other than penalty monies received from an operational function or division or affiliated entity of NPCC shall be applied as a general offset to NPCC budget requirements for U.S.-related activities under this Agreement for the subsequent fiscal year. Funds from financial penalties shall not be directly applied to any program maintained by the investigating entity. Except as otherwise approved by the Commission, any penalty monies received from an operational function or division or affiliated entity of NPCC shall be transmitted to or retained by NERC and shall be used by NERC as a general offset to NERC's budget for its activities as the ERO under the Act for the following year.

6. Budget and Funding for NPCC's Non-Statutory Activities

In addition to its delegated functions and related activities, as specified in Sections 5, 6 and 7 of the Agreement and in Section 1 of this **Exhibit E** (such delegated functions and activities referred to in this Section 6 as "statutory activities"), NPCC's Criteria Services division performs the following other functions and activities (such other functions and activities being referred to in this Section 5 as "non-statutory activities"):

NPCC List of Criteria Services Division Functions (Non-Statutory Activities)

1. Regionally-specific Criteria
 - NPCC develops and maintains regionally-specific more stringent criteria
 - NPCC develops and maintains criteria establishing resource adequacy requirements within the Region
2. Criteria Compliance Program
 - NPCC monitors and assesses compliance with its more stringent regional criteria
 - NPCC conducts a Reliability Compliance and Enforcement Program (RCEP) utilizing non-monetary sanctions

NPCC shall employ the following methods and procedures to (i) keep its funding mechanisms for its regional entity division (statutory activities) separate from its funding mechanisms for its criteria services division (non-statutory activities), and (ii) record the costs it incurs in the performance of its non-statutory functions separately from the costs it incurs in the performance of its statutory functions:

1. Funding of NPCC Criteria Services Division (non-statutory activities).- A separate membership based funding mechanism is utilized for non-statutory activities.
2. NPCC procedures for separating funding and expenditures for regional entity division (statutory activities) and criteria services division (non-statutory activities)

NPCC utilizes the NERC System of Accounts (NSOA) to provide consistency for account codes, divisional separation codes and activity codes. In August of 2007, NPCC CBRE (which prior to the merger performed statutory activities) merged into and with Northeast Power Coordinating Council, Inc. (referred to as NPCC) (which prior to the merger performed non-statutory activities) with the merged corporation having divisional separation for Regional Entity and Criteria Services. As recommended by NERC, NPCC uses the not-for-profit MIP Fund Accounting program by Sage Software to accurately account for income, time and labor. Effective January 1, 2008, with corporate restructuring of NPCC completed in later 2007, 2008 actual program costs are being charged to appropriate program areas.

NPCC does not conduct resource or transmission planning, is not an Independent System Operator (ISO), nor does it perform the functions of a Reliability Coordinator (RC). As such, while at this time, there is a breakout for Criteria related activities, all functions performed by

NPCC are in the furtherance of NERC's statutory mission and reliability of the international bulk power system in Northeastern North America.

Methodology

NPCC's revenue and expenditure classification methodology identifies appropriate methods of accounting for income, time and costs to ensure that U.S. Federal/statutory and Canadian provincial and/or governmental authorities' agreed upon revenue and expenses are accounted for separately from NPCC's regionally-specific Criteria development and Criteria compliance (non-statutory) income, time and expense.

Division Codes

There are two division codes that are used by NPCC in accounting for revenues and expenses. The codes are as follows:

	Division ID	Division Name
	RE	Regional Entity – U.S. Statutory and Canadian Regulatory and/or Governmental Authority authorized
	CSD	Criteria Services - Non-Statutory

The two division codes allow NPCC to separate Regional Entity statutory activity revenues and expenses from Criteria Services non-statutory activity revenues and expenses. These categories were developed to ensure that non-statutory related revenues and expenses are segregated and accounted for separately from statutory-related revenues and expenses.

Program Codes

As required by NERC, NPCC adopted a financial accounting system consistent with NERC's functional categories. At NPCC, functional categories are referred to as Program Codes.

There are twelve program codes that are used by NPCC in accounting for expenses. The codes are as follows:

	Program ID	Program Name
	300	Reliability Standards
	400	Compliance Enforcement and Organization Registration and Certification
	800	Reliability Assessment and Performance Analysis
	700	Reliability Readiness Evaluation and Improvement

	900	Training and Education
	1000	Situational Awareness and Infrastructure Security
	ADMIN	General Administration
	FINANCE	Accounting and Finance
	HR	Human Resources
	IT	Information Technology
	LEGAL	Legal and Regulatory
	MEMBERS	Members Forum

Program codes are used to further delineate expenses into functional groupings that are assigned to program heads. NPCC staff utilize their assigned program codes (the program where they reside for payroll purposes) when coding expenses, unless otherwise authorized by management.

When time is spent in support of both statutory activities and non-statutory activities (applicable to a limited number of employees in the Administrative Services functions of General Administration, Accounting and Finance, Human resources, Information Technology, Legal and Regulatory and Members Forms), staff members develop accurate timesheet allocations between division codes.

Divisional separation with regard to statutory activities (Regional Entity division) and non-statutory activities (Criteria Services division) is reflected in the NPCC balance sheet and general ledger through the MIP Fund Accounting software programs.

NPCC shall provide its budget for such non-statutory activities to NERC at the same time that NPCC submits its annual budget request to NERC pursuant to Section 1. NPCC's budget for non-statutory activities that is provided to NERC shall contain a detailed list of NPCC's non-statutory activities and a description of the funding sources for the non-statutory activities. NPCC agrees that no costs of non-statutory activities are to be included in the calculation of NPCC's charges for its activities pursuant to this Agreement.

7. Amended or Supplemental Business Plans and Budgets

During the course of the fiscal year, if NPCC determines it does not or will not have sufficient funds to carry out its delegated functions and related activities, NPCC shall submit to NERC one or more proposed amended or supplemental business plans and budgets and requests for approval of supplemental assessments, reflecting costs, cost increases or funding shortfalls not provided for in NPCC's approved business plan and budget for the fiscal year.

NERC shall review and approve the proposed amended or supplemental business plan and budget and proposed supplemental assessment, or shall direct NPCC to make such revisions as NERC deems appropriate prior to approval. NERC shall submit NPCC's approved amended or supplemental business plan and budget and proposed supplemental assessment to the Commission for approval.

8. NERC Review of NPCC Financial Records

Upon a request made to NPCC with reasonable notice, NERC shall have access to and may review all financial records of NPCC, including records used to prepare NPCC's financial statements. NERC shall conduct reviews of the quarterly and annual financial statements submitted by NPCC pursuant to Section 9(h) and (i) of the Agreement. NPCC shall provide supporting documentation for the quarterly and annual financial statements as reasonably requested by NERC.

9. Costs Associated with Cross-Regional Compliance Monitoring and Enforcement

The costs associated with any Cross-Regional Compliance Monitoring and Enforcement performed by NPCC pursuant to section 6 (j) of this Agreement with respect to registered functions of another Regional Entity are to be funded by payments from the Regional Entity contracting with NPCC for such services, in accordance with the contract between NPCC and the other Regional Entity. Where such a contract has been entered into, NPCC will include a description of the resources it has budgeted to perform such services, and its estimated costs (including appropriate allocation of NPCC's General and Administrative costs) to perform such services, in each budget year, in NPCC's annual business plan and budget that is submitted to NERC and the Commission for approval.

Update of NERC Membership Roster

Action

Approve proposed plan for updating the NERC Membership Roster, including the proposed schedule and registration renewal form.

Background

Article II of NERC's Bylaws directs the Board of Trustees to, from time to time, set a date by which members shall submit their membership renewals. A complete copy of Article II is **Attachment 1** to this paper. This is the first time that NERC has renewed its membership roster since the roster was developed in early 2007. The membership renewal will provide an opportunity to correct the roster for out-of-date information. It also provides an opportunity for a member to change the sector in which the entity or individual is registered.

Membership in NERC allows the entity or individual to participate in NERC's governance. Specifically, the NERC members elect the sector representatives on the Member Representatives Committee (MRC). The MRC elects the chair and vice-chair of the MRC, elects the independent trustees on the NERC Board, votes jointly with the NERC Board on amendments to the Corporation's Bylaws, and provides advice to the NERC Board on the annual business plan and budget and other matters coming before the Board.

Article II, Section 2, of the Bylaws provides that members are required to renew their membership within 30 days of a request by the Secretary, using a form prescribed by the Board. Section 2 further directs the Secretary to remove from the NERC roster any member that has failed to renew the membership within 30 days of a date set by the Board. To implement these provisions, management proposes the following schedule:

June 1, 2011	Corporate Secretary sends registration renewal request to current members.
June 20, 2011	Reminder
July 1, 2011	Deadline for submission of registration renewals.
July 20, 2011	Reminder
August 1, 2011	Board-established deadline, 30 days after which members may be removed from the roster for non-renewal of their membership.
August 15, 2011	Notice of possible removal from NERC membership roster for failure to re-register.

September 1, 2011 Date on which members may be removed from the membership roster for non-renewal of membership.

The extra time in the schedule is to provide time for reminder notices.

Membership in NERC is voluntary and is open to any person or entity that has an interest in the reliable operation of the North American bulk power system. The Bylaws establish two conditions for NERC membership.

- (1) A member must agree to accept the responsibility to promote, support, and comply with the purposes and policies of the Corporation as set forth in its Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards as from time to time adopted, approved, or amended.
- (2) As an additional condition of membership in the Corporation, each person or entity registering as a member shall be required to execute an agreement with the Corporation, in a form to be specified by the board, that such person or entity will hold all trustees, officers, employees, and agents of the Corporation, as well as volunteers participating in good faith in the activities of the Corporation, harmless, to the extent permitted by Federal or provincial laws, regulations and rules, for any injury or damage to that member caused by any act or omission of any trustee, officer, employee, agent, or volunteer in the course of performance of his or her duties on behalf of the Corporation, other than for acts of gross negligence, intentional misconduct, or a breach of confidentiality.

Members may register into one of twelve membership sectors:

- (i) investor-owned utility;
- (ii) state/municipal utility;
- (iii) cooperative utility;
- (iv) federal or provincial utility/power marketing administration;
- (v) transmission-dependent utility;
- (vi) merchant electricity generator;
- (vii) electricity marketer;
- (viii) large end-use electricity customer;
- (ix) small end-use electricity customer;
- (x) independent system operator/regional transmission organization;
- (xi) regional entity; or
- (xii) government representatives.

Note that this restriction is in contrast to the registered ballot body for standards development, where entities may register in each segment in which they have a business interest. A member may elect to be assigned to any sector so long as membership in that sector is consistent with

the member's business or other activities. A corporation and its affiliates are considered a single member and may register in only one sector, which may be any single sector for which the corporation or any of its affiliates is eligible. A consultant, attorney, agent, vendor, trade or industry association, state, provincial or local consumer advocate organization that provides services to or otherwise represents the interests of the members of one or more sectors may elect to be assigned to one such sector.

Members must renew their registration online. An early step in that process will be to indicate agreement with the two conditions imposed for membership in NERC. No one will be able to complete the membership renewal without agreeing to those two conditions. The online membership application constitutes the written agreement required by the Bylaws. Instructions for using NERC's online membership application form are included as **Attachment 2** to this item. The Board is requested to approve those screen shots substantially in the form presented as constituting the written agreement called for in the Bylaws.

NERC staff will send e-mails and letters to each NERC member on or about June 1 requesting them to renew their membership and update their registration information on file, as appropriate. The letters and email will include the current information that NERC has on file for that entity or individual. If NERC has not received a response by September 1, the corporate secretary will notify the member that it has been removed from the NERC membership roster. NERC staff will also send reminders as indicated.

Once an entity has been removed from the NERC membership roster, it will no longer be able to participate in elections of sector representatives to the MRC or the chair and vice-chair of the MRC. Those elections take place the October/November time frame. An entity that has been removed may rejoin the membership roster at any time by completing the on-line application. Note that NERC membership is not required to participate or vote in the standards development process.

“Reliability standard” means a requirement to provide for reliable operation of the bulk power system, including without limiting the foregoing requirements for the operation of existing bulk power system facilities, including cybersecurity protection, and the design of planned additions or modifications to such facilities to the extent necessary for reliable operation of the bulk power system, but shall not include any requirement to enlarge bulk power system facilities or to construct new transmission capacity or generation capacity.

“Reliable operation” means operating the elements of the bulk power system within equipment and electric system thermal, voltage, and stability limits so that instability, uncontrolled separation, or cascading failures of the bulk power system will not occur as a result of a sudden disturbance, including a cybersecurity incident, or unanticipated failure of system elements.

“Sector” means a group of members of the Corporation that are bulk power system owners, operators, or users or other persons and entities with substantially similar interests, including governmental entities, as pertinent to the purposes and operations of the Corporation and the operation of the bulk power system, as defined in Article II, Section 4 of these Bylaws. Each sector shall constitute a class of members for purposes of the New Jersey Nonprofit Corporation Act.

Section 2 — Additional Defined Terms — Additional terms not defined in this Article I are defined in the remainder of these Bylaws.

Section 3 — Technical Terms — Technical terms not defined in these Bylaws shall have the definitions set forth in the Federal Power Act, Part 39 of the regulations of the Commission, or the “Glossary of Terms Used in Reliability Standards”, in that order of precedence, and if not defined in any of those sources, shall be defined in accordance with their commonly understood and used technical meaning in the electric power industry, including applicable codes and standards.

ARTICLE II

Membership

Section 1 — Members — Membership in the Corporation is voluntary and is open to any person or entity that has an interest in the reliable operation of the North American bulk power system and that registers with the Corporation as a member, maintains its registration in accordance with this Article II, and complies with the other conditions and obligations of membership specified in these Bylaws. Membership in a regional entity shall not be a condition for membership in the Corporation. The secretary of the Corporation shall maintain a roster of the members of the Corporation.

Section 2 — Registration as a Member — Any person or entity that is eligible to be a member of the Corporation in accordance with Article II, Section 1 may become a member by completing, and submitting to the secretary of the Corporation, a membership registration on a form prescribed by the board. If not a natural person, the member shall designate a

representative and an alternative representative with authority to receive notices, cast votes, and execute waivers and consents on behalf of the member. The secretary of the Corporation shall maintain a current roster of the members of the Corporation including each member's designated representative and alternative representative. From time to time, the board shall establish a date by which members shall submit their registration renewals. All members shall be required to renew their registrations within 30 calendar days of a request by the secretary of the Corporation, using a registration renewal form prescribed by the board. The secretary of the Corporation shall remove from the roster of members of the Corporation any member that has not submitted a registration renewal within 30 days following a date established by the board. The secretary shall notify any member that is removed from the roster of members of such removal, by notice sent to such former member's last known address on the records of the Corporation.

Section 3 — Obligations and Conditions of Membership

- a. Each member shall agree, in writing, to accept the responsibility to promote, support, and comply with the purposes and policies of the Corporation as set forth in its Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards as from time to time adopted, approved, or amended.
- b. As an additional condition of membership in the Corporation, each person or entity registering as a member shall be required to execute an agreement with the Corporation, in a form to be specified by the board, that such person or entity will hold all trustees, officers, employees, and agents of the Corporation, as well as volunteers participating in good faith in the activities of the Corporation, harmless, to the extent permitted by Federal or provincial laws, regulations and rules, for any injury or damage to that member caused by any act or omission of any trustee, officer, employee, agent, or volunteer in the course of performance of his or her duties on behalf of the Corporation, other than for acts of gross negligence, intentional misconduct, or a breach of confidentiality.

Section 4 — Membership Sectors

- a. Each member shall elect to be assigned to one of the following membership sectors: (i) investor-owned utility; (ii) state/municipal utility; (iii) cooperative utility; (iv) federal or provincial utility/power marketing administration; (v) transmission-dependent utility; (vi) merchant electricity generator; (vii) electricity marketer; (viii) large end-use electricity customer; (ix) small end-use electricity customer; (x) independent system operator/regional transmission organization; (xi) regional entity; or (xii) government representatives. The composition of each sector shall be as follows:
 - i. Investor-owned utility — This sector includes any investor-owned entity with a substantial business interest in ownership and/or operation in any of the asset categories of generation, transmission or distribution. This sector also includes organizations that represent the interests of such entities.

- ii. State/municipal utility — This sector includes any entity owned by or subject to the governmental authority of a state or municipality, that is engaged in the generation, delivery, and/or sale of electric power to end-use customers primarily within the political boundaries of the state or municipality; and any entity, whose members are municipalities, formed under state law for the purpose of generating, transmitting, or purchasing electricity for sale at wholesale to their members. This sector also includes organizations that represent the interests of such entities.
- iii. Cooperative utility — This sector includes any non-governmental entity that is incorporated under the laws of the state in which it operates, is owned by and provides electric service to end-use customers at cost, and is governed by a board of directors that is elected by the membership of the entity; and any non-governmental entity owned by and which provides generation and/or transmission service to such entities. This sector also includes organizations that represent the interests of such entities.
- iv. Federal or provincial utility/Federal Power Marketing Administration — This sector includes any U.S. federal, Canadian provincial, or Mexican entity that owns and/or operates electric facilities in any of the asset categories of generation, transmission, or distribution; or that functions as a power marketer or power marketing administrator. This sector also includes organizations that represent the interests of such entities.
- v. Transmission-dependent utility — This sector includes any entity with a regulatory, contractual, or other legal obligation to serve wholesale aggregators or customers or end-use customers and that depends primarily on the transmission systems of third parties to provide this service. This sector also includes organizations that represent the interests of such entities.
- vi. Merchant electricity generator — This sector includes any entity that owns or operates an electricity generating facility that is not included in an investor-owned utility's rate base and that does not otherwise fall within any of sectors (i) through (v). This sector includes but is not limited to cogenerators, small power producers, and all other nonutility electricity producers such as exempt wholesale generators who sell electricity at wholesale. This sector also includes organizations that represent the interests of such entities.
- vii. Electricity marketer — This sector includes any entity that is engaged in the activity of buying and selling of wholesale electric power in North America on a physical or financial basis. This sector also includes organizations that represent the interests of such entities.

- viii. Large end-use electricity customer — This sector includes any entity in North America with at least one service delivery taken at 50 kV or higher (radial supply or facilities dedicated to serve customers) that is not purchased for resale; and any single end-use customer with an average aggregated service load (not purchased for resale) of at least 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility. This sector also includes organizations that represent the interests of such entities.
 - ix. Small end-use electricity customer — This sector includes any person or entity within North America that takes service below 50 kV; and any single end-use customer with an average aggregated service load (not purchased for resale) of less than 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility. This sector also includes organizations (including state consumer advocates) that represent the interests of such entities.
 - x. Independent system operator/regional transmission organization — This sector includes any entity authorized by the Commission to function as an independent transmission system operator, a regional transmission organization, or a similar organization; comparable entities in Canada and Mexico; and the Electric Reliability Council of Texas or its successor. This sector also includes organizations that represent the interests of such entities.
 - xi. Regional entity — This sector includes any regional entity as defined in Article I, Section 1.
 - xii. Government representatives — This sector includes any federal, state, or provincial government department or agency in North America having a regulatory and/or policy interest in wholesale electricity. Entities with regulatory oversight over the Corporation or any regional entity, including U.S., Canadian, and Mexican federal agencies and any provincial entity in Canada having statutory oversight over the Corporation or a regional entity with respect to the approval and/or enforcement of reliability standards, may be nonvoting members of this sector.
- b. A member may elect to be assigned to any sector so long as membership in that sector is consistent with the member's business or other activities. A corporation and its affiliates shall be considered a single member and may register in only one sector, which may be any single sector for which the corporation or any of its affiliates is eligible. A consultant, attorney, agent, vendor, trade or industry association, state, provincial or local consumer advocate organization that provides services to or otherwise represents the interests of the members of one or more sectors may elect to be assigned to one such sector.

Section 5 — Term of Membership — Membership in the Corporation shall be retained as long as a member meets its respective qualifications, obligations, and conditions of membership as set forth in this Article II.

Section 6 — Removal — In addition to termination of membership in accordance with Article II, Section 2, the board, following notice to the member and exercise of appropriate due process procedures, may terminate the membership of a member if in the judgment of the board that member has violated its obligations and responsibilities to the Corporation. This termination shall require a two-thirds vote of the trustees present and voting at a meeting of the board at which a quorum of the board entitled to vote is present. Within thirty (30) days following the action of the board terminating the membership of a member, the member shall be entitled to appeal such termination to the Commission or to the applicable governmental authority in Canada or Mexico.

ARTICLE III Board of Trustees

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

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

Instructions for Using NERC's Online Membership Application Form

Online Membership Application Instructions

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Introduction

Entities or people interested in becoming members of the North American Electric Reliability Corporation (NERC) must complete an application form. For members' convenience, NERC has implemented an online form for this purpose. It is available from NERC's web site (www.nerc.com).

The online application form contains multiple parts:

1. Membership Agreement
2. Entity Identification
3. Sector Selection
4. Entity Affiliations
5. Contact Information

Completing the membership application takes approximately 15 minutes. Applicants have an opportunity to review and edit information before submitting it to NERC. Should the applicant close his or her web browser before completing the application form, information will not be saved nor will it be submitted to NERC; the applicant must start the application process over.

To become a member of NERC, applicants must agree to the terms of NERC's Membership Agreement. Failure to agree will prevent the applicants from continuing the online application process.

Upon successful completion of the online application form, the applicant will receive an email from NERC. This email directs the applicant to respond by following an included link. Doing so confirms that the email address provided during the application process is valid. No further membership application processing takes place until the email address is verified.

NERC's membership administrator is responsible for the last step in the application process: reviewing and approving each membership application. Upon approval, the member is added to NERC's membership roster and the applicant receives a confirmation email from NERC's membership administrator.

The application process is explained in more detail below. Screen shots are added for clarity.

Step 1: Application Steps

This first step provides an overview of the online application process. Clicking **Continue** begins the process.

The screenshot shows a web browser window titled "Application - Windows Internet Explorer provided by NERC". The address bar shows a search bar with "Live Search". The browser's menu bar includes "File", "Edit", "View", "Favorites", "Tools", and "Help". The toolbar shows various icons for navigation and tools. The page content features the NERC logo (North American Electric Reliability Corporation) at the top left. Below the logo is a navigation bar with links: "About NERC", "Contact Us", "Meetings", and "Site Map". The main heading is "Registration and Account Management". Under this heading, the section "Application Steps" is displayed. It begins with a thank you message: "Thank you for your interest in becoming a NERC member." followed by instructions: "Entities interested in becoming members of NERC must first apply using this online form. Application instructions are available for download [here](#)." and a detailed paragraph: "Review the application steps below, then click **Continue**. Once you complete the application process you will receive a confirmation number (please print a copy for your records). You will also receive an e-mail from registration@nerc.com with the subject NERC Application - E-mail Confirmation. When you receive this e-mail click on the link provided to confirm your address." Below this text is a list of five steps, each with a blue highlight bar: 1. Membership Agreement, 2. Entity Identification, 3. Sector Selection, 4. Entity Affiliation, and 5. Contact Information. At the bottom of the steps list are two buttons: "Cancel" and "Continue". The footer of the page contains contact information: "609.452.8060 (Voice) - 609.452.9550 (Fax)", "116-390 Village Boulevard, Princeton, New Jersey 08540-5721", and a copyright notice: "Copyright © 2006 by the North American Electric Reliability Council. All rights reserved. A New Jersey Nonprofit Corporation". The browser's status bar at the bottom shows "Internet" and a zoom level of "100%".

Application - Windows Internet Explorer provided by NERC

Live Search

File Edit View Favorites Tools Help

Application

About NERC | Contact Us | Meetings | Site Map

NERC
NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Registration and Account Management

Application Steps

Thank you for your interest in becoming a NERC member.

Entities interested in becoming members of NERC must first apply using this online form. Application instructions are available for download [here](#).

Review the application steps below, then click **Continue**. Once you complete the application process you will receive a confirmation number (please print a copy for your records). You will also receive an e-mail from registration@nerc.com with the subject NERC Application - E-mail Confirmation. When you receive this e-mail click on the link provided to confirm your address.

Steps

1. Membership Agreement
2. Entity Identification
3. Sector Selection
4. Entity Affiliation
5. Contact Information

[Cancel](#) [Continue](#)

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Internet 100%

Figure 1: Application Steps

Step 2: Membership Agreement

As stated in NERC's Bylaws, each NERC member must agree to NERC's terms of membership. This Membership Agreement consists of two clauses. As shown in Figure 2 applicants are asked to read and agree to both clauses by clicking in each box and then clicking **Continue**. Applicants may not continue unless both boxes are selected. Canceling returns the applicant to NERC's home page.

The screenshot shows a web browser window titled "Membership Agreement - Windows Internet Explorer provided by NERC". The address bar shows a URL starting with "http://". The browser's menu bar includes "File", "Edit", "View", "Favorites", "Tools", and "Help". The toolbar includes "Live Search", "Page", "Tools", and "Help". The page content features a blue header with the NERC logo and the text "NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION". Below the header is a yellow navigation bar with the text "Registration and Account Management". The main content area is titled "Membership Agreement" and contains the following text:

I hereby agree that in and as condition to becoming a member of the North American Electric Reliability Corporation (the "Corporation") in accordance with Article II, Section 1 of its Bylaws, he/she/it will, as provided in Article II, Section 3 of the Bylaws:

I agree ☐

I accept the responsibility to promote, support, and comply with the purposes and policies of the Corporation as set forth in its Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards as from time to time adopted, approved, or amended.

I agree ☐

I further agree, that myself and the entity that I represent, will hold all trustees, officers, employees, and agents of the Corporation, as well as volunteers participating in good faith in the activities of the Corporation, harmless for any injury or damage caused by any act of omission of any trustee, officer, employee, agent, or volunteer in the course of performance of his or her duties on behalf of the Corporation, other than for acts of fraud.

At the bottom of the form are two buttons: "Cancel" and "Continue".

Footer text: 609.452.8060 (Voice) - 609.452.9550 (Fax)
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Figure 2: Membership Agreement

Step 3: Entity Identification

This step requires the applicant to identify the NERC member. A member can be an entity or an individual.

If you represent an entity, search for your entity's name in the drop down box. If the name is on the list, click it to select and click **Continue** to proceed with the application process. If the entity's name is not on the list, select the **New Entity** button. A box will appear next to the selection. Enter the name of the entity you represent into the box then click **Continue** to proceed.

If you are not representing an entity, select the radio button next to **I do not represent an Entity** and click **Continue** to proceed.

Entities are allowed to register only once. You will receive an error if the entity you are trying to register has done so already or if you are affiliated with an entity that has already registered. In the event you erred when selecting the entity name, you may re-enter the information and click **Continue** to proceed.

The screenshot shows a web browser window titled "NERC - Windows Internet Explorer provided by NERC". The address bar shows "Live Search". The browser's menu bar includes "File", "Edit", "View", "Favorites", "Tools", and "Help". The address bar shows "NERC". The page has a blue header with the NERC logo and the text "NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION". Below the header is a yellow banner with the text "Registration and Account Management". The main content area is titled "Entity Identification" and contains the following text: "Select the **Entity** you represent from the drop down list below, then click **Continue**. You should only enter a **New Entity** if the one you represent can't be found in the drop down list. If you are not representing an entity, select the radio button next to **I do not represent an Entity**". Below this text are three radio buttons: "Entity: ☐ Select an Entity from the list below:", "New Entity: ☐", and "I do not represent an Entity: ☐". A blue "Continue" button is located below the radio buttons. At the bottom of the page, there is contact information: "609.452.8060 (Voice) - 609.452.9550 (Fax)", "116-390 Village Boulevard, Princeton, New Jersey 08540-5721", and "Copyright © 2006 by the North American Electric Reliability Council. All rights reserved. A New Jersey Nonprofit Corporation". The browser's status bar at the bottom shows "Done" and "Internet".

Figure 3: Entity Identification

Step 4: Sector Selection

Following the rules established in NERC's Bylaws, each member must identify a membership sector. A member may select only one sector. Simply click the name of the appropriate sector and select **Continue** to proceed. Hover over the question marks to see definitions of the sectors.

The screenshot shows the 'Sector Selection' page of the NERC website. The page has a blue header with the NERC logo and a yellow navigation bar. The main content area is titled 'Sector Selection' and contains a table of 12 sectors. Each sector has a number, a description, and a question mark icon for help. The footer contains contact information and copyright details.

Sector Number	Sector	Help
1	Investor-owned Utility	?
2	State/municipal utility	?
3	Cooperative utility	?
4	Federal or provincial utility/Federal Power Marketing Administration	?
5	Transmission-dependant utilities	?
6	Merchant electricity generator	?
7	Electricity Marketer	?
8	Large end-use electricity customer	?
9	Small end-use electricity customer	?
10	Independent System Operators/Regional Transmission Operators	?
11	Regional reliability organization/regional utility	?
12	Government representatives	?

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Figure 4: Sector Selection

Step 5: Entity Affiliations

This step enables you to identify corporate affiliations. Click the radio button next to the appropriate option and click **Continue** for the next application page. If you indicated your entity has affiliates, the next page instructs you to identify them (see Figure 6). If you do not have affiliates, you will be directed to Step 6: Contact Information.

The screenshot shows a web browser window titled "Entity Affiliation - Windows Internet Explorer provided by NERC". The address bar shows a URL. The browser's menu bar includes File, Edit, View, Favorites, Tools, and Help. The toolbar includes a search bar with "Live Search" and various navigation icons. The page header features the NERC logo (North American Electric Reliability Corporation) and navigation links: About NERC, Contact Us, Meetings, and Site Map. Below the header is a yellow banner with the text "Registration and Account Management". The main content area is titled "Entity Affiliation" and contains the following text: "As stated in NERC's Bylaws, a corporation and its affiliates are considered a single member. The corporation or one of its affiliates may apply, but once approved as a member, no other corporate affiliates will be considered for membership in any sector." Below this text are two radio button options: "My Entity is not affiliated with any other entities" (which is selected) and "The entity I represent is affiliated with other entities". A blue "Continue" button is positioned below the options. On the left side of the page, there is a sidebar with links: "FAQs", "Membership Reference Document", and "MRC Reference Document". The footer of the page contains contact information: "609.452.8060 (Voice) - 609.452.9550 (Fax)", "116-390 Village Boulevard, Princeton, New Jersey 08540-5721", and "Copyright © 2006 by the North American Electric Reliability Council. All rights reserved. A New Jersey Nonprofit Corporation". The browser's status bar at the bottom shows "Internet" and "100%".

Figure 5: Entity Affiliation 1

NERC Membership Application Instructions

To identify an affiliated entity, select its name from the drop down list, and then click **Add Affiliate**. Do the same for each affiliated entity. Once you have identified all of your entity's affiliates, click **Continue**.

The screenshot shows a web browser window titled "Entity Affiliation - Windows Internet Explorer provided by NERC". The browser's address bar is empty, and the menu bar includes File, Edit, View, Favorites, Tools, and Help. The toolbar shows various icons for navigation and search. The page content features the NERC logo (North American Electric Reliability Corporation) at the top left, with a navigation menu on the right containing links for "About NERC", "Contact Us", "Meetings", and "Site Map". Below the logo is a yellow banner with the text "Registration and Account Management". The main content area is titled "Entity Affiliation" and contains the following text: "As stated in NERC's Bylaws, a corporation and its affiliates are considered a single member. The corporation or one of its affiliates may apply, but once approved as a member, no other corporate affiliates will be considered for membership in any sector." Below this text are two radio buttons: "My Entity is not affiliated with any other entities" (unselected) and "The entity I represent is affiliated with other entities" (selected). The selected option is followed by the instruction: "To identify an affiliated entity, select the affiliated entity's name from the list below and click **Add Affiliate**. Do this for each affiliated entity." Below this is another instruction: "To remove an affiliated entity, click **Remove** next to the entity's name you wish to remove." A dropdown menu is labeled "Select an Entity from the list below:". Below the dropdown are two buttons: "Add Affiliate" and "Continue". The footer of the page contains contact information: "609.452.8060 (Voice) - 609.452.9550 (Fax)", "116-390 Village Boulevard, Princeton, New Jersey 08540-5721", and "Copyright © 2006 by the North American Electric Reliability Council. All rights reserved. A New Jersey Nonprofit Corporation". The browser's status bar at the bottom shows "Done" and "Internet" with a zoom level of "100%".

Figure 6: Entity Affiliation 2

NERC Membership Application Instructions

If you wish to remove an affiliated entity, click the **Remove** button next to the entity you wish to remove.

The screenshot shows a web browser window titled "Entity Affiliation - Windows Internet Explorer provided by NERC". The browser's address bar shows "Live Search". The page has a blue header with the NERC logo and the text "NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION". Below the header is a yellow banner with the text "Registration and Account Management".

On the left side, there is a sidebar with links: "FAQs", "Membership Reference Document", and "MRC Reference Document".

The main content area is titled "Entity Affiliation". It contains the following text:

As stated in NERC's Bylaws, a corporation and its affiliates are considered a single member. The corporation or one of its affiliates may apply, but once approved as a member, no other corporate affiliates will be considered for membership in any sector.

☐ My Entity is not affiliated with any other entities

☒ The entity I represent is affiliated with other entities

To identify an affiliated entity, select the affiliated entity's name from the list below and click **Add Affiliate**. Do this for each affiliated entity.

To remove an affiliated entity, click **Remove** next to the entity's name you wish to remove.

Below this text is a dropdown menu showing "North American Electric Reliability Council". To the right of the dropdown is a blue button labeled "Add Affiliate".

Below the dropdown, there is a green message: "You have successfully affiliated the selected entity with your entity".

Below the message is a table with the following structure:

Affiliated Entity	
North American Electric Reliability Council	Remove

Below the table is a blue button labeled "Continue".

At the bottom of the page, there is a footer with contact information: "609.452.8060 (Voice) ~ 609.452.9550 (Fax)", "116-390 Village Boulevard, Princeton, New Jersey 08540-5721", and "Copyright © 2006 by the North American Electric Reliability Council. All rights reserved. A New Jersey Nonprofit Corporation".

Figure 7: Entity Affiliation 3

Step 6: Contact Information

Each applicant must identify a point of contact who will receive membership correspondence from NERC. You may name yourself or someone else as the contact. A member who is not an individual must also name an alternate contact, as shown in Figure 9. The alternate contact will receive all NERC membership correspondence as well.

Field names shown in red are required. Click **Continue** to proceed to the next page.

The screenshot shows a web browser window titled "NERC - Windows Internet Explorer provided by NERC". The address bar shows "http://www.nerc.org". The page has a blue header with the NERC logo and the text "NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION". Below the header is a yellow banner with the text "Registration and Account Management". The main content area is titled "Contact Information" and contains the following text: "In order to apply for NERC membership you must identify a person who will serve as the member entity's point of contact. This person will receive all membership correspondence from NERC. The contact can be you or another individual designated to perform this role for your entity. The contact must have verifiable contact information: email address, address, and phone number. Enter the contact information in the fields below, and then click **Continue**."

The form fields are as follows:

- * First Name:
- Middle Name:
- * Last Name:
- Title:
- * E-mail Address:
- * Address Line 1:
- Address Line 2:
- * City:
- * Country:
- * State/Province:
- * Zip/Postal Code:
- * Phone Number:
- Cell Phone Number:
- Fax Number:

A blue "Continue" button is located below the form fields. A red asterisk and the text "* Required Field" are located at the bottom right of the form area.

At the bottom of the page, the following contact information is displayed: "609.452.8060 (Voice) • 609.452.9550 (Fax) 116-390 Village Boulevard, Princeton, New Jersey 08540-5721".

Figure 8: Contact Information

NERC Membership Application Instructions

A member who is not an individual must also name an alternate contact. This person also receives membership correspondence. Enter the alternate contact information in the fields below, and then click **Continue**. If you do not enter an alternate contact, you will not be able to continue.

This step is optional for members who are individuals. Either enter the required information and click **Continue**, or, if you do not wish to enter an alternate contact, click **No Alternate Contact**.

The screenshot shows a web browser window titled "Alternate Contact - Windows Internet Explorer provided by NERC". The address bar shows "Live Search". The browser's menu bar includes "File", "Edit", "View", "Favorites", "Tools", and "Help". The toolbar includes "Alternate Contact", "Page", "Tools", and "Live Search". The page header features the NERC logo (North American Electric Reliability Corporation) and navigation links: "About NERC", "Contact Us", "Meetings", and "Site Map". A yellow banner reads "Registration and Account Management".

On the left, a sidebar contains links: "FAQs", "Membership Reference Document", and "MRC Reference Document".

The main content area is titled "Alternate Contact Information". It contains the following text:

Entities must enter an alternate contact. This person will also receive all membership correspondence. Enter the Alternate contact information in the fields below, and then click **Continue**.

If you do not represent an entity, you may enter an alternate contact if you wish. Enter the Alternate contact information in the fields below, and then click **Continue**. Otherwise, click **No Alternate Contact**.

The form fields are as follows:

- * First Name:
- Middle Name:
- * Last Name:
- Title:
- * E-mail Address:
- * Address Line 1:
- Address Line 2:
- * City:
- * Country:
- * State/Province:
- * Zip/Postal Code:
- * Phone Number:
- Cell Phone Number:
- Fax Number:

At the bottom of the form are two buttons: "No Alternate Contact" and "Continue". A red asterisk indicates a required field.

Figure 9: Alternate Contact Information

Step 7: Summary, Review and Submit

Applicants have the opportunity to review and modify the information they have entered before submitting the membership application to NERC. Click **Edit** in the appropriate section to make changes or click **Submit** to complete the online application form. The application is not complete until the applicant clicks **Submit**.

The screenshot shows a web browser window titled "Final Review - Windows Internet Explorer provided by NERC". The address bar shows a URL ending in "Live Search". The browser's menu bar includes File, Edit, View, Favorites, Tools, and Help. The toolbar includes buttons for Back, Forward, Stop, Reload, Home, and a search box. The page content is for the NERC (North American Electric Reliability Corporation) Registration and Account Management system. The page has a blue header with the NERC logo and a yellow banner with the text "Registration and Account Management". On the left side, there are links for "FAQs", "Membership Reference Document", and "MRC Reference Document". The main content area is titled "Summary" and contains a message: "Please review your account information below to make sure it is correct and up-to-date. Click **Edit** to update your information, then click **Submit**." Below this message are several sections for account information, each with an "Edit" link. The sections are: "Entity Information" (Entity: NERC Temp Account), "Sector Information" (Sector: Federal), "Entity Affiliation" (North American Electric Reliability Council), "Contact Information" (Full Name: First Name Last Name, Title, Address Line 1: Address Line 1, Address Line 2, City: City, Country: USA, State/Province: New Jersey, Zip/Postal Code: 12345, E-mail Address: myaddress@mycompany.com, Phone Number: 123-456-7890, Cell Phone Number, Fax Number), and "Alternate Contact Information" (Full Name: First Name Last Name, Title, Address Line 1: Address Line 1, Address Line 2, City: City, Country: USA, State/Province: New Jersey, Zip/Postal Code: 12345, E-mail Address: myaddress@mycompany.com, Phone Number: 123-456-7890, Cell Phone Number, Fax Number). At the bottom of the form is a "Submit" button. The browser's status bar at the bottom shows "Done" and "Internet".

Figure 10: Summary

NERC Membership Application Instructions

Each applicant receives a confirmation number upon successful submittal of the online application form, as shown in Figure 11. Please print the confirmation page for your records. This number helps track the status of your application through the approval process.

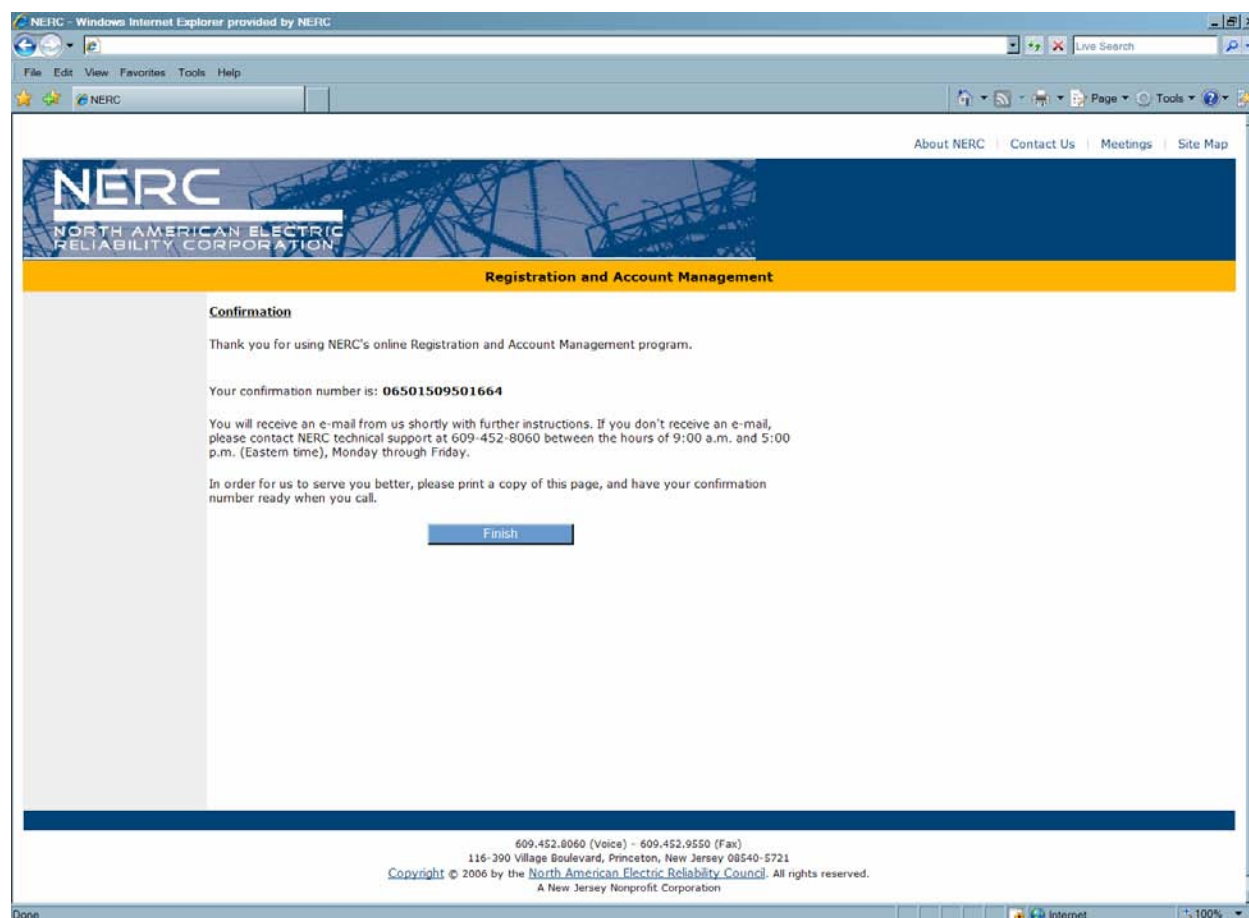


Figure 11: Application Confirmation

Step 8: Email Confirmation

To complete the application process, you must confirm your email address. Do this by responding to an email you receive from NERC upon the successful submittal of the online application form. Simply click the link contained in the email or cut and paste the link into your web browser. (See Figure 12)

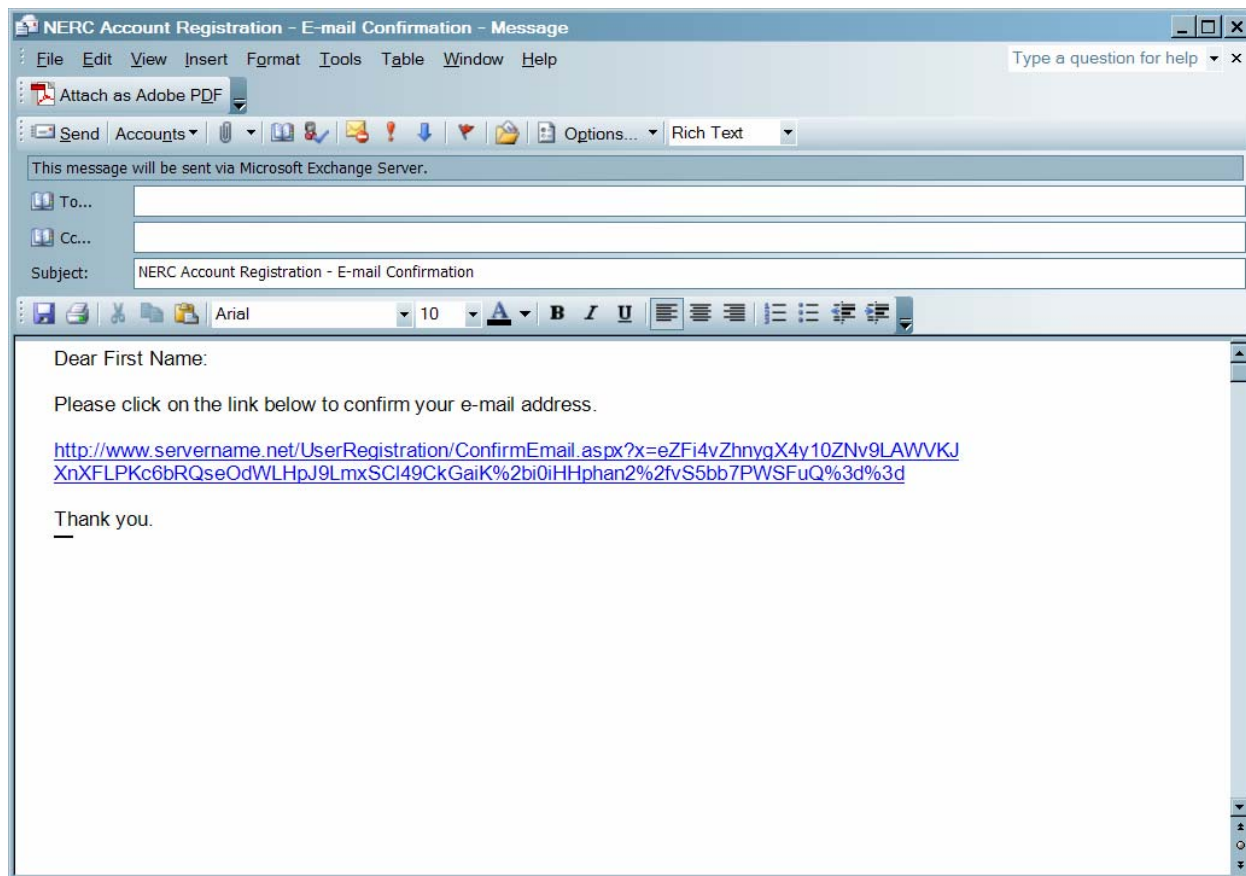


Figure 12: Email Confirmation Message

Compliance and Certification Committee Report

Action

None

Background

The Compliance and Certification Committee (CCC) held its March 2011 meeting in Baltimore, Maryland. The agenda and draft minutes are posted on the NERC Website (<http://www.nerc.com/filez/cccmin.html>)

The CCC is in the process of reviewing 2010 Self-Certifications received from NERC. NERC self-certified with respect to:

- Reliability Standards Applicable to NERC
- Organization and Registration Program
- Standard Processes Manual
- Compliance Monitoring and Enforcement Program

The CCC is in the process of revising the criteria for NERC to use in its annual evaluation of the tools used to monitor the Regional Entity activities.

The CCC is preparing for spots checks of NERC's Compliance Monitoring and Enforcement Program and Reliability Standards applicable to NERC in the fall of 2011.

The CCC has established a task force to identify what actions can be taken to assist in the development of the Risk Based Reliability Compliance effort as set forth in Tom Burgess's white paper.

The CCC has established a working group to assist NERC and the ISO/RTOs in developing procedures that would allow the ISO/RTOs to involve third parties (to whom it intends to pass along penalties) to be able to receive notice and participate in violation investigations and hearings.

The CCC continued to perform Quality Reviews in support of the Standards Development program.

The CCC is beginning to work with NERC staff in reviewing proposed Rules of Procedure changes anticipated to be made late fall 2011.

Compliance and Certification Committee FY 2011 Work Plan

Action

Approve the Compliance and Certification Committee (CCC) 2011 Work Plan and the CCCPP-008: Monitoring Stakeholder Perceptions.

Summary and Background

The CCC, a NERC Board-appointed stakeholder committee serving and reporting directly to the NERC board, is responsible for engaging with, supporting, and advising the NERC board and NERC Compliance staff regarding all facets of the NERC Compliance Monitoring and Enforcement, Organization Registration, and Organization Certification programs.

The purpose of this plan is to identify the anticipated activities of the CCC for 2011. The plan is based on the responsibilities assigned to the CCC by the NERC Board of Trustees through programs and tasks identified by the CCC required to accomplish these responsibilities.

A component of the CCC 2011 Work Plan is the CCCPP-008: Monitoring Stakeholder Perceptions. The document outlines the methods that the CCC will use to monitor the stakeholder perceptions of NERC and the Regions.

The background of the slide features a large, semi-transparent image of a high-voltage electrical transmission tower on the right side. A thick orange horizontal bar spans the width of the slide, separating the header from the main title. Below this bar, a faint, light blue map of North America is visible in the lower half of the slide.

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

NERC Compliance and Certification Committee 2011 Work Plan October 1, 2010

to ensure
the reliability of the
bulk power system

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NERC Compliance and Certification Committee		
<i>Title:</i> 2011 Work Plan		
<i>Version:</i> 1.0	<i>Revision Date:</i> N/A	<i>Effective Date:</i> January 1, 2011

Summary:

The Compliance and Certification Committee (CCC) is a NERC Board-appointed stakeholder committee serving and reporting directly to the NERC Board of Trustees (BOT) and is responsible for engaging with, supporting, and advising the NERC BOT and NERC regarding all facets of the NERC Compliance Monitoring and Enforcement Program (compliance program), Organization Registration Program (registration program), and Organization Certification Program (certification program). In order to support this endeavor, the CCC has developed this annual work plan to identify the activities that the CCC intends to perform in 2011 to achieve the responsibilities that the NERC Board has instructed and desires the CCC to accomplish.

Revision History:

<i>Date</i>	<i>Version Number</i>	<i>Comments</i>
10/1//2010	1.0	

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1. Purpose

The purpose of this plan is to identify the anticipated activities of the NERC Compliance and Certification Committee (CCC) for the year 2011. The plan is based on the responsibilities assigned to the CCC by the NERC Board of Trustees through programs and tasks identified by the CCC required to accomplish these responsibilities.

2. Introduction

In the capacity of a NERC Board-appointed stakeholder committee serving and reporting directly to the NERC Board under a NERC Board-approved charter and as set forth in NERC's Rules of Procedure (RoP), the Compliance and Certification Committee will engage with, support, and advise the NERC Board and NERC BOT Compliance Committee regarding all facets of the NERC Compliance Monitoring and Enforcement Program (compliance program), Organization Registration Program (registration program) and Organization Certification Program (Certification program). As a committee providing support and advice but otherwise independent of the execution of these programs, the CCC will monitor NERC's compliance with the RoP for these programs on an ongoing basis. Also, and in a similar manner, as a committee independent of the NERC Reliability Standards development process, the CCC will be the body responsible for monitoring NERC's compliance with the RoP regarding the NERC Reliability Standards development process with the exception of appeals of substantive or procedural action or inaction associated with a reliability standard or the standards process as defined in the appeals section of the NERC Reliability Standards Development Procedure.

The Compliance and Certification Committee provides for balanced discussion, commentary, and recommendations on compliance issues by bringing together a wide diversity of opinions and perspectives from NERC member sector experts who have particular familiarity, knowledge, and experience in the area of compliance and NERC and Regional standards. Members are appointed to the CCC by the NERC Board and serve on the committee at the pleasure of the board.

Individuals deemed qualified to serve on the committee will generally include senior-level industry experts who have particular familiarity, knowledge, and experience in the area of compliance, compliance enforcement, compliance administration and management, organization responsibilities and registration, organization certification, and NERC and Regional standards.

These individuals should be involved with internal compliance programs within their respective organizations. Committee members are expected to represent the interests of the sector they represent, to the best of their ability and judgment.

3. CCC Organization

In addition to certain core responsibilities, the CCC has established various subcommittees and a working group to perform certain tasks on behalf of and under the supervision of the CCC.

Key responsibilities of these subcommittees are as follows:

3.1 Organization Registration and Certification Subcommittee (ORCS)

To fulfill its mission, the CCC has established the Organization Registration and Certification Subcommittee to perform the following tasks on behalf of and under the supervision of the CCC:

1. Advise and provide support to NERC and the Regional Entities with development and implementation of organization registration and certification processes (i.e., RoP 500 & Appendix 5);
2. Advise and provide ongoing support to NERC and the Regional Entities relating to approved organization registration and certification processes;
3. Evaluate the success and effectiveness of NERC and the Regional Entities' administration of the organization registration and certification processes; and
4. Establish programs to monitor NERC's and the Regional Entities' implementation of the organization registration and certification processes.

3.2 Standards Interface Subcommittee (SIS)

To fulfill its mission, the CCC has established the Standards Interface Subcommittee to perform the following tasks on behalf of and under the supervision of the CCC:

1. Advise and prepare recommendations to the CCC to address any standard-related issues relevant to and within the scope of the NERC Compliance and Certification Committee (i.e., request from the Standards Committee, Standards Drafting Team, CCC, NERC Compliance Staff, etc);
2. Act as liaison of the CCC to the NERC Standards Committee;
3. Implement CCC oversight, facilitate, and participate as needed in the development of the Compliance Administration Elements (CAEs) for new reliability standards under development or for revisions to existing reliability standards;
4. Identify personnel to serve on the Compliance Administration Element (CAE) drafting teams as needed; and
5. Prepare and maintain guidance and other related documents and materials for the benefit of Standards Drafting Teams regarding the development of CAEs.
6. Coordinate the CCC quality review responsibilities as established in the Standards Process Manual.

3.3 ERO Monitoring Subcommittee (EROMS)

To fulfill its mission, the CCC has established the ERO Monitoring Subcommittee to perform the following tasks on behalf of and under the supervision of the CCC:

1. Establish and implement programs to monitor NERC's compliance with the reliability standards that apply to NERC;
2. Establish and implement programs to monitor NERC's adherence to the RoP regarding the Compliance Monitoring and Enforcement Program as specified in Section 405 of NERC's RoP;
3. Establish and implement programs to monitor NERC's adherence to the RoP regarding the reliability standards development process with the exception of appeals of substantive or procedural action or inaction associated with a reliability standard or the standards process as defined in the appeals section of the Reliability Standards Development Procedure as specified in Section 405 of NERC's RoP; and
4. Develop criteria for use by NERC for the annual evaluation of the goals, tools, and procedures of each Regional Entity compliance enforcement program in the determination of the effectiveness of each Regional Entity program as specified in Section 402.1.2 of NERC's RoP.
5. Develop and implement methods to actively solicit information with respect to stakeholder perception of the procedures, policies, standards, rules, orders, etc. and the effectiveness of the NERC CMEP and Standards Development activities and provide this information to the CCC and applicable CCC subcommittees. Final report will be provided to the NERC board.

3.4 Procedures Subcommittee (PROCS)

To fulfill its mission, the CCC has established the Procedures Subcommittee to perform the following tasks on behalf of and under the supervision of the CCC:

1. Perform document review to promote consistency between multiple documents (procedures, policies, standards, rules, orders, etc.) that comprise the overall NERC Compliance Monitoring and Enforcement Program (CMEP) and to assure documents are clear, unambiguous, consistent and complementary;
2. Advise the CCC of any such unclear, ambiguous, or inconsistent portions of the CMEP documents and propose changes to the documents that it believes will clarify an unclear, ambiguous, or inconsistent situation; and
3. Develop and maintain CCC operational procedures with respect to the CCC responsibilities under the CCC Charter.

3.5 CCC Nominating Committee

The CCC annually appoints a Nominating Subcommittee. The subcommittee consists of five members nominated by the committee chair and approved by the committee. The chair of the subcommittee will be selected by the CCC chair from among the five

subcommittee members. Members of the Nominating Subcommittee prepare a slate of committee officer candidates for submission to the NERC Board for approval and prepare a slate of recommended individuals to fill designated committee vacancies as required.

For the year 2011, the Nominating Committee will continue to identify qualified candidates to submit to the NERC Board for approval for those industry sections that require representation.

3.6 Key Responsibilities Not Assigned to Subcommittees

In addition to tasks assigned to subcommittees on behalf of and under the supervision of the CCC, the overall committee, in general caucus, will continue to address certain key responsibilities. These responsibilities include but are not limited to:

1. Provide comments to NERC with respect to stakeholders' perception of the policies, practices, consistency, and effectiveness of the compliance, registration, and certification programs;
2. Recommend revisions of the NERC RoP related to the compliance, registration, and certification programs to the NERC Board;
3. Establish hearing bodies, as directed by the NERC Board, for any contest regarding findings of, or penalties or sanctions for, violation(s) of reliability standard(s) where NERC is directly monitoring the entity for compliance with those standards (Registered Entity by agreement with a Regional Entity or absent a delegation agreement; the Region itself where approved standards are applicable to the Region) as described in the NERC RoP Section 409;
4. Establish hearing bodies with respect to Registered Entities Certification Appeals;
5. Serve as a mediator, as directed by the NERC Board, for any disagreements between NERC and the Regional Entities concerning NERC performance audits of Regional Entities' compliance programs; and
6. Participate in Regional Entity compliance program audits that are conducted at least once every three years for each regional entity.

3.7. Performance Measurement Working Group

To fulfill its mission, the CCC has established the Performance Measures Working Group (PMWG) to perform the following on behalf of and under the supervision of the CCC: Specific activities for the PMWG will include:

1. Develop and improve compliance metrics for trend analysis and validation of compliance with NERC Reliability Standards;
2. Define and report performance measures and risk assessments including formulae or methods for identification and calculations;
3. Define data collection and reporting guidelines;
4. Publish quarterly Website updates and annual reports on compliance performance measures;

5. Provide relevant prioritized feedback to enhance the performance under the compliance program and standards development programs, as well as enhance the reliability of the bulk power system; and
6. Provide an annual report assesses trends and recommendations.

The Group will report its progress at each meeting of the CCC, and provide periodic updates to the Board of Trustees – Compliance Committee (BOTCC).

4. CCC Programs

These programs will include specific monitoring activities such as periodic on-site audits/reviews, NERC self-certifications, CCC spot-checks, CCC Adverse Finding Investigations, NERC self-reporting, Periodic Data Submittals, and CCC Review of Stakeholder Complaints.

The programs are as follows:

4.1 CCCPP-001

Monitoring Program for NERC's Adherence to NERC's RoP

This program has been established so that the CCC can monitor NERC's adherence to its RoP. The NERC CCC EROMS will coordinate this effort.

4.2 CCCPP-002

Compliance Monitoring Program for Reliability Standards Applicable to NERC

This program has been established so that the CCC can monitor NERC's adherence to NERC Reliability Standards applicable to NERC. The CCC will use a variety of activities to perform the monitoring. The NERC CCC EROMS will coordinate this effort.

4.3 CCCPP-003

Monitoring Program for NERC's Reliability Standards Development Procedure

This program has been established so that the CCC can monitor NERC's adherence to its RoP concerning Reliability Standards development. The NERC CCC EROMS will coordinate this effort.

4.4 CCCPP-007

Monitoring Program for NERC's Adherence to NERC's RoP for Organization Registration and Certification

This program has been established so that the CCC can monitor NERC's adherence to its RoP for Organization Registration and Certification. The NERC CCC ORCS will coordinate this effort.

4.5 CCCPP-008

Program for Monitoring Stakeholders' Perceptions of NERC Compliance Program, Registration Program, and Certification Program

This program has been established so that the CCC can gather and report to the Board of Trustees stakeholder perceptions with respect to NERC's CMEP, Organization Registration Program and Certification Program, and the way the programs are administered. The NERC CCC EROMS will coordinate this effort.

4.6 CCCPP-010

Program for Developing/Reviewing the Criteria for Regional Entity Audits and CMEP Compliance Audits.

This program has been established to identify the criteria by which these audits are conducted, provide a guidance letter to NERC regarding these criteria, and document the process for the CCC to annually review and affirm these for use. The NERC CCC EROMS will coordinate this effort.

5. 2011 Implementation Activities for the CCC Programs

5.1 Self-Certifications

In accordance with CCCPP-001, the EROMS will review and modify (if necessary) the subset of performance items related to the RoP for the CMEP. The CCC will then request that NERC self-certify adherence to RoP for the CMEP with respect to the subset of performance items by providing the CCC with a report at its first regularly scheduled meeting in 2011.

In accordance with CCCPP-002, the EROMS will identify the Reliability Standards applicable to NERC. The CCC will then request that NERC self-certify adherence to the Reliability Standards applicable to NERC by providing the CCC with a report at its first regularly scheduled meeting in 2011.

In accordance with CCCPP-003, the SIS will review and modify (if necessary) a subset of performance items related to the Reliability Standards Development Procedure. The CCC will then request that NERC self-certify adherence to the Reliability Standards Development Procedure with respect to the subset of performance items by providing the CCC with a report at its first regularly scheduled meeting in 2011.

In accordance with CCCPP-007, the ORCS will review and modify (if necessary) a subset of performance items related to the RoP for Organization and Registration. The CCC will then request that NERC self-certify adherence to the RoP for Organization Registration and Certification with respect to the subset of performance items by providing the CCC with a report at its first regularly scheduled meeting in 2011.

The four reports described above will be in the form of a presentation provided by a NERC officer or equivalent responsible for ensuring adherence to the above identified four elements of the RoP. The presentation will identify adherence to the rules as well as any areas of non-adherence. The CCC will include the results of the self-certifications in these four areas in a report to the board.

5.2 Audits /Reviews

In accordance with CCCPP-001, the CCC will perform an audit/review of NERC's adherence with the RoP for Compliance Monitoring and Enforcement every three years. Additionally, an unscheduled audit/review may be initiated by the CCC if reasonably determined to be necessary to determine NERC's adherence with the RoP for compliance enforcement. The audit/review team will develop a draft audit/review report, review it with NERC, make any necessary changes, and then prepare a final report to be submitted to the CCC. The CCC will review/assess the report and provide NERC a final copy. The CCC will advise the NERC Board of any Adverse Findings and include the results of the audit/review in the report to the board. There is no audit/ review scheduled for the CMEP in 2011.

In accordance with CCCPP-002, the CCC will perform an audit/review of NERC's compliance with reliability standards applicable to NERC every three years. Additionally, an unscheduled audit/review may be initiated by the CCC if reasonably determined to be necessary to determine NERC's compliance with reliability standards. The audit/review team will develop a draft audit/review report, review it with NERC, make any necessary changes, and then prepare a final report to be submitted to the CCC. The CCC will review/assess the report and provide NERC a final copy. The CCC will advise the NERC Board of any Alleged Violations and include the results of the audit/review in the report to the board. There is no audit/review scheduled for reliability standards in 2011.

In accordance with CCCPP-003, the CCC will perform an audit/review of NERC's adherence with the Reliability Standards Development Procedure every three years. Additionally, an unscheduled audit/review may be initiated by the CCC if reasonably determined to be necessary to determine NERC's adherence with the Reliability Standards Development Procedure. The audit/review team will develop a draft review report, review it with NERC, make any necessary changes, and then prepare a final report to be submitted to the CCC. The CCC will review/assess the report and provide NERC a final copy. The CCC will advise the NERC Board of any Preliminary Adverse Findings and include the results of the audit/review in the report to the board. There is no audit/review scheduled for Reliability Standards development in 2011.

In accordance with CCCPP-007, the CCC will perform an audit/review of NERC's adherence with RoP for Organization Registration and Certification every three years. Additionally, an unscheduled audit/review may be initiated by the CCC if reasonably determined to be necessary to determine NERC's adherence with the Rules of Procedure for Organization Registration and Certification. The audit/review team will develop a draft review report, review it with NERC, make any necessary changes, and then prepare a final report to be submitted to the CCC. The CCC will review/assess the report and provide NERC a final copy. The CCC will advise the NERC Board of any Alleged Adverse Findings and include the results of the audit/review in the report to the board. There is no audit/review scheduled for Organization Registration and Certification in 2011.

5.3 Investigations

In accordance with CCCPP-001, the CCC may initiate an Adverse Finding Investigation at any time as directed by the Board of Trustees or based on an event, complaint, or other possible Adverse Finding identified by any other means. Adverse Finding Investigations will follow the processes outlined in a Compliance Program Audit.

In accordance with CCCPP-002, the CCC may initiate a Reliability Standard Compliance Violation Investigation at any time as directed by the Board of Trustees or based on an event, complaint, or other possible violation of a Reliability Standard identified by any other means. Reliability Compliance Violation Investigations will follow the processes outlined in a Compliance Program Audit.

In accordance with CCCPP-003, the CCC may initiate a Standards Development Process Review Investigation at any time as directed by the Board of Trustees or in response to a complaint or evidence that NERC has not adhered to the Standards Development Process

Procedures. Standards Development Process Review Investigations will follow the processes outlined for a Standards Development Process Review.

In accordance with CCCPP-007, the CCC may initiate an Organization Registration and Certification Investigation as directed by the Board of Trustees or at any time in response to a complaint or evidence that NERC has not adhered to the RoP for Organization Registration and Certification. Adverse Finding Investigations will follow the processes outlined for a Registration and Certification Program Audit.

5.4 Spot-Checks

In accordance with CCCPP-001, the CCC may from time to time perform spot-checks to determine whether NERC is adhering and/or has adhered to the RoP for compliance enforcement. Spot-checking may also be initiated in response to a directive from the Board of Trustees or to events or a complaint. Results of spot checks will be provided to NERC and will be reported to the NERC board. A CCC spot-check will be scheduled for 2011.

In accordance with CCCPP-002, the CCC may from time to time perform spot-checks to determine whether NERC has complied and/or is complying with the reliability standards applicable to NERC. Spot-checking may also be initiated in response to events or a complaint. Results of spot-checks will be provided to NERC and will be reported to the NERC board. A CCC spot-check will be scheduled for 2011.

In accordance with CCCPP-003, the CCC may from time to time perform spot-checks to determine whether NERC is adhering and/or has adhered to the Reliability Standards development process. Spot-checking may also be initiated in response to a directive from the Board of Trustees or to events or a complaint. Results of spot-checks will be provided to NERC and will be reported to the NERC board.

In accordance with CCCPP-007, the CCC may from time to time perform spot-checks to determine whether NERC is adhering and/or has adhered to the RoP for Organization Registration and Certification. Spot-checking may also be initiated in response to a directive from the Board of Trustees or to events or a complaint. Results of spot checks will be provided to NERC and will be reported to the NERC Board.

The need for CCC spot-checks will be determined at the discretion of the CCC and may be conducted through information requests or on-site visits.

5.5 NERC Audits of Regional Entities

A CCC member will participate in each audit of a Regional Entity by NERC. The EROMS has developed **CCCPP-010 – Process for Developing/Reviewing the Criteria for Annual Regional Entity Audits and CMEP Compliance Audits**. The deliverables from the implementation of this program identify the criteria by which these audits are to be conducted, a guidance letter to NERC regarding these criteria, and documentation on the process for the CCC to annually review and affirm these for use. These criteria are extracted from the underlying assumptions contained in the Compliance Process Audit Worksheets applicable to these types of audits and other materials.

5.6 Monitoring Stakeholder Perceptions

As stated in the CCC Charter in Section 3, committee members are expected to represent the interests of the sector they represent, to the best of their ability and judgment. Members are expected to solicit comments and opinions from constituents and groups of constituents or trade organizations represented by the member and convey them to the CCC. During 2011, committee members will participate in documenting comments to the CCC, with respect to stakeholders' perception of the policies, practices and effectiveness of the CMEP, Registration Program, and Certification Program. The EROMS will lead, direct, and initiate these reviews and surveys of CCC members and provide recommendations for consideration to NERC.

The CCC has developed the **Program for Monitoring Stakeholders' Perceptions of NERC CMEP, Registration Program, and Certification Program**. An element of this program expected to be carried out in 2011, in addition to obtaining direct feedback from committee members, will include conducting surveys of stakeholders in the second half of the year. Depending on the level and nature of the feedback gathered, additional elements of the program may include seeking stakeholder feedback in a CCC-sponsored segment contemporaneous with Regional Entity Compliance Workshops or in conjunction with existing stakeholder compliance working groups. Part of the communication provided in advance would include the explanation of the roles/functions of the CCC, the survey elements being considered, and the manner for providing a feedback report to the Board of Trustees and the stakeholders. Additional methods of communicating with stakeholders may include providing information regarding the survey in NERC News and direct e-mails to stakeholders.

An important element of the program will be an annual report, presented to the CCC for approval to forward to NERC, the Board of Trustees, and the stakeholders, as well as quarterly stakeholder perceptions reports to the CCC. In addition, an Annual Effectiveness Monitoring Plan for the subsequent year will be provided to NERC by October 1.

Longer term activities, beyond 2011, may include mechanisms for the CCC to directly receive feedback from stakeholders following audits and any of the other effectiveness monitoring inputs or evaluations surrounding the effectiveness metrics endorsed in CCCPP-008.

6. CCC Projects/Subcommittee Activities

6.1. CCC Projects/Activities

1. CCC member audit training
2. CCC member hearing training
3. Perform a (ongoing) Self Assessment
4. Develop an 2012 Annual Work Plan by October 2011
5. Review and act (if appropriate) upon reports and recommendations provided by NERC and its other subcommittees
6. Review and comment on FERC and NERC requests for information and comments

6.2. ORCS Activities

Review ROP for NERC Organization Registration and Organization Certification activities

6.3. EROMS Activities

1. Implement the program for Monitoring Stakeholders' Perceptions of the NERC Compliance Program, Registration Program, and Certification Program
2. Develop spot-check criteria for reliability standards applicable to NERC during 2011
3. Review and summarize information received from stakeholders
 - a. Solicit survey input from the CCC members.
 - b. Develop quarterly and annual reports for the CCC.
 - c. Implement surveys, webinars, and conduct workshops as appropriate.
 - d. Review the Self Certifications for (1) Reliability Standards applicable to NERC (2) the Compliance Enforcement Program (3) the Organization Registration and Certification Programs and (4) the Reliability Standards development activities as set forth in the Standards Processes Manual as set forth in the Rules of Procedure.
 - i. Prepare reports to the CCC.
 - e. Review the criteria for annual Regional Entity Evaluations and CMEP compliance audits in 2011. Modify program and criteria as necessary.
 - i. Provide a guidance letter to NERC containing relevant criteria.

6.4. SIS Activities

1. Coordinate Reliability Standards Quality Reviews on behalf of the CCC

2. Develop criteria for audit/review of NERC adherence to Standards Process Manual

6.5. PROCS Activities

1. Review and format new CCC Programs as needed
2. Assist EROMs in the annual Regional Entity Audit Criteria work

7. Hearing/Mediation Responsibilities

- 7.1** The CCC will conduct hearings as necessary to fulfill its function of serving as the hearing body for any contest between NERC and a Regional Reliability Organization (RRO) or Regional Entity (RE) regarding NERC findings of or penalties or sanctions for violation(s) of reliability standard(s) by the RRO or RE as described in the NERC RoP Section 409.

(Note: The CCC's hearing procedures follow the hearing procedures mandated and approved by jurisdictional authorities for use by NERC and the Regional Entities in the compliance program.)

- 7.2** The CCC will conduct hearings as necessary to fulfill its function of serving as a hearing body for any Registered Entity appeal regarding the determination that a Registered Entity is not qualified to be certified to perform the functional activities that require certification by NERC.

(Note: The Certification Appeal Hearing will be conducted on an expedited basis.)

- 7.3** The CCC will conduct mediation activities when requested by the NERC Board.

The CCC hearing and mediation procedures are described in the documents identified below and have been approved by the Federal Energy Regulatory Commission:

- CCCPP-004
 - CCC Hearing Procedures
- CCCPP-005
 - CCC Hearing Procedures for Use in Appeals of Certification Matters
- CCCPP-006
 - CCC Mediation Procedures

8. Meetings (2011)

8.1 CCC Quarterly Meetings (Tentative)

- March 9–10, 2011 Baltimore, MD
- June 2011
- September 2011
- December 2011

8.2 CCC Subcommittee Meetings as Needed

9. NERC Board Assignments

The CCC undertakes assignments from the NERC board or the board's Compliance Committee related to compliance, organization registration, and organization certification.

10. Logistics Requirements for CCC Activities

Listed below are items identified by the CCC that NERC should take into account with respect to costs NERC will incur concerning CCC activities for 2011 -2013.

- **CCC Quarterly Meetings (Cost to be determined by NERC)**
Assumptions:
 - NERC staff attendance
 - NERC travel expenses
 - Hotel (Conf Room and Food)
- **Hearings (Cost to be determined by NERC)**
Assumptions:
 - Administrative Law Judge fee and travel costs
 - Transcription costs
 - Travel expenses
- **Certification Appeal Hearings (Cost to be determined by NERC)**
Assumptions:
 - Administrative Law Judge fee and travel costs
 - Transcription costs
 - Travel expenses
- **Mediation (Cost to be determined by NERC)**
Assumptions:
 - Mediator fee and travel expenses
- **CCC Program Audits/Review**
Assumptions:
 - No third party expenses anticipated in 2011
 - 2012 Audit/Review Independent Contractor \$100,000
- **WebEx/Conference Calls (Cost to be determined by NERC)**
Assumptions:
 - CCC and CCC Subcommittees will utilize NERC's Web-Ex

The background of the slide features a large, semi-transparent image of a high-voltage electrical transmission tower on the right side. A thick orange horizontal band runs across the middle of the slide. The bottom half of the slide has a blue background with a faint map of North America and a large, semi-transparent text overlay that reads "to ensure the reliability of the bulk power system".

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Program for Monitoring Stakeholder's Perceptions

CCC Monitoring Program — CCCPP-008-1

to ensure
the reliability of the
bulk power system

Version 1.0

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NERC Compliance and Certification Committee		CCCPP-008-1
Title: Program for Monitoring Stakeholder's Perceptions of NERC's CMEP		
Version: 1.0	Revision Date:	Effective Date:

Summary

The Compliance and Certification Committee (CCC) is a NERC Board of Trustees-appointed stakeholder committee serving and reporting directly to the NERC board and is responsible for engaging with, supporting, and advising the NERC board and NERC regarding all facets of the NERC Compliance Monitoring and Enforcement Program (Compliance program), Organization Registration program (Registration program), and Organization Certification program (Certification program).

Revision History

Date	Version Number	Comments

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1. Introduction

The Compliance and Certification Committee (CCC) is a NERC Board-appointed stakeholder committee serving and reporting directly to the NERC board and is responsible for engaging with, supporting, and advising the NERC board and NERC compliance staff regarding all facets of the NERC Compliance Monitoring and Enforcement Program (Compliance program), Organization Registration program (Registration program), and Organization Certification program (Certification program).

Included in the duties of the CCC, as described in the CCC Charter, is the responsibility to provide comments to NERC with respect to stakeholders' perception of the policies, practices, and effectiveness of the Compliance program, Registration program, and Certification program. This document describes the program and associated processes to be utilized by the CCC in carrying out this responsibility. Attributes to be considered include fairness, consistency, transparency, and timeliness.

This program is also intended to provide the NERC board and NERC compliance staff with input to be used in their efforts to evaluate the overall effectiveness of the Compliance Monitoring and Enforcement Program.

1.1 Terms

1.1.1 Consistency

The process shall apply the same review process and interpretation of rules across the industry and Regions.

1.1.2 Fairness

The process shall have an appropriate balance of promotion of reliability and enforcement of compliance.

1.1.3 Transparency

The process shall be transparent to the industry.

1.1.4 Confidentiality

To maintain the integrity of the Compliance program, NERC and Regional Entity staff, audit team members, and committee members shall maintain the confidentiality of information shared per CCCPP-009: Confidentiality Protocol.

2. Monitoring Processes

The CCC will provide comments to NERC with respect to stakeholders' perception of the policies, practices, and effectiveness of the Compliance Program, Registration Program, and Certification Program using the processes described below. Information received from these monitoring processes will be vetted by the CCC and shared with NERC.

2.1 ERO Effectiveness and Stakeholder Perceptions Survey

2.1.1 Annual CCC Sponsored Survey

The CCC will conduct a perceptions survey.

- a. NERC staff and the ERO Monitoring Subcommittee (EROMS) will manage the logistics of conducting the stakeholder survey and assembling the results.
- b. EROMS will release the survey in the fourth quarter of each year. Participants will prepare and return their comments to the EROMS.
- c. EROMS will analyze the stakeholder comments and ratings, compile the results in a survey report, and provide it to the CCC for review.
- d. CCC will finalize the survey report, approve it, and the CCC Chair will submit it to the NERC Board.
- e. EROMS, CCC, and NERC staff will maintain confidentiality of all sensitive information.

2.2 CCC Sponsored Panels or Workshops

2.2.1 CCC May Gather Inputs From Stakeholders in Concert with Regional Entity Compliance Workshops

- a. CCC will coordinate with each Regional Entity in order to solicit input during the Compliance Workshop.
- b. CCC will assign the EROMS to analyze the input and provide recommendations to the CCC.

2.2.2 CCC May Solicit Input from Stakeholders in Separate CCC-Sponsored Compliance Workshops.

2.3 Direct Stakeholder Input

2.3.1 CCC may receive stakeholder input from free format open communication links, made available by NERC such as:

- a. NERC hotline
- b. CCC mailbox
- c. NERC/Regional websites

2.4 CCC Representative Input

2.4.1 CCC Representatives May Provide Other Members of the CCC and NERC with Direct Input.

2.4.2 CCC Members May Also Solicit or Receive Comments and Opinions from Constituents and Groups of Constituents or Trade Organizations Represented by the Member and Convey Them to the CCC and NERC.

3. Reporting Processes

The CCC will report to NERC the results of its program of monitoring stakeholder's perceptions.

- 3.1 **The CCC Will Routinely Report the Results of Its Program at CCC Meetings.**
- 3.2 **The CCC Will Report the Results of the Annual Survey to the Board. A Version for Public Release May be Prepared.**

Critical Infrastructure Protection Committee Report

Action

None

Background

This report provides a summary of the key activities of the Critical Infrastructure Protection Committee (CIPC) and its associated subgroups in support of the NERC mission and goals and the CIPC charter. The CIPC meeting minutes for the March 9-10, 2011 meeting are on the NERC website at <http://www.nerc.com/filez/cipmin.html>.

Critical Infrastructure Strategic Initiative – Coordinated Action Plan Activities. The CIPC, Operating Committee (OC) and Planning Committee (PC) officers and NERC staff continue to direct and manage the coordinated action plan activities as it relates to the recently created task forces. The committee leadership accomplishes this work via conference calls and in-person meetings as needed.

Classified Briefing for CIPC and Other Industry Participants. The CIPC and NERC staff continue to work with DHS and DOE staff to plan for a Secret level classified briefing for CIPC members and other industry participants in conjunction with the December 2011 CIPC meeting planned for Atlanta. We will work with our government partners to encourage the provision quality take-away information that can be shared with industry outside of a classified environment. The efforts by DHS and DOE in this area are very much appreciated and further the goal of increasing the value of the public-private partnership.

CIPC Executive Committee Review of Draft NERC Alerts. NERC has re-started to process of providing the CIPC Executive Committee with the opportunity to review draft NERC alerts that are related to CIP matters. This industry stakeholder review provides NERC with beneficial and quick feedback on draft alerts before they are issued to industry.

CIPC Continues to Provide a Venue for All Electric Sector Entities to Discuss CIP Matters. The CIPC meetings provide opportunity for significant and needed discussion on various critical infrastructure protection matters, including those related to the CIP standards, copper theft, recent NERC alerts, communications with government partners, and other physical, operational and cyber security areas of concern.

CIPC Subgroup Highlights

The CIPC has five subgroups and highlights of their work assignments are shown below.

1. Business Continuity Guideline Task Force (BCGTF). The BCGTF is currently assigned the task of updating and combining three CIPC business continuity-related guidelines into one electricity sector-specific guideline for industry use. The TF recently submitted the draft revised guideline to CIPC for comment and is currently reviewing those comments as it prepared a revised draft guideline.
2. Control Systems Security Working Group (CSSWG). The CSSWG is currently assigned the task of updating and combining nine CIPC control system-related guidelines into one or two electricity sector-specific guidelines for industry use. The CSSWG has also been

assigned the work of the Cyber Attack Task Force (CATF) under the Coordinated Action Plan mentioned above. Work on the CATF assignment is the top priority of the CSSWG and work is proceeding on schedule.

3. Protecting Sensitive Information Guideline Task Force (PSIGTF). The PSIGTF is currently assigned the task of updating the CIPC Protecting Sensitive Information Guideline to take into consideration recent developments and to make it more electricity sector-specific. The TF is very close to submitting the draft revised guideline to CIPC for comment.
4. Substation Guideline Task Force (SGTF). The SGTF is currently assigned the task of updating the CIPC Physical Security Substation Guideline to take into consideration recent developments and to make it more electricity sector-specific.
5. Future working groups or task forces will be created as needed to address other guidelines that need to be updated, to complete work related to the Coordinated Action Plan Report and to provide support to new or ongoing standards development work as requested by the NERC SC.

Operating Committee Report

Action

None

Background

This report provides a summary of the key activities of the Operating Committee (OC) and its associated subcommittees in support of the NERC or OC mission and corporate goals. All these activities support the NERC or OC mission and NERC corporate goals. The March 2011 OC meeting minutes are posted at <http://www.nerc.com/docs/docs/oc/OC%20Minutes%20-%208-9Mar11.pdf>.

Critical Infrastructure Strategic Initiatives: Coordinated Action Plan

The OC was provided status reports from the Severe Impact Resilience, the Spare Equipment Database, and the Geomagnetic Disturbance task forces.

Event Analysis and Investigation Process

The OC received a presentation of lessons learned from the November 4, 2010 Jim Bridger system disturbance in WECC and an overview of the ERCOT grid emergency events that occurred on February 2, 2011. Following the committee's discussion of the ERCOT event, the OC unanimously approved a motion to commend the ERCOT operators for their decisive action in shedding load to maintain system security on February 2, 2011. The effort to have such event based presentations to share timely lessons learned at each NERC OC meeting is a priority for the committee.

Manual Time Error Correction Field Trial

The OC adopted the Time Error Correction Field Test, as outlined by the Resources Subcommittee, predicated on the following:

1. NERC develops correspondence from either the general counsel or the president, informing the FERC that the field test is expected to be implemented on June 11, 2011 and continue until either 1) the test is halted, or 2) modifications to the appropriate standards are made, up to and including retirement of standards. The correspondence should further explain that, during the field test, compliance with associated NERC standards need to be waived. NERC and its stakeholders will work with NAESB to determine what actions, if any, may need to occur relative to NAESB standards.
2. NERC completes the time correction field test communications outreach program.
3. During the field test, time error will continue to be monitored but all manual time corrections will cease.

Personnel Certification Governance Committee

The OC approved a motion stating that the committee does not support the PCGC's recommended prerequisites for taking the system operator certification examination, because registered entities follow rigorous training programs to ensure that only qualified/certified operators operate the Bulk Electric System.

Situation Awareness FERC, NERC, and the Regional Entities

A representative of the NERC situation awareness team provided the OC with a status report of the SAFNR project. The OC requested the opportunity to review the SAFNR business case before endorsing the project.

OC Subgroup Highlights

The OC now has 17 subgroups, five of which jointly report to the Planning Committee and the OC.

Joint OC/PC Subgroups Highlights

1. **Event Analysis Working Group** — The EAWG provided the OC a status report and expectations related to beginning Phase Two of the Event Analysis Process Field Trial.
2. **Reliability Metrics Working Group**— The OC approved a proposed refinement to the severity risk index.
3. **Integration of Variable Generation Task Force (IVGTF)** — The OC endorsed the IVGTF Task 2-4 (Operating Practices, Procedures, and Tools) report and the IVGTF Task 2-3 (Ancillary Service and Balancing Authority Solutions to Integrate Variable Generation) report.

Other Subgroup Highlights

1. **Operating Reliability Subcommittee** — The ORS is considering merging some of its working groups (the RCWG with the ORS and the DFWG with the IDCWG).
2. **Resources Subcommittee** — The OC accepted the subcommittee's position paper on frequency response.

Personnel Certification Governance Committee Report

Action

None

New Concepts Being Considered

The Personnel Certification Governance Committee (PCGC) is working on several new concepts, listed below, that would potentially “raise the bar” for gaining and maintaining operator certification credentials. The committee would welcome board questions and input on these concepts.

- Establishing additional credential maintenance requirements, possibly based on:
 - Specific courses within certain topics
 - Courses related to the credential type
 - Additional hours within the current total requirements for specific areas of knowledge and skills (based on credential type)
 - Increasing the required hours in standards and simulations
- Establishing prerequisites that an operator must meet prior to taking an initial certification exam, such as:
 - Education
 - Work experience in related fields
 - On-the-job experience specific to system operations
 - Completion of a set of specific courses in power system operations
 - Recommendations from peers or management
 - Employment by an electric utility, marketer, or IPP
 - Some combination of the above

Changes to the operator certification program require a public posting of proposed changes for comments. The PCGC is still evaluating these concepts and has not determined which of the above concepts, or possibly others, should be proposed for addition to the program. The PCGC expects the public posting in the third quarter 2011.

Status of Other Program Activities

2010 Examination Passing Rate

End of year certification exam pass rate increased from 64.7 percent in 2009 to 69.8 percent in 2010. The overall pass rate since 1998 is 78.0 percent. In 2011, a total of 200 exams were taken as of April 15, 2011, with a passing rate of 69.5 percent. The total number of exams taken on an annual basis is decreasing slightly due to the fact that all older five-year certificates have transitioned to three-year certificates.

Credential Maintenance (using CE Hours)

The certification program began allowing operators to use CE Hours to maintain their credentials on October 1, 2006. The table below shows that the number of new certificates issued annually is declining since a significant number of operators now maintain their credentials using CE Hours in lieu of retaking an exam to renew their credential.

Year	Credentials Maintained	New Certificates
2006	0	943
2007	109	729
2008	833	634
2009	1,200	621
2010	1,597	638
2011*	582	139
Totals	4,321	3,704

Increasing Certified Operator Population

The total number of certified system operators with active credentials is 6,182. The population is expected to remain steady or slightly increase over the next two to three years as new Transmission Operators are registered, which involves staffing their real-time control centers with certified system operators.

Since January 2006 to April 2011, about 2,175 operators have not renewed their certificated. This is about 24.5 percent of the total number of active operators in our database. Speculation is that these operators move into positions that 1) do not require NERC-certification, 2) retire, or 3) some other career change.

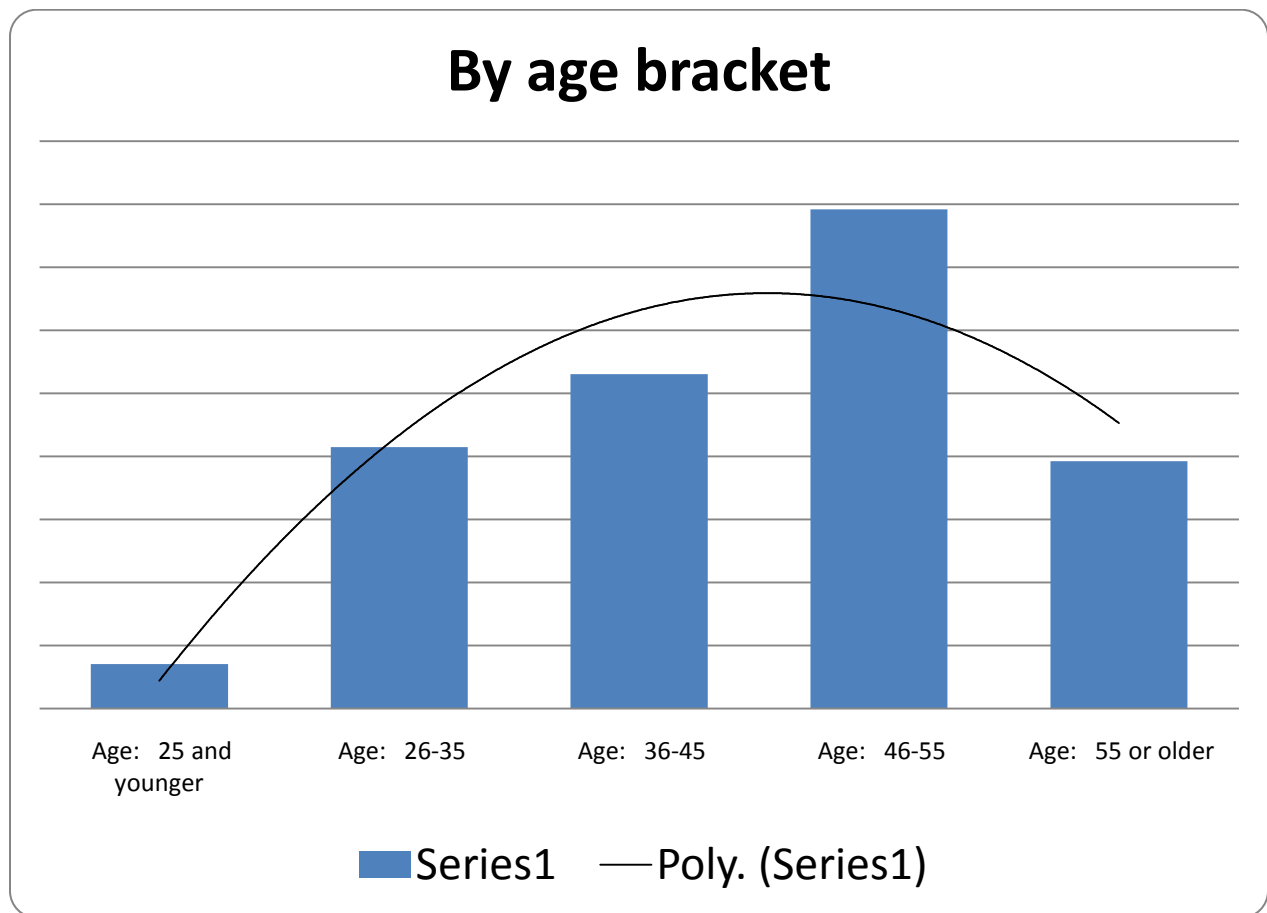
Development of new certification exams

The Examination Working Group (EWG) is in the process of preparing the new certification exams for each of the four credentials. Exam release is scheduled for the third quarter of 2011.

System Operator Demographics

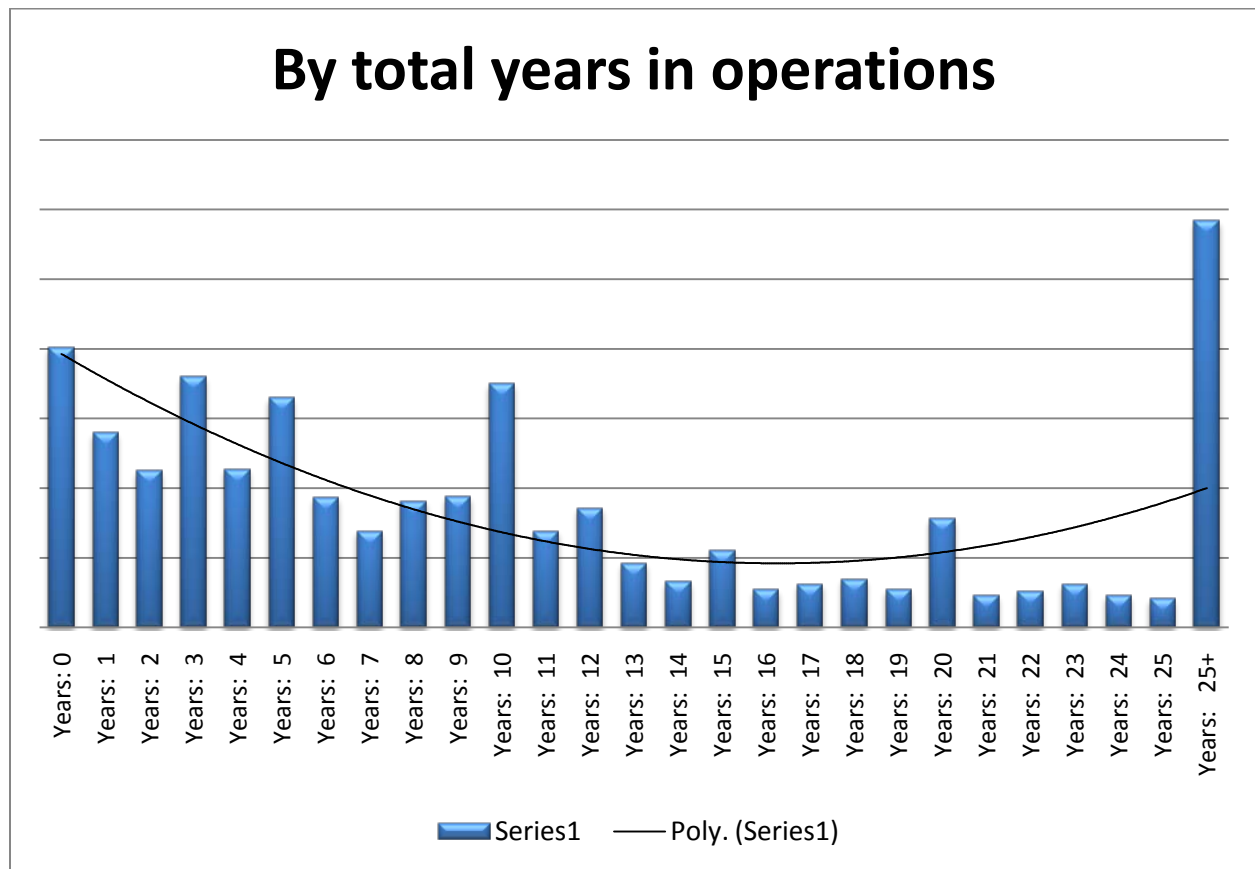
Approximately 4,587 system operators have provided demographic information since collection began in early 2009. The information is preliminary as three full years are needed to survey the entire system operator population. NERC is creating a dashboard display that will be updated quarterly to show current trends that are obtained from the demographics collected. Examples are included in Charts 1, 2, and 3, which provide preliminary metrics for average age of system operators, experience in system operations, and years in current position.

Chart 1 – Operator Population Age



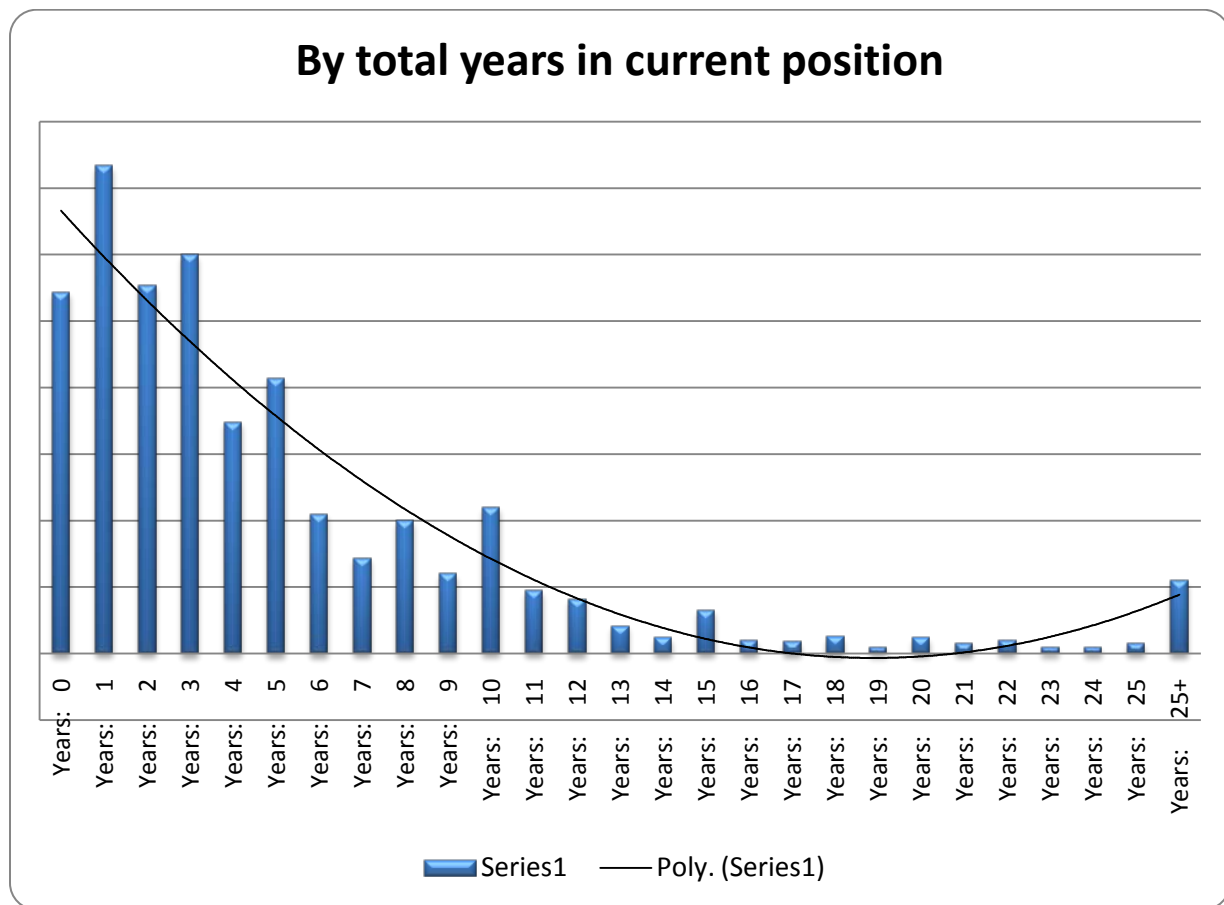
The largest age bracket is for ages for system operators is the 46-55 year bracket. Note that 52 percent of system operators are over 45 and nearing retirement age. Relatively few younger people (25 and younger) are entering into system operations to fill the ranks of retirees.

Chart 2 – Experience in System Operations



About 61 percent of the certified system operator population has ten years or less experience in system operations, with nine percent having none. The average experience is 9.2 years with 7.0 years being the median. Whereas traditionally system operators had many years of system operations experience before entering the profession, the data suggests this is no longer the case.

Chart 3 - Experience in Position



This chart shows that 67 percent of system operators have five years or less experience in their current position. Fifty percent of the population has three years or less experience performing their job. The average experience is 4.8 years in the position.

Planning Committee Report

Action

None

Background

The Planning Committee (PC) March 2011 meeting minutes, held in Phoenix, AZ are posted at <http://www.nerc.com/filez/pcmin.html>. The following is a summary of key activities:

New PC Activities – The PC initiated five activities as follows:

1. **Whitepaper on SSR/SSCI:** When series-compensated transmission lines were put into service, ERCOT recently experienced Sub-Synchronous Resonance (SSR) and Sub-Synchronous Control Instability (SSCI) which can damage generators, The Transmission Issues Subcommittee (TIS) was requested to develop a whitepaper on this system characteristic, as well as a compendium of technical references, to provide industry guidance.
2. **PC Strategic Plan:** As directed by the PC Chair Tom Burgess, Vice Chair Jeff Mitchell led an *ad hoc* team to develop a PC Strategic Plan for 2011 through 2016. The enhanced PC Strategic Plan and an updated PC work plan will be presented to the PC for approval in June. This would serve as the foundation for overall long-term alignment of PC activities, as well as alignment with other technical committees and the NERC Board of Trustees (BOT) strategic direction.
3. **NERC Alert Process:** The PC Executive Committee developed a draft proposal to provide technical input into NERC's Alert documents, closely aligned with a NERC staff draft discussion proposal. The goal is to develop a consolidated process integrated across the relevant technical committees to provide advice, technical foundation, and implementation suggestions in advance of Alert releases. PC members were asked to provide volunteers for an upcoming NERC geomagnetic disturbance Alert, and the proposed process will be exercised.
4. **Adequate Level of Reliability refinement:** A scope for the Adequate Level of Reliability Task Force (ALRTF) has been drafted. Launching this group awaits guidance from the MRC's BES/ALR Policy Group. In June, the ALRTF Scope will be shared with the standing committees to refine the definition of ALR.
5. **Frequency Response:** The PC Transmission Issues Subcommittee (TIS) is taking the lead in recruiting subject matter experts on frequency response and governor models, and developing the scope for a steering committee on frequency response analysis. The overall objective is to provide insights and enhancements in planning aspects of frequency response. The scope of this effort is to be developed by early May, 2011.

Joint OC/PC subgroups highlights:

1. **Reliability Metrics Working Group (RMWG)**: The RMWG is developing an Integrated Reliability Index (IRI) and periodic system reliability reports to communicate the effectiveness of reliability improvement programs. A proposal on reporting the IRI and the draft system reliability report will be provided to the Operating Committee and PC for review in June 2011.
2. **Integration of Variable Generation Task Force (IVGTF)**: As called for in the BOT approved work plan, the PC approved the report *Methods to Model and Calculate Capacity Contributions of Variable Generation for Resource Adequacy*.
3. **Geomagnetic Disturbance Task Force (GMDTF)**: This effort is a component of the Coordinated Action Plan and Strategic Roadmap for enhancing the bulk power system resilience from geomagnetic disturbances. The GMDTF is developing a list of prevention and mitigation steps to counteract the effects from geomagnetic disturbances. A workshop was held in April 2011.
4. **Event Analysis Working Group (EAWG)**: Phase I of the Field Trial ended in January 2011. Phase II begins April 15, 2011 and will be supported by a webinar on new procedures providing clarity on event notification/reporting timing, data hold expectations for Category 2 or above events, and Regional Entities processes for complete event analysis reports and compliance self-evaluations for Category 2 and above events. The Phase II field trial will provide insights on events analysis processes, resulting in timely release of lessons learned that directly lead to improved reliability performance of the bulk power system.

Other Subgroup Highlights

1. **Reliability Assessment Subcommittee (RAS)**: The RAS provided the PC a draft scope for a study addressing a Gas\Electric Interdependency Special Reliability Assessment. The PC was asked to review the draft scope and study design. The RAS is also developing and prioritizing a list of specific emerging issues to be addressed in the 2011 Long-Term Reliability Assessment (LTRA). The PC will complete their risk ranking at the June meeting. The proposed schedule for the web conferences are: 2011 Summer Reliability Assessment (May 13, 2011); 2011 Long-Term Reliability Assessment (October 11, 2011); and 2011/2012 Winter Reliability Assessment (November 8, 2011).
2. **Model Validation Task Force (MVTF)**: A task team has been formed to review MOD-010 through MOD-015 and prepare recommendations for a SAR. The team will partner with WECC on a modeling workshop in June, and hold two modeling workshops before the end of 2011.
3. **System Protection and Control Subcommittee (SPCS)**: The SPCS is reviewing comments received on the guideline *Transmission System Phase Backup Protection* and will submit a document for approval at the June meeting. A SPCS sub-team reviewed breaker failure issues, based on the October 10, 2010 Lesson Learned, and related IEEE guides, and concluded that IEEE guidance on this subject is appropriate. The sub-team is drafting a report for consideration at the June 2011 PC meeting. The SPCS also provided technical

support and proposed misoperation categories and cause codes to the ERO-RAPA Group, developing a common template for misoperation reporting.

4. **Generating Availability Data System Task Force: (GADSTF)** The GADTF developed a report, *Mandatory Reporting of Conventional Generation Performance Data*, to address reliability-related generation data not currently being reported to Generation Availability Data System (GADS). Approximately 300 GW of existing and 50 percent of generation added in 2000-2008 do not currently provide reliability-related information to GADS. Enhancing this reliability data improves insights and assessments of BES reliability metrics and risk/severity. The PC approved the posting of this report for informal industry. The GADSTF was requested to outline comments received and responses at the June meeting, to inform a potential Section 1600 mandatory data request proposal.
5. **Transmission Availability Data System Working Group (TADSWG)**: The TADSWG is evaluating options for incorporating 100-199 kV data collection based on EIA's intent to collect such data and anticipated revisions to the BES definition. The approved timeline for a Rules of Procedure Section 1600 – *Requests for Data or Information*, may not be responsive to the EIA-411 2014 proposed timeline for collecting 100-199 kV data. The TADSWG will bring a proposal on how to proceed to the June meeting. Further, TADSWG will bring a proposal outlining additional analyses, potential additional data collection, and a change in scope to the June meeting.
6. **Spare Equipment Database Task Force (SEDTF)**: This effort is a component of the Coordinated Action Plan and Strategic Roadmap for enhancing the bulk power system resilience from geomagnetic disturbances, along with coordinated cyber and physical attacks. The task force is developing a recommendation on a uniform approach to collecting, storing, and distributing information on long-lead time bulk power system spare equipment. If participation is less than 70 percent after one year, it may be necessary to pursue a Rules of Procedure – *Section 1600 Request for Data or Information*.
7. **Smart Grid Task Force (SGTF)**: The SGTF requested input on the modeling functions to support initial elements for distribution and bulk power system components. The MVTF will be assisting in these areas.

Standards Committee Report

Action

None

Background

This report provides a summary of the key activities of the Standards Committee (SC) and its associated subcommittees in support of ERO Enterprise goals. The Standards Committee meets monthly and its meetings minutes are posted at <http://www.nerc.com/filez/scmin.html>.

Revisions to SC Charter and Election Procedure

The SC has proposed a set of changes to both its charter and election procedure. The most significant change to both documents is a modification to the staffing of the SC such that the chair and vice chair are elected to represent the ERO Enterprise as a whole, and not to represent the interests of specific Industry Segments in the Registered Ballot Body. With this change the chair and vice chair will have no voting privileges within full committee meetings. This change will ensure that all Industry Segments have two SC members who represent their industry segment without any conflict of interest.

Other changes to the SC Election Procedure are aimed at simplifying the process of filling vacant SC positions that occur outside of the annual election process. Other changes to the SC Charter expand the scope of responsibilities to include membership on the Board of Trustee's Standards Oversight and Technology Committee, and an expansion to include responsibility for coordinating with regional standards development.

Implementation of Revisions to Standard Processes Manual

The Standard Processes Manual included several revisions aimed at improving the standard development process, including revisions to project prioritization, modifying the balloting process to involve more stakeholders earlier in the standard development process, and adding a quality review of each proposed standard before it is posted for stakeholder review.

Project Prioritization: The Project Prioritization tool has been well received by stakeholders. All drafting teams involved in the prioritization have been contacted and each team has been advised to update its project plan. Teams working on highest priority projects have been directed to update their project schedules to reflect the ability to meet more frequently and move their projects forward more rapidly. Teams working on projects that are not in the highest category have developed plans to identify whether each team will continue working on aspects of the project without full staff support or will bring its project to a logical stopping point.

Modifications to Balloting: One of the goals of forcing balloting earlier in the process was to encourage balloters to submit meaningful comments during the early stages of standard development, allowing the drafting team to more fully incorporate industry concerns in the development of the standard. Under the old process, many balloters did not raise concerns until much later in the process, when the standard was posted for formal ballot and approval.

Under the new process the size of ballot pools has increased, and more balloters are submitting meaningful comments with their ballots.

Quality Review: The quality review step that was added to the standard development process is still being 'fine tuned' and the SC is monitoring the process to continue to identify areas for additional improvement. Stakeholder support for this process has been exceptional. To date more than 80 people have been trained to serve as 'quality reviewers' and most of these reviewers are stakeholders who are either lawyers, members of the Compliance and Certification Committee (CCC), or stakeholders with backgrounds that provide an understanding of compliance and audit processes. We have conducted about 30 quality reviews since the process was implemented, and the observations of the quality review volunteers have led to significant improvements in the standards posted for stakeholder comment.

Communication Outreach

The Standards and Compliance workshop was held from March 30-April 1, 2011 and was well attended and well received. The SC's Communication and Planning Subcommittee assisted in planning the workshop, using feedback from prior workshops as a guide. To support the goal of reaching out to smaller entities with limited budgets, the workshop was provided either in person or via the web, with 99 people participating through the web.

The SC's subcommittees are working with NERC staff to identify improvements to the web pages used to document standards information.

Interpretations

The SC has developed a detailed procedure to support development of interpretations. The new procedure provides greater transparency to the interpretation process and includes public posting of the interpretation drafting team roster and meeting agendas and associated notes. The SC began moving some interpretations forward for processing, starting in April, in support of a goal to have no more than three interpretations posted for stakeholder comment at a time. High priority is being given to interpretations related to cyber security and other high risk issues.

Adequate Level of Reliability (ALR)

The SC leadership is working with the leadership of other committees in support of an initiative to refine the definition of ALR and identify how to align standards activities to provide clear links to the ALR characteristics and associated metrics.

Status of High Priority Projects

The chart shown below summarizes the current status of the SC's High Priority standards projects, as identified in the Reliability Standards Development Plan: 2011-2014 which was approved by the Board on March 10, 2011.

Standards Committee High Priority Project Status

Name	SPM Step	Status	Related Standards	
Project 2006-02 Assess Transmission Future Needs	Successive Ballot	Posted for a parallel comment/ballot on 4/18/11.	TPL-001 TPL-002 TPL-003	TPL-004 TPL-005 TPL-006
Project 2007-02 Operating Personnel Communication Protocols	Formal Comment	<p>The SDT has been reformed with a new coordinator and the SDT was trained on Results Based standards development.</p> <p>The SDT is considering comments from the comment period that ended January 15, 2010.</p> <p>Work (definition of “Reliability Directive”) is being coordinated with the Reliability Coordination SDT.</p>	COM -001 (R4 only) COM-003	
Project 2007-03 Real-time Transmission Operations	Initial Ballot	Posted for parallel comment/ballot on 4/26/11.	PER-001 TOP-001 TOP-002 TOP-003 TOP-004	TOP-005 TOP-006 TOP-007 TOP-008 TOP-008
Project 2007-06 System Protection Coordination	Standard Drafting	The SDT is considering the observations from the Quality Review team. The team plans to post its response to the last comment period for an informational posting and post a supplemental SAR for a formal comment period, proposing to expand the scope of the project to include the coordination of Protection Systems within the Transmission Owner’s own area, closing an identified gap in the set of system protection requirements.	PRC-001	
Project 2007-09 Generator Verification	Quality Review	The SDT is considering the observations from the Quality Review team and plans to re-submit its standards for subsequent review and posting by the end of April, 2011.	MOD-024-1 MOD-025-1 MOD-026-1	MOD-027-1 PRC-019-1 PRC-024-1
Project 2007-12 Frequency Response	Standard Drafting	The SDT is considering comments from the comment period that ended in March 7, 2011 and is making conforming changes to the standard.	BAL-003-0	

Name	SPM Step	Status	Related Standards	
Project 2007-17 Protection System Maintenance and Testing	Successive Ballot	Posted for parallel comment/ballot on 4/13/11.	PRC-005	
Project 2008-06 Cyber Security Order 706	Standard Drafting	The SDT continues its work on developing a new set of CIP standards in response to FERC Order 706. This approach represents a significant shift in industry approach and strategy for cyber security.	CIP-002 CIP-003 CIP-004 CIP-005	CIP-006 CIP-007 CIP-008 CIP-009
Project 2009-01 Disturbance and Sabotage Reporting	Standard Drafting	The SDT is considering comments from the formal comment period that ended April 8, 2011.	EOP-004 CIP-001 CIP-008	
Project 2010-05 Protection System Misoperations	New	Rapid-development team formed and met April 20-21 to work on SAR and proposed standard.	PRC-003-1 PRC-004-2	
Project 2010-07: Generator Requirements at the Transmission Interface	Informal Comment	The SDT is considering comments from the informal comment period that ended April 4, 2011.	FAC-001 FAC-003 PRC-001	TOP-001 TOP-002 TOP-003
Project 2010-17 Definition of BES	Definition Drafting	<p>Posted for initial 30-day formal comment period 4/28/11.</p> <p>Target posting of criteria for inclusion in submittal with request for BES exception May 9th with a webinar explaining definition and criteria during posting period.</p> <p>The team is coordinating its work with the BES Exception ROP team and will have a webinar while documents from both teams are posted in early May, 2011.</p>	<p>All continent-wide standards using "BES"</p> <p>All Regional Standards using BES</p> <p>All definitions using BES</p>	

Electricity Sub-sector Coordinating Council Report

Action

None

Background

This report summarizes key activities of the Electricity Sub-sector Coordinating Council (ESCC) in support of the NERC mission and corporate goals related to critical infrastructure. The ESCC consists of a member from the NERC Board of Trustees, NERC's CEO, five CEO-level executives broadly representative of NERC member organizations, the chair of the NERC Critical Infrastructure Protection Committee (CIPC), and NERC's Chief Security Officer. The ESCC fosters and facilitates the development of policy-related initiatives to improve the reliability and resilience of the electricity sector, including physical and cyber security. ESCC open meeting minutes are posted at: <http://www.nerc.com/filez/escc.html>.

Monitoring Progress to Implement the Critical Infrastructure Strategic Roadmap

The ESCC provides guidance and support to the Joint Steering Group¹ (JSG) and Task Forces assigned under the NERC technical committees to implement the initiatives identified by the *Coordinated Action Plan*. Given the scope, complexity, and criticality of this work, the Joint Steering Group is coordinating with the Task Forces and the ESCC to monitor progress and keep the NERC Board of Trustees and stakeholders informed. A document, *Implementing the Coordinated Action Plan*, is available on the NERC website to inform Task Force leaders and their members describing how this work will be coordinated. Progress on the *Coordinated Action Plan* is a standing ESCC agenda item through 2011.

March 15, 2011 Closed Meeting with Task Force Chairs and Joint Steering Group

On March 15, 2011 ESCC members discussed the status of efforts to implement the initiatives identified in the *Coordinated Action Plan* with the leadership of the Task Forces and NERC technical committees.

- Geomagnetic Disturbance Task Force
- Cyber Attack Task Force
- Spare Equipment Database Task Force
- Severe Impact Resilience Task Force

The Task Force Chairs provided an overview of the scope of their work and outlined their work plan through 2011. ESCC members asked a number of clarifying questions and discussed approaches to address issues and challenges raised by the Task Forces. This first meeting of the ESCC with the Task Force and Technical Committee leadership demonstrated the ESCC has a process and framework in place to address issues that are raised as the Task Forces proceed with their work.

¹ The Joint Steering Group (JSG) consists of senior NERC staff and the leadership of the Planning, Operating and Critical Infrastructure Protection technical committees.

March 15, 2011 Closed Meeting with Senior Government Officials

During the March 15, 2011 ESCC meeting, ESCC members discussed the critical infrastructure initiatives underway by NERC and the electricity industry with senior officials from the U.S. Department of Energy, Department of Homeland Security, and Department of Defense. Government official expressed support for and appreciation of the extent to which NERC and the industry are taking action.

March 15, 2011 Open Conference Call

During a portion of its March 15 meeting, the ESCC held an open conference call to discuss the status of a number of current security-related issues and progress on the *Coordinated Action Plan*. Topics included:

- CIP-related legislation activities
- Night Dragon Alert
- NERC 2011 CIP-002 Sufficiency Review Program
- DOE/NIST/NERC Risk Management Framework
- ES-ISAC enhancement

ESCC minutes are available on the NERC web site at: http://www.nerc.com/docs/escc/1-ESCC_OPEN_Minutes_15March2011_draft.pdf

Outreach

In his role as NERC's President & CEO and Chairman of the ESCC, Gerry Cauley has provided testimony at several recent hearings on matters related to critical infrastructure protection.

- "Priorities for Addressing Risks to the Reliability of the Bulk Power System" – FERC Technical Conference, Washington DC, February 8, 2011
- "What Should the Role of the Department of Defense in Cyber Be?" – House Armed Services Subcommittee on Emerging Threats and Capabilities, Washington DC, February 11, 2011
- "The Electric Infrastructure Security Summit", Washington DC, April 11-12, 2011
- "The DHS Cybersecurity Mission: Promoting Innovation and Securing Critical Infrastructure" – House Committee on Homeland Security's Subcommittee on Cybersecurity, Infrastructure Protection and Security Technologies, Washington DC, April 15, 2011

Future 2011 ESCC conference calls and meetings are scheduled as follows:

- April 19, 2:00–3:00 pm OPEN conference call
- June 21, 2:00-4:00 pm CLOSED conference call
- August 16 (all-day in-person meeting, NERC's Washington DC offices)
- October 18, 2:00-3:00 pm OPEN conference call
- November 15, 2:00-4:00 pm CLOSED conference call



REGIONAL ENTITY MANAGEMENT GROUP

SARAH ROGERS – FRCC

ED SCHWERDT – NPCC

SCOTT HENRY – SERC

LARRY GRIMM – TRE

DAN SKAAR – MRO

TIM GALLAGHER – RFC

STACY DOCHODA – SPP

MARK MAHER – WECC

Date: April 18, 2011

Memo to: NERC Board of Trustees

From: Tim Gallagher, REMG Chair

Subject: Regional Entity Report for the May Board Meeting

BES DEFINITION

The Regional Entities strongly support NERC's efforts to develop a single definition of the Bulk Electric System (BES) and the technical criteria associated with any exemptions via the standards development process as well as a process for exemptions via the NERC Rules of Procedure. Regional staff members are chairing both efforts and we are pleased with the progress made to date. Regions affected by the new definition will work with their registered entities to develop appropriate transition plans for impacted facilities to come into compliance.

ADMINISTRATIVE CITATION PROCESS

The Regional Entities are encouraged by the progress made in moving less serious, administrative violations of Reliability Standards through the enforcement process more quickly by making use of NERC's Administrative Citation Process (ACP). We continue to work together with NERC to fine tune the eligibility requirements for a violation to be considered for this new process. The Regions are also working with NERC to seek even greater efficiency by driving the benefits of the ACP to not only the interface between NERC and FERC but also the early stages of interaction between the Regional Entities and the registered entities. We also continue to work with NERC to seek additional gains in the efficiency of compliance and enforcement activities to better manage our caseloads and provide greater certainty to registered entities.

REGIONAL DELEGATION AGREEMENT METRICS

NERC and the Regional Entities have worked collaboratively on an initial draft set of metrics that are on the MRC agenda. Within the ERO One Enterprise model, the Regional Entities are committed to the effective and efficient execution of their delegated responsibilities with the shared objective of enhancing overall international interconnected bulk power system reliability and we recognize the value and necessity of metrics to properly measure and report on the achievement of the same.

RELAY MISOPERATION ANALYSIS

Relay misoperations and their analyses remain an issue of high import across the Regional Entities and NERC. To better achieve consistent analysis, the Regions and NERC have collaborated on a common definition of what constitutes a relay misoperation for both reporting and analyses purposes.

FACILITY RATINGS ALERT

The Regions continue to provide support to NERC in reviewing and assessing plans submitted in response to NERC's Alert regarding facility ratings. The industry response has been very high to this Alert and there is much follow-up work to be completed.

2012-2015 BUDGETS AND BUSINESS PLANS

The Regions collaborated with NERC on common assumptions for the 2012 business plans and budgets so that we may develop the different plans from a common foundation. All Regions have developed initial drafts of their respective budgets and business plans for their Boards to consider. These documents will be sent to NERC for public review and NERC consideration, with an anticipated final approval sometime later this summer.

Report to the NERC Board of Trustees

May 11, 2011

A summary of recent Forum activities that relate to NERC.

Forum Metrics Program in Tune with TADS

The Forum's metrics program collects line and substation event data from all Forum members. For now, the Forum collects the same information as NERC's TADS. Our database is compatible with NERC's, and Forum members can easily transfer data from one to the other. **The Forum's metrics database allows all Forum members to see each other's data.** Our director of metrics, Chris Johnson, works one-on-one with our Forum members to help them enter their data into our webTracker, and, ultimately, into TADS.

Later this year, we plan to expand webTracker to include more types of equipment, but will continue to keep the TADS datasets in webTracker compatible with webTADS. That means that whenever NERC changes the database structure or features, the Forum must do the same, and we work closely with Jim Robinson on the NERC staff to make sure that happens.

Staying Current with NERC Standards

Our practice groups (see list at right) hold monthly Web meetings, and **always discuss the NERC standards under development.** It's common for one or more members of a NERC drafting team review the current drafts and schedule for comments and ballots, and the Forum provides areas in its Web site where members can post their comments for others to see.

The Forum *per se* does not comment on NERC standards, and our members are free to provide whatever comments they wish and cast their ballots as they chose. However, by providing our members time to discuss drafts with the drafting team members and a place to share their comments before they submit them to NERC, the Forum helps bring the "wisdom of crowds" to the standards process.

Geomagnetic Disturbances

With the 24th solar cycle underway and expected to peak in May 2013, NERC recently prepared an advisory on GMDs, and Mark Lauby asked the Forum for suggestions on the draft. We collected comments from 14 of our members, mostly those in the northern latitudes, and provided a "markup" of the most salient suggestions to Mark for his consideration. We hope NERC will continue to ask the Forum for suggestions on draft alerts, and will do our best to provide comments quickly.

Practices

- Compliance
- Facility Ratings
- Human Performance
- Line and Substation Maintenance
- Modeling
- Operator Training
- Operator Tools
- Security
- System Protection
- Vegetation Management

Mission

The Forum's mission is to **advance excellence** in the reliable operation of the electric transmission system. We do this by **developing and sharing best practices**, being **open and candid** with each other, fostering a sense of **"community,"** holding each other **accountable**, and ensuring the **commitment** of our members' senior leadership.

Forum Members

Members: 69 (as of April 21, 2011)

- Investor-owned: 43
- State/Municipal: 7
- Cooperative: 8
- Federal/Provincial: 6
- ISO/RTO: 5

Percent of total demand. Represents 88% of the net peak demand in the U.S. and Canada

Transmission. 350,000 miles of transmission (100kV and above)

Participants. 1750+ subject matter expert participants

Current Topics

Practices

- Facility rating practices and programs
- Compliance management programs
- Physical and cyber security
- Personnel training and implementation of PER-005
- Vegetation management community education
- System protection

Recent Surveys

- CIP topics
- DTS use and support
- GOAB switches



Programs

The Forum is organized around four programs.

Practices. The Forum's groups of subject matter experts hold Web meetings each month and write Forum practices.

- Compliance
- Facility Ratings
- Human Performance
- Line and Substation Maintenance
- Modeling
- Operator Tools
- Operator Training
- Security
- System Protection
- Vegetation Management

Peer reviews. Forum peer reviews help our members "raise the bar" for their own operations from good to great.

Review teams that comprise subject matter experts in each practice area spend one week at the "host" peer site. The teams' final reports include

noteworthy practices that we share with the other Forum members, and recommendations for the host to implement.

Metrics. The Forum collects transmission equipment performance information. Improving equipment performance directly contributes to improving reliability. The metrics program:

- Is based on NERC TADS reporting
- Allows Forum members to view each other's data
- Will include additional equipment types and cause codes in 2011

Information sharing. Forum members readily share information for "lessons learned" and assistance:

- System event analysis
- Equipment event reports and alerts
- Vegetation contacts
- Surveys on topical subjects
- Case studies
- Members' practices and procedures
- Audit experiences and lessons
- Compliance violations (feedback to Forum practices)
- FERC orders

Membership Eligibility

Any organization that owns, operates, or controls at least 50 circuit miles of integrated (network) transmission facilities at 100 kV or above, operates a "24/7" transmission control center with NERC-certified transmission or reliability operators, or has an open access transmission tariff or equivalent on file with a regulatory authority, may join the Forum.

MEMORANDUM

To: NERC Board of Trustees

From: Mark Bennett
Chair, North American Generator Forum

Date: April 26, 2011

Subject: North American Generator Forum Report
(May 11, 2011 Board Meeting)

The North American Generator Forum (NAGF or Forum) appreciates the opportunity to provide this activity update to the NERC Board of Trustees (Board). Since our last report in February, the NAGF Steering Committee has been focused on three distinct goals: (1) continuing to build on the framework we've established by conducting the Forum's first national, all-members meeting; (2) developing and expanding our outreach and collaborative work; and (3) promoting broader member engagement by creating more opportunities for experience and information sharing.

First NAGF Annual All-Members Meeting

This project presents significant challenges for an organization that, as yet, has no dues structure whose members have been communicating primarily via e:mail and webinars. Presently, the Steering Committee's planning discussions are focused on location, contending with facility, food/beverage and AV equipment costs, getting potential speakers and participants to come and supporting Forum member internal requests for travel approval. To address the last issue, the Steering Committee is working on a brochure describing the Forum's activities, and the benefits of Forum membership.

The brochure will also be used to justify the dues structure that the Forum needs to implement if it is to realize its full potential. A task force of the Steering Committee is presently working on alternative dues proposals that will be presented and voted on at our annual meeting. We are also developing ideas for panel discussions, and intend to conduct break-out sessions for newly established working groups in the following areas: solar/wind; compliance programs/cultures; the GOP/TOP project; and operational/reliability excellence.

Among the groups whose participation would help provide a meaningful event are regulators, consultants and technical experts, equipment manufacturers and company executives. It appears that Las Vegas will provide relatively cost-effective conference

room, refreshments and accommodations. The tentative dates for the meeting are September 20-21, 2011.

Outreach and Collaborative Work

Don Benjamin of the North American Transmission Forum (NATF) and I have established a schedule of weekly telephone calls to keep ourselves abreast of each Forum's activities and to discuss possible collaborative work. Recently, eight NATF members joined the EPRI/NAGF Technical Focus Group, a partnership whose purpose is to monitor and develop assessments of standards under development. Our objective is to provide updates to Forum members, along with suggested points that they can consider putting in comments. Through the work of this group we hope to encourage broader participation in NERC's standards development process, and help ensure that standards applicable to generators provide clear performance measures and reliability benefits. A meeting of this group is scheduled for July 12 in Maple Grove, Minnesota.

On April 19 I provided a presentation on the NAGF to over seventy NATF members participating in their System Protection Workshop. It was the first occasion when a NAGF member actually joined a NATF meeting. On April 12 I represented the NAGF at the NERC Update and Consistency Collaborative meeting conducted by Michael Moon. The participation of NERC staff, enforcement directors and presidents from many of the Regions, along with representatives from the trade associations and both Forums, provides valuable opportunities for meaningful discussions.

Finally, regarding our Regional collaboration, the NAGF met with the RFC Compliance User Group in conjunction with the RFC's compliance conference on March 30. The NAGF Steering Committee is currently preparing for a Forum meeting in conjunction with NPCC's compliance workshop on May 10-11. Also, we have been invited to join a panel during the opening session of NPCC's workshop to present the generators' perspective on reliability excellence. It is our intention to expand to other Regions as well, resources permitting.

Promoting Information and Experience Sharing

Among the initiatives the Steering Committee is committed to is for us to conduct monthly webinars to keep generators informed of current NERC and Regional developments. Consistent with the Steering Committee's goal to promote broader member engagement, on March 28 we conducted a webinar entitled "Upcoming Comment Opportunities". The topics included: the BES definition; the GO/TO White Paper; Impact Event Reporting and System Operator definition.

The co-chair of the BES drafting team and the chair of Project 2010-07, Generator Requirements at the Transmission Interface, joined to explain the status of their efforts and answer questions. Ninety-three Forum members participated; eleven followed up and submitted comments. Our next webinar is scheduled for May 16, and will address Critical Infrastructure Protection and Geomagnetic Disturbances. We have invited Scott Mix and Don Benjamin to participate in the discussion.

Finally, last month an article about the NAGF appeared in several Platts publications, including Megawatt Daily. (See attached, reprinted with permission from the publisher). The article mentions the developing working relationship of the NAGF with the NATF, as well as NERC and the Regions, and a supportive comment from Dave Nevius, which we very much appreciated.

Megawatt Daily

Thursday, March 24, 2011

Generator forum aims to improve reliability

What began with a handful of generators discussing compliance with North American Electric Reliability Corp. standards in 2009 has grown into a collection of more than 200 companies sharing information on NERC compliance and operating practices, one of the leaders involved in the group said Wednesday.

The North American Generator Forum has taken root and grown since that initial meeting at Constellation Energy's headquarters in Baltimore, and it is providing value to power plant owners, said Mark Bennett, vice president of compliance at Competitive Power Ventures. The generator forum, much like the North American Transmission Forum that was formed several years ago, is designed to have members share information and lessons learned on compliance with NERC standards or

(continued on page 11)

Forum aims to improve reliability ... from page 1

standards interpretations among NERC regions, Bennett said in an interview.

The charter for the generator group says members have a shared commitment to "the ultimate goal of improving the reliability of the bulk electric system." While that may sound quite basic, it can be a challenge for generators that do not have as many resources or

staff compared with utilities or transmission owners, Bennett said. That dynamic makes participation in the forum that much more valuable, as smaller firms or those that are new to the generation segment can benefit from other members if they have questions about facing an array of NERC rules, he said.

Because NERC regions can sometimes differ in their interpretation of NERC standards or have their own rules, regional meetings of the forum have been held with representatives from Reliability First and the Northeast Power Coordinating Council. Other regional meetings are in the works, and the forum intends to hold its first all-member, national meeting, perhaps sometime in the fall, Bennett said.

The North American Transmission Forum was started within NERC, and it is now a separate entity with 67 members, an annual budget of \$2.5 million and six staffers, with two more staff additions planned this year, said Don Benjamin, executive director of the forum. Bennett, who heads the steering committee of the generator forum, has met with Benjamin several times and the two groups intend to work together on NERC compliance in areas common to their members, including generation modeling and critical infrastructure protection, Benjamin said.

Unlike the transmission forum, the generator forum "did not ask to be incubated under the NERC umbrella," said David Nevius, senior vice president at NERC. As the generator forum grows, it could prove valuable in sharing operational information such as cold weather issues that generators face or other challenges that are not currently addressed in NERC standards, Nevius said.

In addition, "they probably need somebody full-time" to lead the group and its activities, Nevius suggested.

Bennett did not disagree with that, but he said the group is only starting to consider a dues structure and other issues, since up to this point it has relied on company officials volunteering their time and resources toward the forum. Members include large and small firms, those with fossil fuel plants and those with renewable resources, and companies from the US and Canada, he said.

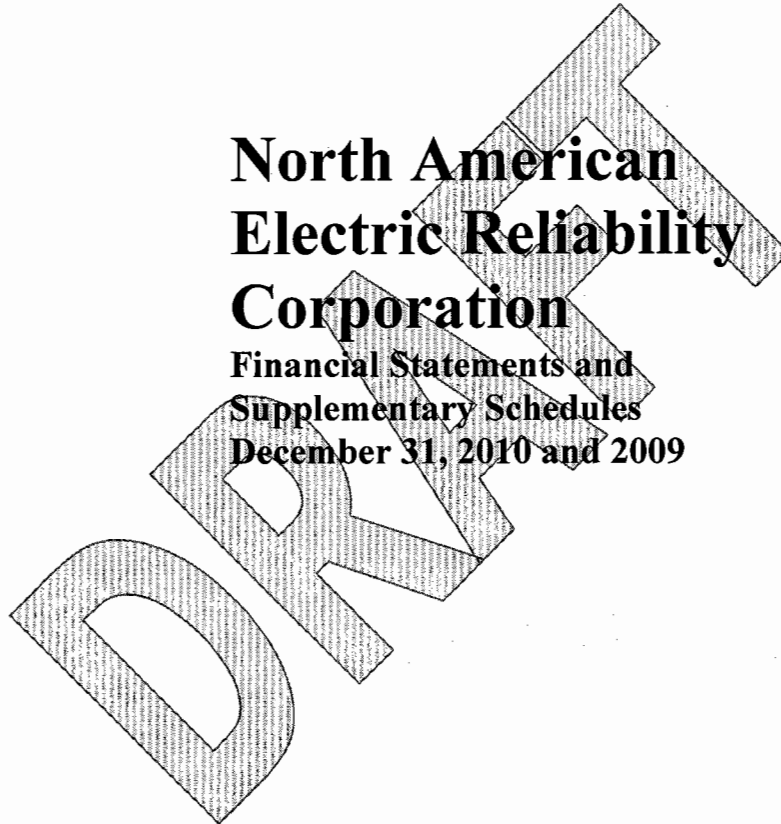
Following the initial meetings in 2009, the generator forum now has more than 400 members from more than 200 companies, Bennett said. Besides Bennett, those on the steering committee include representatives from Semptra Generation, Suez Energy Generation North America, Constellation, First Wind Energy, Exelon Generation, NextEra Energy Resources and Ravenswood Power Station, part of TransCanada.

The charter for the group lays out antitrust guidelines and states that members should avoid all conduct that unreasonably restrains competition. While generators are competitors within their own markets, the forum is focused exclusively on reliability issues, and there have been no concerns raised about competitive concerns or sharing information, Bennett said. The objectives set in those first meetings have been borne out, that any competition concerns are almost completely unrelated to the forum's goal of promoting reliability compliance and a "pursuit of excellence" among generators, he said.

— Tom Tiernan

North American Electric Reliability Corporation

**Financial Statements and
Supplementary Schedules
December 31, 2010 and 2009**



North American Electric Reliability Corporation
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December 31, 2010 and 2009

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North American Electric Reliability Corporation
Statements of Financial Position
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and cash equivalents	\$ 27,401,407	\$ 24,427,536
Accounts receivable, net of allowance for doubtful accounts of \$179,566 and \$152,323	2,890,791	2,968,503
Prepaid expenses	536,521	212,620
Property and equipment, net (Note 2)	2,004,118	1,802,950
Security deposits	100,549	15,767
Cash surrender value of insurance policies	252,309	249,669
Total assets	<u>\$ 33,185,695</u>	<u>\$ 29,677,045</u>
Liabilities and net assets (deficiency)		
Accounts payable and accrued expenses	\$ 4,152,678	\$ 4,208,654
Deferred income	4,219,530	5,218,403
Deferred penalty income (Note 4)	10,175,000	10,000,000
Regional assessments collected in advance (Note 5)	9,748,633	8,480,053
Deferred compensation (Note 6)	620,961	620,461
Accrued retirement liabilities (Note 8)	1,474,913	1,369,942
Total liabilities	<u>30,391,715</u>	<u>29,897,513</u>
Commitments		
Unrestricted net assets (deficiency)	<u>2,793,980</u>	<u>(220,468)</u>
Total liabilities and net assets (deficiency)	<u>\$ 33,185,695</u>	<u>\$ 29,677,045</u>

The accompanying notes are an integral part of these financial statements.

North American Electric Reliability Corporation

Statements of Activities

Years Ended December 31, 2010 and 2009

	2010	2009
Revenues		
NERC assessments	\$ 37,063,568	\$ 31,925,050
Testing/fees	2,182,290	1,249,170
Services and software	347,216	384,454
Workshops	191,200	111,800
Membership	-	945,941
Interest	20,793	13,221
Miscellaneous	3,901	275,890
Total revenues	<u>39,808,968</u>	<u>34,905,526</u>
Expenses		
Salaries	16,878,927	15,089,582
Employee costs	2,830,100	2,569,172
Retirement and savings plans	1,751,791	1,784,962
Travel and meetings	3,018,135	2,986,463
Services	9,047,124	9,632,717
Rent	959,819	873,646
Office costs	1,393,267	1,112,387
Computer	137,055	426,358
Depreciation and amortization	748,864	575,656
Bad debts	29,438	141,747
Federal proxy tax expense	-	27,253
Total expenses	<u>36,794,520</u>	<u>35,219,943</u>
Change in unrestricted net assets	3,014,448	(314,417)
Unrestricted net assets (deficiency), beginning of year	<u>(220,468)</u>	<u>93,949</u>
Unrestricted net assets (deficiency), end of year	<u>\$ 2,793,980</u>	<u>\$ (220,468)</u>

The accompanying notes are an integral part of these financial statements.

North American Electric Reliability Corporation

Statements of Cash Flows

Years Ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Change in unrestricted net assets	\$ 3,014,448	\$ (314,417)
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	748,864	575,656
Provision for bad debt expense	29,438	141,747
Cash value of insurance policies	(10,069)	(73,838)
Increase (decrease) in cash attributable to changes in operating assets and liabilities:		
Accounts receivable	48,274	(1,428,296)
Prepaid expenses	(323,901)	(63,697)
Accounts payable and accrued expenses	(55,976)	1,475,676
Deferred income	(998,873)	(510,989)
Deferred penalty income	175,000	10,000,000
Regional assessments collected in advance	1,268,580	1,543,945
Deferred compensation	7,929	125,619
Accrued retirement liabilities	104,971	351,250
Net cash provided by operating activities	4,008,685	11,822,656
Cash flows from investing activities		
Purchase of property and equipment	(950,032)	(1,227,305)
Security deposits	(84,782)	-
Net cash used in investing activities	(1,034,814)	(1,227,305)
Net increase in cash and cash equivalents	2,973,871	10,595,351
Cash and cash equivalents, beginning of year	24,427,536	13,832,185
Cash and cash equivalents, end of year	\$ 27,401,407	\$ 24,427,536
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	\$ -	\$ 2,810
Taxes	\$ -	\$ 5,813
Supplemental disclosures of non-cash information		
Transfer of cash surrender value of life insurance policies from the company to its employees	\$ 7,429	\$ 170,014

The accompanying notes are an integral part of these financial statements.

North American Electric Reliability Corporation
Notes to Financial Statements
Years Ended December 31, 2010 and 2009

1. Businesses and Summary of Significant Accounting Policies

Description of Business

The North American Electric Reliability Corporation (the "Corporation") is a self-regulatory organization that relies on the diverse and collective expertise of electricity industry participants, subject to government oversight and audit. The Corporation is certified by the U.S. Federal Energy Regulatory Commission ("FERC") as the Electric Reliability Organization ("ERO") within the United States. In the United States, the Corporation has the authority to levy fines and penalties against any of the individual users, owners and operators of the bulk power system for non-compliance with the reliability standards that govern the bulk power system. The Corporation has also been recognized as the ERO by governmental authorities in Canada.

The Corporation's mission is to enhance the reliability and security of the bulk power system in North America. To achieve that, the Corporation develops and enforces reliability standards; monitors the bulk power system; assesses future adequacy and educates, trains and certifies industry personnel. Entities subject to the Corporation's reliability standards account for virtually all the electricity supplied in the United States of America, Canada and a portion of Baja California, Norte, Mexico. On March 15, 2007, FERC approved 83 Reliability Standards issued by the Corporation, the first set of legally enforceable standards for the U.S. bulk power system. Effective June 18, 2007, compliance with approved Reliability Standards became mandatory and enforceable in the United States. Reliability standards became mandatory and enforceable in Ontario, Canada in 2002 and in New Brunswick, Canada in 2004.

The Corporation is the successor to North American Electric Reliability Council (the "Council") which was formed in 1968 in the aftermath of the November 1965 blackout that affected the northeastern United States and Ontario, Canada. On October 31, 2006, the Council entered into an agreement and plan of merger with the Corporation, a New Jersey non-profit corporation. At the effective date of the merger, January 1, 2007, the separate corporate existence of the Council ceased, and Corporation became the surviving entity. All of the property, assets, rights, privileges, powers, franchises and immunities of the Council became the property of the Corporation. All debts, liabilities and obligations of the Council were also assumed by the Corporation. The Corporation is organized and operates as a business league under Section 501(c)(6). The activities of the Corporation are directed by an independent board of trustees.

The membership of the Corporation is unique. It is a not-for-profit corporation whose members include users, owners and operators of the bulk power system, eight regional entities, large and small end-use customers, state and provincial governmental authorities and any other interested parties.

North American Electric Reliability Corporation
Notes to Financial Statements
Years Ended December 31, 2010 and 2009

Annually, the board of trustees approves an operating budget for the Corporation that includes a mechanism to adjust the overall assessments to a Load-Serving Entity ("LSE") to maintain a working capital reserve. The Corporation assesses each LSE its proportional share of the operating budget based on "net energy for load". On an annual basis, the assessments to LSEs make up approximately 90% of the total funding for the Corporation. The Corporation also generates funding from the collection of fees charged for various services the Corporation provides to the bulk power system industry. These services include the maintenance of a certification program for system operators, the development of reports and software programs, and the hosting of workshops to educate the industry on standards development.

The Corporation has entered into separate Delegation Agreements, which have been approved by FERC, with eight Regional Entities: Florida Reliability Coordinating Council ("FRCC"), Midwest Reliability Organization ("MRO"), Northeast Power Coordinating Council ("NPCC"), Reliability First Corporation ("RFC"), SERC Reliability Corporation ("SERC"), Southwest Power Pool Regional Entity ("SPP"), Texas Reliability Entity ("TRE") and Western Electricity Coordinating Council ("WECC"). Through these Delegation Agreements, the Corporation has delegated certain of its ERO responsibilities and functions to the Regional Entities.

The Corporation must annually approve the eight Regional Entities' budgets and submit them along with its budget and schedule of assessments to load serving entities to FERC for final approval of the budgets and the U.S. portion of the assessments. The Corporation has the sole responsibility to invoice, collect and disburse the monies approved in the Regional Entities' budgets. These pass-through amounts are not included as revenue and expense in the statement of activities, see related Note 8.

Basis of Accounting and Presentation

The financial statements of the Corporation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Corporation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no temporary or permanently restricted net assets as of both December 31, 2010 and 2009.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments purchased with original maturities of three months or less to be cash and cash equivalents. The Corporation maintains its cash balances with one bank. The accounts at the bank are insured by the Federal Deposit Insurance Corporation. Balances in these accounts may exceed Federally-insured limits from time to time.

North American Electric Reliability Corporation

Notes to Financial Statements

Years Ended December 31, 2010 and 2009

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Corporation recognizes assessment revenue billed to the LSEs on a pro-rata basis over the calendar year. Fees generated for testing, certifications, services and software, workshops and other services are recognized when the test is taken, service rendered and/or workshops are completed.

Deferred Income

Deferred revenue represents assessments billed to certain regional entities and received in advance of the period in which it is earned. Deferred revenue is recognized as revenue in the period in which it is earned.

Accounts Receivable

Accounts receivable are recorded at original invoice amount, less an estimated allowance for uncollectible accounts. Credit is generally extended on a short-term basis; thus accounts receivable do not bear interest. Accounts receivable are periodically evaluated for collectability based on past experience and an analysis of current accounts receivable collectability. Changes in the estimated collectability of accounts receivable are recorded in the results of operations for the period in which the estimate is revised. Accounts deemed uncollectible are charged to the allowance in the years they are deemed uncollectible.

Depreciation and Amortization

Depreciation and amortization is provided by the straight-line method over the estimated useful lives of the related assets as follows:

Software development	3 years
Furniture and equipment	3-7 years
Leasehold improvements	Term of lease or estimated useful life of the asset, whichever is shorter

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized.

North American Electric Reliability Corporation

Notes to Financial Statements

Years Ended December 31, 2010 and 2009

Income Taxes

The Corporation has received a determination letter from the Internal Revenue Service concluding that it is exempt from Federal income taxes under Section 501(c)(6) of the Internal Revenue Code. The Corporation is subject to income taxes on revenues related to unrelated business activities. The Company is subject to a proxy tax related to nondeductible lobbying and political expenses incurred. For the year ended December 31, 2010, the Corporation incurred proxy tax of \$27,253. There was no proxy tax incurred in 2009.

The Corporation is no longer subject to federal and state tax examinations by the respective taxing authorities for the years prior to 2007.

Subsequent Events

The Corporation has evaluated subsequent events through December 31, 2011, the date the financial statements were available for issuance. All subsequent events requiring recognition as of December 31, 2010 have been incorporated into these financial statements.

2. Property and Equipment

Property and equipment consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Software development	\$ 1,656,536	\$ 1,136,022
Furniture and equipment	1,948,974	1,601,949
Leasehold improvements	442,489	359,996
	<u>4,047,999</u>	<u>3,097,967</u>
Accumulated depreciation and amortization	<u>(2,043,881)</u>	<u>(1,295,017)</u>
	<u>\$ 2,004,118</u>	<u>\$ 1,802,950</u>

Depreciation and amortization expense for the years ended December 31, 2010 and 2009 was \$748,864 and \$575,656, respectively.

North American Electric Reliability Corporation
Notes to Financial Statements
Years Ended December 31, 2010 and 2009

3. Line of Credit

The Corporation has a line of credit with a bank that expires in June 2011. The line of credit provides for up to \$4,000,000 of availability to be used for working capital needs. The line of credit accrues interest at prime plus 0.5% (3.75% at December 31, 2010). Total borrowings under the line of credit may not exceed 70% of the qualified accounts receivable. The line of credit is collateralized by all existing and future assets and subject to ailing under the Uniform Commercial Code. As part of the line of credit agreement, the Corporation must maintain \$400,000 in a non-interest bearing account with the lender. There were no borrowings outstanding at both December 31, 2010 and 2009. At December 31, 2009, the available amount under the line of credit was reduced by an open letter of credit of \$65,820, which represents a security deposit for the Corporation's office in Washington, D.C. Pursuant to the line of credit agreement, the Corporation is required to comply with financial covenants primarily related to minimum net asset requirements and minimum interest coverage ratio.

4. Deferred Penalty Income

The Corporation received \$175,000 and \$10,000,000 of penalty income in 2010 and 2009, respectively, resulting from a compliance audit violation of reliability standards by load serving entities. The penalty is recorded upon receipt of the funds when the appeals process was exhausted and the outcome determined. The penalty has been deferred at both December 31, 2010 and 2009 and will be recognized as income in 2011, in accordance with the timing of the receipt of the income and FERC's requirement for the use of penalty income to reduce assessments.

5. Regional Assessments Collected in Advance

In addition to Corporation assessments billed to LSEs or designees, a regional assessment is also billed by the Corporation on behalf of the regional entities. The regional assessment is based on approved budgets of the eight regional entities and remitted to the regional entities by the Corporation. There is a credit risk if the Corporation does not collect the assessments from LSEs or designees before the regional assessments are due to the regional entities. However, the risk is minimal since the Corporation has the ability to reassess and rebill in a subsequent period for any uncollected assessments. During 2010 and 2009, the regional assessments were:

	<u>2010</u>	<u>2009</u>
Total regional assessments billed to WECC, ERCOT, individual LSEs and designees	\$103,151,455	\$ 85,719,902
Total regional assessments remitted to regional entities	<u>(103,089,946)</u>	<u>(85,659,060)</u>
Billings over remittances	<u>\$ 61,509</u>	<u>\$ 60,842</u>

North American Electric Reliability Corporation

Notes to Financial Statements

Years Ended December 31, 2010 and 2009

The Corporation billed and remitted \$5,825,218 to WECC related to 2010 regional assessments prior to December 31, 2009 and \$998,202 related to 2011 regional assessments prior to December 31, 2010.

As of December 31, 2010 and 2009, regional assessments collected in advance and not remitted to the regional entities, excluding WECC, was \$9,748,633 and \$8,480,053, respectively.

6. Deferred Compensation

Agreements and Life Insurance Policies

During 2005, the Council entered into a deferred compensation agreement (the "Deferred Compensation Agreement") with a retiring executive that provided benefits to the individual upon reaching normal retirement age and was payable over a period selected by the retiring employee. Under certain circumstances, benefits were payable to his surviving spouse. The Corporation assumed the liabilities upon merger with the Council effective January 1, 2007. The present value of the estimated liability under the agreement at December 31, 2007, was accrued using a discount rate of 4.91%. The Corporation provided for some of the benefit funding through a variable universal life policy. Effective October 15, 2008, the Deferred Compensation Agreement was superseded by a new agreement. The variable universal life policy used to fund the liability, including the cash surrender value of the policy of \$139,640, was assigned and transferred to the retired executive in January 2009. In accordance with the new agreement, the Corporation will continue to pay the policy premiums of \$26,000 per year through 2013. At December 31, 2010 and 2009, the present value of the unfunded liability, using a discount rate of 1.55% was \$113,293 and \$112,384, respectively, and is included in deferred compensation on the statement of financial position.

North American Electric Reliability Corporation

Notes to Financial Statements

Years Ended December 31, 2010 and 2009

On October 15, 2008, the Corporation entered into various Executive Benefit Agreements (the "Agreements") with certain executives and the aforementioned retired executive. The Agreements supersede and replace all previous written or oral agreements between the Corporation and these executives. In accordance with the Agreements, while employed by the Corporation, the executives shall be provided with life insurance coverage, through individual and/or group policies, providing a death benefit equal to the lesser of three times base salary or \$500,000, or three times base salary depending upon the executives' employment date. The executives agreed to issue split dollar endorsement agreements with respect to such policies. The Corporation is the sole and exclusive owner of the executives' policies. All policy dividends shall be applied to purchase paid-up additional death benefits. Certain executives have multiple insurance policies and the Corporation agreed to pay the premiums on these policies through December 31, 2013, provided the policies stay in force. Premium costs of the policies will be expensed as incurred during the remaining employment terms of the executives. At December 31, 2010, the face value of the policies in which the Corporation is a primary or co-beneficiary is \$182,502. Pursuant to the Agreements described above and other arrangements, certain policies, including the policy of the aforementioned retired executive, were assigned and transferred, including the cash surrender values of \$170,014, to certain employees in January 2009. At December 31, 2010 and 2009, the cash surrender value of all remaining policies was \$252,309 and \$249,669, respectively, and is included as an asset and deferred compensation on the statement of financial position since the policies will be transferred to the employees upon their termination of employment per the Agreements.

Retiree Medical Benefits

Effective September 1, 2007, the board of trustees approved and adopted a policy to provide retiree medical coverage for certain current retirees and any and all dependents and transition retirees and any and all dependents, as defined by the board resolution, up to a maximum monthly benefit of \$550 paid directly to the applicable insurer. Assumptions used in recording the retiree medical benefits included the 2004 Social Security Administration Actuarial Period Life Table, annual inflation rate of 5% and discount rate of 8%. At December 31, 2010 and 2009, the accrued retiree medical benefits liability was \$255,359 and \$258,408, respectively, and is included in deferred compensation on the statement of financial position. The retiree medical expense related to this policy was approximately \$26,314 and \$31,400, respectively, for the years ended December 31, 2010 and 2009.

North American Electric Reliability Corporation

Notes to Financial Statements

Years Ended December 31, 2010 and 2009

7. Commitments

The Corporation leases office space in Princeton, New Jersey, Washington D.C and Atlanta, Georgia under non-cancellable lease agreements with expiration dates in 2013, 2022 and 2023, respectively. In addition, in 2009 the Corporation initiated multiple service agreements for various reliability tools and for a secure alert system used by industry for monitoring activity and communicating with users of the bulk power system. Approximate future minimum payments on office lease space and service agreements at December 31, 2010, for the next five years individually and in the aggregate are as follows:

<u>Years Ending December 31,</u>	<u>Leased Space</u>	<u>Service Agreements</u>	<u>Total</u>
2011	\$ 939,000	\$ 1,715,000	\$ 2,654,000
2012	2,398,000	1,744,000	4,142,000
2013	2,871,000	446,000	3,317,000
2014	2,677,000		2,677,000
2015	2,746,000		2,746,000
Thereafter	18,209,000		18,209,000
	<u>\$ 29,840,000</u>	<u>\$ 3,905,000</u>	<u>\$ 33,745,000</u>

The office leases are subject to escalation clauses covering increases in real estate taxes and operating costs over the base year. The difference between rent expense calculated ratably over the lease term and rent paid according to the lease, is recorded as a deferred rent obligation in the amount of \$165,559 and \$146,932 at December 31, 2010 and 2009, respectively, and is included in accounts payable and accrued expenses on the statement of financial position.

Office rent expense for the years ended December 31, 2010 and 2009, was \$959,819 and \$873,646, respectively.

8. Defined Contribution Plan

The Corporation sponsors an employee savings 401(k) plan (the "Plan") whereby eligible participating employees may elect to contribute up to the Internal Revenue Service Code 402(g)(1) limit. The Corporation contributes a 75% match of the participant's elective contribution, provided that the elective contribution does not exceed 6% of eligible compensation. The Corporation also makes a profit sharing contribution of 10% of the compensation of all qualifying participants. The additional profit sharing contributions are subject to the limitation imposed by the Internal Revenue Service Code 401(a)(17). The Corporation's expenses related to the Plan for the years ended December 31, 2010 and 2009, were \$1,751,791 and \$1,784,962, respectively. The contributions accrued as of December 31, 2010 and 2009, amounted to \$1,415,641 and \$1,310,942, respectively, and are included in accrued retirement liabilities in the statement of financial position.

North American Electric Reliability Corporation
Notes to Financial Statements
Years Ended December 31, 2010 and 2009

9. Concentration of Credit Risk

The Corporation receives a significant portion of its income from assessments, based upon “net energy for load”, to LSEs within the eight regions which are located throughout the United States of America, Canada and a portion of Baja California Norte, Mexico. LSEs are assessed a proportional share of the Corporation’s operating budget as well as a proportional share of the operating budget of the regional entity in whose territory the LSE is located. The Corporation issues quarterly invoices directly to LSEs or, in some circumstances, designees. With respect to LSE’s located within Texas Reliability Entity (“TRE”), the Corporation issues a quarterly invoice to Electric Reliability Council of Texas (“ERCOT”) which then issues invoices to the LSEs in its region, collects the assessments and remits the funds to the Corporation. The Corporation then remits the regional assessments to TRE. A similar arrangement exists with respect to LSEs located within the Western Electricity Coordinating Council (“WECC”). For LSEs located within the PJM Interconnection (“PJM”), the Corporation issues invoices to PJM which issues invoices to the LSEs, collects the assessments and remits the funds to the Corporation. The Corporation then forwards the regional assessment to Reliability First Corporation (“RFC”), the regional entity. The Corporation is extending credit to the LSEs and designees and is exposed to credit risk to the extent regional assessments are paid by the Corporation to the regional entities prior to collecting assessments from the LSEs or designees. Based on past history, the Corporation believes that its trade accounts receivable credit risk exposure is limited.

Supplementary Schedules

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North American Electric Reliability Corporation**Schedules of Expenses****Years Ended December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Salaries	<u>16,878,927</u>	<u>\$ 15,089,582</u>
Employee costs		
Payroll taxes		
FICA	\$ 711,246	\$ 634,953
NJUC	62,863	58,127
FUI	7,920	7,173
Medicare	233,619	216,163
Employee benefits - medical	1,423,294	1,199,057
Employee benefits - life/disability	108,672	119,531
Employee benefits - officers' life	31,795	93,921
Insurance - workers' compensation	65,555	53,817
Relocation expenses	117,040	100,625
Educational	68,096	85,805
	<u>\$ 2,830,100</u>	<u>\$ 2,569,172</u>
Retirement and savings plans	<u>\$ 1,751,791</u>	<u>\$ 1,784,962</u>
Travel and meetings		
Meetings	\$ 469,140	\$ 579,987
Workshops	153,596	144,327
Travel	2,046,977	1,883,394
On-line meetings	348,422	378,755
	<u>\$ 3,018,135</u>	<u>\$ 2,986,463</u>

North American Electric Reliability Corporation
Schedules of Expenses
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Services		
Temporary office services and agency fees	\$ 178,731	\$ 252,469
Contract and consultants		
Subject matter experts, reliability software tools,		
NASPI	4,581,740	5,251,504
IDC	1,658,838	1,679,426
ISN	556,685	625,923
Independent trustee fees	818,550	834,475
Search fees	62,033	179,443
Office and equipment repair/services	379,406	83,679
Recordkeeping fees	28,744	12,938
Accounting and auditing fees	118,034	137,231
Legal fees	664,363	575,629
	<u>\$ 9,047,124</u>	<u>\$ 9,632,717</u>
Rent	<u>\$ 959,819</u>	<u>\$ 873,646</u>
Office costs		
Insurance - commercial	\$ 61,624	\$ 67,469
Publications and subscriptions	44,381	40,703
Dues	31,664	39,937
Postage	20,606	27,054
UPS, express mail, etc.	42,948	41,807
Telephone	272,561	247,138
Utilities	33,620	-
Copying	78,022	65,638
Stationery and office forms	10,985	13,025
Office supplies	118,909	136,043
Bank charges	14,746	9,182
Repairs and maintenance	8,362	-
Sales and use tax	48,280	56,531
Card fees	74,393	48,007
Internet expenses	472,370	277,576
Miscellaneous	59,796	42,277
	<u>\$ 1,393,267</u>	<u>\$ 1,112,387</u>
Computer - supplies/service contracts	<u>\$ 137,055</u>	<u>\$ 426,358</u>
Depreciation and amortization	<u>\$ 748,864</u>	<u>\$ 575,656</u>
Provision for bad debts	<u>\$ 29,438</u>	<u>\$ 141,747</u>
Federal income tax expense	<u>\$ -</u>	<u>\$ 27,253</u>