

**DOCKET NOS. RR06-1-012 AND RR07-3-002**

**COMPLIANCE FILING OF THE  
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION  
IN RESPONSE TO MARCH 21, 2008 ORDER**

**ATTACHMENT 6**

**REVISED AMENDED AND RESTATED DELEGATION AGREEMENT  
BETWEEN NERC AND  
NORTHEAST POWER COORDINATING COUNCIL, INC.**

**ATTACHMENT 6A: CLEAN VERSION**

**ATTACHMENT 6B: REDLINED VERSION**



NORTHEAST POWER COORDINATING COUNCIL, INC.  
1515 BROADWAY, NEW YORK, NY 10036-8901 TELEPHONE: (212) 840-1070 FAX: (212) 302-2782

July 10, 2008

Mr. David N. Cook  
North American Electric Reliability Corporation  
Princeton Forrestal Village  
116-390 Village Boulevard  
Princeton, NJ 08540-5721

Dear David:

Attached is an Amended and Restated NPCC Regional Delegation Agreement Package that has been revised to respond to FERC's March 21, 2008 order regarding the Regional Delegation Agreements (RDAs). It is NPCC's understanding that this document, along with the other regional entities' RDAs, will be filed by NERC with FERC and applicable Canadian authorities on or about July 21, 2008.

The NPCC Board of Directors has authorized the execution of this Amended and Restated NPCC Regional Delegation Agreement upon approval by FERC.

Please do not hesitate to contact me if you have any questions.

Sincerely,

*Edward A. Schwerdt*

Edward A. Schwerdt  
President & CEO

EAS/jm

cc: NPCC Board of Directors

**ATTACHMENT 6A**

**CLEAN VERSION**

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

AMENDED AND RESTATED DELEGATION AGREEMENT (“Agreement”) made this \_\_\_ day of \_\_\_\_\_ 2008, 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 the Northeast Power Coordinating Council, Inc. (NPCC), a cross-border regional entity and criteria services corporation for Northeastern North America 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”) and, 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 set forth at Chapter I, Title 18, Code of Federal Regulations, Part 39, as adopted by Commission Order No. 672 in Docket No. RM05-30-000 on February 3, 2006 (114 FERC ¶ 61, 104; hereafter “Order 672”);

**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 Commission’s regulations provide for the delegation by the ERO of authority to propose and enforce Reliability Standards to 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 electric reliability organization under the Act; and

**WHEREAS**, NERC has concluded that NPCC meets all requirements of the Act, the Commission's regulations, and the NERC Rules of Procedure as approved by the Commission ("NERC Rules") necessary to qualify for delegation;

**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 Commission's regulations, or the NERC Rules or, if not so defined, shall be defined as follows:

(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.

(d) NPCC Rules means the bylaws, a rule of procedure or other organizational rule or protocol of NPCC.

(e) Reliability Standard means a requirement approved by the Commission under Section 215 of the Federal Power Act to provide for reliable operation of the bulk power system. The term includes requirements for the operation of existing bulk power system facilities, including cyber security 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 the term does not include any requirement to enlarge such facilities or to construct new transmission capacity or generation capacity.

**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 NPCC Amended and Restated Bylaws are attached hereto in **Exhibit B**<sup>1</sup>, 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** hereto<sup>2</sup>, NPCC has developed a standards development procedure, which provides the process that NPCC may use to develop Regional Reliability Standards that are proposed to NERC for adoption.

(iii) As set forth in **Exhibit D** hereto<sup>3</sup>, NPCC has developed a regional compliance enforcement program, which provides for the enforcement of Reliability Standards within its geographic boundaries.

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

(i) It is and shall remain during the term of this Agreement validly existing and in good standing pursuant 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) It has been certified as the ERO by the Commission pursuant to the Act.

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<sup>1</sup> The **Exhibit B** from each Regional Entity shall meet the requirements contained in **Exhibit B** to this pro forma Agreement.

<sup>2</sup> The **Exhibit C** from each Regional Entity shall meet the requirements contained in **Exhibit C** to this pro forma Agreement.

<sup>3</sup> The **Exhibit D** from each Regional Entity shall meet the requirements contained in **Exhibit D** to this pro forma 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 NPCC 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 16 and 17 of this Agreement, NERC shall not adopt amendments to the NERC Rules 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 regional compliance 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 set forth on **Exhibit A**. No further redelegation of authority or responsibility, in total or in part, under this Agreement is allowed without NERC's express consent.

(b) 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 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.

(c) As a condition to this delegation of authority and subject to the provisions of section 16 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. 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 through NPCC's process as set forth in **Exhibit C**. Proposals approved through NPCC's process shall be reviewed by the NERC Board of Trustees 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 313, section 3.1 as it may be amended from time to time. The NERC board of trustees shall promptly thereafter consider such proposed Regional Reliability Standard or Regional Variance, applying the rebuttable presumption described in subsection 5(b) 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 standard 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.

**6. Enforcement.**

(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 U.S. portions of the geographic boundaries set forth in **Exhibit A** through the compliance enforcement program set forth in **Exhibit D**. NERC and NPCC agree that this program meets all applicable requirements of the Act, Order 672 and the Commission's regulations, including, *inter alia*, the requirement for an audit program pursuant to Section 39.7(a) of the Commission's regulations, the assessment of penalties pursuant to Section 39.7(c) through 39.7(g) of the Commission's regulations and the requirements for due process. NPCC may not change its compliance enforcement program set forth in **Exhibit D** absent NERC's approval, which shall not be unreasonably withheld or delayed. Subject to the rights and limitations of Sections 16 and 17 of this Agreement, NPCC agrees to comply with the NERC Rules in implementing this program.

(b) NPCC shall report promptly to NERC any self-reported violation or investigation of a violation or an alleged violation of a Reliability Standard and its eventual disposition. Such report shall include the owner's, operator's, or user's name, which Reliability Standard or Reliability Standards were violated or allegedly violated, when the violation or alleged violation occurred, other pertinent facts about the violation including circumstances surrounding the violation with any known risk to the bulk power system, when the violation was or will be mitigated, the name of a person knowledgeable about the violation or alleged 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 violations of Reliability Standards and summary analyses of such violations.

(c) Each violation or alleged violation shall be treated as nonpublic until the matter is filed with the Commission as a notice of penalty or resolved by an admission that the owner, operator, or user of the bulk power system violated a Reliability Standard or by a settlement or other negotiated disposition. The disposition of each violation or alleged violation that relates to a Cybersecurity Incident or that would jeopardize the security of the bulk power system if publicly disclosed shall be nonpublic unless the Commission directs otherwise.

(d) All appeals of penalties imposed by NPCC shall be filed with NERC, in accordance with the NERC Rules.

(e) NPCC shall maintain the capability to conduct investigations of potential violations of Reliability Standards and to conduct such investigations in a confidential manner.

(f) NPCC shall maintain a program of proactive enforcement audits including procedures for spot-checks of self-reported compliance and periodic audits of all responsible entities as defined in **Exhibit D**.

(g) As part of its compliance enforcement program, NPCC shall maintain a conflict of interest policy that assures the integrity of such program and the independence of the compliance program staff from those subject to enforcement actions.

(h) As often as NERC deems necessary, but no less than every three years, NERC shall review NPCC's compliance enforcement program to ensure 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 to violations of Reliability Standards constituting comparable levels of threat to reliability of the bulk power system.

(i) NPCC shall modify its compliance enforcement program as needed to reflect additions to, deletions from, or modifications of Reliability Standards and, subject to the rights and limitations of Sections 16 and 17 of this Agreement, shall modify its compliance enforcement program as needed: (i) to reflect amendments to the NERC Rules; (ii) to comply with NERC directives resulting from the review of compliance enforcement programs as provided in Section 6(h) of this Agreement; or (iii) to resolve a conflict with a function, rule, order, tariff, rate schedule, or agreement accepted, approved, or ordered by the Commission.

(j) NERC shall conduct a review with the Regional Entities that provides for the exchange of information on practices, experiences, and lessons learned in the implementation of compliance enforcement programs.

**7. Delegation-Related Services.** NERC will engage NPCC on its behalf to carry out certain of its activities that are in furtherance of its responsibilities as the ERO under the Act or in support of delegated functions, as specified in the NERC Rules and listed on **Exhibit E**.

8. **Funding.** NPCC and NERC shall ensure that the delegated functions and related activities listed on **Exhibit E** have reasonable and adequate funding and resources by undertaking the following:

(a) NERC shall fund NPCC activities necessary for NPCC to carry out its Delegated Authority under this Agreement, including the functions listed on **Exhibit E**, and shall not impose any obligation or requirement regarding Delegated Authority upon NPCC without providing appropriate funding to carry out such mandates;

(b) NPCC and NERC agree that costs of carrying out NPCC's responsibilities under the Delegation Agreement 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 for approval by May 15, 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 18 C.F.R. §39.4 for such year.

(c) NERC will ensure that the costs for its responsibilities 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 for budget submittal no later than April 30 of the prior year.

(e) NPCC shall submit its annual budget for carrying out its Delegated Authority functions and related activities listed on **Exhibit E**, as well as all other NPCC activities and funding to NERC no later than June 1 of the prior fiscal year such that NERC may submit its budget to the Commission 130 days in advance of the beginning of each fiscal year. The NPCC budget submission shall include supporting materials, including NPCC's complete business plan

and organization chart, explaining the proposed collection of all dues, fees and charges, and the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures. 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 fiscal year budget with the actual results at the NERC and Regional Entity level. 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.

(f) NPCC's funding system shall include reasonable reserve funding for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted accounting principles.

(g) NERC shall review and approve NPCC's budget for meeting its responsibilities under the Delegation Agreement.

(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 150 days after the end of the fiscal year.

(j) NERC shall have the right to review from time to time, in reasonable intervals but no less than every three years, the financial records of NPCC in order to ensure that the documentation fairly represents in all material respects appropriate funding under this Agreement.

(k) **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) 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.

**9. 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; 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.

**10. 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 article, 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 17 of this Agreement to resolve a dispute as to whether a Breach has occurred. The provisions of this article will survive termination of this Agreement.

**11. Term and Termination.**

(a) This Agreement shall become effective thirty (30) days after the date of issuance of a final Commission order approving this Agreement without requiring any changes to this Agreement unacceptable to either Party.

(b) The initial term of the Agreement shall be three (3) years from the original effective date of May 2, 2007, prior to which time NERC shall conduct an audit pursuant to subsections 6(e) and 7(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. If this Agreement is not renewed or becomes subject to termination for any reason, the Parties shall work to ensure a transition of NPCC's Delegated Authority to NERC or to another eligible entity. 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 12), No Third Party Beneficiaries (Section 13) and Confidentiality (Section 14) shall survive this Agreement in accordance with their terms until sixty (60) days following the expiration of any applicable statute of limitations.

**12. 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's 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.

**13. 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.

**14. 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.



**15. 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.

**16. Amendments to the NERC Rules.** NERC shall not adopt amendments to the NERC Rules 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 17 and, if such effort fails to resolve the dispute, to petition the Commission to adopt the amendment to the NERC Rules. 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.

**17. Dispute Resolution.** In the event a dispute arises under this Agreement between NERC and NPCC, 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. Neither Party shall have the right to pursue other remedies until the Dispute Resolution procedures of this Section 17 have been exhausted. This Section 17 shall not apply to enforcement actions against individual entities.

**18. 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: David Nevius  
Facsimile: (609) 452-9550

If to NPCC:

Northeast Power Coordinating  
Council, Inc.  
1515 Broadway  
New York, New York 10036  
Attn: Edward A. Schwerdt  
Facsimile: (212) 302-2782

**19. 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.

**20. 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.

**21. 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 ensure reliability of the bulk power system within the geographic boundaries described in **Exhibit A** that are outside the authority delegated from NERC, 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**.

22. **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.

23. **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 date first above written.

NORTH AMERICAN  
ELECTRIC RELIABILITY CORPORATION

NORTHEAST POWER  
COORDINATING COUNCIL, INC.

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

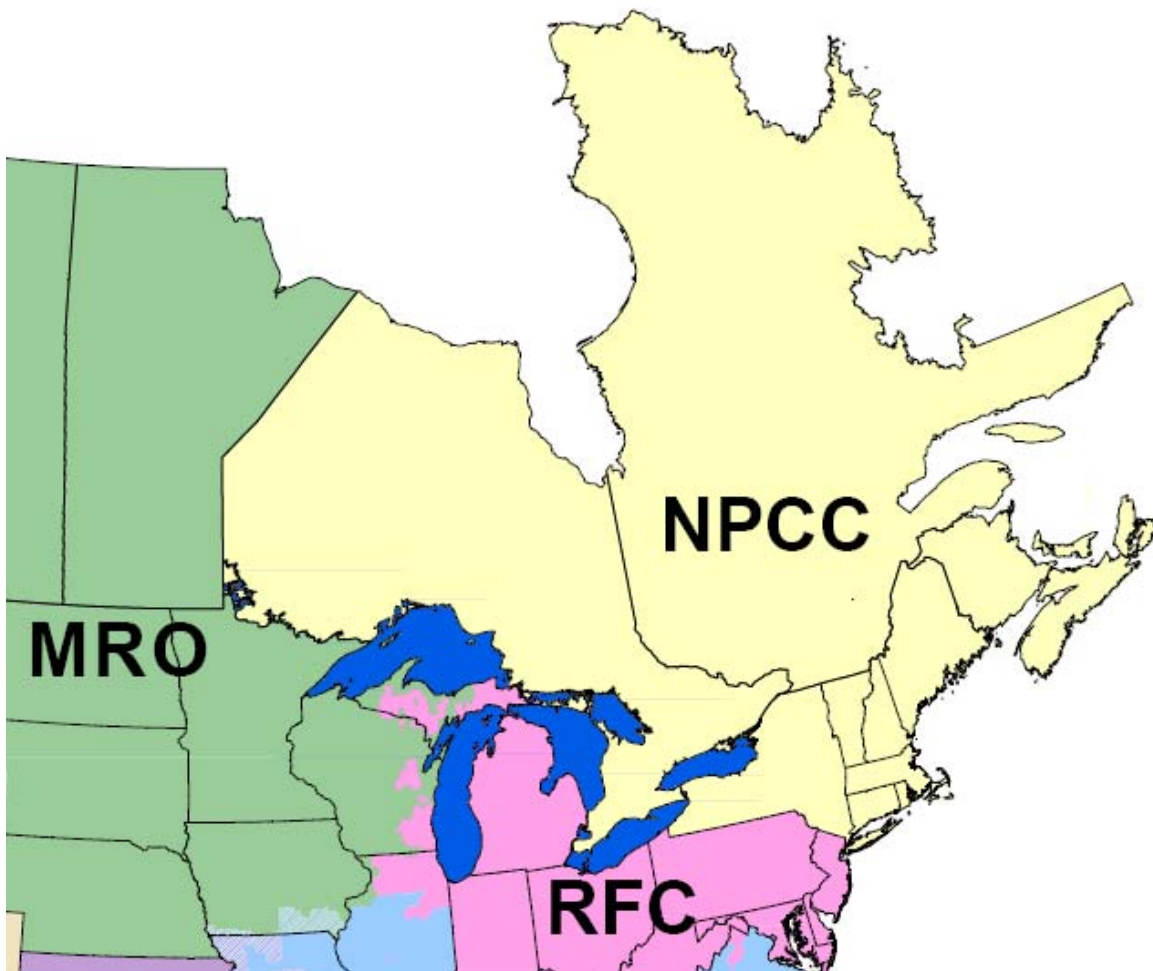
Date: \_\_\_\_\_

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.

## 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).)



## **Exhibit B – Governance**

### **AMENDED AND RESTATED**

### **BYLAWS**

### **OF**

### **NORTHEAST POWER COORDINATING COUNCIL, INC.**

#### **I. Offices**

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

#### **II. 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 in Northeastern North America through (i) the development of regional reliability standards and compliance assessment and enforcement of continent-wide and 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 and delegates authority from the U.S. Federal Energy Regulatory Commission (“FERC”), and by Memoranda of Understanding with applicable Canadian Provincial regulatory and/or governmental authorities (collectively, “statutory activities”), and (ii) the establishment of regionally-specific criteria, and monitoring and enforcement of compliance with such criteria (collectively, “non-statutory criteria services”). In the development of regionally-specific reliability criteria, NPCC, to the extent possible, facilitates 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**

- A. **List of Members.** The Members of NPCC are listed on Schedule A attached hereto.
- 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) **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. General Members are subject to compliance with reliability standards and receive additional services from the regional entity division of NPCC.
  - (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 reliability standards, and receive additional services from the criteria services division of NPCC.

- C. Application as a Member. Any person or entity that is eligible to become a Member of NPCC in accordance with Article IV.B. 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 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.

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 notice sent to such former Member's last known address on the records of NPCC.

- D. Voting. There shall be eight (8) voting sectors ("Voting Sectors"), defined as follows:

**Sector (1).** Transmission Owners: This 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).** Reliability Coordinators: This Voting Sector shall consist of any entity within Northeastern North America certified as a Reliability Coordinator.



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

- (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) Agents or associates that represent groups of TDUs;
- (c) Electric distribution companies;
- (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) Each member 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 in this sector.

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

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

- (a) Entities providing energy to end-use customers under a power marketing agreement or other authorization not classified as a regulated tariff;
- (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) 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 (7).** State and Provincial Regulatory and/or Governmental Authorities. This Voting Sector shall consist of State and Provincial regulatory or governmental authorities within Northeastern North America.

**Sector (8).** Sub-Regional Reliability Councils, other Regional Entities and Interested Entities: This Voting Sector shall consist of:

- (a) Any entity within Northeastern North America authorized by an appropriate regulatory and/or governmental authority to be a Sub-Regional Reliability Council;
- (b) Any other delegated Regional Entity; or
- (c) 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.

E. Assignment to Voting Sector. A new applicant for membership shall request to be assigned to a Voting Sector subject to Board approval. A Member may request to be assigned to any Voting Sector so long as membership in that Voting Sector is consistent with the Member's business or other activities within the NPCC region. Multiple memberships of the separate business functions of an entity are permitted, with each membership assigned to the appropriate separate sector and each membership designating a different representative and alternate. 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 may elect to be assigned to one such Voting Sector subject to Board approval. Entities may elect to change their Voting Sector participation in connection with the Annual Meeting of Members of NPCC, subject to Board approval.

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

V. **Organization of NPCC**

- A. Each Member shall designate an 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.
- C. The officers of NPCC shall consist of a President, 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, shall hold office for one year or until the next Annual Meeting of Members of NPCC and until their successors are duly elected and qualified.
- D. NPCC shall employ a President and staff, as required to carry out NPCC's mission and to perform the functions of NPCC. The President 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 who shall serve until such time as the Board appoints a new President.
- 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 Chair may designate a person from the same Voting Sector to fill such vacancy with the approval of a majority vote of Members from the applicable Sector.
- F. In the event a vacancy occurs in the Office of Chair in the interim between Annual Meetings of Members of NPCC, the Board may fill such vacancy by a two-thirds affirmative majority of the weighted sector votes, with each Director casting one 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 Chair and the President shall be defined 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.
- B. Term and Compensation. The term of office of the Directors shall be three (3) years. Initial terms of Directors shall be staggered by the Board so that members serve initial terms of one, two, or three years. There shall be no limit on the number of terms which may be served by any individual. Directors shall serve without compensation, including when performing duties of a Co-Vice Chair.
- 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 assignment, and make assignments to the committees of NPCC. The Board shall (i) approve a Regional Delegation Agreement with the ERO which delegates authority from FERC in the United States and 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 Enforcement Program and 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 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 determination of any annual membership fee for Full Members. However, the Board may not amend these Bylaws or establish, modify or eliminate any of NPCC's Regional Reliability Standards, regionally-specific reliability criteria, guides, programs or procedures; nor may the Board add, modify, or eliminate Voting Sectors established pursuant to these Bylaws.

To carry out the purposes of NPCC, the Board, acting through the President 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.

D. Board Composition. NPCC shall have a Board of Directors that shall consist of up to eight (8) voting sectors. The voting sectors shall include the following:

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

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

**Sector (3).** Transmission Dependent Utilities (“TDUs”); Distribution Companies and Load-Serving Entities (“LSEs”) (Maximum of 3)

**Sector (4).** Generator Owners (Maximum of 3)

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

**Sector (6).** Customers (Maximum of 3)

**Sector (7).** Regulators (Maximum of 3)

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

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 of the Directors in each of at least sixty percent (60%) of the sectors 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 affirmative majority of the weighted sector votes, with each Director casting one vote within the applicable sector, at a meeting of the Board at which a quorum is present. 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 will be divided by the sum of affirmative and negative votes cast in that Voting Sector to determine the fractional affirmative vote for each Voting Sector. Abstentions will not be counted for the purposes of determining the fractional affirmative vote for a 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

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.

An action 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.

- 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 effective when the last Director signs the consent, unless the consent specifies a different effective date.
- 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 Directors consistent with the Board composition requirements set forth in Section VI.D. At the first meeting of the Members, the Members from each sector shall vote to elect Directors in their respective sector. A Director shall be elected by a vote of the majority of the Members in the respective sector. No sector shall elect more Directors than the number of Members in such sector.
- A Director may be removed for cause by at least two-thirds of the Members in their respective sector at a regular meeting 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.
- H. Indemnification. Subject to the limitation set forth in Section VI.I. below, NPCC shall indemnify its Directors, 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 (“N-PCL”) and other applicable law. Such right of indemnification shall inure to the benefit of the legal representative of any NPCC Indemnitee. The foregoing right of indemnification shall be in addition to, and not in restriction or limitation of, any right such NPCC Indemnitee may have under applicable law (including the N-PCL).
- I. 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. will be the policy limit of directors and

officers' ("D&O") liability insurance set forth in the D&O insurance policy maintained by NPCC.

## **VII. 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 (NPCC's principal technical committee), a Public Information Committee and an Audit and Finance Committee.

The Audit and Finance Committee shall be comprised of at least three members of the Board and include one Director which shall be designated an audit committee financial expert by the Board. A chairperson of the Audit and Finance Committee shall be designated by the Board from among the members of the committee.

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**

- 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 of the Members in each of at least sixty percent (60%) of the 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 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 vote within a sector, except that if less than one-half 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 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.

The following process is 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 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 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.)
- 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.
- 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 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. 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.
- 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.

- 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, 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 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.

## **IX. Membership Rights and Obligations, and Organizational Process**

- A. All General and Full Members shall have the following rights and obligations:

(1) Rights:

- (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) 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) Vote to amend these Bylaws.
- (d) Vote to establish, modify or eliminate NPCC Regional Reliability Standards and programs.
- (e) For Full Members only: Vote to establish, modify or eliminate NPCC regionally-specific reliability criteria.

(2) Obligations:

- (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) Each Member acknowledges that it has the responsibility to plan and design its bulk power system and conduct its operations in compliance with ERO Reliability Standards, Regional Reliability Standards and Regional Variances consistent with applicable laws, regulations, permits and licenses.
- (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) In addition, each Full Member shall:
  - (i) plan and design its bulk power system in compliance with Criteria, Guides, and Procedures established by NPCC and applicable ERO Standards;
  - (ii) conduct its operations in compliance with Criteria, Guides, and Procedures established by NPCC and applicable ERO Standards consistent with applicable laws, regulations, permits and licenses;
  - (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 in Northeastern North America, the arrangements will not adversely impact the ability of the Full Members to comply with regionally-specific 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) 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) promptly notify NPCC and all other Members in writing or electronically if its bulk power system is 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) 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) undertake and perform the administrative and financial obligations described in Article XIII of these Bylaws.

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.

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 that a user, owner or operator of the bulk power system has violated a reliability standard, NPCC shall enforce compliance for such violations, pursuant to procedures and processes that shall be specified in the NPCC Compliance 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 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 until the thirty-first (31st) day after the NPCC Board, where authorized by law or agreement, files with the FERC or other applicable Canadian regulatory and/or governmental authority's notice of the sanction and the record of the proceedings in which the violation and sanction were determined, or such other date as ordered by the FERC or other applicable Canadian regulatory and/or governmental authorities or as prescribed by applicable law.

X. **Full Members: 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 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, shall expeditiously evaluate, as appropriate, alterations or measures designed to correct any assessed non-compliance and shall report such studies to the NPCC Board.

## **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 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. 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 week prior to the date of the meeting. The Secretary, Assistant Secretary, or, in their absence, a secretary *pro tempore* designated by the Chair or the President, shall keep the records of NPCC meetings.

When appropriate, the membership, the Board and the committees may use proxies or teleconference facilities. Such participation shall constitute attendance for purposes of quorum requirements.

## **XII. 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 regulatory and/or governmental authorities.

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 through appropriate follow-up measures with the Members and regulatory and/or governmental authorities.

Each Full Member shall be notified of the annual administrative expense budget for the criteria services division, on or before December 1st of the preceding year.

### **XIII. Funding**

NPCC's annual administrative expenses, including any special assessments approved by the Board, shall be apportioned and funded as follows:

- A. Funding of NPCC General Member regional entity division activities shall be through mechanisms established by the ERO, FERC and applicable Canadian 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 costs to a Balancing Authority Area or entity where significant costs are incurred by NPCC for such 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 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**

- 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 expenses of NPCC, including special assessments, if applicable, for the full calendar year within which such termination is effective) at any time upon one year's written notice to the President; whereupon, it shall cease to be a Full Member of NPCC as of the date such termination is effective. The President shall promptly inform all Members of receipt of any such notices.
- B. Cessation of Non-Statutory Criteria Services. The Full Members of NPCC may elect by a majority vote to cease non-statutory criteria services.

## **XV. Conflicts of Interest**

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 evidences the Board member'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**

- A. No Member shall be liable for the failure of any other Member to perform its obligations hereunder.
- B. 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.
- C. 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.

*APPROVED 7-24-07*

## 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 [add reference to any applicable authorities in Canada and Mexico]. 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 Regional Standards Committee will consider which requests for new or revised standards shall be assigned for development (or existing standards considered for deletion). The 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 Regional Standards Committee shall determine the disposition of the standard request.

## **COMMON ATTRIBUTE 10**

The 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 Regional Standards Committee may, at its discretion, expand or narrow the scope of the standard request under consideration. The 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 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 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 Regional Standards Committee.

### **COMMON ATTRIBUTE 11**

Any standard request that is accepted by the 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 Regional Standards Committee. The 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 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 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 a 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 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 regional entity's 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**

<b>Applicability</b>	Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions.  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.
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### **COMMON ATTRIBUTE 33**

<b>Measure(s)</b>	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**

<b>Compliance Monitoring Process</b>	Defines for each measure: <ul style="list-style-type: none"><li>• The specific data or information that is required to measure performance or outcomes.</li><li>• The entity that is responsible for providing the data or information for measuring performance or outcomes.</li><li>• The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes.</li><li>• The entity that is responsible for evaluating data or information to assess performance or outcomes.</li><li>• The time period in which performance or outcomes is measured, evaluated, and then reset.</li><li>• Measurement data retention requirements and assignment of responsibility for data archiving.</li><li>• Violation severity levels.</li></ul>
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NORTHEAST POWER COORDINATING COUNCIL, INC.  
1515 BROADWAY, NEW YORK, NY 10036-8901 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

# 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 eight 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**

<b>Identification Number</b>	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)
<b>Title</b>	A brief, descriptive phrase identifying the topic of the standard.
<b>Applicability</b>	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.
<b>Effective Date</b>	The effective date of the standard or, prior to approval of the

<b>and Status</b>	standard, the proposed effective date.
<b>Purpose</b>	The purpose of the standard. The purpose shall explicitly state what outcome will be achieved or is expected by this standard.
<b>Requirement(s)</b>	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.
<b>Risk Factor(s)</b>	<p>The potential reliability significance of each requirement, designated as a High, Medium, or Lower Risk Factor in accordance with the criteria listed below:</p> <p>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.</p> <p>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 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>

<b>Measure(s)</b>	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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**Table 2 — Compliance Elements of a Regional Reliability Standard**

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

<b>Interpretation</b>	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.
<b>Implementation Plan</b>	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 comment period and is approved as part of the ballot of the standard.

<p><b>Supporting References</b></p>	<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"> <li>• Glossary of terms</li> <li>• Developmental history of the standard and prior versions</li> <li>• Notes pertaining to implementation or compliance</li> <li>• Standard references</li> <li>• Standard supplements</li> <li>• Procedures</li> <li>• Practices</li> <li>• Training references</li> <li>• Technical references</li> <li>• White papers</li> <li>• Internet links to related information</li> </ul>
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### **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](http://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 NPCC stakeholder sectors and are registered with NPCC as potential Exhibit C – Amended and Restated NPCC Regional Delegation Agreement

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**

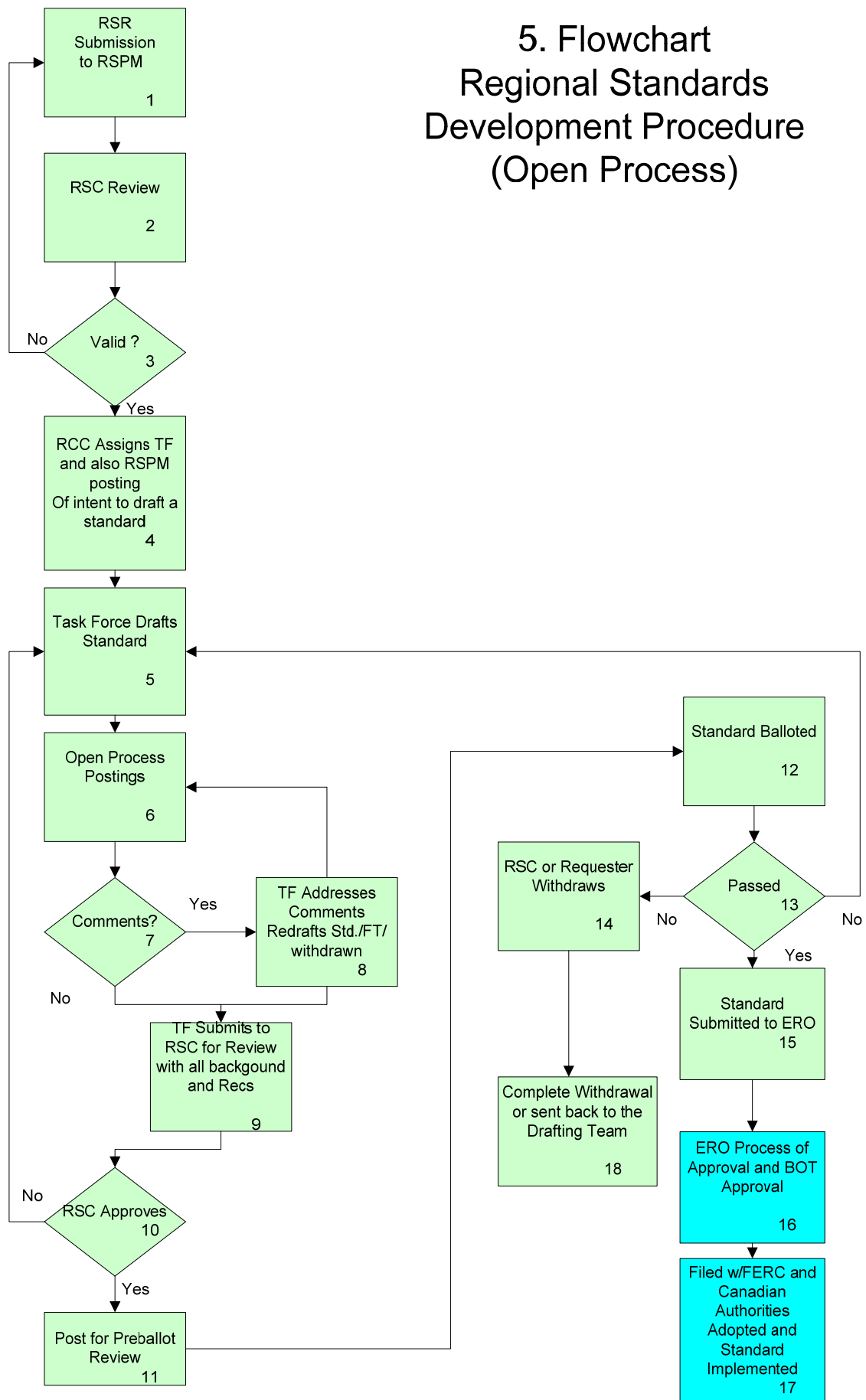
Upon approval within the NPCC , the standard will be submitted to the NERC/ERO for approval(s) and filing with FERC and applicable Canadian Governmental and/or Regulatory Authorities for adoption.

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](mailto: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

<i>Name:</i>	<b>RSAR Type (Check box for one of these selections.)</b>	
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><b>Purpose</b> (Describe the purpose of the proposed standard – what the standard will achieve in support of reliability.)</p>
<p><b>Industry Need</b> (Provide a detailed statement justifying the need for the proposed standard, along with any supporting documentation.)</p>
<p><b>Brief Description</b> (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**

<b>The Standard will Apply to the Following Functions</b> (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***

<b>Applicable Reliability Principles</b> ( <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.
<b>Does the proposed Standard comply with all of the following Market Interface Principles?</b> ( <i>Select ‘yes’ or ‘no’ from the drop-down box.</i> )	
Recognizing that reliability is a Common Attribute of a robust North American economy:	
1. A reliability standard shall not give any market participant an unfair competitive advantage. Yes	

2. A reliability standard shall neither mandate nor prohibit any specific market structure. Yes
3. A reliability standard shall not preclude market solutions to achieving compliance with that standard. Yes
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

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

***Related Standards***

Standard No.	Explanation

<sup>-t</sup>  
***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, including its Attachments, (Appendix 4C to the NERC Rules of Procedure) to monitor and enforce compliance with Reliability Standards by the owners, operators, and users within the U.S. portion of NPCC's geographic boundaries 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 (CC) shall serve in the role as the hearing body. The NPCC CC will consist of an NPCC Compliance Staff member as chairman and balanced stakeholder representatives appointed by the NPCC Board and reports directly to the NPCC Board. Members of the Committee will be selected by established NPCC procedure. Quorum rules applicable to the NPCC Board shall apply to the NPCC Compliance Committee.

When the NPCC CC is acting as a Hearing Body, the Chairman of the CC will not be part of the Hearing Body and voting will be by a simple majority. The Hearing Body will be led by the stakeholder elected Vice-Chair, as long as he/she does not represent the Registered Entity involved in the Hearing.

Compliance Hearings will be conducted by a qualified, independent consultant Hearing Officer, who will present the results of the Hearing to the Hearing Body for their final determination. The Hearing Body will not be present at the actual Hearing but will have access to the complete record of that Hearing before it makes its final decision.

NPCC will utilize the Hearing Procedure described in Attachment 2 to address Remedial Action Directives that are contested. As such the Compliance Committee will be utilized in the hearing on Remedial Action Directives similar to as it is utilized in all other Hearings.

### **3.0 OTHER DECISION-MAKING BODIES**

NPCC Compliance Staff will review 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 Preliminary Notice of Alleged Violation (PNOAV), without penalty, is issued to the Registered Entity, the NPCC Compliance Committee, 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 and also calculates an appropriate penalty or sanction. The Compliance Staff may consult with technical committees on a non-decisional basis for advice regarding a complex technical matter only, not a matter of compliance/non-compliance determination, before the Compliance Staff renders its final decision and issues a Notice of Alleged Violation with Penalty or Sanction (NOAV) to the Registered Entity and NERC.

The use of technical committees on a non-decisional basis is not an inherent part of the review process, but instead is used on an ad hoc basis to provide technical expertise when the NPCC Compliance Staff determines it is necessary. The past experience of using these technical committees to address and resolve complex technical matters has always proven to be invaluable to NPCC. Any information furnished to a non-decisional technical committee will not include the identity of a specific Registered Entity but will include generic facts needed to resolve or clarify a particular technical matter. The NPCC independent Compliance Staff as well as the aforementioned technical committees will be bound by the antitrust guidelines, code of conduct, conflict of interest, confidentiality and any other applicable policies as referenced in the NERC Compliance Monitoring and Enforcement Program.

NPCC has implemented a comprehensive Compliance Audit and Spot Check Program that will be used to meet those requirements as included in the CMEP and consistent with the NERC Rules of Procedures. The annual Compliance Audit schedule is developed and included in the Annual CMEP Implementation Program. This schedule identifies the Registered Entities that will be audited, when they will be audited and what type of Audit

it will be (on-site or off-site). Once the schedule is established an NPCC Pre-audit package is developed containing the pre-audit questionnaire; the appropriate Reliability Standards Audit Worksheets (RSAWs); copies of relative Reliability Standards and other related documentation. The package is sent out at least 60 days prior to the scheduled audit and in most cases the package goes out 90 days or more in advance. The same package is used for either an on-site or off-site audit. The audit team is formed and consists of an NPCC Staff person (Audit Team Leader), an NPCC Contract Auditor, a NERC Staff representative (as an observer) and a FERC representative (if they elect to participate). The audit is conducted and the NPCC members of the team write the audit report and present it to the Registered Entity for their review and comment before it is finalized. The audit team is responsible for reporting all compliance related information. Applicable Standards are identified and compliance and non-compliance is noted. In instances of non-compliance the submittals made by the audit team are processed as other compliance inputs through the compliance staff as previously described.

The Spot Check Program is used as a means of verifying self-certifications, self-reports and periodic data submittals that have been made earlier in the year. An internal, unpublished schedule is developed by the compliance staff and each applicable Registered Entity is given 30 days notice that they must supply the requested information in support of an earlier referenced self-certification, self-reports or periodic data submittals. The staff reviews the submitted information and uses the submittal to verify the earlier self-certification, self-reports or periodic data submittals. Spot checking may also be random or may be initiated in response to events, as described in the Reliability Standards or by operating problems or system events. Upon completion of the compliance staff review an assessment is made and the Registered Entity is notified of the outcome. In instances of identified non-compliance the results are processed as other compliance inputs.

NPCC assigns a Compliance Liaison at the on-set of an event analysis. This event analysis thoroughly reviews the incident identifying all the facts and circumstances associated with the incident and a final report is developed summarizing the results of this analysis. The Compliance Liaison, in conjunction with other designated members of the NPCC Compliance Staff, identifies any applicable Reliability Standards related to the event. As soon as a determination is made that a Compliance Violation Investigation (CVI) is warranted (based on evidence of a possible violation of a Reliability Standard, whether based on information obtained in an event analysis or obtained through other means), NERC is notified that the CVI will be conducted and a final report will be presented to NERC upon the completion of the CVI.



## Northeast Power Coordinating Council, Inc. (NPCC)

### 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 support of delegated activities and activities that are in furtherance of NERC's responsibilities as the ERO under the Act, as specified in the NERC Rules. These activities shall include:

- Reliability Standard Development (Section 300)
- Compliance Enforcement (Section 400)
- Organization Registration and Certification (Section 500)
- Reliability Readiness Evaluation and Improvement (Section 700)
- Reliability Assessment and Performance Analysis (Section 800) (including necessary data gathering activities)
- Training and Education (Section 900)
- Situational Awareness and Infrastructure Security (Section 1000)

#### 2. Allocation of Costs

NPCC shall allocate its charges for its activities within the U.S. pursuant to the delegation agreement among all load-serving entities on the basis of net-energy-for load, unless a different method(s) of allocating and calculating such dues, fees and charges has been submitted to and approved by NERC and the Commission in accordance with Section 8(b) of the delegation agreement. NPCC shall submit to NERC annually at the same time it submits its budget request a list of the load-serving entities or their designees within its geographic boundaries and their proportionate net energy for load, and such other data and information as is necessary to allocate and calculate NPCC's charges under any such different method(s) of allocation and calculation that will be used.

#### 3. Collection of Funding

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

NERC shall pursue any non-payments and shall request assistance from applicable governmental authorities as necessary to secure collection.



(b) Upon approval of the annual funding requirements by applicable governmental authorities, NERC shall fund NPCC's costs identified in Section 1 of this Exhibit E in four equal quarterly payments.

#### 4. Application of Penalties

All penalty monies received by NPCC from U.S. entities, other than penalty monies received from an operational function or division or affiliated entity of NPCC shall be applied as a general offset to the entity's 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. 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.

#### 5. Budget and Funding for NPCC's Criteria Services Division (Non-Statutory Activities)

In addition to its delegated activities and activities that are in furtherance of NERC's responsibilities as the ERO under the Act, as specified in Section 1 of this **Exhibit E** (such functions and activities referred to in this Section 5 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:

	<b>Division ID</b>	<b>Division Name</b>
	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:

	<b>Program ID</b>	<b>Program Name</b>

	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.

**ATTACHMENT 6B**  
**REDLINED VERSION**

**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~~ this 5<sup>th</sup> day of ~~April~~, \_\_\_\_\_ 2008, 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 the Northeast Power Coordinating Council, Inc. (NPCC), a cross-border regional entity and criteria services corporation for Northeastern North America 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”) and, 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 set forth at Chapter I, Title 18, Code of Federal Regulations, Part 39, as adopted by Commission Order No. 672 in Docket No. RM05-30-000 on February 3, 2006 (114 FERC ¶ 61, 104; hereafter “Order 672”);

**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 Commission’s regulations provide for the delegation by the ERO of authority to propose and enforce Reliability Standards to 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 electric reliability organization under the Act; and

**WHEREAS**, NERC has concluded that NPCC meets all requirements of the Act, the Commission's regulations, and the NERC Rules of Procedure as approved by the Commission ("NERC Rules") necessary to qualify for delegation;

**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 Commission's regulations, or the NERC Rules or, if not so defined, shall be defined as follows:

(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.

(d) **NPCC Rules** means the bylaws, a rule of procedure or other organizational rule or protocol of NPCC.

(e) **Reliability Standard** means a requirement approved by the Commission under Section 215 of the Federal Power Act to provide for reliable operation of the bulk power system. The term includes requirements for the operation of existing bulk power system facilities, including cyber security 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 the term does not include any requirement to enlarge such facilities or to construct new transmission capacity or generation capacity.

## 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 NPCC Amended and Restated Bylaws are attached hereto in **Exhibit B**<sup>1</sup>, 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** hereto<sup>2</sup>, NPCC has developed a standards development procedure, which provides the process that NPCC may use to develop Regional Reliability Standards that are proposed to NERC for adoption.

(iii) As set forth in **Exhibit D** hereto<sup>3</sup>, NPCC has developed a regional compliance enforcement program, which provides for the enforcement of Reliability Standards within its geographic boundaries.

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

(i) It is and shall remain during the term of this Agreement validly existing and in good standing pursuant 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) It has been certified as the ERO by the Commission pursuant to the Act.

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<sup>1</sup> The **Exhibit B** from each Regional Entity shall meet the requirements contained in **Exhibit B** to this pro forma Agreement.

<sup>2</sup> The **Exhibit C** from each Regional Entity shall meet the requirements contained in **Exhibit C** to this pro forma 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 NPCC 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 16 and 17 of this Agreement, NERC shall not adopt amendments to the NERC Rules 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 regional compliance 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 set forth on **Exhibit A**. No further redelegation of authority or responsibility, in total or in part, under this Agreement is allowed without NERC's express consent.

(b) 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

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<sup>3</sup> The **Exhibit D** from each Regional Entity shall meet the requirements contained in **Exhibit D** to this pro forma Agreement.

States. Any delegation of authority by 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.

(c) As a condition to this delegation of authority and subject to the provisions of section 16 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. **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 through NPCC's process as set forth in **Exhibit C**. Proposals approved through NPCC's process shall be reviewed by the NERC Board of Trustees 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 313, section 3.1 as it may be amended from time to time. The NERC board of trustees shall promptly thereafter consider such proposed Regional Reliability Standard or Regional Variance, applying the rebuttable presumption described in subsection 5(b) 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 standard 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.

**6. Enforcement.**

(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 U.S. portions of the geographic boundaries set forth in **Exhibit A** through the compliance enforcement program set forth in **Exhibit D**. NERC and NPCC agree that this program meets all applicable requirements of the Act, Order 672 and the Commission's regulations, including, *inter alia*, the requirement for an audit program pursuant to Section 39.7(a) of the Commission's regulations, the assessment of penalties pursuant to Section 39.7(c) through 39.7(g) of the Commission's regulations and the requirements for due process. NPCC may not change its compliance enforcement program set forth in **Exhibit D** absent NERC's approval, which shall not be unreasonably withheld or delayed. Subject to the rights and limitations of Sections 16 and 17 of this Agreement, NPCC agrees to comply with the NERC Rules in implementing this program.

(b) NPCC shall report promptly to NERC any self-reported violation or investigation of a violation or an alleged violation of a Reliability Standard and its eventual disposition. Such report shall include the owner's, operator's, or user's name, which Reliability Standard or Reliability Standards were violated or allegedly violated, when the violation or alleged violation occurred, other pertinent facts about the violation including circumstances surrounding the violation with any known risk to the bulk power system, when the violation was or will be mitigated, the name of a person knowledgeable about the violation or alleged 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 violations of Reliability Standards and summary analyses of such violations.

(c) Each violation or alleged violation shall be treated as nonpublic until the matter is filed with the Commission as a notice of penalty or resolved by an admission that the owner, operator, or user of the bulk power system violated a Reliability Standard or by a settlement or

other negotiated disposition. The disposition of each violation or alleged violation that relates to a Cybersecurity Incident or that would jeopardize the security of the bulk power system if publicly disclosed shall be nonpublic unless the Commission directs otherwise.

(d) All appeals of penalties imposed by NPCC shall be filed with NERC, in accordance with the NERC Rules.

(e) NPCC shall maintain the capability to conduct investigations of potential violations of Reliability Standards and to conduct such investigations in a confidential manner.

(f) NPCC shall maintain a program of proactive enforcement audits including procedures for spot-checks of self-reported compliance and periodic audits of all responsible entities as defined in **Exhibit D**.

(g) As part of its compliance enforcement program, NPCC shall maintain a conflict of interest policy that assures the integrity of such program and the independence of the compliance program staff from those subject to enforcement actions.

(h) As often as NERC deems necessary, but no less than every three years, NERC shall review NPCC's compliance enforcement program to ensure 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 to violations of Reliability Standards constituting comparable levels of threat to reliability of the bulk power system.

(i) NPCC shall modify its compliance enforcement program as needed to reflect additions to, deletions from, or modifications of Reliability Standards and, subject to the rights and limitations of Sections 16 and 17 of this Agreement, shall modify its compliance enforcement program as needed: (i) to reflect amendments to the NERC Rules; (ii) to comply with NERC directives resulting from the review of compliance enforcement programs as provided in Section 6(h) of this Agreement; or (iii) to resolve a conflict with a function, rule, order, tariff, rate schedule, or agreement accepted, approved, or ordered by the Commission.

(j) NERC shall conduct a review with the Regional Entities that provides for the exchange of information on practices, experiences, and lessons learned in the implementation of compliance enforcement programs.

7. **Delegation-Related Services.** NERC will engage NPCC on its behalf to carry out certain of its activities that are in furtherance of its responsibilities as the ERO under the Act or in support of delegated functions, as specified in the NERC Rules and listed on **Exhibit E**.

8. **Funding.** NPCC and NERC shall ensure that the delegated functions and related activities listed on **Exhibit E** have reasonable and adequate funding and resources by undertaking the following:

(a) NERC shall fund NPCC activities necessary for NPCC to carry out its Delegated Authority under this Agreement, including the functions listed on **Exhibit E**, and shall not impose any obligation or requirement regarding Delegated Authority upon NPCC without providing appropriate funding to carry out such mandates;

(b) NPCC and NERC agree that costs of carrying out NPCC's responsibilities under the Delegation Agreement 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 ~~expressly provided~~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 for approval by May 15, 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 18 C.F.R. §39.4,~~as set forth in **Exhibit E**; for such year.~~

(c) NERC will ensure that the costs for its responsibilities 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 for budget submittal no later than April 30 of the prior year.

(e) NPCC shall submit its annual budget for carrying out its Delegated Authority functions and related activities listed on **Exhibit E**, as well as all other NPCC activities and

funding to NERC no later than June 1 of the prior fiscal year such that NERC may submit its budget to the Commission 130 days in advance of the beginning of each fiscal year. The NPCC budget submission shall include supporting materials, including NPCC's complete business plan and organization chart, explaining the proposed collection of all dues, fees and charges, and the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures. 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 fiscal year budget with the actual results at the NERC and Regional Entity level. 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.

(f) NPCC's funding system shall include reasonable reserve funding for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted accounting principles.

(g) NERC shall review and approve NPCC's budget for meeting its responsibilities under the Delegation Agreement.

(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 150 days after the end of the fiscal year.

(j) NERC shall have the right to review from time to time, in reasonable intervals but no less than every three years, the financial records of NPCC in order to ensure that the documentation fairly represents in all material respects appropriate funding under this Agreement.

(k) **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) 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.

**9. 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; 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.

**10. 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 article, 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 17 of this Agreement to resolve a dispute as to whether a Breach has occurred. The provisions of this article will survive termination of this Agreement.

**11. Term and Termination.**



(a) This Agreement shall become effective ~~April 5, 2008, pursuant to thirty (30) days after the March 21, 2008 order date of the Federal Energy Regulatory issuance of a final Commission (122 FERC 61,245) order approving this Agreement without requiring any changes to this Agreement unacceptable to either Party.~~

(b) The initial term of the Agreement shall be three (3) years from the original effective date of May 2, 2007, prior to which time NERC shall conduct an audit pursuant to subsections 6(e) and 7(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. If this Agreement is not renewed or becomes subject to termination for any reason, the Parties shall work to ensure a transition of NPCC's Delegated Authority to NERC or to another eligible entity. 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 12), No Third Party Beneficiaries (Section 13) and Confidentiality (Section 14) shall survive this Agreement in accordance with their terms until sixty (60) days following the expiration of any applicable statute of limitations.

**12. 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's 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.

**13. 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.

**14. 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.

**15. 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.

**16. Amendments to the NERC Rules.** NERC shall not adopt amendments to the NERC Rules 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 17 and, if such effort fails to resolve the dispute, to petition the Commission to adopt the amendment to the NERC Rules. 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.

**17. Dispute Resolution.** In the event a dispute arises under this Agreement between NERC and NPCC, 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. Neither Party shall have the right to pursue other remedies until the Dispute Resolution procedures of this Section 17 have been exhausted. This Section 17 shall not apply to enforcement actions against individual entities.

**18. 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: David Nevius  
Facsimile: (609) 452-9550

If to NPCC:

Northeast Power Coordinating  
Council, Inc.  
1515 Broadway  
New York, New York 10036  
Attn: Edward A. Schwerdt  
Facsimile: -(212) 302-2782

**19. 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.

**20. 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.

**21. 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 ensure reliability of the bulk power system within the geographic boundaries described in **Exhibit A** that are outside the authority delegated from NERC, 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**.

22. **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.

23. **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 date first above written.

NORTH AMERICAN  
POWER  
ELECTRIC RELIABILITY CORPORATION

~~NORTHEAST POWER~~NORTHEAST  
COORDINATING COUNCIL, INC.

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: ~~David A. Whiteley~~ \_\_\_\_\_

Name: ~~Edward A. Schwerdt~~ \_\_\_\_\_

Title: ~~Executive Vice President~~ \_\_\_\_\_ Title: ~~President & CEO~~

Date: ~~March 28, 2008~~ \_\_\_\_\_ Date: ~~March 28, 2008~~

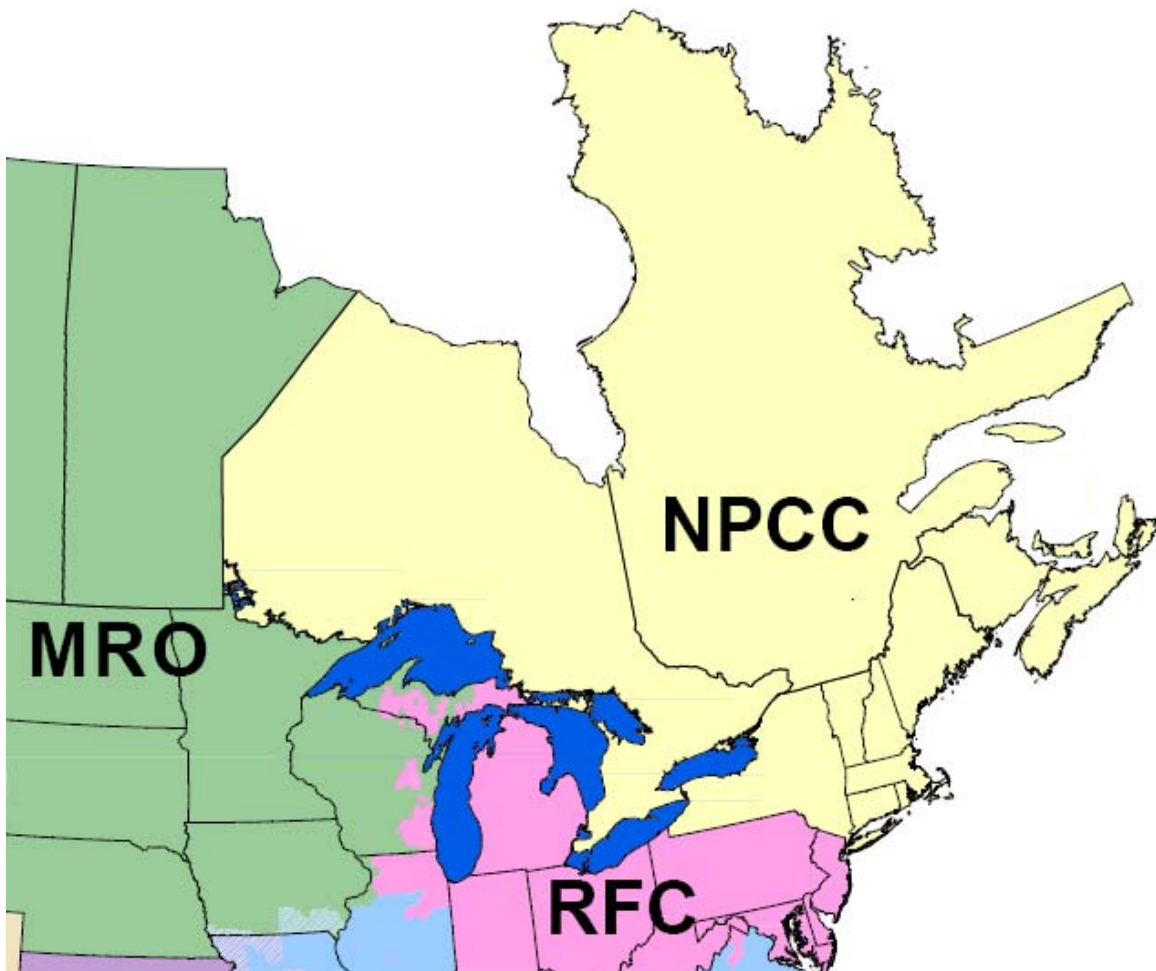
-Title: \_\_\_\_\_ Title: \_\_\_\_\_

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.

## 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).)



## **Exhibit B – Governance**

### **AMENDED AND RESTATED**

### **BYLAWS**

### **OF**

### **NORTHEAST POWER COORDINATING COUNCIL, INC.**

#### **I. Offices**

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

#### **II. 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 in Northeastern North America through (i) the development of regional reliability standards and compliance assessment and enforcement of continent-wide and 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 and delegates authority from the U.S. Federal Energy Regulatory Commission (“FERC”), and by Memoranda of Understanding with applicable Canadian Provincial regulatory and/or governmental authorities (collectively, “statutory activities”), and (ii) the establishment of regionally-specific criteria, and monitoring and enforcement of compliance with such criteria (collectively, “non-statutory criteria services”). In the development of regionally-specific reliability criteria, NPCC, to the extent possible, facilitates 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

- A. List of Members. The Members of NPCC are listed on Schedule A attached hereto.
- 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) **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. General Members are subject to compliance with reliability standards and receive additional services from the regional entity division of NPCC.
  - (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 reliability standards, and receive additional services from the criteria services division of NPCC.



- C. Application as a Member. Any person or entity that is eligible to become a Member of NPCC in accordance with Article IV.B. 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 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.

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 notice sent to such former Member's last known address on the records of NPCC.

- D. Voting. There shall be eight (8) voting sectors ("Voting Sectors"), defined as follows:

**Sector (1).** Transmission Owners: This 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).** Reliability Coordinators: This Voting Sector shall consist of any entity within Northeastern North America certified as a Reliability Coordinator.

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

- (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) Agents or associates that represent groups of TDUs;
- (c) Electric distribution companies;
- (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) Each member 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 in this sector.

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

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

- (a) Entities providing energy to end-use customers under a power marketing agreement or other authorization not classified as a regulated tariff;
- (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) 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 (7).** State and Provincial Regulatory and/or Governmental Authorities. This Voting Sector shall consist of State and Provincial regulatory or governmental authorities within Northeastern North America.

**Sector (8).** Sub-Regional Reliability Councils, other Regional Entities and Interested Entities: This Voting Sector shall consist of:

- (a) Any entity within Northeastern North America authorized by an appropriate regulatory and/or governmental authority to be a Sub-Regional Reliability Council;
- (b) Any other delegated Regional Entity; or
- (c) 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.

E. Assignment to Voting Sector. A new applicant for membership shall request to be assigned to a Voting Sector subject to Board approval. A Member may request to be assigned to any Voting Sector so long as membership in that Voting Sector is consistent with the Member's business or other activities within the NPCC region. Multiple memberships of the separate business functions of an entity are permitted, with each membership assigned to the appropriate separate sector and each membership designating a different representative and alternate. 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 may elect to be assigned to one such Voting Sector subject to Board approval. Entities may elect to change their Voting Sector participation in connection with the Annual Meeting of Members of NPCC, subject to Board approval.

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

V. **Organization of NPCC**

- A. Each Member shall designate an 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.
- C. The officers of NPCC shall consist of a President, 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, shall hold office for one year or until the next Annual Meeting of Members of NPCC and until their successors are duly elected and qualified.
- D. NPCC shall employ a President and staff, as required to carry out NPCC's mission and to perform the functions of NPCC. The President 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 who shall serve until such time as the Board appoints a new President.
- 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 Chair may designate a person from the same Voting Sector to fill such vacancy with the approval of a majority vote of Members from the applicable Sector.
- F. In the event a vacancy occurs in the Office of Chair in the interim between Annual Meetings of Members of NPCC, the Board may fill such vacancy by a two-thirds affirmative majority of the weighted sector votes, with each Director casting one 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 Chair and the President shall be defined 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.
- B. Term and Compensation. The term of office of the Directors shall be three (3) years. Initial terms of Directors shall be staggered by the Board so that members serve initial terms of one, two, or three years. There shall be no limit on the number of terms which may be served by any individual. Directors shall serve without compensation, including when performing duties of a Co-Vice Chair.
- 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 assignment, and make assignments to the committees of NPCC. The Board shall (i) approve a Regional Delegation Agreement with the ERO which delegates authority from FERC in the United States and 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 Enforcement Program and 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 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 determination of any annual membership fee for Full Members. However, the Board may not amend these Bylaws or establish, modify or eliminate any of NPCC's Regional Reliability Standards, regionally-specific reliability criteria, guides, programs or procedures; nor may the Board add, modify, or eliminate Voting Sectors established pursuant to these Bylaws.
- To carry out the purposes of NPCC, the Board, acting through the President 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.
- D. Board Composition. NPCC shall have a Board of Directors that shall consist of up to eight (8) voting sectors. The voting sectors shall include the following:

- Sector (1).** Transmission Owners (Maximum of 3, with no more than 1 per Balancing Authority Area)
- Sector (2).** Reliability Coordinators (Maximum of 3)
- Sector (3).** Transmission Dependent Utilities (“TDUs”); Distribution Companies and Load-Serving Entities (“LSEs”) (Maximum of 3)
- Sector (4).** Generator Owners (Maximum of 3)
- Sector (5).** Marketers, Brokers and Aggregators (Maximum of 3)
- Sector (6).** Customers (Maximum of 3)
- Sector (7).** Regulators (Maximum of 3)
- Sector (8).** Sub-Regional Reliability Councils, other Regional Entities and Interested Entities (Maximum of 3, with a representative of the New York State Reliability Council, LLC included)

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 of the Directors in each of at least sixty percent (60%) of the sectors 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 affirmative majority of the weighted sector votes, with each Director casting one vote within the applicable sector, at a meeting of the Board at which a quorum is present. 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 will be divided by the sum of affirmative and negative votes cast in that Voting Sector to determine the fractional affirmative vote for each Voting Sector. Abstentions will not be counted for the purposes of determining the fractional affirmative vote for a 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 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.

An action 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.

- 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 effective when the last Director signs the consent, unless the consent specifies a different effective date.
- 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 Directors consistent with the Board composition requirements set forth in Section VI.D. At the first meeting of the Members, the Members from each sector shall vote to elect Directors in their respective sector. A Director shall be elected by a vote of the majority of the Members in the respective sector. No sector shall elect more Directors than the number of Members in such sector.
- A Director may be removed for cause by at least two-thirds of the Members in their respective sector at a regular meeting 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.
- H. Indemnification. Subject to the limitation set forth in Section VI.I. below, NPCC shall indemnify its Directors, 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 ("N-PCL") and other applicable law. Such right of indemnification shall inure to the benefit of the legal representative of any NPCC Indemnitee. The foregoing right of indemnification shall be in addition to, and not in restriction or limitation of, any right such NPCC Indemnitee may have under applicable law (including the N-PCL).
- I. 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. will be the policy limit of directors and officers' ("D&O") liability insurance set forth in the D&O insurance policy maintained by NPCC.

## VII. 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 (NPCC's principal technical committee), a Public Information Committee and an Audit and Finance Committee.

The Audit and Finance Committee shall be comprised of at least three members of the Board and include one Director which shall be designated an audit committee financial expert by the Board. A chairperson of the Audit and Finance Committee shall be designated by the Board from among the members of the committee.

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**

- 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 of the Members in each of at least sixty percent (60%) of the 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 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 vote within a sector, except that if less than one-half 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 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.

The following process is 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 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 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.)

- 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.
- 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 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. 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.
- 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.

- 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, 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 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.

## **IX. Membership Rights and Obligations, and Organizational Process**

- A. All General and Full Members shall have the following rights and obligations:

(1) Rights:

- (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) 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) Vote to amend these Bylaws.
- (d) Vote to establish, modify or eliminate NPCC Regional Reliability Standards and programs.
- (e) For Full Members only: Vote to establish, modify or eliminate NPCC regionally-specific reliability criteria.

(2) Obligations:

- (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) Each Member acknowledges that it has the responsibility to plan and design its bulk power system and conduct its operations in compliance with ERO Reliability Standards, Regional Reliability Standards and Regional Variances consistent with applicable laws, regulations, permits and licenses.

- (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) In addition, each Full Member shall:
  - (i) plan and design its bulk power system in compliance with Criteria, Guides, and Procedures established by NPCC and applicable ERO Standards;
  - (ii) conduct its operations in compliance with Criteria, Guides, and Procedures established by NPCC and applicable ERO Standards consistent with applicable laws, regulations, permits and licenses;
  - (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 in Northeastern North America, the arrangements will not adversely impact the ability of the Full Members to comply with regionally-specific 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) 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) promptly notify NPCC and all other Members in writing or electronically if its bulk power system is 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) 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) undertake and perform the administrative and financial obligations described in Article XIII of these Bylaws.
- 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.
- 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 that a user, owner or operator of the bulk power system has violated a reliability standard, NPCC shall enforce compliance for such violations, pursuant to procedures and processes that shall be specified in the NPCC Compliance 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 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 until the thirty-first (31st) day after the NPCC Board, where authorized by law or agreement, files with the FERC or other applicable Canadian regulatory and/or governmental authority's notice of the sanction and the record of the proceedings in which the violation and sanction were determined, or such other date as ordered by the FERC or other applicable Canadian regulatory and/or governmental authorities or as prescribed by applicable law.

X. **Full Members: 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 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, shall expeditiously evaluate, as appropriate, alterations or measures designed to correct any assessed non-compliance and shall report such studies to the NPCC Board.

## **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 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. 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 week prior to the date of the meeting. The Secretary, Assistant Secretary, or, in their absence, a secretary *pro tempore* designated by the Chair or the President, shall keep the records of NPCC meetings.

When appropriate, the membership, the Board and the committees may use proxies or teleconference facilities. Such participation shall constitute attendance for purposes of quorum requirements.

## **XII. 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 regulatory and/or governmental authorities.

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 through appropriate follow-up measures with the Members and regulatory and/or governmental authorities.

Each Full Member shall be notified of the annual administrative expense budget for the criteria services division, on or before December 1st of the preceding year.

### **XIII. Funding**

NPCC's annual administrative expenses, including any special assessments approved by the Board, shall be apportioned and funded as follows:

- A. Funding of NPCC General Member regional entity division activities shall be through mechanisms established by the ERO, FERC and applicable Canadian 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 costs to a Balancing Authority Area or entity where significant costs are incurred by NPCC for such 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 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**

- 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 expenses of NPCC, including special assessments, if applicable, for the full calendar year within which such termination is effective) at any time upon one year's written notice to the President; whereupon, it shall cease to be a Full Member of NPCC as of the date such termination is effective. The President shall promptly inform all Members of receipt of any such notices.
- B. Cessation of Non-Statutory Criteria Services. The Full Members of NPCC may elect by a majority vote to cease non-statutory criteria services.



## **XV. Conflicts of Interest**

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 evidences the Board member'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**

- A. No Member shall be liable for the failure of any other Member to perform its obligations hereunder.
- B. 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.
- C. 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.

*APPROVED 7-24-07*



## 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 [add reference to any applicable authorities in Canada and Mexico]. 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 Regional Standards Committee will consider which requests for new or revised standards shall be assigned for development (or existing standards considered for deletion). The 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 Regional Standards Committee shall determine the disposition of the standard request.

## **COMMON ATTRIBUTE 10**

The 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 Regional Standards Committee may, at its discretion, expand or narrow the scope of the standard request under consideration. The 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 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 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 Regional Standards Committee.

### **COMMON ATTRIBUTE 11**

Any standard request that is accepted by the 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 Regional Standards Committee. The 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 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 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 a 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 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 regional entity's 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**

<b>Applicability</b>	Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions.  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.
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### **COMMON ATTRIBUTE 33**

<b>Measure(s)</b>	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**

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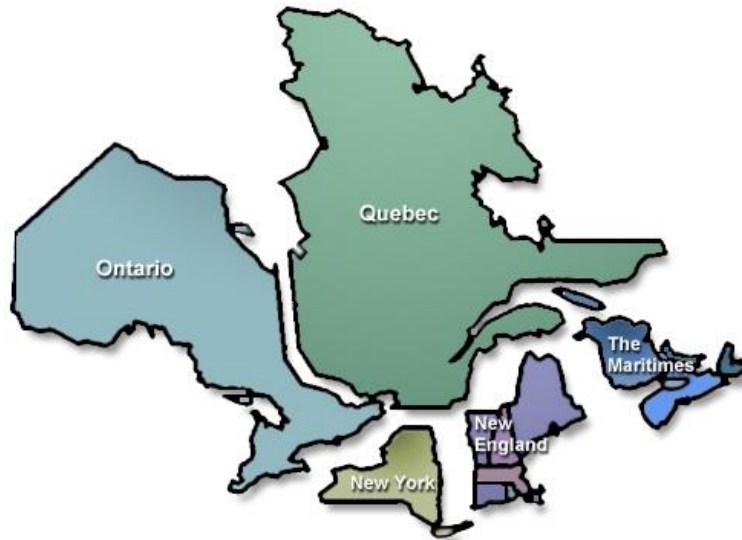


NORTHEAST POWER COORDINATING COUNCIL, INC.  
1515 BROADWAY, NEW YORK, NY 10036-8901 TELEPHONE: (212) 840-1070 FAX: (212) 302-2782

## Exhibit C

# Northeast Power Coordinating Council, Inc.

## Regional Reliability Standards Development Procedure



Approved by NPCC Board of Directors  
September 19, 2007



# 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 eight 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**

<b>Identification Number</b>	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)
<b>Title</b>	A brief, descriptive phrase identifying the topic of the standard.
<b>Applicability</b>	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.
<b>Effective Date</b>	The effective date of the standard or, prior to approval of the

<b>and Status</b>	standard, the proposed effective date.
<b>Purpose</b>	The purpose of the standard. The purpose shall explicitly state what outcome will be achieved or is expected by this standard.
<b>Requirement(s)</b>	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.
<b>Risk Factor(s)</b>	<p>The potential reliability significance of each requirement, designated as a High, Medium, or Lower Risk Factor in accordance with the criteria listed below:</p> <p>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.</p> <p>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 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>



<b>Measure(s)</b>	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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**Table 2 — Compliance Elements of a Regional Reliability Standard**

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

<b>Interpretation</b>	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.
<b>Implementation Plan</b>	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 comment period and is approved as part of the ballot of the standard.

<p><b>Supporting References</b></p>	<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"> <li>• Glossary of terms</li> <li>• Developmental history of the standard and prior versions</li> <li>• Notes pertaining to implementation or compliance</li> <li>• Standard references</li> <li>• Standard supplements</li> <li>• Procedures</li> <li>• Practices</li> <li>• Training references</li> <li>• Technical references</li> <li>• White papers</li> <li>• Internet links to related information</li> </ul>
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**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 choose 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](http://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 NPCC stakeholder sectors and are registered with NPCC as potential Exhibit C – Amended and Restated NPCC Regional Delegation Agreement

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**

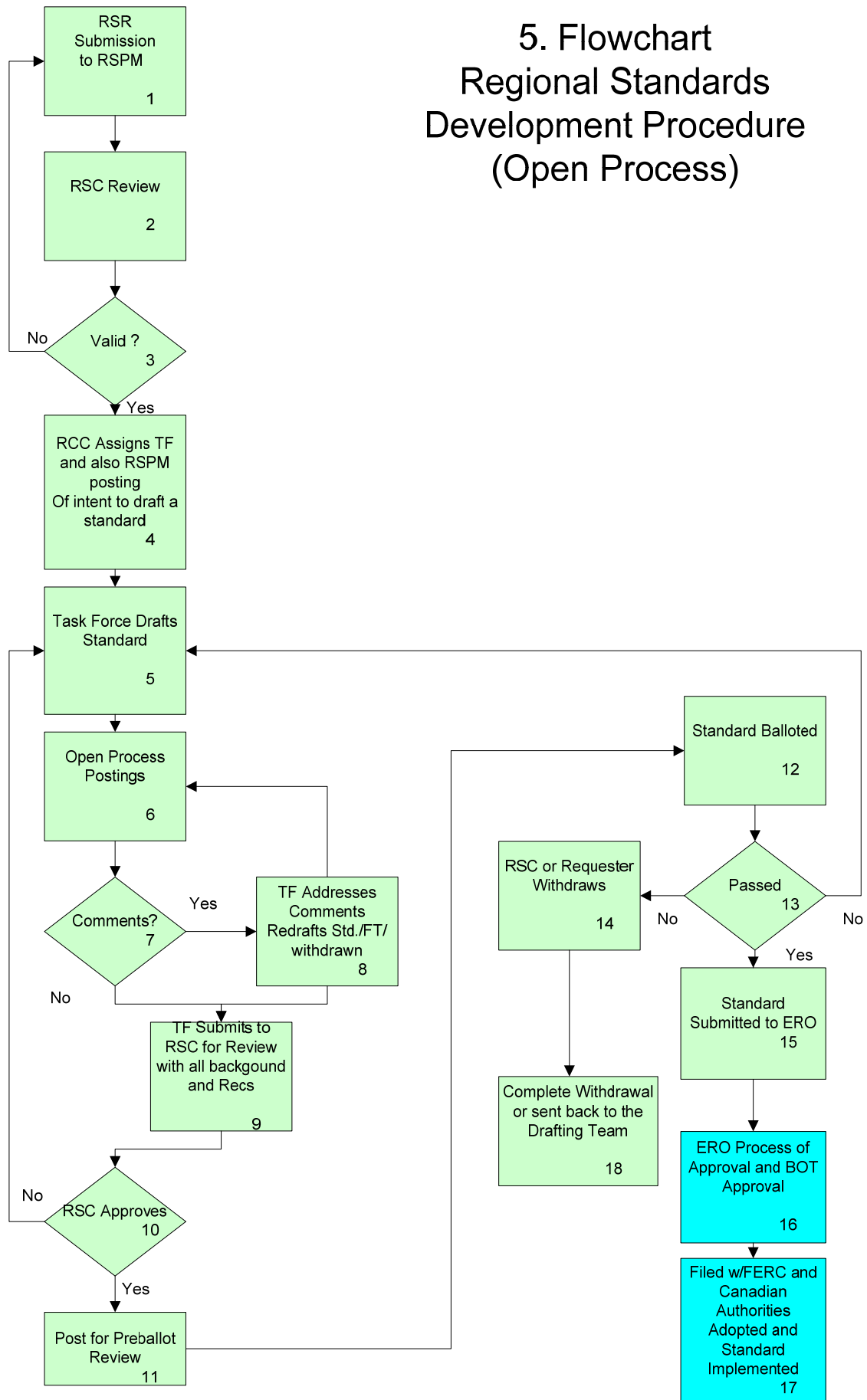
Upon approval within the NPCC , the standard will be submitted to the NERC/ERO for approval(s) and filing with FERC and applicable Canadian Governmental and/or Regulatory Authorities for adoption.

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](mailto: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

<i>Name:</i>	<b>RSAR Type (Check box for one of these selections.)</b>	
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

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

### **Reliability Functions**

<b>The Standard will Apply to the Following Functions</b> (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**

<b>Applicable Reliability Principles</b> (Check all boxes that apply.)	
<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.
<b>Does the proposed Standard comply with all of the following Market Interface Principles?</b> (Select ‘yes’ or ‘no’ from the drop-down box.)	
Recognizing that reliability is a Common Attribute of a robust North American economy:	
1. A reliability standard shall not give any market participant an unfair competitive advantage. Yes	

2. A reliability standard shall neither mandate nor prohibit any specific market structure. Yes
3. A reliability standard shall not preclude market solutions to achieving compliance with that standard. Yes
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

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

***Related Standards***

Standard No.	Explanation

<sup>-t</sup>  
***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, including its Attachments, (Appendix 4C to the NERC Rules of Procedure) to monitor and enforce compliance with Reliability Standards by the owners, operators, and users within the U.S. portion of NPCC's geographic boundaries 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 ([CC](#)) shall serve in the role as the hearing body. ~~This committee~~[The NPCC CC](#) will consist of an NPCC Compliance Staff member as chairman and balanced stakeholder representatives appointed by the NPCC Board and reports directly to the NPCC Board. Members of the Committee will be selected by established NPCC procedure. Quorum ~~and voting~~ rules applicable to the NPCC Board shall apply to the NPCC Compliance Committee.

[When the NPCC CC is acting as a Hearing Body, the Chairman of the CC will not be part of the Hearing Body and voting will be by a simple majority. The Hearing Body will be led by the stakeholder elected Vice-Chair, as long as he/she does not represent the Registered Entity involved in the Hearing.](#)

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Compliance Hearings will be conducted by a qualified, independent consultant Hearing Officer, who will present the results of the Hearing to the Hearing Body for their final determination. The Hearing Body will not be present at the actual Hearing but will have access to the complete record of that Hearing before it makes its final decision.

NPCC will utilize the Hearing Procedure described in Attachment 2 to address Remedial Action Directives that are contested. As such the Compliance Committee will be utilized in the hearing on Remedial Action Directives similar to as it is utilized in all other Hearings.

### 3.0 OTHER DECISION-MAKING BODIES

~~Implementation of the NERC Compliance Monitoring and Enforcement Program by NPCC requires that the NPCC independent Compliance Staff make the initial compliance determination for all compliance submittals. After consultation, as appropriate, with the technical committee of NPCC, the Reliability Coordinating Committee, and the Task Forces on Coordination of Planning, Coordination of Operation, System Studies, System Protection and Infrastructure Technology, NPCC independent Compliance Staff then makes the final compliance determination before forwarding a report to the NPCC Compliance Committee. The NPCC independent Compliance Staff as well as the aforementioned technical groups will be bound by the antitrust guidelines, code of conduct, conflict of interest, confidentiality and any other applicable policies as referenced in the NERC Compliance Monitoring and Enforcement Program.~~

NPCC Compliance Staff will review 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. Once information is confirmed, the Staff will review the information and make an initial determination. If after, initially receiving a compliance submittal, the Compliance Staff identifies that an instance of non-compliance, a potential violation occurred it then issues a "Preliminary Notice of Alleged Violation" (PNOAV), without penalty, is issued to the Registered Entity, the NPCC Compliance Committee, and NERC. The while the Compliance Staff will then conduct continues its more detailed analysis of the potential violation, consulting the technical groups identified above if necessary and then making a final compliance determination. A and comprehensive review of the submittal. It is during this point review that the Compliance Staff will confirms the violation and also make calculates an appropriate penalty or sanction. The Compliance Staff may consult with technical committees on a non-decisional basis for advice regarding a complex technical matter only, not a penalty determination and include that in matter of compliance/non-compliance determination, before the Compliance Staff renders its report to the Compliance Committee. Once endorsement has been received by the NPCC~~

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Compliance Committee and BOD the Compliance Staff will issue a “final decision and issues a Notice of Regionally Verified/Alleged Violation” with Penalty or Sanction (NOAV) to the Registered Entity, the CC, BOD and NERC.

The use of technical committees on a non-decisional basis is not an inherent part of the review process, but instead is used on an ad hoc basis to provide technical expertise when the NPCC Compliance Staff determines it is necessary. The past experience of using these technical committees to address and resolve complex technical matters has always proven to be invaluable to NPCC. Any information furnished to a non-decisional technical committee will not include the identity of a specific Registered Entity but will include generic facts needed to resolve or clarify a particular technical matter. The NPCC independent Compliance Staff as well as the aforementioned technical committees will be bound by the antitrust guidelines, code of conduct, conflict of interest, confidentiality and any other applicable policies as referenced in the NERC Compliance Monitoring and Enforcement Program.

NPCC has implemented a comprehensive Compliance Audit and Spot Check Program that will be used to meet those requirements as included in the CMEP and consistent with the NERC Rules of Procedures. The annual Compliance Audit schedule is developed and included in the Annual CMEP Implementation Program. This schedule identifies the Registered Entities that will be audited, when they will be audited and what type of Audit it will be (on-site or off-site). Once the schedule is established an NPCC Pre-audit package is developed containing the pre-audit questionnaire; the appropriate Reliability Standards Audit Worksheets (RSAWs); copies of relative Reliability Standards and other related documentation. The package is sent out at least 60 days prior to the scheduled audit and in most cases the package goes out 90 days or more in advance. The same package is used for either an on-site or off-site audit. The audit team is formed and consists of an NPCC Staff person (Audit Team Leader), an NPCC Contract Auditor, a NERC Staff representative (as an observer) and a FERC representative (if they elect to participate). The audit is conducted and the NPCC members of the team write the audit report and present it to the Registered Entity for their review and comment before it is finalized. The audit team is responsible for reporting all compliance related information. Applicable Standards are identified and compliance and non-compliance is noted. In instances of non-compliance the submittals made by the audit team are processed as other compliance inputs through the compliance staff as previously described.

The Spot Check Program is used as a means of verifying self-certifications, self-reports and periodic data submittals that have been made earlier in the year. An internal, unpublished schedule is developed by the compliance staff and each applicable Registered Entity is given 30 days notice that they must supply the requested information in support of an earlier referenced self-certification, self-reports or periodic data submittals. The staff reviews the submitted information and uses the submittal to verify the earlier self-certification, self-reports or periodic data submittals. Spot checking may also be random or may be initiated in response to events, as described in the Reliability Standards or by operating problems or system events. Upon completion of the compliance staff review an assessment is made and the Registered Entity is notified of

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the outcome. In instances of identified non-compliance the results are processed as other compliance inputs.

NPCC assigns a Compliance Liaison at the on-set of an initial-event analysis. This initial-event analysis thoroughly reviews the incident identifying all the facts and circumstances associated with the incident and a final report is developed summarizing the results of this analysis. This final report is then forwarded to the NPCC compliance staff who reviews the report, identifies applicable Reliability Standards, and performs a compliance assessment to determine if any violations have occurred. In the event that violations are identified they are submitted and processed through the CMEP as described above. The Compliance Liaison, in conjunction with other designated members of the NPCC Compliance Staff, identifies any applicable Reliability Standards related to the event. As soon as a determination is made that a Compliance Violation Investigation (CVI) is warranted (based on evidence of a possible violation of a Reliability Standard, whether based on information obtained in an event analysis or obtained through other means), NERC is notified that the CVI will be conducted and a final report will be presented to NERC upon the completion of the CVI.



## Northeast Power Coordinating Council, Inc. (NPCC)

### 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 support of delegated activities and activities that are in furtherance of NERC's responsibilities as the ERO under the Act, as specified in the NERC Rules. These activities shall include:

- Reliability Standard Development (Section 300)
- Compliance Enforcement (Section 400)
- Organization Registration and Certification (Section 500)
- Reliability Readiness ~~Audit~~Evaluation and Improvement (Section 700)
- Reliability Assessment and Performance Analysis (Section 800) (including necessary data gathering activities)
- Training and Education (Section 900)
- Situational Awareness and Infrastructure Security (Section 1000)

#### 2. Allocation of Costs

NPCC shall allocate its charges for its activities within the U.S. pursuant to the delegation agreement among all load-serving entities on the basis of net-energy-for load, unless a different method(s) of allocating and calculating such dues, fees and charges ~~is expressly provided for in the annual business plan and budget~~has been submitted to and approved by NERC and NPCC to the Commission pursuant to 18 C.F.R. §39.4 in accordance with Section 8(b) of the delegation agreement. NPCC shall submit to NERC annually at the same time it submits its budget request a list of the load-serving entities or their designees within its geographic boundaries and their proportionate net energy for load, and such other data and information as is necessary to allocate and calculate NPCC's charges under any such different method(s) of allocation and calculation that will be used.

#### 3. Collection of Funding

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

NERC shall pursue any non-payments and shall request assistance from applicable governmental authorities as necessary to secure collection.

(b) Upon approval of the annual funding requirements by applicable governmental authorities, NERC shall fund NPCC's costs identified in [Section 1 of this Exhibit E](#) in four equal quarterly payments.

#### 4. Application of Penalties

All penalty monies received by NPCC from U.S. entities, other than penalty monies received from an operational function or division or affiliated entity of NPCC shall be applied as a general offset to the entity's 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. 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.

#### 5. Budget and Funding for NPCC's [Criteria Services Division](#) (Non-Statutory Activities)

~~NPCC performs functions or activities other than~~ In addition to its delegated activities and activities that are in furtherance of NERC's responsibilities as the ERO under the Act, as specified in Section 1 of this **Exhibit E** (such functions and activities referred to in this Section 5 as "statutory activities"), NPCC's [Criteria Services division performs the following other functions and activities \(such other functions and activities being referred to ~~herein~~ in this Section 5 as "non-statutory activities"\):](#)

### 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:

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

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:

	<b><u>Program ID</u></b>	<b><u>Program Name</u></b>
--	--------------------------	----------------------------

<u>300</u>	<u>Reliability Standards</u>
<u>400</u>	<u>Compliance Enforcement and Organization Registration and Certification</u>
<u>800</u>	<u>Reliability Assessment and Performance Analysis</u>
<u>700</u>	<u>Reliability Readiness Evaluation and Improvement</u>
<u>900</u>	<u>Training and Education</u>
<u>1000</u>	<u>Situational Awareness and Infrastructure Security</u>
<u>ADMIN</u>	<u>General Administration</u>
<u>FINANCE</u>	<u>Accounting and Finance</u>
<u>HR</u>	<u>Human Resources</u>
<u>IT</u>	<u>Information Technology</u>
<u>LEGAL</u>	<u>Legal and Regulatory</u>
<u>MEMBERS</u>	<u>Members Forum</u>

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, ~~and a description of the procedures NPCC will use to ensure that funding of the functions and activities listed in Section 1 of this Exhibit E will be kept separate from funding of 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.

~~Funding of NPCC Non-statutory functions:~~

- ~~● Full Members, other than Full Members that perform the Balancing Authority function, shall not be assessed an annual membership fee.~~
- ~~● 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 costs to a Balancing Authority Area or entity where significant costs are incurred by NPCC for such Area or entity.~~
- ~~● 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 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.~~