

March 15, 2012

VIA ELECTRONIC FILING

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

**Re: North American Electric Reliability Corporation
Docket No. RR12-__ -000
Petition for Approval of Amendments to Delegation Agreement with
SERC Reliability Corporation (SERC) – Amendments to
SERC’s Bylaws and Regional Standards Development Procedure**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby submits the “Petition of the North American Electric Reliability Corporation for Approval of Amendments to Delegation Agreement with SERC Reliability Corporation – Amendments to SERC’s Bylaws and Regional Standards Development Procedure.” This Petition seeks approval of proposed amendments to NERC’s Delegation Agreement with SERC Reliability Corporation (SERC) including approval of amendments to SERC’s Bylaws (included in Exhibit B to the Delegation Agreement) and to SERC’s Regional Standards Development Procedure (included in Exhibit C to the Delegation Agreement) as “Regional Entity Rules.”

This filing consists of: (1) this transmittal letter, (2) the narrative text of the Petition, which follows this transmittal letter, and (3) Attachments 1, 2 and 3 to the Petition. All of these documents are transmitted in a single pdf file.

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

Respectfully submitted,

/s/ Owen E. MacBride
Owen E. MacBride

Attorney for North American Electric
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TABLE OF CONTENTS

I. INTRODUCTION	1
II. NOTICES AND COMMUNICATIONS	2
III. PROPOSED AMENDMENTS TO SERC DELEGATION AGREEMENT	3
A. Proposed Amendments to the SERC Bylaws	3
B. Proposed Amendments to SERC Regional Standards Development Procedure	8
IV. SERC AND NERC APPROVALS FOR THE PROPOSED AMENDMENTS	12
V. CONCLUSION	13

ATTACHMENTS

Attachment 1: SERC letter identifying and explaining the proposed amendments to the SERC Bylaws

Attachment 2: Amended Delegation Agreement Between North American Electric Reliability Corporation and SERC Reliability Corporation – Clean version

Attachment 3: Amended Delegation Agreement Between North American Electric Reliability Corporation and SERC Reliability Corporation – Redlined version

I. INTRODUCTION

Pursuant to §215(e)(4) of the Federal Power Act¹ (“FPA”) and 18 C.F.R. §39.8 and §39.10, the North American Electric Reliability Corporation (“NERC”) requests the Commission’s approval of amendments to the Amended and Restated Delegation Agreement between NERC and the SERC Reliability Corporation (“SERC”), one of the NERC Regional Entities (the “SERC RDA”). The proposed amendments to the SERC RDA consist of (1) amendments to Exhibit B, the SERC Bylaws, and (2) amendments to Exhibit C, the SERC Regional Standards Development Procedure (“SERC RSDP”). The SERC Bylaws and RSDP are “Regional Entity Rules” as defined in 18 C.F.R. §39.1; thus, in accordance with 18 C.F.R. §39.10, amendments to them require Commission approval. By approving the proposed amendments to Exhibits B and C of the SERC RDA, the Commission will also be approving the amendments to the SERC Bylaws and the SERC RSDP as “Regional Entity Rules.”

As described in greater detail in §III.A of this Petition, the principal purposes of the amendments to the SERC Bylaws are (1) to clarify the respective composition and responsibilities of the SERC Board of Directors and the Board Executive Committee; (2) to conform to requirements of North Carolina law, as SERC is changing its state of incorporation from Alabama to North Carolina; (3) to eliminate several duplicative or unnecessary provisions; (4) to make terminology consistent throughout the Bylaws; and (5) to implement several other changes not fitting into the above four categories (as more fully described in §III.A).

As described in greater detail in §III.B of this Petition, the principal purposes of the amendments to the SERC RSDP are (1) to address issues identified during NERC’s 2009 audit of SERC; (2) to make revisions to the RSDP to improve process efficiency in standards

¹ 16 U.S.C. §824o (2005).

development and reduce the time required to develop a Regional Reliability Standard; and (3) to ensure alignment with the processes in the NERC *Standard Processes Manual* (Appendix 3A to the NERC Rules of Procedure) and with the amended SERC Bylaws being presented for approval in this Petition. In addition, the revisions satisfy the requirement of the SERC RSDP for a three-year review and reapproval of the document. (The last revision to the SERC RSDP became effective January 3, 2009.)

Attachment 1 to this Petition is a letter from SERC to NERC requesting approval of the amendments to the SERC Bylaws and explaining the purposes of the amendments. **Attachments 2 and 3** are clean and redlined versions, respectively, of the proposed amended SERC RDA. **Attachment 3** shows, in legislative style, the proposed amendments to the SERC Bylaws and RSDP (included in Exhibits B and C, respectively, of the SERC RDA).

II. NOTICES AND COMMUNICATIONS

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

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III. PROPOSED AMENDMENTS TO SERC DELEGATION AGREEMENT

A. Proposed Amendments to the SERC Bylaws – Exhibit B to the SERC Delegation Agreement

As noted in §I above, the proposed amendments to the SERC Bylaws fall into five principal categories. The following paragraphs describe the proposed amendments to the SERC Bylaws in each of these categories.² **Attachment 1** contains additional explanation provided by SERC.

1. Amendments concerning the respective composition and responsibilities of the SERC Board of Directors and the Board Executive Committee. Section 4.13 of the Bylaws is being amended to more clearly delineate the powers and responsibilities of the SERC Board and the powers and responsibilities of the Board Executive Committee. As amended, §4.13 specifies which duties must be carried out by the Board (*i.e.*, for which the Board has “exclusive responsibility”) under the requirements of North Carolina law. Amended §6.3 clarifies that the Executive Committee cannot exercise those powers that are assigned to the Board in §4.13 by North Carolina law; it states that except as limited by the North Carolina Nonprofit Corporation Act and §4.13 of the Bylaws, the Executive Committee is empowered to make all decisions and take such actions as are deemed necessary for operation of the Corporation. The amendments also delete reference to those duties that may be carried out by either the Board or the executive Committee.

Amended Article IV, captioned “Board of Directors,” contains amended provisions pertaining to the composition and functioning of the SERC Board. Section 4.2, “Composition and Eligibility,” is amended to eliminate the cap on the number of Directors of no more than

² Many sections in the amended Bylaws are renumbered due to the deletion of sections and reorganization of topics within the Bylaws. References to sections of the Bylaws in this Petition are to the sections as renumbered, unless otherwise indicated.

100, and to specify that the Board will be comprised of no fewer than three Directors and no more than two Customer Advisors (formerly “Customer Representatives” – see the next paragraph below). Section 4.2 is also amended to specify that a Director must be the principal officer or other authorized employee of a Member Company or of a company that controls, is controlled by, or is under common control with the Member Company, with a limit of one Director appointed by each Member Company; and to provide that each Member Company may designate one Alternate Director (with the same qualifications requirements as for the Member Company’s Director), to serve in place of the Member Company’s Director at any meeting of the Board. Amended §4.2 further provides that any vacancy among Directors or Alternate Directors shall be filled by the applicable Member Company.

Additionally, §4.2 is amended to rename “Customer Representatives” as “Customer Advisors,” with conforming changes made as needed. As amended, §4.2 states the qualifications for the Customer Advisor positions on the Board, provides for two-year terms for Customer Advisors, and provides that if the Board does not include two Customer Advisors, the Board may elect Customer Advisors to fill the vacancy or vacancies (some of these provisions are consolidated from other sections of the current Bylaws). Finally, amended §4.2 includes a provision (moved from another section of the current Bylaws) that the Chair of the Commission and the chair or president of any State Utility Commission in a state in which electric service is provided by a Member Company shall be invited to designate an observer to attend meetings of the SERC Board.

Article 4.5 is being amended to permit notices of special meetings of the Board to be given by electronic mail. Section 4.6 is being amended to provide that no Director may serve in more than one Board Officer position at the same time.

Amended Article VI, captioned “Executive Committee,” contains provisions pertaining to the composition and functioning of the Board Executive Committee. In amended §6.1, Executive Committee Representatives, the Executive Committee continues to be comprised of 12 Sector representatives from the Board, as in the current Bylaws. Amended §6.2 provides that the Board Chair, Vice-Chair and Secretary-Treasurer shall be ex officio representatives on the Executive Committee but shall not have voting rights unless such Board Officer has been elected by a Sector to the Executive Committee. Finally, amended §6.4, Action, specifies that each voting representative on the Executive Committee shall have one vote; that the presence of three-quarters of the voting representatives on the Executive Committee shall constitute a quorum; and that the positive vote of two-thirds of the Executive Committee voting representatives present and voting is necessary to pass an action.

2. Amendments to conform to requirements of North Carolina law. SERC previously moved its headquarters from Alabama to North Carolina, and for convenience is changing its state of incorporation from Alabama to North Carolina. Although the requirements of Alabama law and North Carolina law with respect to nonprofit corporations are similar, several amendments to the Bylaws are necessary for consistency with North Carolina law. Amendments made necessary by the change in state of incorporation to North Carolina include the amendments found in the following sections:

- §4.13 (see discussion in the first category of amendments, above).
- §6.3 (see discussion in the first category of amendments, above).
- §7.1 (implementing a requirement of North Carolina law that a Board Committee must have at least two Directors among its members).
- §11.1 (updating the provision on dissolution of the Corporation to be consistent with North Carolina law).

- §12.1 (changing a reference from the Alabama NonProfit Corporation Act to the North Carolina NonProfit Corporation Act).
- §13.1 (changing a reference from the Alabama NonProfit Corporation Act to the North Carolina NonProfit Corporation Act; in addition, this section is amended to include committee members and Alternate Directors in the persons indemnified by the Corporation).

3. Deletion of duplicative and unnecessary provisions. The amendments to the Bylaws delete several provisions that were duplicative or unnecessary. The deleted provisions include the following:

(i) In amended Articles VII and VIII, Bylaws provisions on particular named committees (other than provisions relating to the Executive Committee) have been deleted, but provisions have been retained or modified to provide general guidance on how committees are established and governed. These amendments eliminate the need for future amendments to sections pertaining to specific committees (which have been deleted); instead, the powers and responsibilities of Board committees and Standing Committees will be addressed in scope documents that are approved by the Board. Section 7.2, as amended, specifies that each committee shall adopt rules for its own governance that are not inconsistent with the Bylaws, rules adopted by the SERC Board, applicable NERC or Commission rules or regulations, or applicable state or federal laws, and are approved by the SERC Board.

(ii) The “Conflict of Interest” provision previously located in the Compliance Committee section of the Bylaws has been deleted there and moved to the “Miscellaneous” section (amended Article VIII), as well as amended to codify SERC’s practice that all Directors, Alternate Directors, Customer Advisors and Board committee representatives are subject to the conflict of interest provisions.

(iii) A provision on Reliability Standards Development (currently in Article VIII) is being deleted as unnecessary because SERC's process for development of Regional Reliability Standards, including formation of the ballot pool, is governed by the SERC RSDP.

4. Amendments to make terminology consistent throughout the SERC Bylaws.

Non-substantive amendments have been made throughout the SERC Bylaws to provide more consistent use of frequently-used terms and to eliminate confusion in instances where terminology was similar. These amendments result in consistency in the following areas: (1) uniformly referring to SERC Members as "Member Companies" (*see, e.g.*, amended §2.1); (2) consistently referring to individual Directors and other representatives as "Directors," "Alternate Directors," and "Customer Advisors;" and (3) consistent capitalization of terms.

5. Other amendments to the SERC Bylaws. Amendments to the following sections and articles of the SERC Bylaws do not fit neatly into the four categories described above.

(i) Section 2.2 is amended to specify that to be eligible for membership in SERC, an entity must be in the SERC Region.

(ii) Section 2.4 is amended to remove Customer Representatives from the ISO-RTO Sector (formerly the ISO-RTO/Customer Sector) for Board voting purposes, with conforming changes as needed. This amendment does not change the inclusion of Customer input in the ISO/RTO Sector for purposes of the Regional Standards Development process.

(iii) In §3.2, the current description of the Geographic Area of the SERC Region is deleted and replaced with a reference to Exhibit A to the SERC RDA.

(iv) In amended §5.1 on Corporate Officers, a provision is added that the Board may appoint such other officers and assistant officers (in addition to the officers expressly provided for in the Bylaws) as it deems necessary.

(v) Article VIII of the Bylaws has been retitled “Miscellaneous.” The Article has been amended to contain several provisions that are found in separate Articles in the current Bylaws, including provisions on Conflicts of Interest, Contracts, Checks, Drafts, etc., Deposits, Books and Records, (corporate) Seal, and Fiscal Year. A provision on Gifts (which stated that the Board may accept on behalf of the Corporation any contribution, gift, bequest or devise for the general purposes or any specific purposes of the Corporation) has been deleted.

(vi) A new Article XIV has been created containing provisions on amendments to the Bylaws. This provision states that a request by 20% of the Board, or by an affirmative vote of the Executive Committee, to amend the Bylaws shall be placed before the Board, and shall be adopted if approved by a Supermajority vote (as defined in the Bylaws³) of the Board where a quorum is present.

B. Proposed Amendments to the SERC Regional Standards Development Procedure – Exhibit C to the SERC Delegation Agreement

The SERC RSDP is being amended to (1) address issues identified during NERC’s 2009 audit of SERC; (2) improve efficiency of the standards development process and reduce the time required to develop a SERC Regional Reliability Standard; and (3) ensure alignment with the NERC *Standard Processes Manual*; and with the amended SERC Bylaws. The following

³ The provisions of the existing Bylaws for determining Supermajority and Simple Majority votes of the Board are maintained in §4.9 and §4.10 of the Bylaws, and preserve the requirement that no two Sectors should be able to control any decision and no one Sector should be able to veto a matter.

paragraphs describe the amendments to the SERC RSDP in each of these four areas. In addition, the revisions to the SERC RSDP meet the requirement of the RSDP for a three-year review and reapproval of the document.⁴

1. Amendments to address issues identified during NERC’s 2009 audit of SERC. The following changes to the SERC RSDP are being made based on NERC’s 2009 audit of SERC:

- The notification requirements in Steps 4, 7, 8, 10 and 12 of the Process Steps and in Appendix 2 are being revised to include all other Regional Entities. The current version only requires notification to Regional Entities adjacent to SERC. Providing notification to all other Regional Entities will aid the Regional Entities in determining whether the scope of a proposed Regional Reliability Standard should be expanded to an Interconnection-wide or a continent-wide basis.
- A sentence is being added to Step 6 to require re-approval of the SERC Standards Committee for any revision to the work plan of a Standard Drafting Team (“SDT”) which delays the ballot by 60 days or more, to provide additional controls for the project schedule.
- Step 6 is also being modified to require completion of the work product of the Responsible SERC Subgroup (“RSS”) prior to ballot. The modification also requires that each document (item of the RSS work product) associated with a standard be included in at least one formal comment period. This amendment will ensure that stakeholders are given an opportunity to comment on all relevant documents.

2. Amendments to improve efficiency of the standards development process and to reduce the time required to develop a Regional Reliability Standard:

- The requirement for a periodic review and reapproval of the RSDP is being changed from every three years to every five years. (See “Review and Reapproval Requirements” section of the RSDP.)
- The term and description of “Compliance Advisory Groups” is being deleted from the Process Roles section, since the Compliance Advisory Groups are not included in any

⁴ The project history and files concerning the development of the proposed amendments to the SERC RSDP are available at:

<http://serc.centraldesktop.com/standardhomepage/doc/13485845/w-Revision2OfSercRegionalStandardsDevelopment>.

process steps.

- The required notice period for a meeting is being changed from 21 days to seven days for a meeting by conference call or by WebEx. The notice period for an in-person meeting continues to be 21 days. (*See* Step 6 of the Process Steps.)
- Several of the Process Steps are amended to specify that certain actions required under those Steps will be taken by the Executive Committee of the applicable SERC Standing Committee, rather than by the full Standing Committee.
- A new Step 11 is being added requiring that NERC be requested to post a proposed Regional Reliability Standard for comment after it receives approval of the Ballot Pool, but before adoption of the standard by the SERC Board of Directors. Step 13 (formerly Step 12) is amended to delete the current requirement for the NERC posting to occur after approval of the standard by the SERC Board. These amendments will avoid the situation in which the NERC posting identifies the need for a change to the standard after it has been approved by the SERC Board.
- Additionally, new Step 11 requires the RSS to develop responses to any comments received on the proposed standard during the NERC posting, and to submit the comments, along with any associated modifications to the standard, to the SERC Standards Committee. The Standards Committee may approve minor editorial modifications that do not have a substantive impact; however, if the RSS proposes substantive modifications, the Standards Committee may (i) remand the standard to the RSS for further consideration, or (ii) accept the proposed modifications and send the standard back to Step 9 for re-ballot.
- Step 12 (formerly Step 11) is being amended to provide that before the SERC Board can consider approval of a proposed Regional Reliability Standard, the SERC Standards Committee must approve of the resolution of any comments that were received during the Step 11 posting.

3. Amendments to ensure alignment with the NERC *Standard Processes Manual*

and with the amended SERC Bylaws:

- In Step 1 of the Process Steps, a requirement is added that the Requester (*i.e.*, the sponsor of the Standard Authorization Request (“SAR”)) must verify in the Justification section of the SAR that the request meets one of the following criteria: (i) the proposed Regional Reliability Standard covers a topic addressed in a continent-wide standard, but the proposed standard will include requirements more stringent than those in the continent-wide standard; (ii) the proposed Regional Reliability Standard addresses matters that the continent-wide Reliability Standards do not; or (iii) the proposed standard is necessitated by a physical difference in the Bulk Electric System.

- Correspondingly, Step 3 is being amended to specify that the Executive Committee(s) of the assigned SERC Standing Committee(s) must verify that the Requester has provided information to justify that the SAR meets one of the three specified criteria.
- A requirement is being added to Step 4 to include with the SAR posting a comment form and a nomination form to serve on the SDT.
- Additionally, a requirement is being added to Step 4 that a response be developed to comments received from the SAR posting, and for the Executive Committee(s) of the assigned SERC Standing Committee(s) to approve any revisions to the SAR.
- Step 8 is being amended to specify that after comments on postings of the draft standard are resolved and the RSS and SERC Standards Committee determine that no additional postings for comments are warranted, NERC regional standards staff will be requested to arrange for a formal quality review of the draft standard. The RSS is to develop responses to any recommendations from the quality review, including developing revisions to the draft standard if appropriate. The SDT and the Standards Committee must agree on the responses prior to taking one of the following actions: (i) submit the draft standard for an additional comment posting period pursuant to Step 7, or (ii) submit the draft standard to the SERC ballot body for approval (Step 9). Additionally, the SERC Standards Committee is to determine if an additional formal quality review by NERC should be requested for a draft standard which has been revised based on responses received in an additional comments posting period.
- Step 10 is being amended to specify that the ballot for a proposed standard must include provisions for comments, and that the RSS shall develop a written response to each comment received with a ballot.
- In Appendix A of the RSDP, quotes from the SERC Bylaws are being deleted and replaced with references to the Bylaws and to the scope documents for SERC committees (the scope documents are provided for in amended §7.2 of the Bylaws).
- In Appendix B, the process for development of Interpretations of Regional Reliability Standards is being revised to include approval by the ballot body and by the Commission.
- In Appendix C, the names of several reliability functional entities are updated to be consistent with the terms used in the NERC Function Model Version 5, and the descriptions of many of the reliability functions have been simplified. Also, the amendments to Appendix C eliminate Interpretations of “regional criteria.”
- In Appendix D, “Elements of a SERC Regional Reliability Standard,” a statement that Violation Severity Levels (“VSL”) are part of and balloted with the standard, is being deleted. A sentence is added specifying that each requirement of a standard must have at least one VSL.

- Also in Appendix D, the description of the element “Compliance monitoring process” deletes the following two items from the items that are to be defined for each measure in a standard: (i) the time period in which performance or outcomes is measured, evaluated, and then reset; and (ii) VSLs.
- Additionally in Appendix D, corresponding to the deletion of the time period item from “Compliance monitoring process,” a separate element is added for “Time horizon” (“the time period an entity has to mitigate an instance of violating the associated requirement”), with five time horizons listed and defined.
- All applicable references to “approval” by the NERC Board of Trustees are being changed to “adoption;” and references to “adoption” by the SERC Board of Directors are changed to “approval.”

4. Other amendments to the SERC RSDP. The following additional amendments

to the SERC RSDP do not fall readily into one of the above-described categories:

- Throughout the RSDP, the term “bulk power system” is changed to the term “Bulk Electric System,” which is defined in the NERC *Glossary of Terms Used in Reliability Standards*.
- Throughout the RSDP, defined terms (including terms defined in the SERC Bylaws and in the NERC *Glossary of Terms Used in Reliability Standards*) are capitalized, while terms that are currently capitalized but are not defined terms, are lower-cased.
- In §A.2 of Appendix A on SERC Regional Reliability Standard Voting Procedures, the text is amended to provide that applications to join the Registered Ballot Body shall be reviewed by the Executive Committee of the SERC Board or its designee to determine whether the entity satisfies the criteria to belong to the Registered Ballot Body sector that the entity has selected.
- In the section of Appendix B on Maintenance of the SERC Regional Reliability Standards Development Procedure, which states that “significant changes to this procedure shall be addressed using the same procedure as a request to develop, modify, or withdraw a SERC Regional Reliability Standard,” the following sentence is added: “For any such changes to this procedure, the SERC Standards Committee will assume the responsibilities normally assigned to the Executive Committee(s) of the SERC Standing Committee(s) in Steps 3, 5, and 10.”

IV. SERC AND NERC APPROVALS FOR THE PROPOSED AMENDMENTS

The proposed amendments to the SERC Bylaws were approved by the SERC Board of Directors on October 26, 2011, and were approved by the NERC Board of Trustees on February

23, 2012. In making the determination to approve the proposed amendments to the SERC Bylaws, NERC determined that the amended SERC Bylaws continue to satisfy the five Governance criteria stated in Exhibit B to the SERC RDA.

The proposed amendments to the SERC RSDP were approved by the SERC Board Executive Committee on December 14, 2011, and were approved by the NERC Board on February 9, 2012. In making the determination to approve the proposed amendments to the SERC RSDP, NERC determined that the amended SERC RSDP continues to conform to the Common Attributes for a Reliability Standards development process stated in Exhibit C to the SERC RDA.

V. CONCLUSION

The North American Electric Reliability Corporation respectfully requests that the Commission approve the proposed amendments to its Delegation Agreement with SERC Reliability Corporation shown in **Attachment 3** to this Petition, including approving the amendments to the SERC Bylaws (included in Exhibit B to the SERC RDA) and to the SERC RSDP (included in Exhibit C to the SERC RDA) as amendments to Regional Entity Rules.

Respectfully submitted,

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ATTACHMENT 1

**SERC RELIABILITY CORPORATION
LETTER TO NERC
EXPLAINING PROPOSED AMENDMENTS TO
THE SERC BYLAWS**



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January 18, 2012

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Re: Amendments to the SERC Reliability Corporation Bylaws

Dear David:

In accordance with the Amended and Restated Delegation Agreement dated January 1, 2011 ("Delegation Agreement") between the North American Electric Reliability Corporation ("NERC") and SERC Reliability Corporation ("SERC"), I am providing you with amended SERC Bylaws, which were approved by the SERC Board of Directors ("Board") on October 26, 2011. The nature of and reasons for the amendments are set forth below. The amendments do not affect any of the qualifications for the delegation of authority from NERC to SERC, and will not have any adverse impact on the ability of SERC to function as a Regional Entity under the Delegation Agreement.

Accordingly, SERC requests that: (1) NERC approve the amended SERC Bylaws as consistent with the Delegation Agreement; (2) the amended SERC Bylaws be forwarded to the Federal Energy Regulatory Commission ("FERC") for approval; and (3) upon FERC approval, the amended SERC Bylaws become effective as part of the Delegation Agreement.

I. Background

At its fall Board meeting, after a thorough review process, the SERC Board unanimously approved amendments to the SERC Bylaws. The proposed amendments (1) clarify the responsibilities of the Board and Board Executive Committee; (2) make changes necessary to conform with the requirements of North Carolina law, as SERC intends to change its state of incorporation from Alabama to North Carolina; and (3) make amendments to simplify and clarify the Bylaws by eliminating duplicative or unnecessary provisions, and/or make amendments to make terminology consistent throughout the Bylaws. Further details on the amendments to the Bylaws are discussed below.

Clean and redlined versions of the amended Bylaws are provided as Attachments 1 and 2 to this letter. Upon approval, the amended Bylaws would become Exhibit B to the Delegation Agreement.

II. Powers of the Board and the Executive Committee

SERC's current structure balances the responsibilities of the Board with those of the Executive Committee. While the Board provides oversight and general direction to the corporation, it only meets twice a year. In between meetings of the Board, the Executive Committee manages the affairs of the corporation.

The prior Bylaws did not, however, clearly specify the relationship between the Board and the Executive Committee. In addition, the duties of the Board in the amended Bylaws needed to be consistent with North Carolina law. Section 4.13 of the Bylaws was amended to more clearly delineate the powers and responsibilities of the Board and the Executive Committee. In addition, the amendments specify which duties must be carried out by the Board, as required by North Carolina law, and remove those duties that may be carried out by either the Board or the Executive Committee.

III. Conforming to the Requirements of North Carolina Law

SERC is currently incorporated in Alabama but has its primary place of business in North Carolina, and no longer has a substantial nexus with Alabama. Based on its review, the Board has authorized a change to the state of incorporation, to move from Alabama to North Carolina, and the revised Bylaws reflect that decision. These amendments have no significant effect on the operation of SERC because the requirements of Alabama and North Carolina law for nonprofit corporations are similar.

SERC is in the process of completing the change in its state of incorporation and expects to be completed in the first quarter of this year.

Amendments made necessary by the change in the state of incorporation can be found in:

- (1) Section 4.13 (as discussed above);
- (2) Section 6.3 (clarifying that the Executive Committee cannot exercise the powers that are assigned to the Board in Section 4.13 by North Carolina law);
- (3) Section 7.1 (implementing a North Carolina requirement that Board committees must have at least two Directors among its members);
- (4) Section 11.1 (updating dissolution provision to require consistency with North Carolina law);
- (5) Section 12.1 (dealing with notice and waiver issues under North Carolina law); and
- (6) Section 13.1 (amending indemnification provision to reference North Carolina law).

IV. Eliminating Duplicative or Unnecessary Provisions

Several provisions in the prior Bylaws were identified that were duplicative or unnecessary, and SERC has moved to delete those provisions. The amended Bylaws reflect these deletions, and therefore no longer include the following items:

- (1) Other than the Executive Committee, all committee sections have been removed from the Bylaws, while maintaining general guidance on how committees are to be

established and governed. This was done to treat all committees consistently and eliminate the need to amend the Bylaws to address a change in a committee-specific section. Instead, the powers and responsibilities of Board and Standing Committees will be addressed in a scope document that is approved by the Board of Directors. This amendment aligns the treatment of all Board and Standing Committees, other than the Executive Committee, due to its role in corporate governance, and is consistent with other Regional bylaws.

- (2) The conflict of interest provision previously located in the Compliance Committee section has been moved to the "Miscellaneous" Article and amended to codify and make clear SERC's practice that all Directors, Alternate Directors, Customer Advisors, and Board committee representatives are subject to the conflict of interest provisions.
- (3) Removal of provision dealing with Reliability Standards development, which is no longer needed, as SERC's process for Standards Development, including formation of the ballot pool, is governed by Exhibit C to the Delegation Agreement.

V. Making Terminology Consistent

SERC made additional non-substantive amendments throughout the Bylaws in order to be more consistent with frequently used terms and to eliminate confusion in cases where terminology was similar. Examples of these amendments include:

- (1) Changes to uniformly refer to SERC "Members" as "Member Companies;" and
- (2) Clarification to refer to individual directors and other representatives as "Directors," "Alternate Directors," and "Customer Advisors."

These amendments should have no significant effect on the operation of SERC because they are simply terminology changes intended to improve consistency in the use of frequently used terms and thereby eliminate confusion.

VI. Other Changes

Several other important amendments do not neatly fit into the general categories laid out above. These amendments include:

- (1) Section 2.2 (clarifying change to specify SERC as the region);
- (2) Section 2.4 (removing Customer Representatives from the ISO/RTO sector for Board voting purposes, with conforming changes made as needed. This does not change the inclusion of Customer input in the ISO/RTO sector for purposes of the Standards Development process);
- (3) Section 4.2 (renaming "Customer Representatives" as "Customer Advisors," with conforming changes made as needed. In addition, several provisions dealing with Directors and Customer Advisors were consolidated in this Section in order to clarify who can serve in each position, how to fill vacancies, etc.);
- (4) Article VIII – Miscellaneous (expanding this Article to incorporate several stand-alone Articles from the prior Bylaws); and
- (5) Article XIV – Amendment of the Bylaws (creating this Article to provide clear instructions for the process to propose amendments to the Bylaws).



These amendments provide clarification to important aspects of the Bylaws or SERC's corporate practice and consolidate related provisions in a single location in the Bylaws. However, none of the amendments should affect SERC's current operations.

VII. Conclusion

As detailed above, the amendments to the SERC Bylaws do not impact SERC's qualifications to serve as a Regional Entity with delegated authority from NERC and do not affect the ability of SERC to function as a Regional Entity under the Delegation Agreement. Accordingly, SERC requests that NERC approve the amended Bylaws as consistent with the Delegation Agreement, and forward the amended Bylaws to FERC for approval and adoption as a replacement for Exhibit B to the Delegation Agreement.

Please contact me if you have any questions.

Sincerely,

Marisa A. Sifontes

Enclosures

cc: R. Scott Henry, SERC President and CEO

ATTACHMENT 2

AMENDED DELEGATION AGREEMENT

BETWEEN

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

AND

SERC RELIABILITY CORPORATION

CLEAN VERSION

**AMENDED AND RESTATED DELEGATION AGREEMENT BETWEEN
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
AND SERC RELIABILITY CORPORATION**

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

WITNESSETH

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

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

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

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

WHEREAS, the Act and Section 39.8 of the ERO Regulations provide for the delegation by the ERO of authority to propose and enforce Reliability Standards to regional entities (“Regional Entities”) such as SERC 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, SERC 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 SERC to carry out certain of its activities in furtherance of its responsibilities as the ERO under the Act;

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

WHEREAS, NERC and SERC, having operated under a predecessor agreement to this Agreement, have negotiated this amended and restated Agreement so as to incorporate the benefits of their mutual experience and lessons learned while operating under the predecessor agreement and thereby provide for the more efficient and effective execution of their respective

responsibilities in a transparent manner that is pursuant to Section 215 of the Act and the ERO Regulations;

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

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

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

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

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

2. **Representations**.

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

(i) SERC 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. SERC is governed in accordance with its bylaws by a balanced stakeholder board. Pursuant to these bylaws, no two industry sectors can control any SERC decision and no single industry sector can veto any SERC decision. The relevant portions of such bylaws are attached hereto in **Exhibit B¹**, and as so attached are in full force and effect. No other such corporate governance documents are binding upon SERC.

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

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

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

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

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

3. **Covenants.**

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

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

(c) During the term of this Agreement, NERC and SERC

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

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

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

(b) In circumstances where SERC or an affiliated entity is a Registered Entity, SERC shall enter into an agreement with another Regional Entity or NERC for the other Regional Entity or NERC to monitor and enforce SERC's or affiliate's compliance with Reliability Standards. Such agreements are subject to NERC and Commission approval.

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

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

(e) As a condition to this delegation of authority and subject to the provisions of Section 17 of this Agreement, SERC shall comply with the applicable provisions of NERC's

Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards, as from time to time adopted, approved, or amended.

5. Development and Proposal of Reliability Standards.

(a) In connection with its Delegated Authority, SERC 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 SERC reasonable notice and opportunity to be heard; and

(ii) develop Regional Reliability Standards [and Regional Variances, if Regional Entity is organized on an Interconnection-wide basis] through SERC's process as set forth in **Exhibit C**. Proposals approved through SERC's process shall be reviewed by the NERC Board after NERC provides notice and an opportunity for interested persons to comment. In the case of a proposal from a Regional Entity organized on an Interconnection-wide basis, comments shall be limited to the factors identified in NERC Rule of Procedure 312.3 as it may be amended from time to time. The NERC Board shall promptly thereafter consider such proposed Regional Reliability Standard or Regional Variance, applying the rebuttable presumption described in subsection 5(b) of this Agreement if the proposed Regional Reliability Standard or Regional Variance is from a Regional Entity organized on an Interconnection-wide basis, and either approve the proposed Regional Reliability Standard or Regional Variance and submit it to the Commission for approval, or disapprove it in writing setting forth its reasons. SERC may appeal any disapproval of a proposed Regional Reliability Standard or Regional Variance to the Commission.

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

6. Enforcement of Compliance with Reliability Standards.

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

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

(c) Each Possible Violation, Alleged Violation, or Confirmed Violation shall be treated as nonpublic unless the matter is filed with the Commission as a Notice of Penalty, or, if

disclosure is required, dismissed. The disposition of each Possible Violation, Alleged Violation, or Confirmed Violation that relates to a Cybersecurity Incident or that would jeopardize the security of the Bulk-Power System if publicly disclosed shall remain nonpublic unless the Commission directs otherwise.

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

(i) whether the disposition is supported by a sufficient record compiled by SERC in accordance with the NERC Rules of Procedure, NERC directives and Commission requirements, taking into account the nature of the Possible Violation, Alleged Violation, or Confirmed Violation,

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

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

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

NERC may reject any disposition, with an explanation of why NERC believes the disposition does not meet the above criteria. SERC may submit a disposition requiring NERC approval that has been rejected by NERC, or a revised disposition following a rejection, directly to the NERC Board Compliance Committee for approval without revising the disposition to address all the grounds on which NERC originally rejected the disposition. The final approval of SERC's disposition of a Possible Violation, Alleged Violation, or Confirmed Violation shall be made by

the NERC Board Compliance Committee, provided, that the NERC Board or NERC Board Compliance Committee may, by appropriate resolution, delegate authority for final approval of dispositions of specified categories of Possible Violations, Alleged Violations, or Confirmed Violations to the NERC President.

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

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

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

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

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

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

7. Delegation-Related Activities.

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

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

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

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

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

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

(c) Reliability Assessment and Performance Analysis. SERC shall develop assessments of the reliability of the Bulk-Power System, or ensure that data and information are collected, analyzed and provided to NERC in support of the development of reliability assessments, in accordance with the NERC Rules of Procedure. SERC shall also develop and maintain, and collect data in support of the development and maintenance of, reliability performance metrics and assessments of risks to the Reliable Operation of the Bulk-Power System, in accordance with the NERC Rules of Procedure and NERC directives. NERC shall develop data-gathering quality control procedures, forms and reporting mechanisms, which

shall be used by SERC and other Regional Entities in carrying out their responsibilities under this subsection (c).

(d) Event Analysis and Reliability Improvement. SERC shall conduct event analysis pursuant to the NERC Rules of Procedure and applicable governmental regulations. NERC and SERC shall coordinate event analysis to support the effective and efficient use of their collective resources, consistency in event analysis, and timely delivery of event analysis reports. In collaboration with NERC, SERC shall disseminate to the electric industry lessons learned and other information obtained or resulting from event analysis.

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

(f) Situation Awareness and Infrastructure Security.

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

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

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

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

(a) (i) NERC shall develop, in collaboration with SERC and other Regional Entities, performance goals, measures and other parameters (including, without limiting the scope of

such goals, measures and parameters, financial performance goals, measures and parameters), and performance reports, which shall be used to measure NERC's and SERC's performance of their respective functions and related activities. The performance goals, measures and parameters and the form of performance reports shall be approved by the NERC President and shall be made public. SERC shall provide data, information and reports to NERC, in accordance with established schedules, to enable NERC to calculate SERC's performance to the agreed-upon goals, measures and parameters.

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

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

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

(c) (i) NERC may issue directives to SERC concerning the manner in which SERC shall perform its delegated functions and related activities under this Agreement. The NERC Rules of Procedure, or any other ERO Rule requiring approval of the Commission, shall not be

considered “directives.” NERC shall initiate the development of a directive through a collaborative process with SERC and, if applicable, other Regional Entities to which the directive will apply. Any directive developed through the collaborative process shall be approved by, and issued under the signature of, the NERC President.

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

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

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

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

shall be public, unless the Board or Board committee makes a written determination stating a specific reason for maintaining particular guidance or directions as non-public. SERC, either individually or in conjunction with other Regional Entities, may request that the NERC Board or Board committee reconsider or revise the guidance or direction.

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

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

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

9. Funding.

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

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

(b) SERC and NERC agree that the portion of SERC's approved budget for the functions and activities described in Sections 5, 6 and 7 and listed on **Exhibit E** that is to be funded by assessments, will be equitably allocated among end users within the geographic boundaries described in **Exhibit A** and recovered through a formula based on Net Energy for

Load, or through such other formula as is proposed by SERC and approved by NERC and the Commission. If SERC proposes to use a formula other than Net Energy for Load beginning in the following year, SERC shall submit the proposed formula to NERC in sufficient time that NERC may review and approve the proposed formula and file it with the Commission by May 15 for approval, and the proposed formula shall be effective for the following year if approved by the Commission on or before the date the Commission approves the annual business plan and budget submitted by NERC and SERC to the Commission pursuant to the ERO Regulations for such year.

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

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

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

(f) NERC shall fund SERC's performance of its Delegated Authority and related activities in accordance with SERC's Commission-approved business plan and budget, in the amount of SERC's assessments to end users approved by the Commission. **Exhibit E** sets forth the procedures and timing for billing and collecting SERC's approved assessments from end users and other entities and payment of the approved assessment amount to SERC, unless otherwise modified and approved by NERC and the Commission. NERC shall not impose any material obligation or requirement regarding the Delegated Authority upon SERC that has not been provided for in an approved business plan and budget or an approved amended or supplemental business plan and budget, without SERC's consent.

(g) NERC shall develop, in consultation with the Regional Entities, a reasonable and consistent system of accounts, with a level of detail and record keeping comparable to the

Commission's Uniform System of Accounts and sufficient to allow the Commission to compare each Commission-approved NERC and SERC fiscal year budget with the actual results at the NERC and Regional Entity levels. SERC shall follow NERC's prescribed system of accounts except to the extent that NERC permits a departure from the prescribed system of accounts. NERC shall make an informational filing with the Commission describing any such waiver it permits and providing an explanation supporting the permitted departure.

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

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

10. Assignment.

This Agreement may be assigned by either Party only with the prior written consent of the other, which consent shall be granted or withheld in such non-assigning Party's sole discretion, subject to approval by the Commission. Any assignment under this Agreement shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. SERC may not delegate in whole or in part its Delegated Authority to any other entity without NERC's express consent; provided, however, that nothing in this provision shall prohibit SERC from contracting with other entities to assist it in carrying out its Delegated Authority, provided SERC retains control and responsibility for such Delegated Authority.

11. Default and Cure.

Upon a Breach, the non-breaching Party shall give written notice of such Breach to the breaching Party (the "Default Notice"). Subject to a suspension of the following deadlines as specified below, the breaching Party shall have thirty (30) calendar days from receipt of the

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

12. Term and Termination.

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

(b) The term of the Agreement shall be five (5) years from the Effective Date, prior to which time NERC shall conduct an audit pursuant to subsection 6(i) to ensure that SERC continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. If SERC meets such requirements, this Agreement may be renewed for another five (5) year term. This Agreement may be renewed for successive additional five (5) year renewal terms provided that prior to the end of each renewal term, NERC shall conduct an audit pursuant to subsection 6(i) to ensure that SERC continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. Provided, that either Party may terminate this Agreement as of the end of a term by giving written notice to terminate at least one (1) year prior to the end of the term. If this Agreement is not renewed or becomes subject to termination for any reason, the Parties shall work to provide for a transition of SERC's Delegated Authority to NERC or to another eligible entity and to provide for the resolution of any wind-up costs associated with termination of this Agreement. The termination of this Agreement shall not take effect until such transition has been effected, unless the transition period exceeds one year, at which time SERC 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 SERC and NERC.

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

13. Limitation of Liability. SERC 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 SERC 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 SERC'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 SERC or NERC is found liable for gross negligence or intentional misconduct, in which case SERC or NERC shall not be liable for any indirect, incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

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

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

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

17. **Amendments to the NERC Rules of Procedure**. NERC shall not adopt amendments to the NERC Rules of Procedure that conflict with the rights, obligations, or programs of SERC under this Agreement without first obtaining the consent of SERC, which consent shall not be unreasonably withheld or delayed. To the extent SERC does not consent, NERC shall have the right to invoke the dispute resolution provisions of Section 18 and, if such effort fails to resolve the dispute, to petition the Commission to adopt the amendment to the NERC Rules of Procedure. To the extent that the Commission issues an order amending or materially affecting the rights or obligations of SERC under this Agreement, SERC 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 SERC to NERC and the Commission, or at such other time as may be mutually agreed by SERC and NERC.

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

(a) The Party invoking Dispute Resolution shall send a notice to the other Party describing the dispute, stating the invoking Party's position with respect to the dispute, stating that the Party is invoking Dispute Resolution, and naming the Party's designated representative for negotiating a resolution of the dispute. The designated representative shall have authority to resolve the dispute on behalf of the invoking Party.

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

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

(d) If the designated representatives are unable to arrive at a resolution of the dispute by the end of the time period described in subsection (c), they shall notify the chief executive officers of their respective Parties. The chief executive officers of the Parties shall thereafter engage in good faith negotiations to attempt to resolve the dispute during the period of twenty

(20) business days immediately following the time period described in subsection (c), *provided*, that the chief executive officers may agree prior to the end of such twenty (20) business day period that negotiations are at impasse and the process may move to the next step as described in subsection (f). Upon mutual agreement of the Parties, the twenty (20) business day period may be extended to pursue ongoing good faith negotiations.

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

(f) If the Parties are unable to resolve the dispute pursuant to the process described in subsections (a) through (e), then either Party may invoke any other available dispute resolution mechanism, including, without limitation, filing a complaint or petition with the Commission requesting resolution of the dispute by the Commission, or filing a complaint for relief in a court having jurisdiction over Parties and the subject matter of the dispute in accordance with Section 20. *Provided, however*, that: (i) it is the intent of the Parties that unresolved disputes shall be presented to and resolved by the Commission if the Commission has and accepts jurisdiction over the subject matter of the dispute, (ii) the Parties may, by mutual agreement, attempt to resolve the dispute through arbitration, mediation, or other process involving resort to an impartial neutral, and (iii) it is the intent of the Parties that resolution of disputes through Commission proceedings, arbitration, mediation, or other use of an impartial neutral, is preferred over resort to judicial proceedings.

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

19. Notice.

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

If to NERC:	If	SERC	to SERC:
North American Electric			Reliability Corporation
Reliability Corporation	2815		Coliseum Centre Drive
116-390 Village Blvd.	Suite		500
Princeton, NJ 08540-5721			Charlotte, NC 28217
Attn: General Counsel			Attn: President and CEO
Facsimile: (609) 452-9550			Facsimile: (704) 357-7914

20. Governing Law.

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

21. Headings.

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

22. Savings Clause.

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

23. Entire Agreement.

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

24. Execution of Counterparts.

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

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

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

SERC

RELIABILITY CORPORATION

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

SERC Regional Boundaries

Exhibit A to the Amended and Restated Regional Entity Delegation Agreement between

**North American Electric Reliability Corporation
and
SERC Reliability Corporation**



1.0 Regional Boundaries

The geographic boundaries of SERC Reliability Corporation (SERC) are determined by the service areas of its membership, comprised of investor-owned utilities, municipal, cooperative, state and federal systems, merchant electricity generators and power marketers.

SERC covers an area of approximately 560,000 square miles in sixteen states: all of Alabama, Georgia, Mississippi, North Carolina and South Carolina, and portions of Arkansas, Florida, Illinois, Iowa, Kentucky, Louisiana, Missouri, Oklahoma, Tennessee, Texas and Virginia.

Service provided by SERC members in areas which overlap with neighboring regions:

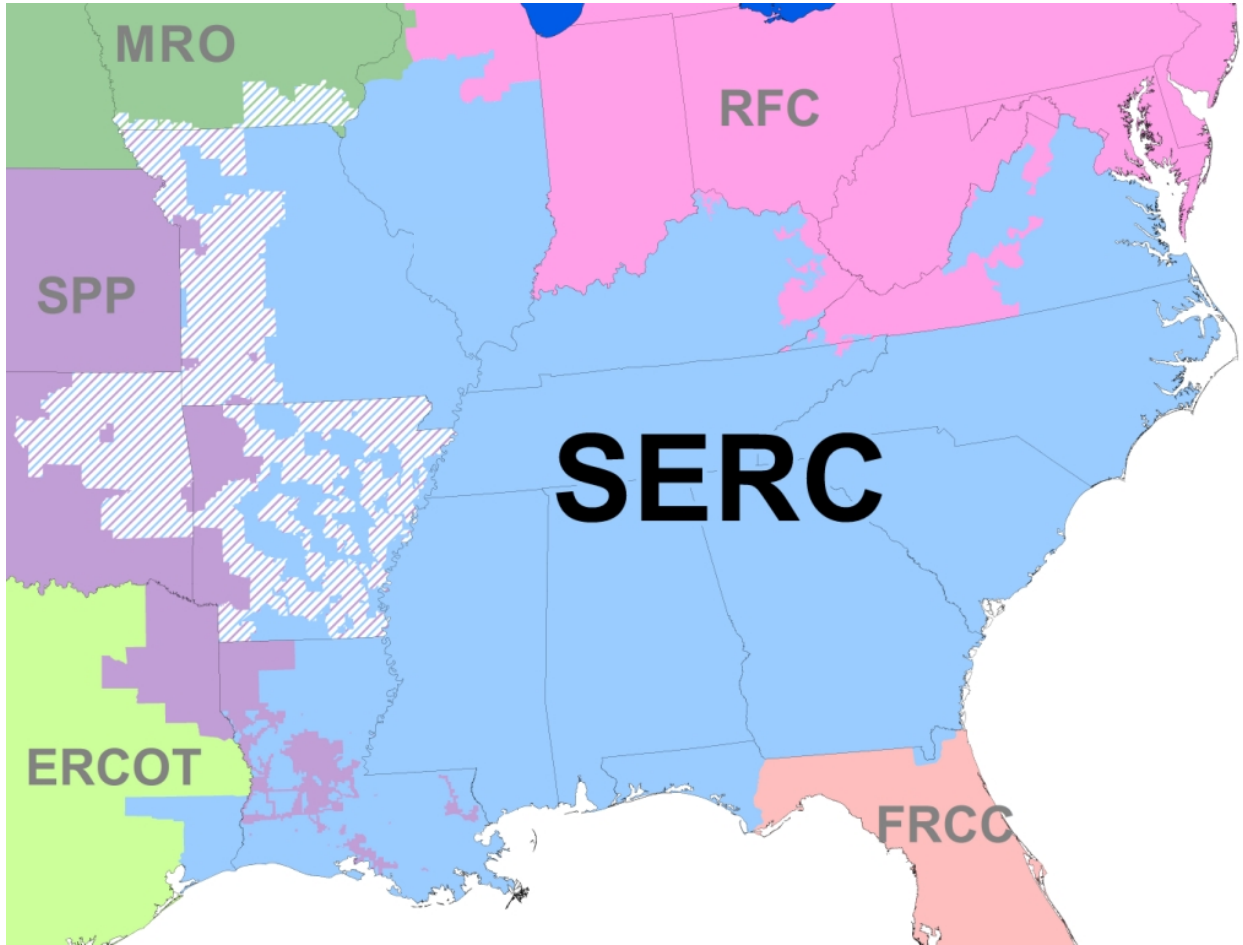
- The area in southern Iowa is served by N.E. Missouri Electric Power Cooperative, a member of Associated Electric Cooperative, Inc., and N.W. Electric Power Cooperative, a member of Associated Electric Cooperative, Inc.
- The area in eastern Oklahoma is served by KAMO Electric Cooperative, Inc., a member of Associated Electric Cooperative, Inc.
- The area in Arkansas is served by Entergy Arkansas.
- The area in western Missouri is served by N.W. Electric Power Cooperative, a member of Associated Electric Cooperative, Inc., and KAMO Electric Cooperative, Inc., a member of Associated Electric Cooperative, Inc.
- The area in N.E. Florida (part of Baker and Nassau counties) served by Okefenoke Rural Electric Membership Corporation (OREMC), a member of Georgia System Operations Corporation, and facilities physically located in Baker County, Florida owned by Georgia Transmission Corporation (GTC) are part of the SERC Region and not the FRCC Region.

A regional map is shown in Section 1.1.

SERC may also perform compliance and enforcement activities outside of the Region, on behalf of NERC and/or other Regional Entities, such activities to be undertaken pursuant to a contract between the Regional Entities that is approved by the Board Executive Committee, NERC and the Federal Energy Regulatory Commission.

Regional Boundaries

1.1 SERC Regional Map



SERC Governance

Exhibit B to the Amended and Restated Regional Entity Delegation Agreement between

**North American Electric Reliability Corporation
and
SERC Reliability Corporation**



Exhibit B – Governance

Exhibit B sets forth SERC Reliability Corporation's bylaws, which NERC agrees demonstrate that SERC meets the following criteria:

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

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

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

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

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

AMENDED AND RESTATED

BYLAWS

OF

SERC RELIABILITY CORPORATION

A North Carolina Nonprofit Corporation

Approved by the Board of Directors on October 26, 2011

TABLE OF CONTENTS

ARTICLE I - OFFICES	1
1.1 Principal Office	1
1.2 Other Offices	1
ARTICLE II - MEMBERSHIP	1
2.1 General	1
2.2 Eligibility	1
2.3 Termination	2
2.4 Sectors	2
2.5 Transfer of Membership	3
ARTICLE III - PURPOSES	3
3.1 General Purposes	3
3.2 Geographic Area	4
3.3 Other Statutory Functions	4
ARTICLE IV - BOARD OF DIRECTORS	4
4.1 General Powers	4
4.2 Composition and Eligibility	4
4.3 Regular Meetings of the Board	5
4.4 Special Meetings of the Board	5
4.5 Notice of Special Meetings	6
4.6 Election of Board Officers and Executive Committee	6
4.7 Agenda	6
4.8 Voting Definitions	6
4.9 Determination of Adjusted Weighted Vote	7
4.10 Voting; Manner of Acting; Voting Rights; Quorum; Proxies	8
4.11 Compensation	8
4.12 Informal Action by Directors	8
4.13 Duties	9
ARTICLE V - CORPORATE OFFICERS	9
5.1 Corporate Officers	9
5.2 President & Chief Executive Officer	9
5.3 Vice President	10
5.4 Secretary	10
5.5 Treasurer	10

ARTICLE VI - EXECUTIVE COMMITTEE	11
6.1 Executive Committee Representatives	11
6.2 Ex Officio Representatives	11
6.3 Authority of Executive Committee	11
6.4 Action.....	11
ARTICLE VII - OTHER COMMITTEES.....	12
7.1 Designation by Board.....	12
7.2 Rules for Governance.....	12
7.3 Ad-Hoc Support Committees.....	12
ARTICLE VIII - MISCELLANEOUS	12
8.1 Conflicts of Interest	12
8.1 Contracts	12
8.1 Checks, Drafts, etc.	12
8.1 Deposits.....	13
8.2 Books and Records	13
8.3 Seal	13
8.4 Fiscal Year.....	13
ARTICLE IX - EXPENSES.....	13
9.1 Allocation of Specific Expenses.....	13
9.2 Statutory Functions.....	13
9.3 Non-Statutory Functions.....	13
ARTICLE X - DISPUTE RESOLUTION PROCESS.....	14
10.1 Dispute Resolution	14
ARTICLE XI - DISSOLUTION.....	14
11.1 Dissolution	14
11.2 Distribution of Assets.....	14
ARTICLE XII - WAIVER OF NOTICE	15
12.1 Waiver.....	15
ARTICLE XIII - INDEMNIFICATION	15
13.1 Indemnification of Directors, Committee Members, Officers, Employees and Agents	15

ARTICLE XIV – AMENDMENT OF THE BYLAWS	15
14.1 Amendment of the Bylaws	15

AMENDED AND RESTATED
BYLAWS
OF
SERC RELIABILITY CORPORATION
[Hereinafter referred to as the “Corporation”]
A North Carolina Nonprofit Corporation

ARTICLE I - OFFICES

1.1 **Principal Office.** The principal office of the Corporation shall be located in the City of Charlotte, Mecklenburg County, North Carolina. The Board of Directors may by resolution change the location of this office from time to time.

1.2 **Other Offices.** The Corporation may have other offices at such place or places as the Board of Directors may from time to time appoint or the business of the Corporation may require.

ARTICLE II - MEMBERSHIP

2.1 **General.** The Corporation shall be a membership corporation. Entities that meet the eligibility requirements and apply for membership in the Corporation shall hereinafter be referred to individually as a “Member Company” and collectively as “Member Companies”.

2.2 **Eligibility.** Membership in the Corporation is open to any entity in the SERC Region that is a user, owner or operator of the Bulk Power System and is subject to the jurisdiction of the Federal Energy Regulatory Commission for the purpose of complying with Reliability Standards established under Section 215 of the Federal Power Act and all amendments thereto. Membership in the Corporation is voluntary; however, membership is predicated on mandatory acceptance of the responsibility to promote, support, and comply with Reliability Standards of the Corporation and the North American Electric Reliability Corporation (“NERC”), and to assist the Corporation in its compliance with the terms and provisions of a Delegation Agreement (a “Delegation Agreement”) with NERC, by which NERC delegates authority to propose and enforce Reliability Standards, pursuant to 16 U.S.C. § 824o or the corresponding

Approved by the Board of Directors on October 26, 2011

provisions of any subsequent U.S. Code revisions.

2.3 **Termination.** A Member Company may terminate its membership in the Corporation by giving the Board of Directors at least thirty (30) days written notice of its intent to terminate such membership (such Member Companies shall hereinafter be referred to as "Terminated Member Companies"). Terminated Member Companies shall nevertheless continue to be liable for any and all obligations incurred prior to the end of the calendar year in which such notice is given, including, but not limited to, the obligation to pay a pro rata share of any Corporation expense. In addition to termination of membership by the Member Company, the Board of Directors, following notice to the Member Company, may terminate the membership of a Member Company if in the judgment of the Board of Directors that Member Company has violated its obligations and responsibilities to the Corporation. The termination of the membership of a Member Company by the Board of Directors shall require a Supermajority vote, as defined in these Bylaws.

2.4 **Sectors.** Each Member Company shall be classified by the Executive Committee in one of the following seven (7) Sectors (each a "Sector", and collectively, the "Sectors"):

- (a) Investor-Owned Utility Sector – This Sector includes any investor-owned entity with substantial business interest in ownership and/or operation in any of the asset categories of generation, transmission or distribution.
- (b) Federal/State Sector – This Sector includes any U.S. federal entity that owns and/or operates electric facilities and/or provides balancing authority services, in any of the asset categories of generation, transmission, or distribution; or any entity that is owned by or subject to the governmental authority of a state and that is engaged in the generation, delivery, and/or sale of electric power to end-use customers primarily within the political boundaries of the state.
- (c) Cooperative Sector – This Sector includes any non-governmental entity that is incorporated under the laws of the state in which it operates, is owned by and provides electric service to end-use customers at cost, and is governed by a board of directors that is elected by the membership of the entity; and any non-governmental entity owned by and which provides generation and/or transmission service to such entities.
- (d) Municipal Sector – This Sector includes any entity owned by or subject to the governmental authority of a municipality, that is

engaged in the generation, delivery, and/or sale of electric power to end-use customers primarily within the political boundaries of the municipality; and any entity, whose members are municipalities, formed under state law for the purpose of generating or purchasing electricity for sale at wholesale to their members.

- (e) **Marketer Sector**– This Sector includes any entity that is engaged in the activity of buying and selling of wholesale electric power in the SERC Region on a physical or financial basis.
- (f) **Merchant Electricity Generator Sector** – This Sector includes any entity that owns or operates an electricity generating facility or provides balancing authority services for such entities. This includes, but is not limited to, small power producers and all other non-utility producers such as exempt wholesale generators who sell electricity at wholesale.
- (g) **ISO-RTO Sector** – This Sector includes any entity that operates a FERC approved ISO or RTO.

The Executive Committee’s classification of a Member Company in a particular Sector may only be changed by the Executive Committee.

2.5 **Transfer of Membership.** A Member Company may not give or otherwise transfer its membership, except to a successor that becomes a Member Company in accordance with the terms and conditions of these Bylaws, and provided that the successor continues to meet its predecessor’s obligations.

ARTICLE III - PURPOSES

3.1 **General Purposes.** The purpose of the Corporation is to promote effective and efficient administration of Bulk Power System reliability in the SERC Region, as defined in Section 3.2. In pursuit of this goal, the Corporation shall:

- (a) enter into a Delegation Agreement to serve as a Regional Entity pursuant to 16 U.S.C. § 824o or the corresponding provisions of any subsequent U.S. Code revisions;
- (b) promote the development of reliability and adequacy arrangements among the systems in the SERC Region;

- (c) participate in the establishment of Reliability Standards;
- (d) participate in the measurement of performance relative to these Reliability Standards;
- (e) promote conformance to and compliance with these Reliability Standards;
- (f) develop and exchange information with respect to planning and operating matters relating to the reliability and adequacy of the Bulk Power System;
- (g) review as necessary activities in the SERC Region on reliability and adequacy in order to meet Reliability Standards;
- (h) provide a mechanism to resolve disputes on reliability issues in a manner that meets the needs of the parties and the SERC Region; and
- (i) provide information with respect to matters considered by the Corporation, where appropriate, to the Federal Energy Regulatory Commission ("FERC") and to other federal and state agencies concerned with reliability and adequacy.

3.2 **Geographic Area.** The Corporation accomplishes its purposes in a geographic area (the "SERC Region") that is defined in Exhibit A of the Amended and Restated Delegation Agreement Between North American Electric Reliability Corporation and SERC Reliability Corporation. .

3.3 **Other Statutory Functions.** The Corporation may also perform statutory functions outside of the SERC Region, on behalf of NERC or other Regional Entities. The Corporation may undertake such activities pursuant to a contract that is approved by the Executive Committee.

ARTICLE IV - BOARD OF DIRECTORS

4.1 **General Powers.** The affairs of the Corporation shall be managed by its Board of Directors except as otherwise provided in these Bylaws.

4.2 **Composition and Eligibility.** The Board of Directors shall be comprised of no fewer than three (3) Directors and no more than two (2) Customer Advisors.

Each Director shall be the principal officer or other authorized employee from a Member Company or a company that controls, is controlled by, or is under common control with such Member Company (an “affiliated entity”). Each Member Company may appoint one (1) Director to the Board of Directors. Each Director shall serve until otherwise replaced by the applicable Member Company. Each Member Company may designate one (1) alternate Director, who shall be a principal officer or other authorized employee from the Director’s Member Company or an affiliated entity, to serve in the place of the Member Company’s Director at any meeting of the Board of Directors (an “Alternate Director”). Directors may not otherwise use proxy votes. Any vacancy occurring among the Directors or Alternate Directors shall be filled by the applicable Member Company.

Each Customer Advisor shall be a person who is (i) employed by an entity that receives service at retail and does not otherwise sell, purchase, or transmit power over the Bulk Power System or own, operate or maintain, control or operate facilities or systems that are part of the Bulk Power System; (ii) a state public utility commission representative; or (iii) any other customer advocate. Should the Board of Directors not include two (2) Customer Advisors, the Board of Directors may elect additional Customer Advisors to fill such vacancies. The term of these Customer Advisors shall be for a two (2) year period.

The Chair of FERC and the chair or president of any State Utility Commission in a state in which electric service is provided by a Member Company of the Corporation shall be invited to designate an observer to attend meetings of the Board.

4.3 Regular Meetings of the Board. Unless otherwise determined by the Chair, a regular meeting of the Board of Directors shall be held without other notice than these Bylaws on the fourth Wednesday in the months of April and October in each year. Notwithstanding the foregoing, the Chair may elect to hold a regular semi-annual meeting of the Board of Directors on another date provided that the Board receives at least ten (10) days advance notice. If the day fixed for the meeting shall be a legal holiday in the State of North Carolina, the meeting shall be held on the next succeeding business day. The Board of Directors may designate any place as the place of meeting for any meeting. The Board of Directors may provide by resolution the time and place for the holding of additional regular meetings of the Board without other notice than the resolution. Directors or any committee designated by the Board of Directors may participate in such Board or committee meetings by means of a telephone conference, webcast or any other communication by means of which all persons participating in the meeting can hear each other at the same time, and participation by such means shall constitute presence in person at such meeting.

4.4 Special Meetings of the Board. Special meetings of the Board of Directors may be called at the request of the Chair, or by Directors holding twenty percent (20%) or more of the Individual Votes. The Chair may fix any place as the

place for holding any special meeting of the Board.

4.5 **Notice of Special Meetings.** Notice of any special meeting of the Board of Directors shall be given at least two (2) days prior to the special meeting by written notice delivered personally, or sent by mail or electronic mail to each Director at the address as shown by the records of the Corporation. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage prepaid. If sent by electronic mail, such notice shall be deemed to be delivered when sent via electronic mail. Any Director may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any special meeting of the Board need be specified in the notice or waiver of notice of such meeting, unless specifically required by law or by these Bylaws.

4.6 **Election of Board Officers and Executive Committee.** Biennially, at the April meeting, the Board of Directors shall elect Board Officers from among the Directors for the positions of Chair, Vice Chair, and Secretary-Treasurer, each for a term of two (2) years beginning on July 1st after the election. No Director may serve in more than one (1) Board Officer position at the same time. The Chair shall conduct all meetings and shall be responsible for the preparation of the agenda. In the Chair's absence, the Vice Chair shall serve as acting Chair. In the event that a Board Officer cannot complete his or her term, the Board of Directors may hold a special election to elect a replacement Board Officer for the remainder of the unexpired term.

At the same time, the Board shall also approve representatives to the Executive Committee nominated by the Sectors to serve for a period of two (2) years. Each Sector may also elect alternates to the Executive Committee, and, if a Sector has more than one (1) representative on the Executive Committee, such Sector shall designate the priority of succession by such alternates.

4.7 **Agenda.** As far in advance of each regular and special meeting as practical, an agenda shall be distributed to each Director and Customer Advisor.

4.8 **Voting Definitions.**

- (a) "Adjusted Weighted Vote" shall mean the number of votes of each Director determined in the manner set forth in Section 4.9 hereof.
- (b) "Simple Majority" shall require the presence of a quorum and the
 - (i) concurrence of Directors whose combined Individual Votes are greater than fifty percent (50%) of the total Individual Votes of all Directors present at the meeting and entitled to vote on the issue

(the "Individual Vote Test"), (ii) concurrence of Directors whose combined Adjusted Weighted Votes are greater than fifty percent (50%) of the total Adjusted Weighted Vote of all Directors at the meeting and entitled to vote on the issue (the "Adjusted Weighted Vote Test"), and (iii) for at least one of the Individual Vote Test or the Adjusted Weighted Vote Test, on an individual Sector basis, the positive vote shall outweigh the negative vote for at least three Sectors.

- (c) "Supermajority" shall require the presence of a quorum and the concurrence of (i) Directors whose combined Individual Votes equal or exceed two-thirds (2/3) of the total Individual Votes of all Directors present at the meeting and entitled to vote on the issue, provided that a quorum is present, and (ii) Directors whose combined Adjusted Weighted Votes are greater than two-thirds (2/3) of the total Adjusted Weighted Vote of all Directors present at the meeting and entitled to vote on the issue.
- (d) "Individual Vote" shall mean a single vote accorded to each Director.
- (e) "Given Year" shall mean the applicable fiscal year for which the Adjusted Weighted Votes are calculated.
- (f) "Reporting Year" shall mean the fiscal year immediately preceding the Given Year.
- (g) "Previous Year" shall mean the fiscal year immediately preceding the Reporting Year.

4.9 **Determination of Adjusted Weighted Vote.** The Directors' Adjusted Weighted Votes for a Given Year shall be determined by the following formula:

$$V = 10(1/N) + 30(B/C) + 30(D/E) + 30(F/G)$$

V = % of Adjusted Weighted Vote

N = total number of Member Companies

B = Member Company's Previous Year internal peak demand

C = total of factor B for all Member Companies

D = Member Company's owned generating capacity as of January

1 of the Reporting Year

E = total of factor D for all Member Companies

F = Member Company's sum of circuit miles of transmission times the respective operating voltage for facilities of 69 kV and above as of December 31 of the Previous Year

G = total of factor F for all Member Companies

4.10 **Voting; Manner of Acting; Voting Rights; Quorum; Proxies.**

- (a) Except as otherwise provided in these Bylaws, all actions by the Board of Directors require approval by a Simple Majority vote.
- (b) A motion shall be deemed to have passed if it passes either:
 - (i) the Individual Vote Test; or
 - (ii) the Adjusted Weighted Vote Test;

and, for purposes of the failed test (any test that is not satisfied), on an individual Sector basis, the positive votes outweigh the negative votes in every Sector but one.

- (c) Directors holding two-thirds (2/3) of the Individual Votes shall constitute a quorum for action by the Board. If Directors holding less than two-thirds (2/3) of the Individual Votes are present at the meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.
- (d) The intent of Section 4.8(b)(iii) and Section 4.10(b) is to ensure that no two Sectors should be able to control any decision and that a single Sector should not be able to veto any matter, respectively (other than amendments to these Bylaws). In the event that either of the foregoing shall nevertheless occur, the Member Companies shall promptly revise the provisions of these Bylaws so that no two Sectors shall be able to control any decision and no single Sector shall be able to veto any matter.

4.11 **Compensation.** Directors shall not receive any compensation from the Corporation for their services to the Corporation.

4.12 **Informal Action by Directors.** Any action required by law to be taken at a meeting of Directors, or any action which may be taken at a meeting of Directors, may

be taken without a meeting if all of the Directors consent in writing to the action so taken.

4.13 **Duties**. The Board of Directors shall have the exclusive responsibility to:

- (a) Authorize distributions;
- (b) Recommend to members or approve dissolution, merger or the sale, pledge or transfer of substantially all of the corporation's assets;
- (c) Fill vacancies on any of the Board's committees;
- (d) Adopt, amend, or repeal the Articles of Incorporation or Bylaws;
- (e) Form or dissolve committees of the Board as it deems necessary to carry out the business of the Corporation; and
- (f) Resolve any disputes regarding the Member Companies and the Corporation, if those issues cannot be resolved by the standing committees or subcommittees of the Corporation and are not otherwise subject to NERC's dispute provisions for non-compliance with Reliability Standards.

ARTICLE V - CORPORATE OFFICERS

5.1 **Corporate Officers**. The Board of Directors shall appoint a President & Chief Executive Officer, Vice President, Secretary, and Treasurer of the Corporation. Two (2) or more of such offices may be held by the same person, except for the offices of President & Chief Executive Officer and Secretary. The Board of Directors may appoint such other officers and assistant officers as it deems necessary.

5.2 **President & Chief Executive Officer**. The President shall be the Chief Executive Officer of the Corporation and shall manage the operations of the Corporation to the end that its purposes shall be accomplished. The Board Officers shall determine the compensation and benefits for the President & Chief Executive Officer (President). The President shall:

- (a) Attend all Board of Directors meetings of the Corporation and NERC Stakeholder and Board of Trustees, meetings, as appropriate;

- (b) Assist and coordinate the preparation of testimony and reports;
- (c) Coordinate subregional activities and interregional affairs, to include data collection;
- (d) Install and maintain an adequate system of accounts and records;
- (e) Arrange for meetings as directed;
- (f) Assist the Corporation Committee Chairs as appropriate;
- (g) Manage the business affairs of the Corporation, including the Corporation staff;
- (h) Maintain minutes of all the Corporation-related meetings; and
- (i) Provide other assistance to the Corporation and NERC, as appropriate.

5.3 **Vice President.** The Vice President shall perform such duties and exercise such powers as may be assigned to him or her from time to time by the Board of Directors, the Executive Committee, or the President. In the absence of the President, or in the case of the President's inability to act, the Vice President shall perform the duties and exercise the powers of the President, but subject to the control of the Board of Directors and the Executive Committee. The Board Officers shall determine the compensation and benefits of the Vice President.

5.4 **Secretary.** The Secretary shall be custodian of the records and of the seal of the Corporation and in general shall perform all duties incident to the office of Secretary and such other duties as may, from time to time, be assigned to him or her by the Board of Directors, the Executive Committee, or the President.

5.5 **Treasurer.** The Treasurer shall have charge and custody of, and be responsible for, all funds and securities of the Corporation and deposit all such funds in the name of the Corporation in such banks, trust companies, or other depositaries as shall be selected in accordance with the provisions of these Bylaws; and in general, perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the Board of Directors, the Executive Committee, or the President.

ARTICLE VI - EXECUTIVE COMMITTEE

6.1 **Executive Committee Representatives.** The Executive Committee shall be comprised of twelve (12) Sector representatives from the Board of Directors, consisting of:

- (a) The Investor-Owned Utility Sector shall have three (3) representatives;
- (b) The Federal/State Sector shall have two (2) representatives;
- (c) The Cooperative Sector shall have two (2) representatives;
- (d) The Municipal Sector shall have two (2) representatives;
- (e) The Marketer Sector shall have one (1) representative;
- (f) The Merchant Electricity Generator Sector shall have one (1) representative; and
- (g) The ISO-RTO Sector shall have one (1) representative.

It is the desire of the Board of Directors that the Cooperative and Municipal sectors have representation from both transmission dependent and transmission owning Members. Each Sector shall be responsible for nominating their representative(s) and alternates from among the Directors. The Chair of the Board shall serve as Chair of the Executive Committee and shall conduct all meetings and shall be responsible for the preparation of the agenda. In the event that a representative on the Executive Committee is unable to complete a term, the Sector's alternate shall replace such representative.

6.2 **Ex Officio Representatives.** The Chair, Vice Chair, and Secretary-Treasurer of the Board of Directors shall also be ex officio representatives on the Executive Committee, but shall not have voting rights unless such Board Officer is also elected by a Sector to the Executive Committee pursuant to Section 6.1 above.

6.3 **Authority of Executive Committee.** Except as limited by Section 55A-8-25 of the North Carolina Nonprofit Corporation Act and Section 4.13 of these Bylaws, the Executive Committee is empowered to make all such decisions and take such actions as are deemed to be necessary for the operation of the Corporation.

6.4 **Action.** Each voting representative on the Executive Committee shall have one vote. The presence of three-quarters (3/4) of the voting representatives on

the Executive Committee shall constitute a quorum. The positive vote of two-thirds (2/3) of Executive Committee voting representatives present and voting is necessary to pass a particular action.

ARTICLE VII - OTHER COMMITTEES

7.1 **Designation by Board.** The Board of Directors, by resolution adopted by a Simple Majority vote, may designate Board committees and standing committees, as shall be necessary to address the purposes of the Corporation. Each Board committee shall have at least two Directors among its members.

7.2 **Rules for Governance.** Each committee shall adopt rules for its own governance that are not inconsistent with these Bylaws, rules adopted by the Board of Directors, applicable NERC or FERC rules or regulations, or applicable state or federal laws. Each committee shall maintain its rules for governance in a written scope document that is approved by the Board of Directors.

7.3 **Ad-Hoc Support Committees.** The Board or its committees may, from time to time, appoint ad-hoc committees to research and/or advise it on compliance or technical issues or matters, among other things. Such ad-hoc committees may be formed on an as-needed basis and may vary in makeup depending on the needs of the Board or its committees.

ARTICLE VIII - MISCELLANEOUS

8.1 **Conflicts of Interest.** All Directors, Alternate Directors, Customer Advisors, and Board committee representatives shall comply with the Corporation's Standards of Conduct policy that prohibits conflicts of interest, as such conflicts could cast doubt on the ability of such persons to act with total objectivity with regard to the overall interests of the Corporation.

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

8.3 **Checks, Drafts, etc.** All checks, drafts, or orders for the payment of money, notes or other evidences of indebtedness issued in the name of the

Corporation, shall be signed by an authorized officer or agent of the Corporation and in such manner as shall from time to time be determined by resolution of the Executive Committee. In the absence of such determination by the Executive Committee, such instruments shall be signed by the Board's Secretary-Treasurer, the Corporation's President, or the Corporation's Finance Director, as stipulated by the Executive Committee. The Corporation's Finance Director may arrange audits of financial records, sign appropriate documents, and perform such duties normally performed by the Board's Secretary-Treasurer, except duties assigned to the Corporation's President.

8.4 **Deposits.** All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks, trust companies, or other depositories as the Corporation's President may select.

8.5 **Books and Records.** The Corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of the Board of Directors and committees having any of the authority of the Board of Directors, and shall keep at its registered or principal office a record giving the names and addresses of the Directors. All books and records of the Corporation may be inspected by any Director, or agent or attorney representing any Director, for any proper purpose at any reasonable time.

8.6 **Seal.** The corporate seal shall be in circular form and shall have inscribed thereon the name of the Corporation, the words "Corporate Seal", and such other word or words, if any, as may be determined by the Board of Directors to be inscribed thereon.

8.7 **Fiscal Year.** The fiscal year of the Corporation shall begin on the first day of January and end on the last day of December in each year.

ARTICLE IX - EXPENSES

9.1 **Allocation of Specific Expenses.** The expenses of Directors and Board Officers shall be borne by that person's regular employer.

9.2 **Statutory Functions.** The Corporation anticipates that as a general rule all of its expenses shall be incurred in the furtherance of statutory activities pursuant to Section 215 of the Federal Power Act, and that all such expenses shall be funded by NERC, subject to FERC approval.

9.3 **Non-Statutory Functions.** Notwithstanding Section 9.2, the Board of Directors may from time to time authorize the Corporation to participate in non-statutory

activities (i.e., activities not described in Section 215 of the Federal Power Act). In the event that the Corporation proposes to engage in non-statutory activities, such activities shall be identified in the Corporation's annual business plan that is submitted to NERC and, if approved by NERC, shall be submitted to FERC for approval in advance of engaging in such non-statutory activities. The expenses incurred by the Corporation for any such approved non-statutory activities shall be allocated by the Board of Directors to the beneficiaries of such activities on a basis proposed in the business plan submitted for NERC and FERC approval.

ARTICLE X - DISPUTE RESOLUTION PROCESS

10.1 **Dispute Resolution.** All disputes regarding non-compliance with Reliability Standards shall be handled in accordance with the NERC Rules of Procedure. The organizational units of the Corporation shall deal with all other disputes within the framework of their respective organizations. For such other disputes, Member Companies of the Corporation are encouraged to utilize the appropriate Dispute Resolution Process within the Corporation prior to seeking resolution at NERC, FERC, or with legal counsel.

ARTICLE XI - DISSOLUTION

11.1 **Dissolution.** The Corporation may be voluntarily dissolved upon unanimous consent of its Member Companies, and in accordance with Section 55A-14-02 of the North Carolina Nonprofit Corporation Act, as amended from time to time.

11.2 **Distribution of Assets.** Upon dissolution of the Corporation as provided in Section 11.1, the residual assets, after payment of all just obligations, shall be distributed exclusively to organizations which are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, or corresponding provisions of any subsequent federal tax laws, as the Board of Directors shall determine, or to federal, state, or local governments to be used exclusively for public purposes.

ARTICLE XII - WAIVER OF NOTICE

12.1 **Waiver.** Whenever any notice is required to be given under the provisions of the North Carolina Nonprofit Corporation Act or under the provisions of the articles of incorporation or the Bylaws of the Corporation, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XIII - INDEMNIFICATION

13.1 **Indemnification of Directors, Committee Members, Officers, Employees and Agents.** Every person who is, or has served as, a Director, committee member, Officer, Director by virtue of serving as an Alternate Director, employee, or agent of the Corporation shall be indemnified by the Corporation in the manner and to the extent authorized by the North Carolina Nonprofit Corporation Act. The foregoing rights of indemnification shall be without prejudice to any other rights to which any such Director, committee member, Officer, Alternate Director, employee, or agent may be entitled as a matter of law.

ARTICLE XIV - AMENDMENT OF THE BYLAWS

14.1 **Amendment of the Bylaws.** After a request by twenty percent (20%) of the Board of Directors or an affirmative vote of the Executive Committee, a proposal to amend the Bylaws shall be put before the Board of Directors at any regular or special meeting for a vote. Copies of the proposed amendments shall be distributed to the Board of Directors at least thirty (30) days before the meeting at which they are to be considered. An amendment to the Bylaws shall be adopted after being approved by a Supermajority vote of the Board of Directors, provided that a quorum is present.

Proposed Revision 2

**SERC Regional Standards Development
Procedure**

**Exhibit C
to the
Amended and Restated
Regional Entity Delegation Agreement
between**

**North American Electric Reliability Corporation
and
SERC Reliability Corporation**



Exhibit C – Regional Standard Development Procedure

Exhibit C sets forth SERC Reliability Corporation'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 [Regional Entity Name] area unless filed by NERC with FERC [and applicable authorities in Canada and Mexico] and approved by FERC [and applicable authorities in Canada and Mexico].

COMMON ATTRIBUTE 2

[Regional Entity Name] 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 [Regional Entity Name] 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

[Regional Entity Name] regional reliability standards, when approved by FERC [add 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 [Regional Entity Name] area, regardless of membership in the region.

COMMON ATTRIBUTE 4

Requester — The requester is the sponsor of the regional reliability standard request may assist in the development of the standard. Any member of [Regional Entity Name], or group within [Regional Entity Name] 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 [Regional Entity Name] area shall be allowed to request a regional reliability standard be developed, modified, or withdrawn.

COMMON ATTRIBUTE 5

[Standards or other named] committee — The [Regional Entity Name] [standards] committee manages the standards development process. The [standards] committee will consider which requests for new or revised standards shall be assigned for development (or existing standards considered for deletion). The [standards] committee will advise the [Regional Entity Name] board on standards presented for adoption.

COMMON ATTRIBUTE 6A [REGISTERED BALLOT BODY APPROACH]

The registered ballot body comprises all entities or individuals that qualify for one of the stakeholder segments; are registered with [Regional Entity Name] 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

[Regional Entity Name] will coordinate with NERC such that the acknowledgement of receipt of a standard request identified in step 1 [SERC Step 4], notice of comment posting period identified in step 4 [SERC Step 7], and notice for vote identified in step 5 [SERC Step 9] below are concurrently posted on both the [Regional Entity Name] 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 [standards] committee shall determine the disposition of the standard request.

COMMON ATTRIBUTE 10

The [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 [standards] committee may, at its discretion, expand or narrow the scope of the standard request under consideration. The [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 [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 [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 [standards] committee.

COMMON ATTRIBUTE 11

Any standard request that is accepted by the [standards] committee for development of a standard (or modification or deletion of an existing standard) shall be posted for public viewing on the [Regional Entity Name] 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 [standards] committee. The [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 [standards] committee, the standards process manager shall facilitate the posting of the draft standard on the [Regional Entity Name] 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 [Regional Entity Name] stakeholders and other potentially interested entities, both within and outside of the [Regional Entity Name] 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 [Regional Entity Name] website no later than the next posting of the proposed standard.

COMMON ATTRIBUTE 15

Upon recommendation of the drafting team, and if the [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 [Regional Entity Name] [registered ballot body/[standards] committee]. 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 [standards] committee shall give 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 for submittal to the [Regional Entity Name] board. The [standards] committee may vote to approve or not approve the standard. Alternatively, the [standards] committee may remand the standard to the drafting team for further work or form a new drafting team for that purpose.

COMMON ATTRIBUTE 18

The [standards] committee may not itself modify the standard without issuing a new notice to stakeholders regarding a vote of the modified standard.

COMMON ATTRIBUTE 19

Actions by the committee shall be recorded in the regular minutes of the committee.

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 and Mexico.]

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 [Regional Entity Name] bulk power system reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in [Regional Entity Name], 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 [Regional Entity Name] members and others.

COMMON ATTRIBUTE 23

Balanced - The [Regional Entity Name] 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 [Regional Entity Name] 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

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 [Regional Entity Name] 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.

COMMON ATTRIBUTE 33

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.

COMMON ATTRIBUTE 34

Defines for each measure:

- The specific data or information that is required to measure performance or outcomes.
- The entity that is responsible for providing the data or information for measuring performance or outcomes.
- The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes.
- The entity that is responsible for evaluating data or information to assess performance or outcomes.
- The time period in which performance or outcomes is measured, evaluated, and then reset.
- Measurement data retention requirements and assignment of responsibility for data archiving.

SERC Regional Reliability Standard Development Procedure

Revision History

Revision	Date	Comments
0	October 25, 2006	Document Origination
1	October 10, 2007	Document revised to change to a registered ballot body approach to approve standards, changed "Manager of Reliability Services" to Manager of Reliability Standards," changed the RSS meeting notice period to 21 days, changed the review period for this procedure from five to three years, and moved from the Standing Committee Executive Committees to the SERC Standards Committee the ability to remand a SAR back to the Requester for additional work.
2	Ballot pool approved: September 29, 2011 SERC Board Executive Committee Approved: December 14, 2011	Update to 1) address document three-year review and reapproval requirements; 2) address issues identified during the SERC 2009 audit by NERC; 3) make revisions to improve process efficiency and reduce the time required to develop a regional standard; 4) ensure alignment with the NERC Standard Processes Manual, Revision 1 dated November 2010; and 5) changed the review period for this procedure back from three to five years.

Responsible SERC Group(s)

SERC Standards Committee (SC)

Review and Reapproval Requirements

This document will be reviewed every five years or as appropriate by the SERC Standards Committee for possible revision

List of Appendices

Appendix A: Stakeholder Representation

Appendix B: Principles, Characteristics, and Special Procedures

Appendix C: SERC Regional Reliability Standard Authorization Request Form

Appendix D: Elements of a SERC Regional Reliability Standard

Appendix E: Comment Form for Draft SERC Regional Reliability Standard

Appendix F: SERC Consideration of Comments Form

Appendix G: SERC Process Flow Diagram

Introduction

This procedure defines the process for development, revision, reaffirmation, and withdrawal of a regional reliability standard by the SERC Reliability Corporation (SERC). SERC is a regional entity authorized through an approved delegation agreement with the North American Electric Reliability Corporation (NERC) to propose regional reliability standards in accordance with Section 215 of the Federal Power Act (FPA), the U.S. Federal Energy Regulatory Commission (FERC) Order No. 672, and Section 39 of Title 18 of the U.S. Code of Federal Regulations (18 C.F.R. § 39).

SERC Regional Reliability Standards apply to the planning, operation, and critical infrastructure protection of the Bulk Electric System in the SERC Region. Proposed SERC 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. No SERC Regional Reliability Standard shall be effective within the SERC Region unless filed by NERC with FERC and approved by FERC.

SERC Regional Reliability Standards shall provide for as much uniformity as possible with reliability standards across the interconnected Bulk Electric System of the North American continent. A SERC Regional 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 regional difference necessitated by a physical difference in the Bulk Electric System. A SERC 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.

SERC Regional Reliability Standards, when approved by FERC, shall be made part of the body of NERC reliability standards and shall be enforced upon all applicable Bulk Electric System owners, operators, and users within the SERC Region, regardless of membership in the Region.

Process Roles

Requester: The Requester is the sponsor of the SERC Regional Reliability Standard request and may assist in the development of the standard. Any Member Company of SERC, or any group (or member of a group) within SERC (i.e., committee, subcommittee, working group, study group, task force, or SERC staff), shall be allowed to request that a SERC Regional Reliability Standard be developed, modified, or withdrawn. Additionally, any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System shall be allowed to request that a SERC Regional Reliability Standard be developed, modified, or withdrawn.

SERC Board of Directors: The SERC Board of Directors shall consider for approval as SERC Regional Reliability Standards, those Standards that have been developed and approved by this procedure. Once the Board approves a SERC Regional Reliability Standard, such Standard shall be submitted to NERC for approval. When approved by NERC, it shall be submitted to FERC for approval.

SERC staff: The SERC Manager of Reliability Standards is responsible for forwarding a request for the development, modification or withdrawal of SERC Regional Reliability Standards to the SERC Standards Committee. The SERC staff shall facilitate all steps in this process.

SERC Standards Committee: The SERC Regional Reliability Standard Development Procedure shall be administered by the SERC Standards Committee (SC). The SERC SC is responsible for ensuring that the development, modification, or withdrawal of SERC Regional Reliability Standards is in accordance with the steps in this procedure. The SERC SC will ensure the integrity of the process and the consistency of quality and completeness of the SERC Regional Reliability Standards.

SERC Standing Committees: The SERC Standing Committees will perform a high level technical review of the SAR to determine which requests for new or revised standards shall be assigned for development (or existing standards considered for deletion). The Standing Committees will appoint the standard drafting team (Responsible SERC Subgroup).

The current SERC Standing Committees are the Engineering Committee (EC), Operating Committee (OC), and Critical Infrastructure Protection Committee (CIPC). The Standing Committees are balanced stakeholder committees, inclusive of all stakeholder interests that provide for or are materially impacted by the reliability of the Bulk Electric System.

Responsible SERC Subgroup (RSS): Responsible SERC Subgroups are teams, responsible for drafting the standard; they are also referred to as the Standard Drafting Team (SDT). The RSS may include technical experts and be based around a permanent SERC Standing Committee subgroup. An RSS is established expressly to

SERC Regional Reliability Standard Development Procedure

draft the standard. Membership on an RSS will be assigned by the SERC EC, OC, and/or CIPC. The Requester may act as the RSS, serve on the RSS, or otherwise assist the RSS. SERC membership is not a prerequisite for serving on an RSS. The RSS will:

- Develop the details of the SERC Regional Reliability Standard,
- Consider and respond to industry comments,
- Participate in forums to help build consensus on draft SERC Regional Reliability Standards,
- Assist in the implementation of approved SERC Regional Reliability Standards,
- Provide technical oversight in response to changing industry conditions, and
- Assist in the identification of the need for new SERC Regional Reliability Standards.

Registered Ballot Body (RBB): The RBB votes to approve standards. The RBB comprises all entities or individuals that qualify for one of the SERC industry Sectors, and are registered with SERC as potential ballot participants in the voting on standards. SERC membership is not a prerequisite for registering with SERC as a potential ballot participant. Any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System shall be allowed to register as a potential ballot participant.

Each member of the RBB is eligible to vote on standards. Each standard action has its own ballot pool formed of interested members of the RBB.

Ballot Pool: Each standard action has its own ballot pool formed of interested members of the RBB. The ballot pool comprises those members of the RBB that respond to a pre-ballot survey for that particular standard action. The ballot pool will ensure, through its vote, the need for and technical merits of a proposed standard action and the appropriate consideration of views and objections received during the development process. The ballot pool votes to approve each standards action.

Process Steps

Note: The term “days” below refers to calendar days.

SERC will coordinate with NERC such that the acknowledgement of receipt of an accepted standard request identified in Step 4, notice of comment posting period identified in Step 7, and notice for vote identified in Step 9 below are concurrently posted on both the SERC and NERC web sites.

Step 1: Request for a new SERC Regional Reliability Standard or modification to, or withdrawal of an existing SERC Regional Reliability Standard

A request to develop, modify, or withdraw a SERC Regional Reliability Standard shall be submitted, using the SERC Regional Reliability Standard Authorization Request (SAR) Form (see Appendix C), to the SERC Manager of Reliability Standards (via e-mail to regstd@serc1.org) by any Member Company of SERC, or any group (or member of a group) within SERC (i.e., committee, subcommittee, working group, study group, task force, or SERC staff), or any entity that is directly and materially affected by reliability of the SERC Bulk Electric System. The SERC SAR Form can be downloaded from the SERC web site (www.serc1.org).

An acceptable SAR shall contain a description of the proposed regional reliability standard subject matter with sufficient descriptive detail of the proposed standard to clearly define the purpose, scope, impacted parties, and other relevant information. The Requester must verify in the Justification section of the SAR that the request meets one of the following criteria:

- The proposed standard covers a topic addressed in a continent-wide standard, but the proposed standard will include requirements more stringent than those in the continent-wide standard.
- The proposed standard addresses matters that the continent-wide reliability standards do not.
- The proposed standard is necessitated by a physical difference in the Bulk Electric System.

SERC staff shall verify that the SAR Form has been adequately completed. Within 15 days of receiving the SAR, the SERC Manager of Reliability Standards or his designee will electronically acknowledge receipt of the SAR, and will forward the SAR to the SERC Standards Committee. The SERC Manager of Reliability Standards may offer the Requester suggestions regarding changes or improvements to enhance the clarity of the proposed standards work and to assist the SERC Standards Committee in understanding the Requester’s intent and objectives. The Requester is free to accept or reject these suggestions.

Step 2: Assignment of SERC Regional Reliability Standard Request

The SERC Standards Committee will review the SAR to ensure it is not in conflict with or duplication of a current standard or a standards drafting effort already proposed or in progress. Within 15 days after receiving the SAR from the SERC Manager of Reliability Standards, the SERC Standards Committee will take one of the two following actions:

- Assign the SAR to the appropriate SERC Standing Committee(s). SERC staff will forward the SAR to the Chair(s) and Executive Committee(s) of the appropriate SERC Standing Committee(s).
- Remand the SAR back to the Requester for additional work. The SERC Manager of Reliability Standards will make reasonable efforts to assist the Requester in addressing the deficiencies identified by the SERC Standards Committee. The Requester may then resubmit the modified SAR using the process above. The Requester may choose to withdraw the SAR from further consideration.

Step 3: Acceptance of a SERC Regional Reliability Standard Request

Within 60 days of receipt of a completed SAR, the Executive Committee(s) of the assigned SERC Standing Committee(s) shall determine the disposition of the SAR. The committee(s) shall verify that the SAR Requester has provided information to justify that the request meets one of the following criteria:

- The proposed standard covers a topic addressed in a continent-wide standard, but the proposed standard will include requirements more stringent than those in the continent-wide standard.
- The proposed standard addresses matters that the continent-wide reliability standards do not.
- The proposed standard is necessitated by a physical difference in the Bulk Electric System.

The committee may take one of the two following actions:

- Accept the SAR as a candidate for development of a new standard, revision of an existing standard, or deletion of an existing standard. The committee(s) may, at its discretion, expand or narrow the scope of the SAR under consideration. The committee(s) 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 SAR. If the committee(s) rejects a SAR, a written explanation for rejection will be delivered to the Requester within 30 days of the decision.

Deliberations and decisions of the Executive Committee(s) of the assigned SERC Standing Committee(s) concerning requests shall be made and documented in accordance with the SERC Standing Committee rules and procedures then in effect.

Step 4: Posting of SERC Regional Reliability Standard Request

Any SAR that is accepted by the Executive Committee(s) of the assigned SERC Standing Committee(s) for development of a standard (or modification or deletion of an existing standard) shall be posted for public viewing on the SERC web site within 30 days of acceptance by the committee. A comments form and a nomination form to serve on the drafting team (Responsible SERC Subgroup) will be included in the posting. A notice of the posting for a 30-day comment period will be sent to all SERC Standing Committees representatives and alternates. In addition, the notice will be sent (via e-mail) to NERC, the regional standards area of the other Regional Entities, individuals listed as entity contacts in the SERC Compliance Registry, and the SERC Registered Ballot Body representatives to seek input on the proposed SAR. SERC staff will perform this posting on the SERC web site and coordinate or send correspondences described in this and other steps of the process. SERC staff will assist in developing a response to any comments received. Any accompanying revision to the SAR based on comments received must be approved by the Executive Committee(s) of the assigned SERC Standing Committee(s).

Step 5: Formation of a Responsible SERC Subgroup

Within 60 days of accepting a SAR for development, the Executive Committee(s) of the assigned SERC Standing Committee(s) shall assign and direct the proposal to the appropriate Responsible SERC Subgroup (RSS) to develop the draft Regional Reliability Standard. The RSS may be a permanent Standing Committee subgroup (augmented by other persons as may be appropriate to address the subject matter of the proposed standard), or a task force established expressly by the Executive Committee(s) for drafting the standard. SERC membership is not a prerequisite for serving on an RSS.

After consulting with the Executive Committee(s) of the assigned SERC Standing Committee(s) as necessary, the SERC Standards Committee (SC) will assign a preliminary date on which the RSS is expected to have ready a completed draft Standard and associated supporting documentation available for consideration.

Step 6: Drafting of a SERC Regional Reliability Standard

The RSS shall develop a work plan for completing the regional reliability standard, including the establishment of a milestone schedule for completing critical elements of the work in sufficient detail to ensure that the RSS will meet the objectives established by the SC. The RSS shall submit its work plan to the SC for its concurrence. Any subsequent revision to the plan by the RSS which delays balloting the draft standard by 60 days or longer will be presented to the SC for its concurrence.

The RSS shall convene periodically, either in person or by electronic means as necessary, establish work teams (made up of members of the RSS) as necessary, and perform other activities to complete the proposed standard within the milestone date(s) agreed upon by the SC. All in-person RSS meetings or portions of meetings associated with development of the draft standard shall be open and publicly noticed on the SERC web site for a minimum of twenty-one (21) calendar days prior to the meeting. All

SERC Regional Reliability Standard Development Procedure

conference call and electronic (WebEx) RSS meetings or portions of meetings associated with development of the draft standard shall be open and publicly noticed on the SERC web site for a minimum of seven (7) calendar days prior to the meeting. All RSS meeting attendees are required to register via the SERC web site.

The RSS shall consider all comments received on the posting of the SAR and shall develop a draft SERC Regional Reliability Standard that will address the accepted SAR. The RSS shall use the most current version of the approved NERC Reliability Standard template and its associated elements posted on the NERC web site as the format for the draft standard

The work product of the RSS will be completed before taking the draft standard to ballot (Steps 9 and 10) and each item of the work product will be included as background information for at least one comments posting period (Step 7). The work product will consist of the following:

- A draft Standard consistent with the SAR on which it was based.
- An assessment of the reliability impact of the standard request within the Region and in neighboring regions, including appropriate input from the neighboring regions if the standard request is likely to impact any neighboring region. Communications between neighboring regions may be through the regional standard drafting teams, the regional standards development staff, or other means as appropriate.
- An implementation plan, including the nature, extent, and duration of field-testing, if any.
- Identification of any existing Standard that will be deleted, in part or whole, or otherwise impacted by the implementation of the draft Standard.
- Technical reports, white papers, and/or work papers that provide technical support for the draft Standard under consideration.
- Documentation of the perceived reliability impact should the Standard be approved.

The RSS shall regularly inform the SC, at a frequency determined by the SC (RSS shall deliver a status report at every SC meeting at a minimum), of its progress in meeting a timely completion of the draft standard. The RSS may, with justification, request of the SC scope changes from the SAR at any point in the standard development process.

The RSS shall submit the draft SERC Regional Reliability Standard and supporting documentation to the SC for review. The RSS will send any revised SERC Regional Reliability Standard to the SC in both "Clean" and "Tracking" formats. The RSS shall also send the SC an accompanying Comments Form which may include specific questions addressing the major issues associated with the new or revised standard. In any event, the Comments Form must also allow for general comments on the standard (see Appendix E for sample form). The SC will verify that the proposed standard is consistent with the SAR on which it was based. The SERC Regional Reliability Draft

SERC Regional Reliability Standard Development Procedure

Standards Comments Form can be downloaded from the SERC web site (www.serc1.org).

Step 7: Posting of a Draft SERC Regional Reliability Standard

The SERC Standards Committee shall send to the SERC Manager of Reliability Standards the draft SERC Regional Reliability Standard, along with a draft implementation plan and supporting documents, for comments. SERC staff will post these documents on the SERC web site for thirty (30) calendar days. A notice of the posting for comment will be sent to all SERC Standing Committees representatives and alternates. In addition, the request will be sent (via e-mail) to NERC, the regional standards area of the other Regional Entities, individuals listed as entity contacts in the SERC Compliance Registry, and the SERC Registered Ballot Body representatives to seek input on the draft SERC Regional Reliability Standard. Comments shall be submitted electronically (via e-mail) to regstd@serc1.org. All comments are due by the close of business on the 30th calendar day of posting. If the comment due date falls on a weekend or nationally recognized holiday, the comments shall be due by the close of business on the next regularly scheduled business day.

Step 8: Standard Drafting Team Review of Comments

SERC staff shall forward all comments received to the RSS. The RSS shall review the comments received and revise the draft SERC Regional Reliability Standard as needed. The RSS shall develop a written response to each comment received using the Consideration of Comments Form Template (see Appendix F). The SERC Consideration of Comments Form Template can be downloaded from the SERC website (www.serc1.org). The completed Consideration of Comments Form will be posted on the SERC web site.

The RSS shall summarize comments that were rejected by the RSS and the reason(s) that these comments were rejected, in part or whole. The RSS shall submit to the SC the summary of comments rejected, the completed Consideration of Comments form, and any resulting revisions to the draft SERC Regional Reliability Standard.

If needed, a second draft of the SERC Regional Reliability Standard (along with the summary of comments rejected and the Consideration of Comments from the previous posting) will be posted for another comment period. Such comment period shall be for thirty (30) calendar days. A notice of the posting for comment will be sent to all SERC Standing Committees representatives and alternates. In addition, the notice will be sent (via e-mail) to NERC, the regional standards area of the other Regional Entities, individuals listed as entity contacts in the SERC Compliance Registry, and the SERC Registered Ballot Body representatives to seek input on the revised draft SERC Regional Reliability Standard.

Based on comments received to the posting, Step 7 will be repeated as necessary until the RSS and the SC agree that no additional comments posting periods are warranted.

SERC Regional Reliability Standard Development Procedure

The SERC Manager of Reliability Standards will then request the NERC regional standards staff to make arrangements for a formal quality review of the draft standard. The RSS will develop responses to any recommendations from that review, including developing revisions to the draft standard if appropriate. The SDT and SC must agree on those responses prior to taking one of the two following actions:

- Submit the draft standard for an additional comment posting period (Step 7); or
- Submit the draft standard to the SERC Ballot Body for approval (Step 9).

The SC will determine if an additional NERC formal quality review will be requested for a draft standard which has been revised based on responses to an addition comments posting period.

Step 9: Notice of Vote to Approve a SERC Regional Reliability Standard

The Responsible SERC Subgroup shall submit the summary of comments rejected and the Consideration of Comments document along with the final draft of the proposed SERC Regional Reliability Standard (both “Tracking” and “Clean” versions for standard revisions) to the SERC Manager of Reliability Standards for posting on the SERC web site at least 15 days prior to requesting approval of the standard.

The SERC Manager of Reliability Standards 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.

Ballot pool: The SERC Manager of Reliability Standards shall establish a ballot pool for a standard action at least 15 days prior to the start of a ballot. The SERC Manager of Reliability Standards shall send a notice to every entity in the Registered Ballot Body. The purpose of this notice is to establish a ballot pool to participate in the ballot of the proposed standards action.

Any member of the Registered Ballot Body may join or drop out of a ballot pool until the ballot period begins (Step 10). No Registered Ballot Body member may join or leave the ballot pool once the first ballot starts. The SERC Manager of Reliability Standards shall coordinate changes to the membership of the ballot pool and publicly post the standard ballot pool for each standard action.

The SERC Manager of Reliability Standards shall schedule a vote by the ballot pool for approval. The vote shall commence no sooner than 15 days and no later than 30 days following the issuance of the notice for the vote.

Step 10: SERC Ballot Pool of Registered Ballot Body Approval

The ballot pool shall have a minimum of ten (10) days to vote on a standards action. The ballot pool should give due consideration to the work of the RSS, as well as the comments of stakeholders and minority objections, in approving a proposed regional reliability standard. The ballot pool may vote to approve or not approve the standard. The ballot will include provisions for comments. The RSS shall develop a written response to each ballot comment received.

If approval by the RBB is not obtained, the Standing Committee(s) will determine if the draft SERC Regional Reliability Standard is to be sent back to the RSS to repeat Step 8 to incorporate any RBB or SERC Standing Committee(s) comments, form a new RSS for that purpose, or to withdraw the proposed SERC Regional Reliability Standard.

If the standard is withdrawn, the reason for such will be posted on the SERC web site. A notice of the posting will be sent to all SERC Standing Committee representatives and alternates. In addition, the notice will be sent (via e-mail) to NERC, the regional standards area of the other Regional Entities, individuals listed as entity contacts in the SERC Compliance Registry, and the SERC Registered Ballot Body representatives.

Step 11: Submission of SERC Regional Reliability Standards to NERC to post for comments

Once the SERC Regional Reliability Standard is approved by the SERC RBB, the SERC Manager of Reliability Standards will forward it to NERC and request that they post it for comments in accordance with the NERC Regional Reliability Standards Evaluation Procedure.

The Responsible SERC Subgroup will develop a response to any comments received and submit it along with any associated standard modifications to the SERC Standards Committee for approval. The SERC Standards Committee may approve minor editorial-type modifications that do not have a substantive impact. If the Responsible SERC Subgroup proposes any substantive modifications, the SERC Standards Committee may 1) remand it back to the Responsible SERC Subgroup for further consideration; or 2) accept the proposed modification and send it back to Step 9 to re-ballot the standard.

Step 12: Approval of SERC Regional Reliability Standards by the SERC Board of Directors

The SERC Board of Directors shall consider approval of any SERC Regional Reliability Standard that has been approved by the SERC RBB and has received SERC Standards Committee approval of the resolution of comments received during the Step 11 posting. A SERC Regional Reliability Standard submitted for approval by the SERC Board of Directors must be posted for notification on the SERC web site at least 15 days prior to action by the SERC Board of Directors. A notice of the posting will be sent to all SERC Board of Directors representatives and alternates, and to all SERC Standing Committee representatives and alternates. In addition, the notice will be sent (via e-mail) to NERC, the regional standards area of the other Regional Entities and to

SERC Regional Reliability Standard Development Procedure

any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System.

The SERC Board of Directors shall consider the comments received, the responses provided, and any dissenting opinions. The SERC Board of Directors shall approve or reject a SERC Regional Reliability Standard as submitted, but may not substantively modify the proposed SERC Regional Reliability Standard.

If the SERC Board of Directors chooses to reject a SERC Regional Reliability Standard as submitted, it shall provide its reasons for doing so. The reasons for such decision will be posted on the SERC web site. A notice of the posting will be sent to all SERC Standing Committees representatives and alternates. In addition, the notice will be sent (via e-mail) to NERC, the regional standards area of the other Regional Entities, individuals listed as entity contacts in the SERC Compliance Registry, and the SERC Registered Ballot Body representatives. The assigned Standing Committee(s) will determine if the draft standard should be resubmitted with modifications. If so, the draft standard will be remanded back to the RSS in Step 8 above.

Step 13: Submission of SERC Regional Reliability Standards to NERC and FERC

Once the SERC Regional Reliability Standard is approved by the SERC Board of Directors, the SERC President, or the President's designee shall submit the SERC Regional Reliability Standard to NERC for adoption and filing with FERC. The SERC Manager of Reliability Standards will ensure the record of the standard development and any other documentation required for consideration by the NERC Board or FERC are included in the submittal.

If the NERC Board rejects the SERC Regional Reliability Standard the SERC Board will determine if the SERC Regional Reliability Standard is to be sent back to the assigned SERC Standing Committee(s) to incorporate the NERC Board comments or to withdraw the standard.

When adopted by the NERC Board, NERC will submit the SERC Regional Reliability Standard to FERC for approval. If FERC rejects the SERC Regional Reliability Standard, the SERC Board will determine if the SERC Regional Reliability Standard is to be sent back to the assigned SERC Standing Committee(s) to incorporate the FERC comments or to withdraw the standard.

Step 14: Implementation of SERC Regional Reliability Standards

A SERC Regional Reliability Standard that is approved by the SERC Board of Directors, NERC, and FERC, shall become effective on a date designated by FERC. In developing the standard, the RSS should consider the time needed for NERC and FERC approval in the proposed implementation date.

Appendix A: Stakeholder Representation

A.1 SERC Standing Committees and Member Representation

Membership in SERC is open to any entity in the SERC Region that is a user, owner, or operator of the Bulk Electric System and subject to the jurisdiction of the Federal Energy Regulatory Commission for the purpose of complying with Reliability Standards established under Section 215 of the Federal Power Act and all amendments thereto. SERC permits full and fair participation of all Member Companies through their representatives including in the development of and voting on Regional Reliability Standards. The SERC standing committees have a role in developing standards, a ballot pool of the SERC Registered Ballot Body vote to approve Regional Reliability Standards, and the SERC Board of Directors adopts all standards. Since each Member Company is entitled to representation on both the Board and the Standing Committees, SERC's membership policy permits full and fair participation of its Member Companies.

The Standing Committees and their voting rights shall be established pursuant to the SERC Bylaws. Refer to the committee scope documents and the Organization and Procedures Manual for SERC Standing Committees for more specific details.

A.2 SERC Regional Reliability Standards Voting Procedures

The following are the voting procedures for the SERC Registered Ballot Body:

1. Registration Procedures

The Registered Ballot Body (RBB) comprises all organizations and entities that:

- Qualify for one of the SERC Sectors, and
- Are registered with SERC as potential ballot participants in the voting on standards.

All registrations will be done electronically. Each participant, when initially registering to join the RBB will self-select to belong to one of the Sectors and will also name their RBB representative. The Executive Committee of the Board of Directors or its designee will review all applications for joining the Registered Ballot Body, and make a determination of whether the self-selection satisfies the criteria to belong to that sector.

All registered organizations and entities that qualify for a Sector with SERC may vote on a standard. Voting is in writing with each registered stakeholder (a "stakeholder") having one vote. The stakeholder's RBB representative will have the right to register to participate in ballot pools and cast the stakeholder's vote.

2. Sector Qualification Guidelines

The sector qualification guidelines are inclusive; i.e., any entity with a legitimate interest in the reliability of the SERC Bulk Electric System that can meet the criteria for a sector as defined in the SERC's Bylaws is entitled to belong to and vote in that sector. The general guidelines are:

SERC Regional Reliability Standard Development Procedure

- Corporations or organizations with affiliates that qualify to belong to more than one sector (e.g., Investor-Owned Utility and Merchant Electricity Generator) may belong to each of the sectors in which they qualify, provided that each sector is represented by a different representative.
- At any given time, affiliated entities may collectively be registered only once within a sector.
- Any individual currently employed by an organization that is eligible to join one of the other seven sectors, shall not be qualified to join as a “customer” in the ISO-RTO/Customer sector.

3. Definitions

Individual Vote – shall mean a single vote accorded to each stakeholder.

4. Quorum

Two-thirds of the Individual Votes of the ballot pool shall constitute a quorum.

5. SERC Registered Ballot Body Voting Requirements

A ballot pool will be established to participate in the ballot of any proposed standards action. Approval of a reliability standard or revision to a reliability standard requires the affirmative vote of a two thirds majority of the weighted Sector votes cast. The number of votes cast in each Sector is the sum of affirmative and negative votes, excluding abstentions and non-response.

The following process is used to determine if there are sufficient affirmative votes.

- 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 and non-responses will not be counted for the purposes of determining the fractional affirmative vote for a Sector.
- The fractional affirmative vote for a Sector is then multiplied by the Sector weight factor, to determine the weighted fractional affirmative vote for a Sector. The weight factors for the Sectors are:
 - Investor-Owned Utility Sector: weight factor is 3.
 - Federal/State Sector: weight factor is 2.
 - Cooperative Sector: weight factor is 2.
 - Municipal Sector: weight factor is 2.
 - Marketer Sector: weight factor is 1.
 - Merchant Electricity Generator Sector: weight factor is 1.
 - ISO-RTO/Customer Sector: weight factor is 1.
- The sum of the weighted fractional affirmative votes from all Sectors divided by the sum of the weights of the 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

SERC Regional Reliability Standard Development Procedure

either an affirmative or a negative vote.)

- A standard will be approved if the sum of weighted fractional affirmative votes from all Sectors divided by the sum of the weights of the voting Sectors is two-thirds or greater.

Appendix B: Principles, Characteristics, and Special Procedures

Principles

SERC develops regional standards with due consideration of the following principles, in accordance with the steps outlined in this procedure. This procedure has been designed to ensure that any SERC Regional Reliability Standard is technically sound and the technical specifications proposed will achieve a valuable reliability objective.

The SERC Regional Reliability Standards Development Procedure has the following characteristics:

- **Open:** Participation in the development of a SERC Regional Reliability Standard shall be open to all organizations that are directly and materially affected by the SERC Bulk Electric System reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in SERC and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements. Meetings of the Responsible SERC Subgroup assigned to draft a standard shall be open to the SERC Member Companies and others.
- **Balanced:** The SERC Regional Reliability Standards Development Procedure 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.
- **Inclusive:** Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the Bulk Electric System in the SERC Region shall have a right to participate by a) expressing a position and its basis, b) having that position considered, c) registering as a potential ballot participant and voting on a proposed standard; and d) having the right to appeal.
- **Fair due process:** The SERC Regional Reliability Standards Development Procedure provides for reasonable notice and opportunity for public comment. This procedure includes 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.
- **Transparent:** All actions material to the development of SERC Regional Reliability Standards shall be transparent. All standards development meetings shall be open and publicly noticed on the SERC web site.
- **Due course:** Does not unnecessarily delay development of the proposed SERC Regional Reliability Standard.

NERC has adopted reliability principles and market interface principles to define the purpose, scope, and nature of reliability standards. These principles are to be used to guide the development of reliability standards, including regional reliability standards. The NERC Board of Trustees may modify these principles from time to time, as necessary, to adapt its vision for reliability standards.

SERC Regional Reliability Standard Development Procedure

- Each SERC 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 Electric System. Each standard shall also be consistent with all of the reliability principles, thereby ensuring that no standard undermines reliability through an unintended consequence.
- 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 Electric System reliability and electricity markets are inseparable and mutually interdependent, all SERC 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.

Regional Reliability Standard Characteristics and Elements

Characteristics of a SERC Regional Reliability Standard

The following characteristics describe objectives to be considered in the development of SERC Regional Reliability Standards:

- 1. Applicability:** Each SERC Regional Reliability Standard clearly identifies the functional classes of entities responsible for complying with the standard, with any specific additions or exceptions noted. Such functional classes include: Reliability Coordinators, Balancing Authorities, Transmission Operators, Transmission Owners, Generator Operators, Generator Owners, Interchange Coordinators, Transmission Service Providers, Planning Coordinators, Transmission Planners, Resource Planners, Load-Serving Entities, Purchasing-Selling Entities, and Distribution Providers. Each SERC Regional Reliability Standard identifies the geographic applicability of the standard. A standard may also identify any limitations on the applicability of the standard based on electric facility characteristics.
- 2. Reliability objectives:** Each SERC Regional Reliability Standard has a clear statement of purpose that describes how the standard contributes to the reliability of the Bulk Electric System.
- 3. Requirement or outcome:** Each SERC Regional Reliability Standard states one or more requirements, which if achieved by the applicable entities, will provide for a reliable Bulk Electric System, consistent with good utility practices and the public interest.
- 4. Measurability:** Each performance requirement is stated so as to be objectively measurable by a third party with knowledge or expertise in the area addressed by that requirement. Each performance requirement has one or more associated measures used to objectively evaluate compliance with the requirement. If

SERC Regional Reliability Standard Development Procedure

performance can be practically measured quantitatively, metrics are provided to determine satisfactory performance.

5. **Technical basis in engineering and operations:** Each regional reliability standard is based upon sound engineering and operating judgment, analysis, or experience, as determined by expert practitioners in that particular field.
6. **Completeness:** Each SERC Regional Reliability Standard is complete and self-contained. Supporting references may be provided with standards, but they are not part of the standard and do not impose mandatory requirements.
7. **Clear language:** Each SERC Regional Reliability Standard is stated using clear and unambiguous language. Responsible entities, using reasonable judgment and in keeping with good utility practice, are able to arrive at a consistent understanding of the required performance.
8. **Practicality:** Each SERC Regional Reliability Standard establishes requirements that can be practically implemented by the assigned responsible entities within the specified effective date and thereafter.
9. **Consistent terminology:** To the extent possible, SERC Regional Reliability Standards use a set of standard terms and definitions that are approved through the SERC Regional Reliability Standard Development Procedure.

Although regional reliability standards have a common format and process, several types of standards may exist, each with a different approach to measurement:

- Technical standards are related to the provision, maintenance, operation, or state of electric systems, and will likely contain measures of physical parameters that are technical in nature.
- Performance standards are related to the actions of entities providing for or impacting the reliability of the Bulk Electric System, and will likely contain measures of the results of such actions or qualities of performance of such actions.
- Preparedness standards are related to the actions of entities to be prepared for conditions that are unlikely to occur but are nonetheless critical to reliability and will likely contain measures of such preparations or the state of preparedness.

Elements of a SERC Regional Reliability Standard

To ensure uniformity of SERC Regional Reliability Standards, a SERC Regional Reliability Standard shall consist of the elements identified in Appendix D of this procedure. However, the most current version of the approved NERC Reliability Standard template and its associated elements posted on the NERC web site will be used at the time of the development of the SERC Regional Reliability Standard if different from the elements listed in Appendix D. This is to ensure all essential elements are contained in the SERC standard to achieve consistency and uniformity and meet all

SERC Regional Reliability Standard Development Procedure

statutory requirements. 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 SERC 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.

Maintenance of the SERC Regional Reliability Standards Development Procedure

Any Member Company of SERC, or group (or member of a group) within SERC (i.e., committee, subcommittee, working group, study group, task force, or SERC staff), or any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System may submit a written request to modify the SERC Regional Reliability Standard Development Procedure. The Manager of Reliability Standards shall oversee the handling of the request.

Significant changes to this procedure shall be addressed using the same procedure as a request to develop, modify, or withdraw a SERC Regional Reliability Standard. For any such changes to this procedure, the SERC Standards Committee will assume the responsibilities normally assigned to the Executive Committee(s) of the SERC Standing Committee(s) in Steps 3, 5, and 10.

For any minor changes to this procedure, the SERC Standards Committee shall review the request and submit recommendations to the SERC Board of Directors for consideration. The SERC Board of Directors, on its own motion, may amend the SERC Regional Reliability Standard Procedure.

Maintenance of SERC Regional Reliability Standards

Each SERC Regional Reliability Standard shall be reviewed at least once every five (5) years. The review date will be determined from the effective date or the latest revision date, whichever is later. The review process shall be conducted in accordance with Steps 1 through 14 of the SERC Regional Reliability Standard Development Procedure. As a result of this review, a SERC Regional Reliability Standard shall be reaffirmed, revised, or withdrawn.

Interpretations of Standards

Any Member Company of SERC, or group within SERC, or an entity that is directly and materially affected by reliability of the SERC Bulk Electric System shall be permitted to request an interpretation of a SERC Regional Reliability Standard. The entity requesting an interpretation shall send a request to regstd@serc1.org 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 possible incorrect interpretation. SERC staff will forward requests for interpretations to the SERC Standards Committee,

SERC Regional Reliability Standard Development Procedure

who will assign an Interpretation Drafting Team (IDT) with the relevant expertise to address the clarification. The IDT should include appropriate industry stakeholder representatives and members of the original Standard Drafting Team, consistent with availability.

As soon as practical [but not more than forty-five (45) calendar days following establishment of the IDT], the IDT will prepare a draft interpretation of the SERC Regional Reliability Standard addressing the issues raised. SERC staff will post the draft interpretation on the SERC web site for 30-day informal¹ stakeholder comment period. A notice of the posting will be sent to all SERC Standing Committees representatives and alternates; NERC; the regional standards area of the other Regional Entities; individuals listed as entity contacts in the SERC Compliance Registry; and the SERC Registered Ballot Body representatives by e-mail. Comments shall be submitted electronically by e-mail to regstd@serc1.org. All comments are due by the close of business on the 30th calendar day of posting. If the comment due date falls on a weekend or nationally recognized holiday, the comments shall be due by the close of business on the next regularly scheduled business day.

The IDT will review the stakeholder feedback and may revise the draft interpretation. The IDT will then forward the draft interpretation to the SERC Standards Committee for review. The Standards Committee will determine if the interpretation is consistent with the standard and does not add additional requirements to the standard. The interpretation will then be posted for public review and a ballot pool will be formed consistent with the process steps to approve a draft standard as detailed in the body of this procedure. The interpretation is then balloted and, if approved, will be submitted for SERC Board of Directors approval and filing with NERC and FERC.

If approved by FERC, the interpretation is appended to the SERC Regional Reliability Standard and is effective immediately. The interpretation will stand until such time as the SERC Regional Reliability Standard is revised through the normal process, at which time the SERC Regional Reliability Standard will be modified to incorporate the clarifications provided by the interpretation.

Appeals

Any Member Company of SERC or any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System that believes it has been or will be adversely affected by any substantive or procedural action or inaction related to the development, approval, revision, or withdrawal of a SERC Regional Reliability Standard shall have the right to appeal. This appeals process applies only to the SERC Regional Reliability Standards Process as defined in this manual. The burden of proof to show adverse effect shall be on the appellant. Appeals shall be made within thirty (30) calendar days of the date of the action purported to cause the adverse effect. The final decisions of any appeal shall be documented in writing and posted on the SERC

¹ An informal comment period does not require the IDT to respond to every stakeholder comment and is only used to make potential changes for the final draft of the interpretation.

SERC Regional Reliability Standard Development Procedure

Member Company website. A notice of the posting will be sent to all SERC Board of Directors representatives and alternates, and to all SERC Standing Committees representatives and alternates. In addition, the notice will be sent (via e-mail) to the regional standards area of the other Regional Entities and to any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System.

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 this appeals process. The appellant submits to the SERC President a complaint in writing that describes the substantive or procedural action associated with a SERC Regional Reliability Standard or the SERC Regional Reliability Standards Process. The appellant must describe in the complaint the actual or potential adverse impact to the appellant.

Assisted by any necessary staff and the SERC Standards Committee, the SERC President, or the President's designee shall prepare a written response addressed to the appellant as soon as practical but not more than forty-five (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 record associated with the SERC Regional Reliability Standard.

Level 2 Appeal

If after the Level 1 Appeal, the appellant remains unsatisfied with the resolution, notification shall be made in writing to the SERC President within fifteen (15) calendar days of the affected entity's Level 2 Appeal to the SERC Executive Committee. In all cases, no SERC Executive Committee members that have any direct affiliation with the participants in the appeal will participate in the Level 2 Appeal.

SERC staff shall post on the SERC web site the notice of the Level 2 appeal and other relevant materials at least fifteen (15) calendar days prior to consideration of the Level 2 appeal by the SERC Executive Committee.

In addition to the appellant, any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System, and who is directly and materially affected by the substantive or procedural action referenced in the complaint shall be heard by the SERC Executive Committee. The SERC Executive Committee shall not consider any expansion of the scope of the appeal that was not presented in the Level 1 Appeal.

The Executive Committee may direct the SERC Standards Committee to research and/or advise it on technical issues or matters related to the appeal. Each appellant, any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System, and who is directly and materially affected by the substantive or procedural action referenced in the complaint may request that an ad hoc committee be formed to assist the Executive Committee in its review.

SERC Regional Reliability Standard Development Procedure

The SERC Executive Committee may in its decision find for the appellant and remand the issue to the SERC Standards Committee for resolution with a statement of the issues and facts in regard to which fair and equitable action was not taken.

The SERC Executive Committee 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 actions of the SERC Executive Committee shall be posted on the SERC web site. A notice of the posting will be sent to the appellant, all SERC Board of Directors representatives and alternates, and all SERC Standing Committees representatives and alternates. In addition, the notice will be sent (via e-mail) to the regional standards area of the other Regional Entities and to any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System.

SERC Regional Reliability Standard Development Procedure

Appendix C: SERC Regional Reliability Standard Authorization Request Form (latest approved version of form is posted on the SERC web site: www.serc1.org)

SERC to complete

ID
Authorized for Posting
Authorized for Development

Title of Proposed Standard:
Request Date:

SAR Originator Information

Name	SAR Type (Check box for one of these selections.)	
Company	<input type="checkbox"/>	New Standard
Telephone	<input type="checkbox"/>	Revision to Existing Standard
Fax	<input type="checkbox"/>	Withdrawal of Existing Standard
E-mail	<input type="checkbox"/>	

Purpose (Describe the purpose of the proposed Standard — what the Standard will achieve in support of reliability.)
--

Industry Need (Provide a detailed statement justifying the need for the proposed Standard, along with any supporting documentation.)

SERC Regional Reliability Standard Development Procedure

Brief Description (Describe the proposed standard in sufficient detail to clearly define the scope in a manner that can be easily understood by others.)

Justification (Provide a detailed statement justifying the need for the proposed standard.)

Reliability Functions

The Standard May Apply to the Following Functions (Check box for each one that applies.)

	Reliability Coordinator	Responsible for the real-time operating reliability of its Reliability Coordinator Area in coordination with its neighboring Reliability Coordinator's wide area view.
	Balancing Authority	Integrates resource plans ahead of time and maintains load-interchange-resource balance within a Balancing Authority Area and supports Interconnection frequency in real time.
	Interchange Coordinator	Ensures communication of interchange transactions for reliability evaluation purposes and coordinates implementation of valid and balanced interchange schedules between Balancing Authority Areas.
	Planning Coordinator	Assesses the longer-term reliability of its Planning Coordinator Area.
	Transmission Service Provider	Administers the transmission tariff and provides transmission services under applicable transmission service agreements (e.g., the pro forma tariff).
	Transmission Owner	Owns and maintains transmission facilities.
	Transmission Operator	Ensures the Real-time operating reliability of the transmission assets within a Transmission Operator Area.

SERC Regional Reliability Standard Development Procedure

	Transmission Planner	Develops a >one year plan for the reliability of the interconnected Bulk Electric System within its portion of the Planning Coordinator area.
	Resource Planner	Develops a >one year plan for the resource adequacy of its specific loads within a Planning Coordinator area.
	Generator Operator	Operates generation unit(s) to provide real and reactive power.
	Generator Owner	Owns and maintains generation facilities.
	Purchasing-Selling Entity	Purchases or sells energy, capacity, and necessary reliability-related services as required.
	Distribution Provider	Delivers electrical energy to the End-use customer.
	Load-Serving Entity	Secures energy and transmission service (and reliability-related services) to serve the End-use Customer.

NOTE: The RSS may find it necessary to modify the initial reliability function responsibility assignment as a result of the standards development and comments received.

Applicable Reliability Principles <i>(Check all boxes that apply.)</i>	
<input type="checkbox"/>	1. Interconnected Bulk Electric 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 Electric 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 Electric 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 Electric 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 Electric Systems.

SERC Regional Reliability Standard Development Procedure

<input type="checkbox"/>	6. Personnel responsible for planning and operating interconnected Bulk Electric Systems shall be trained, qualified, and have the responsibility and authority to implement actions.
<input type="checkbox"/>	7. The security of the interconnected Bulk Electric Systems shall be assessed, monitored, and maintained on a wide-area basis.
Does the proposed Standard comply with all of the following Market Interface Principles? (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 Reliability Standards (NERC and SERC Regional)

Standard No.	Explanation

Appendix D: Elements of a SERC Regional Reliability Standard

Title	A brief, descriptive phrase identifying the topic of the standard.
Identification number	A unique identification number assigned to facilitate tracking and reference to SERC Regional Reliability Standards. The identification number will be consistent with the Numbering Convention for NERC Regional Reliability Standards. The latest approved version of the convention will be posted on the SERC web site (www.serc1.org).
Effective date and status	The effective date of the standard or, prior to approval of the standard by the Board of Directors, the proposed effective date.
Purpose	The purpose of the standard. The purpose shall explicitly state what outcome is expected by this standard.
Applicability	<p>Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions.</p> <p>If not applicable to the entire SERC Region, then a clear identification of the portion of the Bulk Electric System to which the standard applies. Any limitation on the applicability of the standard based on electric facility requirements should be described.</p>
Requirement(s)	Explicitly stated technical, performance, and preparedness requirements. Each requirement identifies what entity is responsible and what action is to be performed or what outcome is to be achieved. Each statement in the requirements section shall be a statement for which compliance is mandatory.
Violation Severity Levels	Defines the degree to which compliance with a requirement was not achieved. Each requirement must have at least one Violation Severity Level.

SERC Regional Reliability Standard Development Procedure

Violation Risk Factor(s)	<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 Electric System instability, separation, or a cascading sequence of failures, or could place the Bulk Electric 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 Electric System instability, separation, or a cascading sequence of failures, or could place the Bulk Electric System at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to abnormal 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 Electric System, or the ability to effectively monitor and control the Bulk Electric System, but is unlikely to lead to Bulk Electric 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 Electric System, or the ability to effectively monitor, control, or restore the Bulk Electric System, but is unlikely, under emergency, abnormal, or restoration conditions anticipated by the preparations, to lead to Bulk Electric 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 Electric System, or the ability to effectively monitor and control the Bulk Electric 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 Electric System, or the ability to effectively monitor, control, or restore the Bulk Electric System.</p>
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SERC Regional Reliability Standard Development Procedure

Measure(s)	<p>Each requirement shall be addressed by one or more measurements. Measurements that will be used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measurement identifies to whom the measurement applies and the expected level of performance or outcomes required demonstrating compliance. Each measurement 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 full compliance level of each measurement should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.</p>
Compliance monitoring process	<p>Defines for each measure:</p> <ul style="list-style-type: none"> • The specific data or information that is required to measure performance or outcomes. • The entity that is responsible for providing the data or information for measuring performance or outcomes. • The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes. • The entity that is responsible for evaluating data or information to assess performance or outcomes. • Measurement data retention requirements and assignment of responsibility for data archiving.
Time horizon	<p>The time period an entity has to mitigate an instance of violating the associated requirement.</p> <ul style="list-style-type: none"> • Long-term planning — a planning horizon of one year or longer. • Operations planning — operating and resource plans from day-ahead up to and including seasonal. • Same-day operations — routine actions required within the timeframe of a day, but not real-time. • Real-time operations — actions required within one hour or less to preserve the reliability of the bulk electric system. • Operations assessment — follow-up evaluations and reporting of real time operations.

SERC Regional Reliability Standard Development Procedure

Attached Supporting Information Elements

Interpretations	Any interpretations of the SERC Regional Reliability Standards that were developed, and approved by the SERC Executive Committee, to expound on the application of the standard for unusual or unique situations.
Implementation plan	Each SERC 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.
Supporting references	This section references related documents that support reasons for, or otherwise provide additional information related to the standard. Examples include, but are not limited to: <ul style="list-style-type: none">• Glossary of Terms• Developmental history of the standard and prior versions• Responsible SERC Subgroup• Notes pertaining to implementation or compliance• Standard references• Procedures/Practices• Training and/or Technical Reference• Frequently Asked Questions Document

Appendix E: Comment Form for Draft SERC Regional Reliability Standard (latest approved version of form is posted on the SERC web site: www.serc1.org)

COMMENT FORM FOR [INSERT APPROPRIATE TITLE OF SERC REGIONAL RELIABILITY STANDARD]

Please use this form to submit comments on **[insert description]**. Comments must be submitted by **[date]**. You must submit the completed form by e-mailing it to **[insert appropriate contact names & e-mail addresses]** with the words **[insert appropriate subject]** in the subject line. If you have questions please contact **[insert appropriate contact names, e-mail addresses & phone numbers]**.

DO: **Do** use punctuation and capitalization as needed.
Do use more than one form if responses do not fit in the spaces provided.
Do submit any formatted text or markups in a separate WORD file.

DO NOT: **Do not** submit a response in an unprotected copy of this form.

Commenter Information

Group Name (if applicable):
Contact Name:
Organization:
Telephone:
E-mail:

Background:

In this section, provide background information including the reasons for the development of new SERC Regional Reliability Standard or revisions to an existing SERC Regional Reliability Standard.

Major Changes to this Revision of the SERC Regional Reliability Standard

Provide additional information that may help the reviewers better understand the need and motivation for the changes.

Include any other sections as necessary to facilitate the review process.

SERC Regional Reliability Standard Development Procedure

Please Enter All Comments in Simple Text Format.

Insert a "check" mark in the appropriate boxes by double-clicking the gray areas.

[The following are sample questions. Revise the questions as appropriate.]

1. Do you agree with the inclusion of the following in section [xxx] of the standard?

Describe revision details.

Yes

No

Comments:

2. Do you agree with the proposed definitions that were added or revised?

Yes

No

Comments:

3. Do you agree with the deletion of the following section from part [xxx]?

Yes

No

Comments:

4. Do you agree with the proposed changes in section [xxx] of the document?

Yes

No

Comments:

5. Please identify anything you believe needs to be modified before this revision of the standard can be approved by SERC?

Comments:

6. Please provide any other comments on this revision of the standard?

Comments:

SERC Regional Reliability Standard Development Procedure

Appendix F: SERC Consideration of Comments Form (latest approved version of form is posted on the SERC web site: www.serc1.org)

SERC [INSERT RSS NAME] Consideration of Comments on
[INSERT APPROPRIATE SERC REGIONAL RELIABILITY STANDARD TITLE & REV. #]

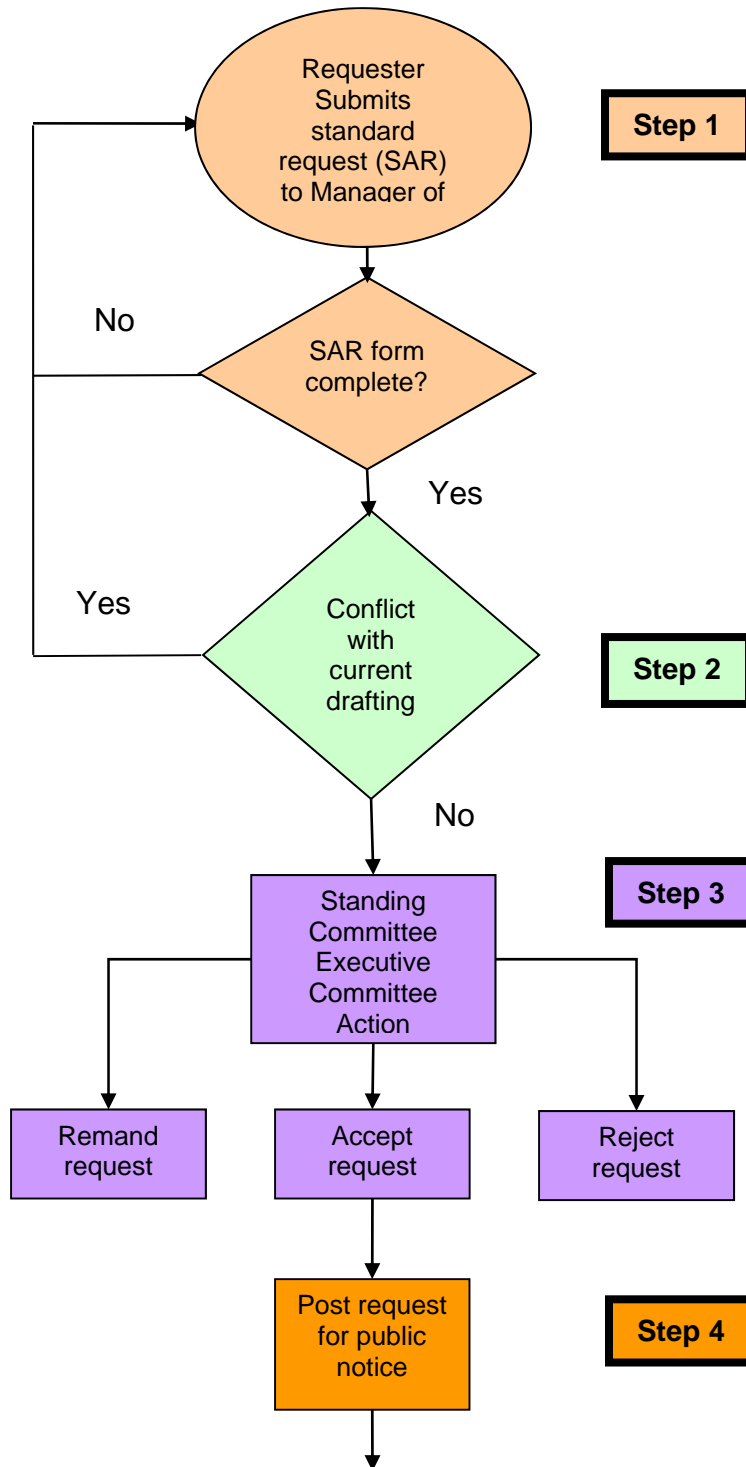
[SAMPLE LANGUAGE]

This document contains comments submitted on Revision [] of the [Standard], which was distributed for review on [Date] in accordance with the SERC Regional Reliability Standards Process Manual. Comments were received from the following.

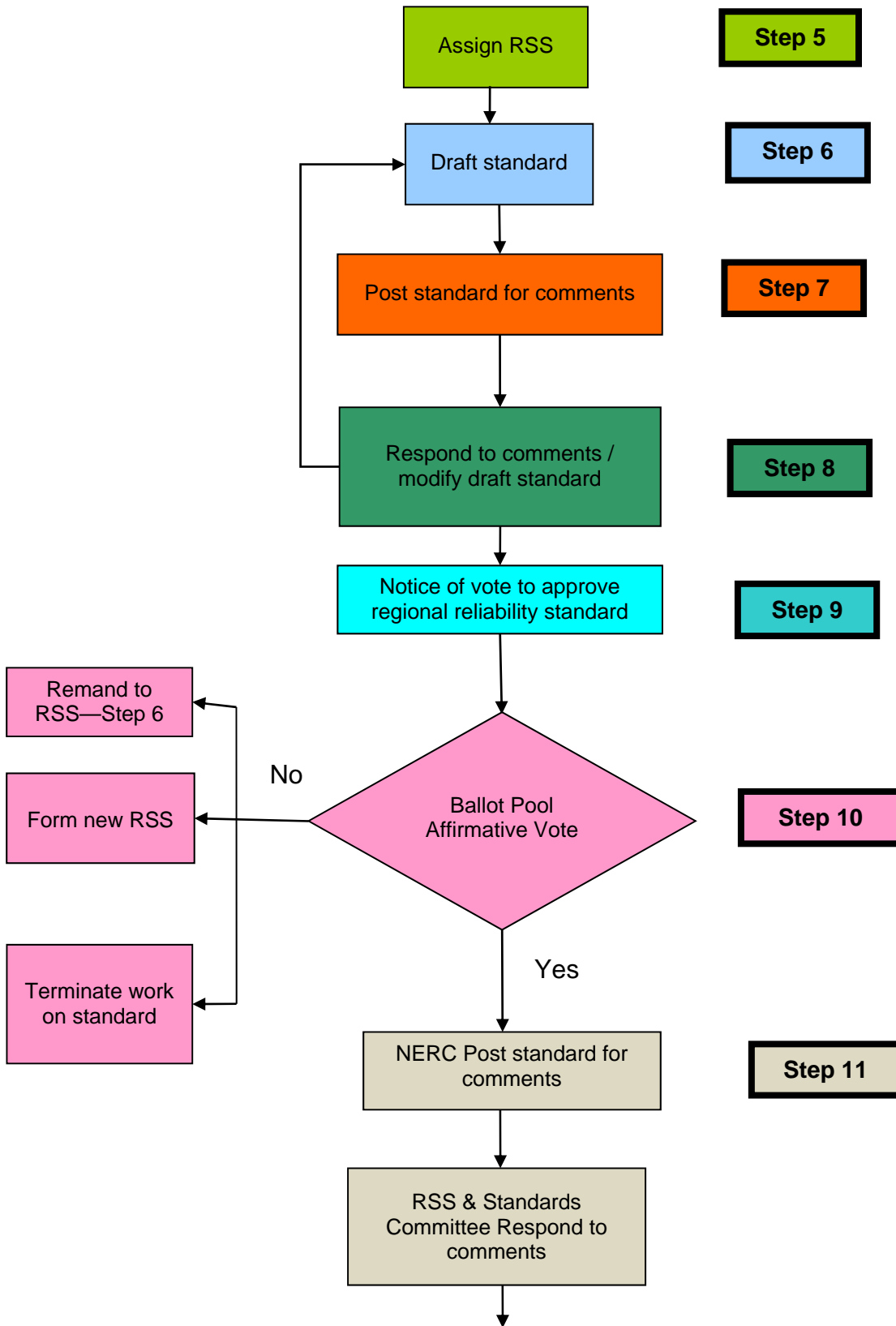
[INSERT INTRODUCTORY LANGUAGE AS APPROPRIATE]

Commenter	Comment	Response

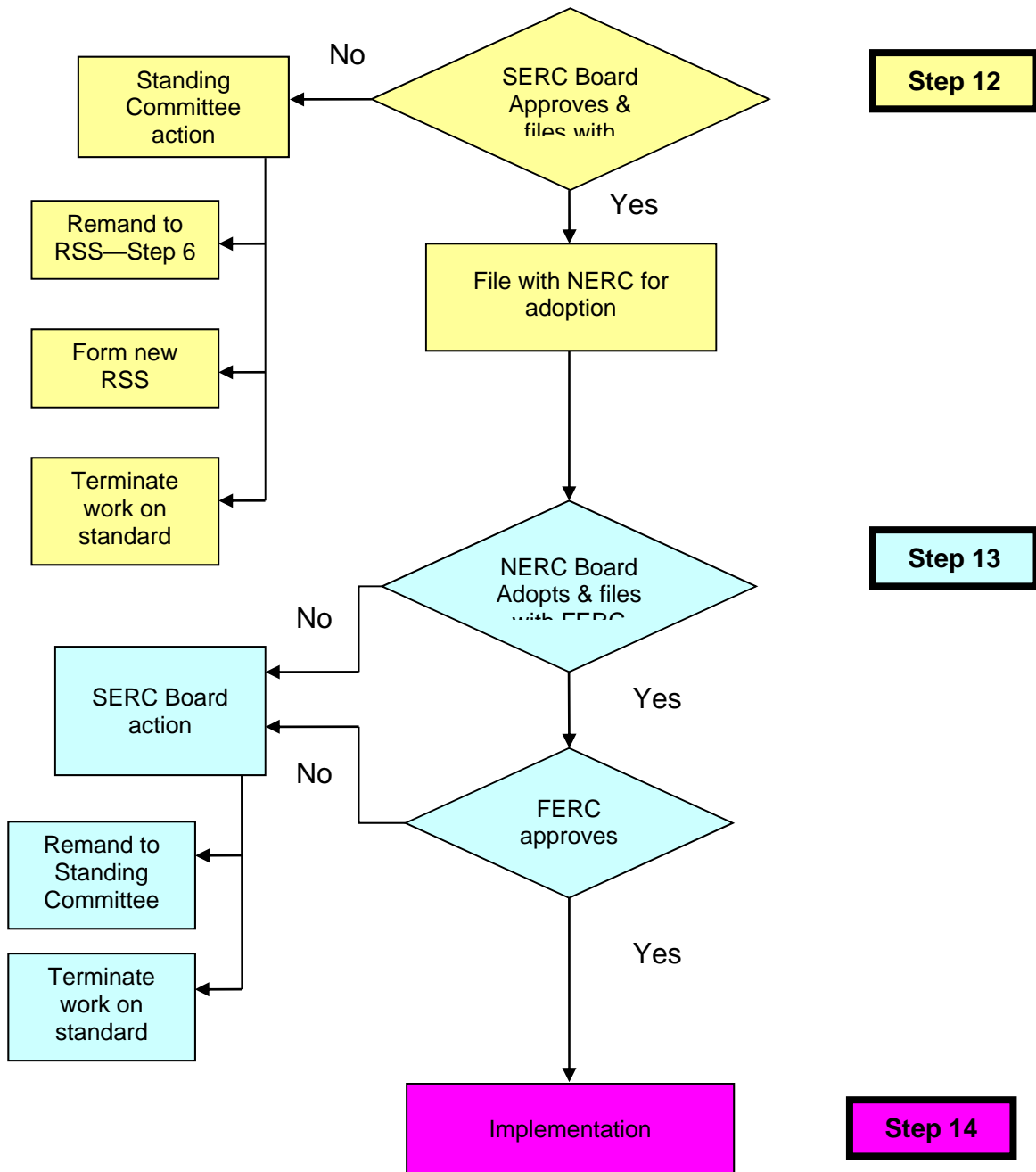
Appendix G: SERC Process Flow Diagram



SERC Regional Reliability Standard Development Procedure



SERC Regional Reliability Standard Development Procedure



SERC Compliance Monitoring and Enforcement Program

Exhibit D to the Amended and Restated Regional Entity Delegation Agreement between

**North American Electric Reliability Corporation
and
SERC Reliability Corporation**



EXHIBIT D – COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

1.0 REGIONAL COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

SERC Reliability Corporation will implement the NERC Compliance Monitoring and Enforcement Program, Appendix 4C to the NERC Rules of Procedure (which for purposes of this section 1.0 shall not include Attachment 2, Hearing Procedures), to monitor and enforce compliance with Reliability Standards by the owners, operators, and users within SERC Reliability Corporation's geographic or electrical boundaries, and such other scope, set forth on **Exhibit A** of this Agreement.

2.0 REGIONAL HEARING OF COMPLIANCE MATTERS

SERC Reliability Corporation shall establish and maintain a hearing body with authority to conduct and 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, which shall be a balanced compliance panel reporting directly to SERC Reliability Corporation's board.

SERC Reliability Corporation's Hearing Body is the Board Compliance Committee, or a subset of the Board Compliance Committee. The Board Compliance Committee is comprised of SERC board members appointed by the Board of Directors. The Board Compliance Committee representation is as follows:

- The Investor-Owned Utility Sector shall have three (3) representatives;
- The Federal/State Sector shall have two (2) representatives;
- The Cooperative Sector shall have two (2) representatives;
- The Municipal Sector shall have two (2) representatives;
- The Marketer Sector shall have one (1) representative;
- The Merchant Electricity Sector shall have one (1) representative;
- The ISO-RTO/Customer Sector shall have one (1) representative

Consistent with the Hearing Procedures, a quorum for the purpose of constituting a Hearing Body shall be half of SERC's Board Compliance Committee, or six members including alternates. In addition to the quorum requirement, the chair of the Board Compliance Committee shall declare the Hearing Body duly constituted only if no two sectors can control and no one sector can veto the actions of the Hearing Body (the "Sector Control Requirements"). To ensure that the Sector Control Requirements are met in the formation of a Hearing Body, the Chair shall adhere to the following in declaring the Hearing Body duly constituted:

- If the Hearing Body is made up of six (6) members of the BCC, then each sector shall have no more than one (1) representative on the Hearing Body.

- If the Hearing Body is made up of seven (7) or eight (8) members of the BCC, then only one sector can have two (2) representatives on the Hearing Body, and each other sector can have only one (1) representative on the Hearing Body.
- If the Hearing Body is made up of nine (9) or ten (10) members of the BCC, then no sector can have more than two (2) representatives on the Hearing Body.
- If the Hearing Body is made up of eleven (11) or twelve (12) members of the BCC, then the Sector Control Requirements are met, as no two sectors would have enough votes to control, and no one sector would have the ability to veto.

Approval of all actions before a duly constituted Hearing Body shall require a simple majority of the votes cast, with each member of the Hearing Body having one vote. The decision of any duly constituted Hearing Body pursuant to these requirements shall be final and binding on the Corporation, without requiring either the full Compliance Committee or the Corporation to ratify the Hearing Body's actions.

3.0 OTHER DECISIONMAKING BODIES

SERC Reliability Corporation does not use decision making bodies within its compliance program other than the Board Compliance Committee described in Section 2.0.

SERC Funding

Exhibit E to the Amended and Restated Regional Entity Delegation Agreement between

**North American Electric Reliability Corporation
and
SERC Reliability Corporation**



Exhibit E — Funding

1. Scope of activities funded through the ERO funding mechanism

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

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

2. Preparation of Annual Business Plan and Budget

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

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

3. Allocation of Costs

Assessments to fund the costs of SERC's delegated functions and related activities pursuant to the Agreement shall be allocated among all load-serving entities on the basis of Net Energy for Load, unless a different method(s) of allocating and calculating such assessments has been submitted to and approved by NERC and the Commission in

accordance with Section 9(b) of the Agreement. SERC shall submit to NERC annually at the same time it submits its budget request a list of the load-serving entities or designees within its geographic boundaries that shall be responsible for paying SERC's assessment and the load-serving entities' proportionate Net Energy for Load, and such other data and information as is necessary to allocate and calculate the allocation of SERC's assessment to the load-serving entities or designees under the method(s) of allocation and calculation that will be used.

4. Collection of Funding

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

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

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

5. Application of Penalties

Except as otherwise approved by the Commission, all penalty monies received by SERC, other than penalty monies received from an operational function or division or affiliated entity of SERC, shall be applied as a general offset to SERC'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. Except as otherwise approved by the Commission, any penalty monies received from an operational function or division or affiliated entity of SERC shall be transmitted to or retained by NERC and shall be used by NERC as a general offset to NERC's budget for its activities as the ERO under the Act for the following year.

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

In addition to its delegated functions and related activities, as specified in Sections 5, 6 and 7 of the Agreement and in Section 1 of this **Exhibit E** (such delegated functions and activities referred to in this Section 6 as "statutory activities"), SERC performs the following other functions and activities (such other functions and activities being referred to in this Section 6 as "non-statutory activities"): None.

SERC shall employ the following methods and procedures to (i) keep its funding mechanisms for its statutory activities separate from its funding mechanisms for its 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:
Not applicable.

SERC shall provide its budget for such non-statutory activities to NERC at the same time that SERC submits its proposed annual business plan and budget for statutory activities to NERC pursuant to Section 9 of the Agreement. SERC's budget for non-statutory activities that is provided to NERC shall contain a detailed list of SERC's non-statutory activities and a description of the funding sources for the non-statutory activities. SERC agrees that no costs (which shall include a reasonable allocation of SERC's general and administrative costs) of non-statutory activities are to be included in the calculation of SERC's assessments, dues, fees, and other charges for its statutory activities.

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

7. Amended or Supplemental Business Plans and Budgets

During the course of the fiscal year, if SERC determines it does not or will not have sufficient funds to carry out its delegated functions and related activities, SERC shall submit to NERC one or more proposed amended or supplemental business plans and budgets and requests for approval of supplemental assessments, reflecting costs, cost increases or funding shortfalls not provided for in SERC's approved business plan and budget for the fiscal year. NERC shall review and approve the proposed amended or supplemental business plan and budget and proposed supplemental assessment, or shall direct SERC to make such revisions as NERC deems appropriate prior to approval. NERC shall submit SERC's approved amended or supplemental business plan and budget and proposed supplemental assessment to the Commission for approval.

8. NERC Review of Regional Entity Financial Records

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

ATTACHMENT 3

AMENDED DELEGATION AGREEMENT

BETWEEN

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

AND

SERC RELIABILITY CORPORATION

REDLINED VERSION

**AMENDED AND RESTATED DELEGATION AGREEMENT BETWEEN
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
AND SERC RELIABILITY CORPORATION**

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

WITNESSETH

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

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

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

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

WHEREAS, the Act and Section 39.8 of the ERO Regulations provide for the delegation by the ERO of authority to propose and enforce Reliability Standards to regional entities (“Regional Entities”) such as SERC 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, SERC 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 SERC to carry out certain of its activities in furtherance of its responsibilities as the ERO under the Act;

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

WHEREAS, NERC and SERC, having operated under a predecessor agreement to this Agreement, have negotiated this amended and restated Agreement so as to incorporate the benefits of their mutual experience and lessons learned while operating under the predecessor agreement and thereby provide for the more efficient and effective execution of their respective

responsibilities in a transparent manner that is pursuant to Section 215 of the Act and the ERO Regulations;

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

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

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

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

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

2. **Representations**.

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

(i) SERC 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. SERC is governed in accordance with its bylaws by a balanced stakeholder board. Pursuant to these bylaws, no two industry sectors can control any SERC decision and no single industry sector can veto any SERC decision. The relevant portions of such bylaws are attached hereto in **Exhibit B¹**, and as so attached are in full force and effect. No other such corporate governance documents are binding upon SERC.

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

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

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

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

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

3. Covenants.

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

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

(c) During the term of this Agreement, NERC and SERC

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

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

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

(b) In circumstances where SERC or an affiliated entity is a Registered Entity, SERC shall enter into an agreement with another Regional Entity or NERC for the other Regional Entity or NERC to monitor and enforce SERC's or affiliate's compliance with Reliability Standards. Such agreements are subject to NERC and Commission approval.

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

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

(e) As a condition to this delegation of authority and subject to the provisions of Section 17 of this Agreement, SERC shall comply with the applicable provisions of NERC's

Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards, as from time to time adopted, approved, or amended.

5. Development and Proposal of Reliability Standards.

(a) In connection with its Delegated Authority, SERC 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 SERC reasonable notice and opportunity to be heard; and

(ii) develop Regional Reliability Standards [and Regional Variances, if Regional Entity is organized on an Interconnection-wide basis] through SERC's process as set forth in **Exhibit C**. Proposals approved through SERC's process shall be reviewed by the NERC Board after NERC provides notice and an opportunity for interested persons to comment. In the case of a proposal from a Regional Entity organized on an Interconnection-wide basis, comments shall be limited to the factors identified in NERC Rule of Procedure 312.3 as it may be amended from time to time. The NERC Board shall promptly thereafter consider such proposed Regional Reliability Standard or Regional Variance, applying the rebuttable presumption described in subsection 5(b) of this Agreement if the proposed Regional Reliability Standard or Regional Variance is from a Regional Entity organized on an Interconnection-wide basis, and either approve the proposed Regional Reliability Standard or Regional Variance and submit it to the Commission for approval, or disapprove it in writing setting forth its reasons. SERC may appeal any disapproval of a proposed Regional Reliability Standard or Regional Variance to the Commission.

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

6. Enforcement of Compliance with Reliability Standards.

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

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

(c) Each Possible Violation, Alleged Violation, or Confirmed Violation shall be treated as nonpublic unless the matter is filed with the Commission as a Notice of Penalty, or, if

disclosure is required, dismissed. The disposition of each Possible Violation, Alleged Violation, or Confirmed Violation that relates to a Cybersecurity Incident or that would jeopardize the security of the Bulk-Power System if publicly disclosed shall remain nonpublic unless the Commission directs otherwise.

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

(i) whether the disposition is supported by a sufficient record compiled by SERC in accordance with the NERC Rules of Procedure, NERC directives and Commission requirements, taking into account the nature of the Possible Violation, Alleged Violation, or Confirmed Violation,

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

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

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

NERC may reject any disposition, with an explanation of why NERC believes the disposition does not meet the above criteria. SERC may submit a disposition requiring NERC approval that has been rejected by NERC, or a revised disposition following a rejection, directly to the NERC Board Compliance Committee for approval without revising the disposition to address all the grounds on which NERC originally rejected the disposition. The final approval of SERC's disposition of a Possible Violation, Alleged Violation, or Confirmed Violation shall be made by

the NERC Board Compliance Committee, provided, that the NERC Board or NERC Board Compliance Committee may, by appropriate resolution, delegate authority for final approval of dispositions of specified categories of Possible Violations, Alleged Violations, or Confirmed Violations to the NERC President.

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

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

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

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

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

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

7. Delegation-Related Activities.

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

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

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

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

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

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

(c) Reliability Assessment and Performance Analysis. SERC shall develop assessments of the reliability of the Bulk-Power System, or ensure that data and information are collected, analyzed and provided to NERC in support of the development of reliability assessments, in accordance with the NERC Rules of Procedure. SERC shall also develop and maintain, and collect data in support of the development and maintenance of, reliability performance metrics and assessments of risks to the Reliable Operation of the Bulk-Power System, in accordance with the NERC Rules of Procedure and NERC directives. NERC shall develop data-gathering quality control procedures, forms and reporting mechanisms, which

shall be used by SERC and other Regional Entities in carrying out their responsibilities under this subsection (c).

(d) Event Analysis and Reliability Improvement. SERC shall conduct event analysis pursuant to the NERC Rules of Procedure and applicable governmental regulations. NERC and SERC shall coordinate event analysis to support the effective and efficient use of their collective resources, consistency in event analysis, and timely delivery of event analysis reports. In collaboration with NERC, SERC shall disseminate to the electric industry lessons learned and other information obtained or resulting from event analysis.

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

(f) Situation Awareness and Infrastructure Security.

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

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

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

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

(a) (i) NERC shall develop, in collaboration with SERC and other Regional Entities, performance goals, measures and other parameters (including, without limiting the scope of

such goals, measures and parameters, financial performance goals, measures and parameters), and performance reports, which shall be used to measure NERC's and SERC's performance of their respective functions and related activities. The performance goals, measures and parameters and the form of performance reports shall be approved by the NERC President and shall be made public. SERC shall provide data, information and reports to NERC, in accordance with established schedules, to enable NERC to calculate SERC's performance to the agreed-upon goals, measures and parameters.

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

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

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

(c) (i) NERC may issue directives to SERC concerning the manner in which SERC shall perform its delegated functions and related activities under this Agreement. The NERC Rules of Procedure, or any other ERO Rule requiring approval of the Commission, shall not be

considered “directives.” NERC shall initiate the development of a directive through a collaborative process with SERC and, if applicable, other Regional Entities to which the directive will apply. Any directive developed through the collaborative process shall be approved by, and issued under the signature of, the NERC President.

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

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

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

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

shall be public, unless the Board or Board committee makes a written determination stating a specific reason for maintaining particular guidance or directions as non-public. SERC, either individually or in conjunction with other Regional Entities, may request that the NERC Board or Board committee reconsider or revise the guidance or direction.

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

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

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

9. Funding.

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

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

(b) SERC and NERC agree that the portion of SERC's approved budget for the functions and activities described in Sections 5, 6 and 7 and listed on **Exhibit E** that is to be funded by assessments, will be equitably allocated among end users within the geographic boundaries described in **Exhibit A** and recovered through a formula based on Net Energy for

Load, or through such other formula as is proposed by SERC and approved by NERC and the Commission. If SERC proposes to use a formula other than Net Energy for Load beginning in the following year, SERC shall submit the proposed formula to NERC in sufficient time that NERC may review and approve the proposed formula and file it with the Commission by May 15 for approval, and the proposed formula shall be effective for the following year if approved by the Commission on or before the date the Commission approves the annual business plan and budget submitted by NERC and SERC to the Commission pursuant to the ERO Regulations for such year.

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

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

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

(f) NERC shall fund SERC's performance of its Delegated Authority and related activities in accordance with SERC's Commission-approved business plan and budget, in the amount of SERC's assessments to end users approved by the Commission. **Exhibit E** sets forth the procedures and timing for billing and collecting SERC's approved assessments from end users and other entities and payment of the approved assessment amount to SERC, unless otherwise modified and approved by NERC and the Commission. NERC shall not impose any material obligation or requirement regarding the Delegated Authority upon SERC that has not been provided for in an approved business plan and budget or an approved amended or supplemental business plan and budget, without SERC's consent.

(g) NERC shall develop, in consultation with the Regional Entities, a reasonable and consistent system of accounts, with a level of detail and record keeping comparable to the

Commission's Uniform System of Accounts and sufficient to allow the Commission to compare each Commission-approved NERC and SERC fiscal year budget with the actual results at the NERC and Regional Entity levels. SERC shall follow NERC's prescribed system of accounts except to the extent that NERC permits a departure from the prescribed system of accounts. NERC shall make an informational filing with the Commission describing any such waiver it permits and providing an explanation supporting the permitted departure.

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

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

10. Assignment.

This Agreement may be assigned by either Party only with the prior written consent of the other, which consent shall be granted or withheld in such non-assigning Party's sole discretion, subject to approval by the Commission. Any assignment under this Agreement shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. SERC may not delegate in whole or in part its Delegated Authority to any other entity without NERC's express consent; provided, however, that nothing in this provision shall prohibit SERC from contracting with other entities to assist it in carrying out its Delegated Authority, provided SERC retains control and responsibility for such Delegated Authority.

11. Default and Cure.

Upon a Breach, the non-breaching Party shall give written notice of such Breach to the breaching Party (the "Default Notice"). Subject to a suspension of the following deadlines as specified below, the breaching Party shall have thirty (30) calendar days from receipt of the

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

12. Term and Termination.

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

(b) The term of the Agreement shall be five (5) years from the Effective Date, prior to which time NERC shall conduct an audit pursuant to subsection 6(i) to ensure that SERC continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. If SERC meets such requirements, this Agreement may be renewed for another five (5) year term. This Agreement may be renewed for successive additional five (5) year renewal terms provided that prior to the end of each renewal term, NERC shall conduct an audit pursuant to subsection 6(i) to ensure that SERC continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. Provided, that either Party may terminate this Agreement as of the end of a term by giving written notice to terminate at least one (1) year prior to the end of the term. If this Agreement is not renewed or becomes subject to termination for any reason, the Parties shall work to provide for a transition of SERC’s Delegated Authority to NERC or to another eligible entity and to provide for the resolution of any wind-up costs associated with termination of this Agreement. The termination of this Agreement shall not take effect until such transition has been effected, unless the transition period exceeds one year, at which time SERC 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 SERC and NERC.

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

13. Limitation of Liability. SERC 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 SERC 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 SERC'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 SERC or NERC is found liable for gross negligence or intentional misconduct, in which case SERC or NERC shall not be liable for any indirect, incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

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

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

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

17. **Amendments to the NERC Rules of Procedure**. NERC shall not adopt amendments to the NERC Rules of Procedure that conflict with the rights, obligations, or programs of SERC under this Agreement without first obtaining the consent of SERC, which consent shall not be unreasonably withheld or delayed. To the extent SERC does not consent, NERC shall have the right to invoke the dispute resolution provisions of Section 18 and, if such effort fails to resolve the dispute, to petition the Commission to adopt the amendment to the NERC Rules of Procedure. To the extent that the Commission issues an order amending or materially affecting the rights or obligations of SERC under this Agreement, SERC 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 SERC to NERC and the Commission, or at such other time as may be mutually agreed by SERC and NERC.

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

(a) The Party invoking Dispute Resolution shall send a notice to the other Party describing the dispute, stating the invoking Party's position with respect to the dispute, stating that the Party is invoking Dispute Resolution, and naming the Party's designated representative for negotiating a resolution of the dispute. The designated representative shall have authority to resolve the dispute on behalf of the invoking Party.

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

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

(d) If the designated representatives are unable to arrive at a resolution of the dispute by the end of the time period described in subsection (c), they shall notify the chief executive officers of their respective Parties. The chief executive officers of the Parties shall thereafter engage in good faith negotiations to attempt to resolve the dispute during the period of twenty

(20) business days immediately following the time period described in subsection (c), *provided*, that the chief executive officers may agree prior to the end of such twenty (20) business day period that negotiations are at impasse and the process may move to the next step as described in subsection (f). Upon mutual agreement of the Parties, the twenty (20) business day period may be extended to pursue ongoing good faith negotiations.

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

(f) If the Parties are unable to resolve the dispute pursuant to the process described in subsections (a) through (e), then either Party may invoke any other available dispute resolution mechanism, including, without limitation, filing a complaint or petition with the Commission requesting resolution of the dispute by the Commission, or filing a complaint for relief in a court having jurisdiction over Parties and the subject matter of the dispute in accordance with Section 20. *Provided, however*, that: (i) it is the intent of the Parties that unresolved disputes shall be presented to and resolved by the Commission if the Commission has and accepts jurisdiction over the subject matter of the dispute, (ii) the Parties may, by mutual agreement, attempt to resolve the dispute through arbitration, mediation, or other process involving resort to an impartial neutral, and (iii) it is the intent of the Parties that resolution of disputes through Commission proceedings, arbitration, mediation, or other use of an impartial neutral, is preferred over resort to judicial proceedings.

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

19. Notice.

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

If to NERC:	If	SERC	to SERC:
North American Electric			Reliability Corporation
Reliability Corporation	2815		Coliseum Centre Drive
116-390 Village Blvd.	Suite		500
Princeton, NJ 08540-5721			Charlotte, NC 28217
Attn: General Counsel			Attn: President and CEO
Facsimile: (609) 452-9550			Facsimile: (704) 357-7914

20. Governing Law.

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

21. Headings.

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

22. Savings Clause.

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

23. Entire Agreement.

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

24. Execution of Counterparts.

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

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

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

SERC

RELIABILITY CORPORATION

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

SERC Regional Boundaries

Exhibit A to the Amended and Restated Regional Entity Delegation Agreement between

**North American Electric Reliability Corporation
and
SERC Reliability Corporation**



1.0 Regional Boundaries

The geographic boundaries of SERC Reliability Corporation (SERC) are determined by the service areas of its membership, comprised of investor-owned utilities, municipal, cooperative, state and federal systems, merchant electricity generators and power marketers.

SERC covers an area of approximately 560,000 square miles in sixteen states: all of Alabama, Georgia, Mississippi, North Carolina and South Carolina, and portions of Arkansas, Florida, Illinois, Iowa, Kentucky, Louisiana, Missouri, Oklahoma, Tennessee, Texas and Virginia.

Service provided by SERC members in areas which overlap with neighboring regions:

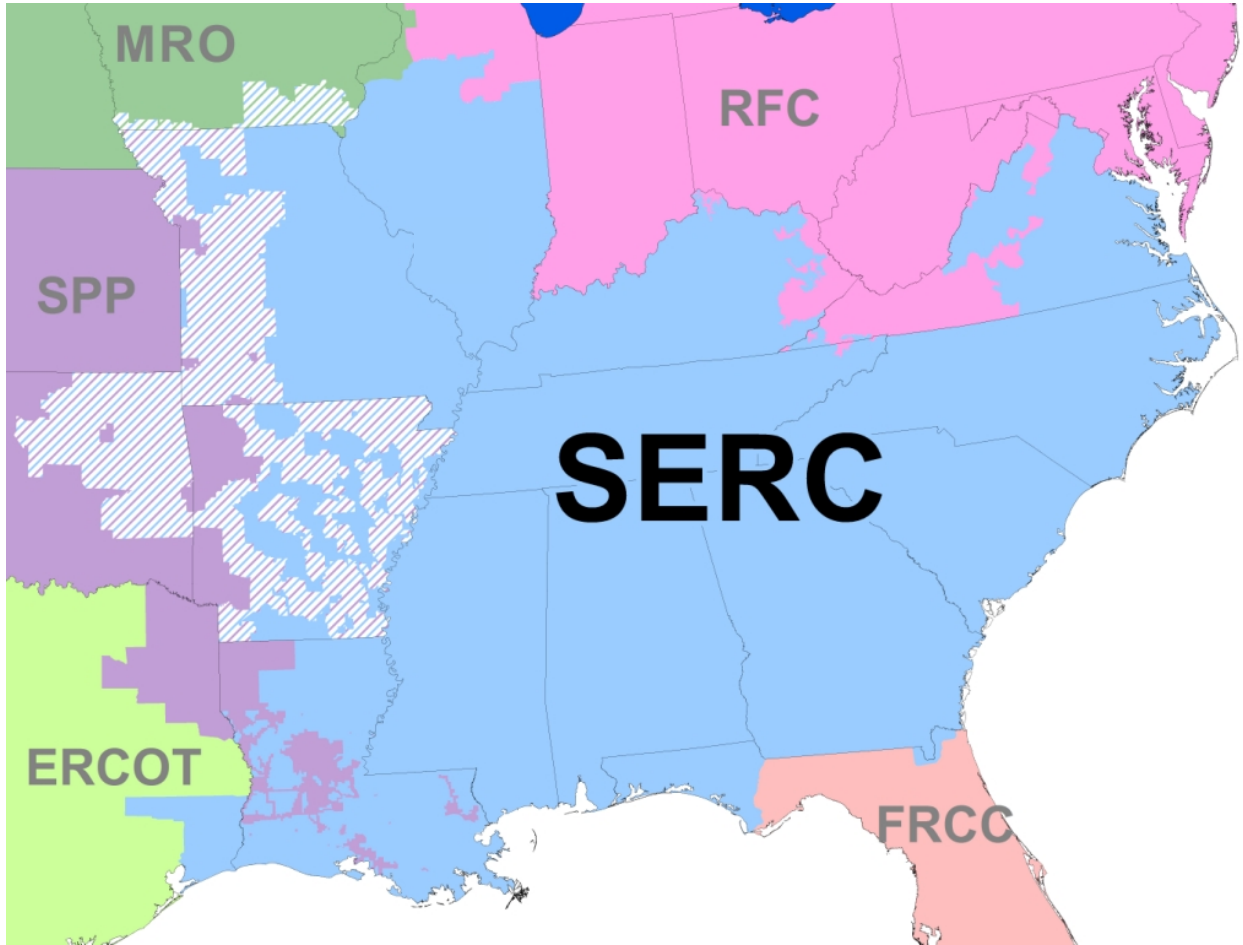
- The area in southern Iowa is served by N.E. Missouri Electric Power Cooperative, a member of Associated Electric Cooperative, Inc., and N.W. Electric Power Cooperative, a member of Associated Electric Cooperative, Inc.
- The area in eastern Oklahoma is served by KAMO Electric Cooperative, Inc., a member of Associated Electric Cooperative, Inc.
- The area in Arkansas is served by Entergy Arkansas.
- The area in western Missouri is served by N.W. Electric Power Cooperative, a member of Associated Electric Cooperative, Inc., and KAMO Electric Cooperative, Inc., a member of Associated Electric Cooperative, Inc.
- The area in N.E. Florida (part of Baker and Nassau counties) served by Okefenoke Rural Electric Membership Corporation (OREMC), a member of Georgia System Operations Corporation, and facilities physically located in Baker County, Florida owned by Georgia Transmission Corporation (GTC) are part of the SERC Region and not the FRCC Region.

A regional map is shown in Section 1.1.

SERC may also perform compliance and enforcement activities outside of the Region, on behalf of NERC and/or other Regional Entities, such activities to be undertaken pursuant to a contract between the Regional Entities that is approved by the Board Executive Committee, NERC and the Federal Energy Regulatory Commission.

Regional Boundaries

1.1 SERC Regional Map



SERC Governance

Exhibit B to the Amended and Restated Regional Entity Delegation Agreement between

**North American Electric Reliability Corporation
and
SERC Reliability Corporation**



Exhibit B – Governance

Exhibit B sets forth SERC Reliability Corporation's bylaws, which NERC agrees demonstrate that SERC meets the following criteria:

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

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

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

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

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

AMENDED AND RESTATED

—BYLAWS

OF

SERC RELIABILITY CORPORATION

~~An Alabama~~ A North Carolina Nonprofit Corporation

~~Dated as~~ Approved by the Board of Directors on ~~October 28, 2009~~ 26, 2011

TABLE OF CONTENTS

ARTICLE I - OFFICES	1
1.1 Principal Office	1
1.2 Other Offices	1
ARTICLE II - SEAL	1
2.1	Seal — 1
ARTICLE III - MEMBERSHIP	1
32.1 General	1
32.2 Eligibility	21
32.3 Termination	2
32.4 Sectors	2
32.5 Transfer of Membership	3
ARTICLE IVIII - PURPOSES	43
43.1 General Purposes	43
43.2 Geographic Area	54
43.3 Other Statutory Functions	54
ARTICLE VIV - BOARD OF DIRECTORS	54
54.1 General Powers	54
5.2 Number	5
54.2 Composition and Eligibility	4
4.3 Regular Meetings of the Board	5
54.4 Special Meetings of the Board	65
54.5 Notice of Special Meetings	6
54.6 Election of Board Officers and Executive Committee	6
54.7 Agenda	6
54.8 Certain Voting Definitions	6
54.9 Determination of Adjusted Weighted Vote	7
54.10 Voting; Manner of Acting; Voting Rights; Quorum; Proxies	8
54.11 Customer Representative Vacancies	8
5.12 Compensation	8
5.13 4.12	Informal Action by Directors

5.144.13	Duties	9
5.15	Vacancies	10
ARTICLE VI - EXECUTIVE COMMITTEE/IV - CORPORATE OFFICERS	109	
6.1 — Executive Committee Voting Members	10	
6.2 — Authority of Executive Committee	11	
6.3 — Action	11	
6.4 — Nominating Committee	11	
6.5 — 5.1	Corporate Officers	119
6.65.2 President/ & Chief Executive Officer	129	
6.75.3 Vice President	1210	
6.85.4 Secretary	1210	
6.95.5 Treasurer	1310	
ARTICLE VI - EXECUTIVE COMMITTEE	11	
6.1 Executive Committee Representatives	11	
6.2 Ex Officio Representatives	11	
6.3 Authority of Executive Committee	11	
6.4 Action	11	
ARTICLE VII - COMPLIANCE COMMITTEE	13	
7.1	Authority of Committee	13
7.2	Composition of Committee	13
7.3	Hearings	14
7.4	Conflicts of Interest	14
7.5	Ad-Hoc Support Committees.	14
ARTICLE VIII - OTHER COMMITTEES	1512	
87.1 Designation by Board	1512	
87.2 Voting Rights Rules for Committees	15	Governance 12
8.3 — Dispute Resolution Process	16	
8.4 — Rules	16	

October 28, 2009

Approved by the Board of Directors on October 26, 2011

8.5	Reliability Standards Development	15
7.3	Ad-Hoc Support Committees	12
ARTICLE IXVIII - MISCELLANEOUS 1612		
98.1	Conflicts of Interest	12
8.1	Contracts	1612
9.28.1	Checks, Drafts, etc	16, 12
9.38.1	Deposits	1613
9.4	Gifts	16
ARTICLE X - BOOKS AND RECORDS 17		
10.18.2	Books and Records	1713
ARTICLE XI - FISCAL YEAR 17		
11.18.3	Seal	13
8.4	Fiscal Year	1713
ARTICLE XIIIX - EXPENSES 1713		
129.1	Allocation of Specific Expenses	1713
129.2	Statutory Functions	1713
129.3	Non-Statutory Functions	1713
ARTICLE XIIIX - DISPUTE RESOLUTION PROCESS 1814		
13.1	General	18
13.2	Terms of Process	18
10.1	Dispute Resolution	14
ARTICLE XIVXI - DISSOLUTION 1814		
1411.1	Dissolution	1814
1411.2	Distribution of Assets	1814
ARTICLE XV - REGULATORY COMMISSION PARTICIPATION 19		
15.1	Terms of Participation	19
ARTICLE XVIXII - WAIVER OF NOTICE 1915		
1612.1	Waiver	1915
ARTICLE XVIIIXIII - INDEMNIFICATION 1915		
1713.1	Indemnification of Directors, <u>Committee Members</u> , Officers, Employees and Agent	

October 28, 2009

ARTICLE XIV – AMENDMENT OF THE
BYLAWS..... 15
14.1 Amendment of the Bylaws 15

AMENDED AND RESTATED
BYLAWS
OF
SERC RELIABILITY CORPORATION
[Hereinafter referred to as the "Corporation"]

~~An Alabama~~ A North Carolina Nonprofit Corporation

ARTICLE I

OFFICES

1.1 **Principal Office.** The principal office of the Corporation shall be located in the City of Charlotte, Mecklenburg County, North Carolina. The Board of Directors may by resolution change the location of this office from time to time.

1.2 **Other Offices.** The Corporation may have other offices, ~~either within or outside of the State of Alabama,~~ at such place or places as the Board of Directors may from time to time appoint or the business of the Corporation may require.

ARTICLE II

SEAL

~~2.1 **Seal.** The corporate seal shall be in circular form and shall have inscribed thereon the name of the Corporation, the words "Corporate Seal", and such other word or words, if any, as may be determined by the Board of Directors to be inscribed thereon.~~

ARTICLE III

MEMBERSHIP

32.1 General. —The Corporation shall be a membership corporation. ~~Members~~Entities that meet the eligibility requirements and apply for membership in the Corporation shall hereinafter be referred to individually as a "Member Company" and collectively as "Members" or "Member Systems."Companies".

32.2 Eligibility.— Membership in the Corporation is open to any entity in the SERC Region that is a user, owner or operator of the Bulk-Power System and is subject to the jurisdiction of the Federal Energy Regulatory Commission for the purpose of complying with Reliability Standards established under Section 215 of the Federal Power Act and all amendments thereto. Membership in the Corporation is voluntary; however, membership is predicated on mandatory acceptance of the responsibility to promote, support, and comply with Reliability Standards of the Corporation and the North American Electric Reliability Corporation ("NERC"), and to assist the Corporation in its compliance with the terms and provisions of a Delegation Agreement (a "Delegation Agreement") with NERC, by which NERC delegates authority to propose and enforce Reliability Standards, pursuant to 16 U.S.C. § ~~824n.~~For purposes of these Bylaws, the terms "Bulk Power System," "Reliability Standards" and "Regional Entity" shall be as defined in 16 U.S.C. § 824n-824o or the corresponding provisions of any subsequent U.S. Code revisions.

32.3 Termination.—~~Members may cease to be a member of~~ A Member Company may terminate its membership in the Corporation by giving the Board of Directors at least thirty (30) days written notice of ~~their intention~~its intent to ~~cease~~terminate such membership (such ~~members~~Member Companies shall hereinafter be referred to as "Terminated MembersMember Companies"). Terminated MembersMember Companies shall nevertheless continue to be liable for any and all obligations ~~they may have had to pay of a share of the expenses of the Corporation~~ incurred prior to the end of the calendar year in which such notice is given, including, but not limited to, the obligation to pay a pro rata share of any Corporation expense. In addition to termination of membership by the Member Company, the Board of Directors, following notice to the Member Company, may terminate the membership of a Member Company if in the judgment of the Board of Directors that Member Company has violated its obligations and responsibilities to the Corporation. ~~This~~The termination of the membership of a Member Company by the Board of Directors shall require a ~~Bicameral~~Supermajority vote, as defined in these Bylaws.

32.4 Sectors. Each Member ~~and the Customer Representatives~~Company

~~October 28, 2009~~_____

~~Approved by the Board of Directors on October 26, 2011~~

shall be classified by the Executive Committee in one of the following seven (7) Sectors (each a “Sector”, and collectively, the “Sectors”):

- (a) Investor-Owned Utility Sector – This Sector includes any investor-owned entity with substantial business interest in ownership and/or operation in any of the asset categories of generation, transmission or distribution.
- (b) Federal/State Sector – This Sector includes any U.S. federal entity that owns and/or operates electric facilities and/or provides balancing authority services, in any of the asset categories of generation, transmission, or distribution; or any entity that is owned by or subject to the governmental authority of a state and that is engaged in the generation, delivery, and/or sale of electric power to end-use customers primarily withwithin the political boundaries of the state.
- (c) Cooperative Sector – This Sector includes any non-governmental entity that is incorporated under the laws of the state in which it operates, is owned by and provides electric service to end-use customers at cost, and is governed by a board of directors that is elected by the membership of the entity; and any non-governmental entity owned by and which provides generation and/or transmission service to such entities.
- (d) Municipal Sector – This Sector includes any entity owned by or subject to the governmental authority of a municipality, that is engaged in the generation, delivery, and/or sale of electric power to end-use customers primarily within the political boundaries of the municipality; and any entity, whose members are municipalities, formed under state law for the purpose of generating or purchasing electricity for sale at wholesale to their members.
- (e) Marketer Sector– This Sector includes any entity that is engaged in the activity of buying and selling of wholesale electric power in the SERC Region on a physical or financial basis.
- (f) Merchant Electricity Generator Sector – This Sector includes any entity that owns or operates an electricity generating facility or provides balancing authority services for such entities. This includes, but is not limited to, small power producers and all other non-utility producers such as exempt wholesale generators who sell electricity at wholesale.

October 28, 2009

Approved by the Board of Directors on October 26, 2011

- (g) ISO-RTO/~~Customer~~ Sector – This Sector includes ~~(i)~~ any entity that operates a FERC approved ISO or RTO ~~and (ii) the Customer Representatives.~~

The Executive Committee's classification of a Member Company in a particular Sector may only be changed by the Executive Committee. ~~For purposes of these bylaws, the term "Customer Representative" shall mean a person who represents an entity that receives service at retail and does not otherwise sell, purchase, or transmit power over the Bulk Power System or own, operate or maintain, control or operate facilities or systems that are part of the Bulk Power System.~~

32.5 Transfer of Membership. —A Member Company may not give or otherwise transfer its membership, except to a successor that becomes a Member Company in accordance with the terms and conditions of these Bylaws, and provided that the successor continues to meet its predecessor's obligations.

ARTICLE ~~IV~~III -

PURPOSES

43.1 General Purposes. The purpose of the Corporation is to promote effective and efficient administration of Bulk-Power System reliability in the ~~areas serviced by its Member Systems~~SERC Region, as defined in Section 3.2. In pursuit of this goal, the Corporation ~~will~~shall:

- (a) enter into a Delegation Agreement to serve as a Regional Entity pursuant to 16 U.S.C. § ~~824n~~824o or the corresponding provisions of any subsequent U.S. Code revisions;
- (b) promote the development of reliability and adequacy arrangements among the systems ~~within~~in the SERC Region;
- (c) participate in the establishment of Reliability Standards;
- (d) participate in the measurement of performance relative to these Reliability Standards;
- (e) promote conformance to and compliance with these Reliability Standards;

~~October 28, 2009~~

~~Approved by the Board of Directors on October 26, 2011~~

- (f) develop and exchange information with respect to planning and operating matters relating to the reliability and adequacy of the Bulk-Power System;
- (g) review as necessary activities ~~withinin~~ the SERC Region on reliability and adequacy in order to meet Reliability Standards;
- (h) provide a mechanism to resolve disputes on reliability issues in a manner that meets the needs of the parties and the SERC Region; and
- (i) provide information with respect to matters considered by the Corporation, where appropriate, to the Federal Energy Regulatory Commission ("FERC") and to other federal and state agencies concerned with reliability and adequacy.

43.2 Geographic Area. The Corporation accomplishes its purposes in a geographic area ~~of approximately 560,000 square miles in a sixteen state area in the southeastern and central United States (the "Region"). The Region is currently geographically divided into five subregions that are identified as Southeastern, Central, VAGAR, Delta, and Gateway. The number of subregions and the geographic area are subject to change upon approval of the Board of Directors.~~ (the "SERC Region") that is defined in Exhibit A of the Amended and Restated Delegation Agreement Between North American Electric Reliability Corporation and SERC Reliability Corporation. .

43.3 Other Statutory Functions. The Corporation may also perform statutory functions outside of the SERC Region, on behalf of NERC or other Regional Entities. The Corporation may undertake such activities ~~to be undertaken~~ pursuant to a contract that is approved by the ~~Board~~ Executive Committee.

ARTICLE ~~VIV~~ -

BOARD OF DIRECTORS

54.1 General Powers. The affairs of the Corporation shall be managed by its Board of Directors. ~~Directors need not be residents of the State of Alabama. except as otherwise provided in these Bylaws.~~

54.2 NumberComposition and Eligibility. The Board of Directors shall

~~October 28, 2009~~

~~Approved by the Board of Directors on October 26, 2011~~

~~consist of~~ be comprised of no fewer than three (3) Directors and no more than two (2) Customer Advisors.

~~Each Director shall be the principal officer or other authorized representative employee from each Member and shall also include two (2) Company or a company that controls, is controlled by, or is under common control with such Member Company (an "affiliated entity"). Each Member Company may appoint one (1) Director to the Board of Director positions for Customer Representatives. The Board shall consist of no fewer than three (3) directors and no more than one hundred (100) directors. The current number of directors shall be fifty-four (54) Directors. Each Director shall serve until otherwise replaced by the applicable Member Company. Each Member Company may designate one (1) alternate Director, who shall be a principal officer or other authorized employee from the Director's Member Company or an affiliated entity, to serve in the place of the Member Company's Director at any meeting of the Board of Directors (an "Alternate Director"). Directors may not otherwise use proxy votes. Any vacancy occurring among the Directors or Alternate Directors shall be filled by the applicable Member Company.~~

~~Each Customer Advisor shall be a person who is (i) employed by an entity that receives service at retail and does not otherwise sell, purchase, or transmit power over the Bulk Power System or own, operate or maintain, control or operate facilities or systems that are part of the Bulk Power System; (ii) a state public utility commission representative; or (iii) any other customer advocate. Should the Board of Directors not include two (2) Customer Advisors, the Board of Directors may elect additional Customer Advisors to fill such vacancies. The term of these Customer Advisors shall be for a two (2) year period.~~

~~The Chair of FERC and the chair or president of any State Utility Commission in a state in which electric service is provided by a Member Company of the Corporation shall be invited to designate an observer to attend meetings of the Board.~~

54.3 Regular Meetings of the Board. Unless otherwise determined by the ~~Chairman~~Chair, a regular meeting of the Board of Directors shall be held without other notice than ~~this bylaw~~these Bylaws on the fourth Wednesday in the months of April and October in each year, ~~beginning with the year 2005.~~ Notwithstanding the foregoing, the ~~Chairman~~Chair may elect to hold a regular semi-annual meeting of the Board of Directors on another date provided that the Board receives at least ~~the ten~~ (10) ~~days'~~days advance notice. If the day fixed for the meeting shall be a legal holiday in the State of ~~Alabama~~North Carolina, the meeting shall be held on the next succeeding business day. The Board of Directors may designate any place, ~~either within or outside of the State of Alabama,~~ as the place of meeting for any meeting. The Board of Directors may provide by resolution the time and place, ~~either within or outside of the State of Alabama,~~ for the holding of additional regular meetings of the Board without

~~October 28, 2009~~

~~Approved by the Board of Directors on October 26, 2011~~

other notice than the resolution. ~~Members of the Board of~~ Directors or any committee designated ~~thereby by the Board of Directors~~ may participate in ~~a meeting of~~ such Board or committee meetings by means of a telephone conference, webcast or any other communication by means of which all persons participating in the meeting can hear each other at the same time, and participation by such means shall constitute presence in person at such meeting.

54.4 Special Meetings of the Board. Special meetings of the Board of Directors may be called ~~by or~~ at the request of the ~~Chairman~~Chair, or by ~~directors~~Directors holding twenty percent (20%) or more of the Individual Votes. The ~~Chairman~~Chair may fix any place, ~~either within or outside of the State of Alabama,~~ as the place for holding any special meeting of the Board.

54.5 Notice of Special Meetings. Notice of any special meeting of the Board of Directors shall be given at least two (2) days ~~previously~~prior to the special meeting by written notice delivered personally, or sent by mail or electronic mail to each ~~director~~Director at the address as shown by the records of the Corporation. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage prepaid. If sent by electronic mail, such notice shall be deemed to be delivered when sent via electronic mail. Any ~~director~~Director may waive notice of any meeting. The attendance of a ~~director~~Director at any meeting shall constitute a waiver of notice of such meeting, except where a ~~director~~Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any special meeting of the ~~board~~Board need be specified in the notice or waiver of notice of such meeting, unless specifically required by law or by these Bylaws.

54.6 Election of Board Officers and Executive Committee. — Biennially, at the April meeting, the Board of Directors shall elect ~~one~~Board Officers from among the Directors for the positions of their directors to serve as Chairman, one asChair, Vice ~~Chairman~~Chair, and ~~one as~~ Secretary-Treasurer, each for a term of two (2) years beginning on July 1st after the election. No Director may serve in more than one (1) Board Officer position at the same time. The ~~Chairman~~Chair shall conduct all meetings and shall be responsible for the preparation of the agenda. In the ~~Chairman's~~Chair's absence, the Vice ~~Chairman~~Chair shall serve as Chairmanacting Chair. In the event that ~~an officer~~a Board Officer cannot complete ~~ahis or her~~ term, the Board of Directors may hold a special election may be held. to elect a replacement Board Officer for the remainder of the unexpired term.

At the same time, the Board shall also approve ~~members~~representatives to the Executive Committee ~~elected~~nominated by the Sectors to serve for a period of two (2) years. Each Sector may also elect ~~alternate members~~alternates to the Executive

October 28, 2009

~~Approved by the Board of Directors on October 26, 2011~~

Committee, and, if a Sector has more than one ~~member~~(1) representative on the Executive Committee, such Sector shall designate the priority of succession by such alternates.

54.7 Agenda.— As far in advance of each regular and special meeting as practical, an agenda shall be distributed to each ~~Board member~~Director and ~~representative~~Customer Advisor.

54.8 Certain Voting Definitions.

- (a) "Adjusted Weighted Vote" shall mean the number of votes of each ~~director~~Director determined in the manner set forth in Section 54.9 hereof.
- (b) "~~Bicameral~~ Simple Majority" shall require the presence of a quorum and the (i) concurrence of ~~directors~~Directors whose combined Individual Votes are greater than fifty ~~(50)~~-percent (50%) of the total Individual Votes of all ~~directors~~Directors present at the meeting and entitled to vote on the issue (the "Individual Vote Test"), (ii) concurrence of ~~directors~~Directors whose combined Adjusted Weighted Votes are greater than fifty ~~(50)~~-percent (50%) of the total Adjusted Weighted Vote of all ~~directors~~Directors at the meeting and entitled to vote on the issue (the "Adjusted Weighted Vote Test"), and (iii) for at least one of the Individual Vote Test or the Adjusted Weighted Vote Test, on ~~an~~ individual Sector basis, the positive vote ~~must~~shall outweigh the negative vote for at least three Sectors.
- (c) "~~Bicameral~~ Supermajority" shall require the presence of a quorum and the concurrence of (i) ~~directors~~Directors whose combined Individual Votes equal or exceed two-thirds (2/3) of the total Individual Votes of all ~~directors~~Directors present at the meeting and entitled to vote on the issue, provided that a quorum is present, and (ii) ~~directors~~Directors whose combined Adjusted Weighted Votes are greater than two-thirds (2/3) of the total Adjusted Weighted Vote of all ~~directors~~Directors present at the meeting and entitled to vote on the issue.
- (d) "Individual Vote" shall mean a single vote accorded to each ~~director~~Director.
- (e) "Given Year" shall mean the applicable fiscal year for which the Adjusted Weighted Votes are calculated.

~~October 28, 2009~~ _____

~~Approved by the Board of Directors on October 26, 2011~~

- (f) "Reporting Year" shall mean the fiscal year immediately preceding the Given Year.
- (g) "Previous Year" shall mean the fiscal year immediately preceding the Reporting Year.

54.9 Determination of Adjusted Weighted Vote.— The ~~directors'~~Directors' Adjusted Weighted Votes for a Given Year shall be determined by the following formula:

$$V = 10(1/N) + 30(B/C) + 30(D/E) + 30(F/G)$$

V = % of Adjusted Weighted Vote

N = total number of ~~Members~~Member Companies

B = ~~Member's~~Member Company's Previous Year internal peak demand

C = total of factor B for all ~~Members~~Member Companies

D = ~~Member's~~Member Company's owned generating capacity as of January 1 of the Reporting Year

E = total of factor D for all ~~Members~~Member Companies

F = ~~Member's~~Member Company's sum of circuit miles of transmission times the respective operating voltage for facilities of 69 kV and above as of December 31 of the Previous Year

G = total of factor F for all ~~Members~~Member Companies

54.10 Voting; Manner of Acting; Voting Rights; Quorum; Proxies.

- ~~___~~(a) ~~_____~~ Except ~~for amendments to as otherwise provided in~~ these Bylaws, ~~which require approval by a Bicameral Supermajority,~~ all ~~other actions~~ by the Board of Directors require approval by a ~~Bicameral~~ Simple Majority vote.
- ~~___~~ (b) ~~Notwithstanding anything else in these Bylaws, a~~ motion is ~~still~~shall be deemed to have passed if it passes either ~~(but not both):~~
- (i) the Individual Vote Test; or
 - (ii) the Adjusted Weighted Vote Test ~~is satisfied (such;~~
- and, for purposes of the failed test (any test that is not satisfied is referred to as the "Failed Test"), and, for purposes of the Failed Test, on an individual Sector basis, the positive votes outweigh the negative votes in every Sector but one.
- (c) ~~Members~~Directors holding two-thirds (2/3) of the Individual Votes shall constitute a quorum for action by the Board; ~~but if directors. If~~ Directors holding less than two-thirds (2/3) of the Individual Votes are present at the meeting, a majority of the ~~directors~~Directors present may adjourn the meeting from time to time without further notice.
- ~~___~~(d) ~~Any director may designate an alternate from that Member to represent the director at any meeting by written notification to the Corporation's office; however, directors may not otherwise use proxy votes.~~
- ~~_____~~(e) ~~_____~~ The intent of Section 54.8(b)(iii) and Section 54.10(b) is to ensure that no two Sectors should be able to control any decision and that a single Sector should not be able to veto any matter, respectively (other than amendments to these Bylaws). In the event that either of the foregoing shall nevertheless occur, the ~~Members will~~Member Companies shall promptly revise the provisions of these Bylaws so

~~October 28, 2009~~

~~Approved by the Board of Directors on October 26, 2011~~

that no two Sectors ~~will~~shall be able to control any decision and no single Sector ~~will~~shall be able to veto any matter.

~~5.11 **Customer Representative Vacancies.** Should the Board of Directors, at any time, not include two Customer Representatives, the Board of Directors shall elect (or designate the Executive Committee to elect) additional representatives to fill such vacancies. The term of these Customer Representatives shall be for a two-year period.~~

~~5.124.11 **Compensation.** Directors ~~as such~~ shall not receive any ~~stated salaries~~compensation from the Corporation for their services to the Corporation.~~

~~5.13~~

~~4.12 **Informal Action by Directors.** Any action required by law to be taken at a meeting of ~~directors~~Directors, or any action which may be taken at a meeting of ~~directors~~Directors, may be taken without a meeting if all of the Directors consent in writing, setting out to the action so taken, ~~shall be signed by all of the directors~~.~~

~~5.144.13 **Duties.** ~~The duties of the~~ Board of Directors shall ~~include~~have the exclusive responsibility to:~~

~~(a) ~~Periodically review the Reliability Standards with respect to matters affecting the reliability and adequacy of the Bulk-Power System power supply within the Region;~~~~

~~(b) ~~Manage the business and affairs~~~~

~~(a) Authorize distributions;~~

~~(b) Recommend to members or approve dissolution, merger or the sale, pledge or transfer of substantially all of the corporation's assets;~~

~~(c) Fill vacancies on any of the CorporationBoard's committees;~~

~~(d) Adopt rules, regulations and policies to implement and accomplish the purposes and provisions of these Bylaws, as necessary, amend, or repeal the Articles of Incorporation or Bylaws;~~

~~Recommend and approve any amendments to these Bylaws;~~

~~Exercise general supervision over such committees as may be established in accordance with Article VII and Article VIII of these Bylaws;~~

~~October 28, 2009~~

~~Approved by the Board of Directors on October 26, 2011~~

11

~~Consider any matters relating to the general administration of the Corporation proposed by any Member;~~

- (e) Form or dissolve committees, ~~subcommittees, or task forces~~ of the Board as it deems necessary to carry out the business of the Corporation; and
- ~~(f) Delegate appropriate duties or responsibilities to any committee established pursuant to these Bylaws;~~
- ~~(g) _____~~
- ~~(h) Periodically establish and approve an annual budget and any revisions thereto;~~
- ~~(i) _____~~
- ~~(j) Require that adequate bond be provided covering all officers, agents, employees charged by the Corporation with responsibility for the custody of any of its funds and property;~~
- ~~(k) _____~~
- ~~(l) Have power to select one or more banks or other financial institutions to act as depositories of the funds of the Corporation;~~
- ~~(m) _____~~
- ~~(n) Provide for the coordination of planning activities within the Corporation;~~
- ~~(o) _____~~
- ~~(p) Provide for the coordination of interconnected system operations within the Corporation;~~
- ~~(q) _____~~
- ~~(r) Provide for the coordination of critical infrastructure protection activities within the Corporation;~~
- ~~(s) _____~~
- ~~(t) Provide for the Corporation's membership certification;~~
- ~~(u) _____~~
- ~~(v) If the membership authorizes the use of the Corporation's employees, other than contract personnel, to conduct the administrative affairs of the Corporation, the Board shall set policies for selecting, compensating and reviewing the performance of the employees; and~~
- ~~(w) _____~~
- (f) Resolve any disputes regarding the ~~Members~~Member Companies and the Corporation, if those issues cannot be resolved by the standing committees/ or subcommittees of the Corporation and are not otherwise subject to NERC's dispute provisions for non-compliance with Reliability Standards.

~~October 28, 2009~~ _____

~~5.15 **Vacancies.** Any vacancy occurring in the Board of Directors shall be filled by the applicable Member, except for Customer Representative vacancies which shall be filled in accordance with Section 5.11.~~

ARTICLE VI

~~EXECUTIVE COMMITTEE /V - CORPORATE OFFICERS~~

~~6.1 **Executive Committee Voting Members.** The Executive Committee shall consist of the following twelve (12) voting members:~~

~~5.1 (a) The Investor-Owned Utility Sector shall have three (3) representatives;~~

~~(b) The Federal/State Sector shall have two (2) representatives;~~

~~(c) The Cooperative Sector shall have two (2) representatives;~~

~~(d) The Municipal Sector shall have two (2) representatives;~~

~~(e) The Marketer Sector shall have one (1) representative;~~

~~(f) The Merchant Electricity Generator Sector shall have one (1) representative; and~~

~~The ISO-RTO/Customer Sector shall have one (1) representative.~~

~~It is the desire of the Board of Directors that the Cooperative and Municipal sectors have representation from both transmission dependent and transmission owning Members. Each Sector will be responsible for nominating their representative(s) and alternates from among Board Members. The Chairman, Vice Chairman, and Secretary-Treasurer shall also be ex officio members of the Executive Committee, but shall not have voting rights (unless such Board officer is also elected by a Sector to the Executive Committee pursuant to Section 6.1(a)-6.1(g)). The Chairman will serve as chairman of the Executive Committee and shall conduct all meetings and shall be responsible for the preparation of the agenda. In the event that a member of the Executive Committee is unable to complete a term, the Sector's alternate representative will replace such member.~~

~~October 28, 2009~~

~~Approved by the Board of Directors on October 26, 2011~~

~~6.2 **Authority of Executive Committee.** Except as limited by Section 10-3A-38 of the Alabama Nonprofit Corporation Act, the Executive Committee is empowered to make such decisions and take such actions as are deemed to be required between meetings of the Board of Directors to include reviewing and acting upon applications for membership in and resignations from the Corporation.~~

~~6.3 **Action.** Each voting member of the Executive Committee shall have one vote. The presence of three quarters of the members of the Executive Committee shall constitute a quorum. The positive vote of two-thirds of Executive Committee voting members present and voting is necessary to pass a particular action.~~

~~6.4 **Nominating Committee.** Biennially, the Executive Committee will appoint a Nominating Committee for the purpose of recommending individuals to serve as Officers of the Corporation. The Nominating Committee will report to the Board at the Board's April meeting.~~

~~6.5 **Corporate Officers.** The ~~Executive Committee~~Board of Directors shall ~~arrange for the services of~~ appoint a President/ & Chief Executive Officer, Vice President, Secretary, and Treasurer of the Corporation. Two (2) or more of such offices may be held by the same person, except for the offices of President/ & Chief Executive Officer and Secretary. The Board of Directors may appoint such other officers and assistant officers as it deems necessary.~~

~~6.6~~

~~5.2 **President/ & Chief Executive Officer.** Under general direction, the~~ The President shall be the Chief Executive Officer of the Corporation and shall manage the operations of the Corporation to the end that its purposes will/shall be accomplished. The Board Officers shall determine the compensation and benefits for the President and Chief Executive Officer. (President). The President shall:

- ~~(a)~~ (a) Attend all Board of Directors ~~and standing committee~~ meetings of the Corporation and NERC Stakeholder, and Board of Trustees, ~~and Standing Committee~~ meetings, as ~~these committees may change from time to time and as~~ appropriate;
- ~~(b)~~ (b) Assist and coordinate the preparation of testimony and reports;
- ~~(c)~~ (c) Coordinate subregional activities and interregional affairs, to include data collection;

~~October 28, 2009~~

~~Approved by the Board of Directors on October 26, 2011~~

- (d) ~~(d)~~ Install and maintain an adequate system of accounts and records;
- (e) ~~(e)~~ Arrange for meetings as directed;
- (f) ~~(f)~~ Assist the Corporation Committee ~~Chairmen~~Chairs as appropriate;
- (g) ~~(g)~~ Manage the business affairs of the Corporation, including the Corporation staff;
- (h) ~~(h)~~ Maintain minutes of all the Corporation-related meetings; and
- (i) ~~(i)~~ Provide other assistance to the Corporation and NERC, as appropriate.

6.75.3 Vice President. The Vice President shall perform such duties and exercise such powers as may be assigned to him or her from time to time by the Board of Directors, the Executive Committee, or the President. In the absence of the President, or in the case of the President's inability to act, the Vice President shall perform the duties and exercise the powers of the President, but subject to the control of the Board of Directors and the Executive Committee. The Board Officers shall determine the compensation and benefits of the Vice President.

6.85.4 Secretary. The Secretary shall be custodian of the records and of the seal of the Corporation and in general shall perform all duties incident to the office of Secretary and such other duties as may, from time to time, be assigned to him or her by the Board of Directors, the Executive Committee, or the President.

6.95.5 Treasurer. The Treasurer shall have charge and custody of, and be responsible for, all funds and securities of the Corporation and deposit all such funds in the name of the Corporation in such banks, trust companies, or other depositaries as shall be selected in accordance with the provisions of these Bylaws; and in general, perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the Board of Directors, the Executive Committee, or the President.

ARTICLE ~~VII~~

~~October 28, 2009~~

~~Approved by the Board of Directors on October 26, 2011~~

COMPLIANCEVI - EXECUTIVE COMMITTEE

~~7.1 **Authority of Committee.** The Corporation's Compliance Committee will be vested with the authority for the Corporation Compliance Program and granted the ability to impose penalties and sanctions on behalf of NERC. The Compliance Committee shall review violations known to the Corporation's Compliance Staff discovered from audits, compliance documentation, or any other source whether self-reported, alleged, or confirmed, for the most recent period. The Compliance Committee shall review and advise the Board on the progress of the Corporation and its members in mitigating confirmed violations, and the progress of the Corporation in dealing with all unconfirmed violations. The Compliance Committee shall review the progress of the Corporation and its Members in implementing recommendations, as appropriate. The Compliance Committee shall report to the Board at each regularly scheduled meeting of the Board, and shall recommend to the Board such actions as may further the purposes of the Delegation Agreement. Additionally, the Compliance Committee shall perform such other functions as may be delegated from time to time by the Board.~~6.1

~~**Executive Committee Representatives.** The Executive Committee shall be comprised of twelve (12) Sector representatives from the Board of Directors, consisting of:~~

~~(a) The Investor-Owned Utility Sector shall have three (3) representatives;~~

~~(b) The Federal/State Sector shall have two (2) representatives;~~

~~(c) The Cooperative Sector shall have two (2) representatives;~~

~~(d) The Municipal Sector shall have two (2) representatives;~~

~~(e) The Marketer Sector shall have one (1) representative;~~

~~(f) The Merchant Electricity Generator Sector shall have one (1) representative; and~~

~~(g) **7.2 Composition of Committee.** The Compliance Committee shall be composed of not more than twelve (12) members of the Corporation's Board of Directors. The members of the Compliance Committee shall be appointed by the Board of Directors at its April biennial meeting. The Compliance Committee shall consist of the following members:~~

~~(h) _____~~

~~October 28, 2009 _____~~

~~Approved by the Board of Directors on October 26, 2011~~

- ~~(i) The Investor Owned Utility Sector shall have three (3) representatives;~~
- ~~(j) _____~~
- ~~(k) The Federal/State Sector shall have two (2) representatives;~~
- ~~(l) _____~~
- ~~(m) The Cooperative Sector shall have two (2) representatives;~~
- ~~(n) _____~~
- ~~(o) The Municipal Sector shall have two (2) representatives;~~
- ~~(p) _____~~
- ~~(q) The Marketer Sector shall have one (1) representative;~~
- ~~(r) _____~~
- ~~(s) The Merchant Electricity Generator Sector shall have one (1) representative;~~
- ~~(t) _____~~
- (g) The ISO-RTO/~~Customer~~ Sector shall have one (1) representative.

~~It is the desire of the Board of Directors that the Cooperative and Municipal sectors have representation from both transmission dependent and transmission owning Members. The Chairman of the Board of Directors shall appoint a chair from among the Compliance Committee members. The Chairman shall conduct all meetings of the Compliance Committee and shall be responsible for the preparation of the agenda. The Corporation Compliance Manager shall serve as the non-voting secretary. The Compliance Committee shall meet as determined by the members of the Compliance Committee, using the same meeting procedures as established for the Executive Committee. Each Sector will shall be responsible for nominating their representative(s) and alternates from among Board Members the Directors. The Chair of the Board shall serve as Chair of the Executive Committee and shall conduct all meetings and shall be responsible for the preparation of the agenda. In the event that a member of representative on the Compliance Executive Committee is unable to complete a term, the Sector's alternate representative will shall replace such member representative.~~

~~7.3 **Hearings.** The Compliance Committee shall provide a hearing, at the request of an entity assessed as non-compliant, to review all relevant documentation related to the assessment, and to assure that proper procedures were used in the determination.~~

~~7.4 **Conflicts of Interest.** Compliance Committee members shall comply with the Corporation's Standards of Conduct policy that prohibits conflicts of interest associated with the compliance program, as such conflicts could cast doubt on the ability of the Compliance Committee members to act with total objectivity with regard to the overall interests of the compliance program.~~

7.5

October 28, 2009 _____

Approved by the Board of Directors on October 26, 2011

6.2 **Ex Officio Representatives.** The Chair, Vice Chair, and Secretary-Treasurer of the Board of Directors shall also be ex officio representatives on the Executive Committee, but shall not have voting rights unless such Board Officer is also elected by a Sector to the Executive Committee pursuant to Section 6.1 above.

6.3 **Authority of Executive Committee.** Except as limited by Section 55A-8-25 of the North Carolina Nonprofit Corporation Act and Section 4.13 of these Bylaws, the Executive Committee is empowered to make all such decisions and take such actions as are deemed to be necessary for the operation of the Corporation.

6.4 **Action.** Each voting representative on the Executive Committee shall have one vote. The presence of three-quarters (3/4) of the voting representatives on the Executive Committee shall constitute a quorum. The positive vote of two-thirds (2/3) of Executive Committee voting representatives present and voting is necessary to pass a particular action.

ARTICLE VII - OTHER COMMITTEES

7.1 **Designation by Board.** The Board of Directors, by resolution adopted by a Simple Majority vote, may designate Board committees and standing committees, as shall be necessary to address the purposes of the Corporation. Each Board committee shall have at least two Directors among its members.

7.2 **Rules for Governance.** Each committee shall adopt rules for its own governance that are not inconsistent with these Bylaws, rules adopted by the Board of Directors, applicable NERC or FERC rules or regulations, or applicable state or federal laws. Each committee shall maintain its rules for governance in a written scope document that is approved by the Board of Directors.

7.3 **Ad-Hoc Support Committees.**—_ The ~~Compliance Committee~~Board or its committees may, from time to time, appoint ad-hoc committees ~~of technical experts~~ to research and/or advise it on compliance or technical issues or matters, among other things. Such ad-hoc committees ~~of technical experts~~ may be formed on an as-needed basis and may vary in makeup depending on the needs of the ~~Compliance Committee~~. Each member (~~Board~~ or another entity) that requests that the ~~Compliance Committee~~ review a compliance finding against it may request that an ad-hoc committee be formed to assist the ~~Compliance Committee~~ in its ~~review~~ committees.

October 28, 2009 _____

Approved by the Board of Directors on October 26, 2011

ARTICLE VIII - MISCELLANEOUS

OTHER COMMITTEES

8.1 Designation by Board Conflicts of Interest. ~~The Board of All~~ Directors, by resolution adopted by a Bicameral Simple Majority, may designate standing Alternate Directors, Customer Advisors, and special (ad hoc) committees, as Board committee representatives shall ~~be necessary~~ comply with the Corporation's Standards of Conduct policy that prohibits conflicts of interest, as such conflicts could cast doubt on the ability of such persons to address the purposes act with total objectivity with regard to the overall interests of the Corporation. ~~Such committees shall include, but are not limited to the following:~~

~~(a) Engineering Committee -- The purpose of this committee shall be to promote the reliability and adequacy of the Bulk Power System, as related to the planning and engineering of electric systems. The committee shall provide a mechanism for the coordination of activities in the areas of planning and engineering.~~

~~(b) Operating Committee -- The purpose of this committee shall be to promote the reliability and adequacy of the Bulk Power System, as related to the operation of electric systems. The committee shall provide a mechanism for the coordination of activities in the area of operations.~~

~~(c) Critical Infrastructure Protection Committee -- The purpose of this committee shall be to promote the advancement of the physical and cyber security of the Bulk Power System. It serves as an expert advisory panel in the areas of physical and cyber security, establishes and maintains an information reporting procedure, provides a liaison with state government agencies, and conducts forums and workshops related to Critical Infrastructure Protection.~~

~~Each Member is entitled, but not required, to name both a representative and alternate to the committees designated in this Section 8.1.~~

8.2 Voting Rights for Committees. ~~Except as otherwise provided for in these Bylaws, voting rights for the Committees established pursuant to Section 8.1 shall be based on the same method as adopted by the Board of Directors of the Corporation.~~

October 28, 2009 _____

~~Approved by the Board of Directors on October 26, 2011~~

~~Operating procedures, definitions for quorum, and votes for approval are contained in the Organization and Procedures Manual for the Corporation's Standing Committees.~~

~~8.3 **Dispute Resolution Process.** The Standing Committees shall have a Dispute Resolution process in place to accommodate disputes (other than disputes regarding Reliability Standards that are handled between the applicable Member and NERC, as more fully described in Article XII). The Members are encouraged to utilize these dispute processes prior to seeking legal action. More specific details of these Committees are outlined in their respective Handbooks.~~

~~8.4 **Rules.** Each committee will adopt rules for its own governance not inconsistent with these Bylaws or with rules adopted by the Board of Directors.~~

~~**Reliability Standards Development.** While the development of Reliability Standards shall be administered by the Corporation's Standing Committees, a registered ballot body of interested stakeholders will vote to approve Reliability Standards, in accordance with the Corporation's Regional Reliability Standards Development Procedure.~~

ARTICLE IX

MISCELLANEOUS

~~9.1 **Contracts.** The Board of Directors may authorize any officer or ~~officers,~~ agent ~~or agents~~ of the Corporation, in addition to the officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.~~

~~9.28.3 **Checks, Drafts, etc.** All checks, drafts, or orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation, shall be signed by ~~such an authorized~~ officer or ~~officers,~~ agent ~~or agents~~ of the Corporation and in such manner as shall from time to time be determined by resolution of the ~~Board of Directors.~~~~Executive Committee.~~ In the absence of such determination by the ~~Board of Directors.~~~~Executive Committee,~~ such instruments shall be signed by the ~~Board's~~ Secretary-Treasurer, ~~the Corporation's~~ President, or ~~the Corporation's~~ Finance Director, as stipulated by the Executive Committee. The ~~Secretary-Treasurer shall~~~~Corporation's Finance Director may~~ arrange audits of financial records, sign appropriate documents, and perform such duties normally performed by ~~the Board's~~ Secretary-Treasurer, except duties assigned to the ~~Corporation's~~ President ~~or Finance Director.~~~~

~~October 28, 2009~~

~~Approved by the Board of Directors on October 26, 2011~~

~~9.38.4~~ **Deposits.** All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks, trust companies, or other depositories as the ~~Board of Directors~~Corporation's President may select.

~~9.4~~ **Gifts.** ~~The Board of Directors may accept on behalf of the Corporation any contribution, gift, bequest or devise for the general purpose or for any special purpose of the Corporation.~~

ARTICLE X

~~BOOKS AND RECORDS~~

~~10.1~~ 8.5 **Books and Records.** The Corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of the Board of Directors and committees having any of the authority of the Board of Directors, and shall keep at its registered or principal office a record giving the names and addresses of the ~~directors~~Directors. All books and records of the Corporation may be inspected by any ~~director~~Director, or agent or attorney representing any ~~director~~Director, for any proper purpose at any reasonable time.

~~ARTICLE XI~~

~~FISCAL YEAR~~

~~11.1~~ 8.6 **Seal.** The corporate seal shall be in circular form and shall have inscribed thereon the name of the Corporation, the words "Corporate Seal", and such other word or words, if any, as may be determined by the Board of Directors to be inscribed thereon.

8.7 **Fiscal Year.** The fiscal year of the Corporation shall begin on the first day of January and end on the last day of December in each year.

ARTICLE XII

October 28, 2009
Approved by the Board of Directors on October 26, 2011

IX - EXPENSES

~~429.1~~ **Allocation of Specific Expenses.** The expenses of ~~directors~~Directors and ~~officers of the Board~~ Officers shall be borne by that person's regular employer.

~~429.2~~ **Statutory Functions.** –The Corporation anticipates that as a general rule all of its expenses will/shall be incurred in the furtherance of statutory activities pursuant to ~~FPA~~ Section 215 of the Federal Power Act, and that all such expenses will/shall be funded by NERC, subject to FERC approval.

~~429.3~~ **Non-Statutory Functions.**— Notwithstanding Section ~~429.2~~, the Board of Directors may from time to time authorize the Corporation to participate in non-statutory activities (i.e., activities not described in ~~FPA~~ Section 215 of the Federal Power Act). In the event that the Corporation proposes to engage in non-statutory activities, such activities will/shall be identified in the Corporation's annual business plan that is submitted to NERC and, if approved by NERC, will/shall be submitted to FERC for approval in advance of engaging in such non-statutory activities. The expenses incurred by the Corporation for any such approved non-statutory activities will/shall be allocated by the Board of Directors to the beneficiaries of such activities on a basis proposed in the business plan submitted for NERC and FERC approval.

ARTICLE XIII

X - DISPUTE RESOLUTION PROCESS

~~4310.1~~ **General Dispute Resolution.**— All disputes regarding non-compliance with Reliability Standards shall be handled ~~between~~ in accordance with the ~~applicable Member and NERC~~ Rules of Procedure. The organizational units of the Corporation will/shall deal with all other disputes within the framework of their respective organizations. For such other disputes, ~~Members~~ Member Companies of the Corporation are encouraged to utilize the appropriate Dispute Resolution Process within the Corporation prior to seeking resolution at NERC, FERC, or with legal counsel.

~~13.2~~ **Terms of Process.** ~~Details of the Corporation Dispute Resolution Process are provided to each Member and are available at the Corporation's offices.~~

October 28, 2009

Approved by the Board of Directors on October 26, 2011

ARTICLE XIV

XI - DISSOLUTION

4411.1 **Dissolution.** The Corporation may be voluntarily dissolved upon unanimous consent of ~~Members~~ its Member Companies, and in accordance with Section ~~10-3A-14055A-14-02~~ of the ~~Alabama~~ North Carolina Nonprofit Corporation Act, as amended from time to time.

4411.2 **Distribution of Assets.**— Upon dissolution of the Corporation as provided in Section 4411.1, the residual assets, after payment of all just obligations, shall be distributed exclusively ~~for the common business interest of its Members or to organizations which are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, or corresponding provisions of any subsequent federal tax laws.~~ , as the Board of Directors shall determine, or to federal, state, or local governments to be used exclusively for public purposes.

ARTICLE XV

~~REGULATORY COMMISSION PARTICIPATION~~

~~15.1 **Terms of Participation** To implement the purpose of this organization, the Chairman of FERC and the Chairman or President of any State Utility Commission in a state in which electric service is provided by a Member of the Corporation shall be invited to designate a representative to attend meetings of the Board as observers.~~

ARTICLE XVI

XII - WAIVER OF NOTICE

~~October 28, 2009~~

~~Approved by the Board of Directors on October 26, 2011~~

1612.1 **Waiver.**—_Whenever any notice is required to be given under the provisions of the ~~Alabama~~North Carolina Nonprofit Corporation Act or under the provisions of the articles of incorporation or the Bylaws of the Corporation, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE ~~XVII~~

XIII - INDEMNIFICATION

1713.1 **Indemnification of Directors, Committee Members, Officers, Employees and Agents.** Every person who is, or has ~~been, a director, officer, employee~~served as, a Director, committee member, Officer, Director by virtue of serving as an Alternate Director, employee, or agent of the Corporation shall be indemnified by the Corporation in the manner and to the extent authorized by the ~~Alabama~~North Carolina Nonprofit Corporation Act. The foregoing rights of indemnification shall be without prejudice to any other rights to which any such ~~director, officer~~Director, committee member, Officer, Alternate Director, employee, or agent may be entitled as a matter of law.

ARTICLE XIV - AMENDMENT OF THE BYLAWS

14.1 **Amendment of the Bylaws.** After a request by twenty percent (20%) of the Board of Directors or an affirmative vote of the Executive Committee, a proposal to amend the Bylaws shall be put before the Board of Directors at any regular or special meeting for a vote. Copies of the proposed amendments shall be distributed to the Board of Directors at least thirty (30) days before the meeting at which they are to be considered. An amendment to the Bylaws shall be adopted after being approved by a Supermajority vote of the Board of Directors, provided that a quorum is present.

~~October 28, 2009~~_____

~~Approved by the Board of Directors on October 26, 2011~~

Proposed Revision 2

**SERC Regional Standards Development
Procedure**

**Exhibit C
to the
Amended and Restated
Regional Entity Delegation Agreement
between**

**North American Electric Reliability Corporation
and
SERC Reliability Corporation**



NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Exhibit C – Regional Standard Development Procedure

Exhibit C sets forth SERC Reliability Corporation'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 [Regional Entity Name] area unless filed by NERC with FERC [and applicable authorities in Canada and Mexico] and approved by FERC [and applicable authorities in Canada and Mexico].

COMMON ATTRIBUTE 2

[Regional Entity Name] 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 [Regional Entity Name] 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

[Regional Entity Name] regional reliability standards, when approved by FERC [add 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 [Regional Entity Name] area, regardless of membership in the region.

COMMON ATTRIBUTE 4

Requester — The requester is the sponsor of the regional reliability standard request may assist in the development of the standard. -Any member of [Regional Entity Name], or group within [Regional Entity Name] 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 [Regional Entity Name] area shall be allowed to request a regional reliability standard be developed, modified, or withdrawn.

COMMON ATTRIBUTE 5

[Standards or other named] committee — The [Regional Entity Name] [standards] committee manages the standards development process. -The [standards] committee will consider which requests for new or revised standards shall be assigned for development (or existing standards considered for deletion). -The [standards] committee will advise the [Regional Entity Name] board on standards presented for adoption.

COMMON ATTRIBUTE 6A [REGISTERED BALLOT BODY APPROACH]

The registered ballot body comprises all entities or individuals that qualify for one of the stakeholder segments; are registered with [Regional Entity Name] 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

[Regional Entity Name] will coordinate with NERC such that the acknowledgement of receipt of a standard request identified in step 1, [\[SERC Step 4\]](#), notice of comment posting period identified in step 4, [\[SERC Step 7\]](#), and notice for vote identified in step 5 [\[SERC Step 9\]](#) below are concurrently posted on both the [Regional Entity Name] 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 [standards] committee shall determine the disposition of the standard request.

COMMON ATTRIBUTE 10

The [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 [standards] committee may, at its discretion, expand or narrow the scope of the standard request under consideration. -The [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 [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 [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 [standards] committee.

COMMON ATTRIBUTE 11

Any standard request that is accepted by the [standards] committee for development of a standard (or modification or deletion of an existing standard) shall be posted for public viewing on the [Regional Entity Name] 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 [standards] committee. -The [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 [standards] committee, the standards process manager shall facilitate the posting of the draft standard on the [Regional Entity Name] 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 [Regional Entity Name] stakeholders and other potentially interested entities, both within and outside of the [Regional Entity Name] 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 [Regional Entity Name] website no later than the next posting of the proposed standard.

COMMON ATTRIBUTE 15

Upon recommendation of the drafting team, and if the [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 [Regional Entity Name] [registered ballot body/[standards] committee]. -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 [standards] committee shall give 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 for submittal to the [Regional Entity Name] board. -The [standards] committee may vote to approve or not approve the standard.- Alternatively, the [standards] committee may remand the standard to the drafting team for further work or form a new drafting team for that purpose.

COMMON ATTRIBUTE 18

The [standards] committee may not itself modify the standard without issuing a new notice to stakeholders regarding a vote of the modified standard.

COMMON ATTRIBUTE 19

Actions by the committee shall be recorded in the regular minutes of the committee.

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 and Mexico.]

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 [Regional Entity Name] bulk power system reliability. -There shall be no undue financial barriers to participation.- Participation shall not be conditioned upon membership in [Regional Entity Name], 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 [Regional Entity Name] members and others.

COMMON ATTRIBUTE 23

Balanced - The [Regional Entity Name] 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 [Regional Entity Name] 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

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 [Regional Entity Name] 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.

COMMON ATTRIBUTE 33

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.

COMMON ATTRIBUTE 34

Defines for each measure:

- The specific data or information that is required to measure performance or outcomes.
- The entity that is responsible for providing the data or information for measuring performance or outcomes.
- The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes.
- The entity that is responsible for evaluating data or information to assess performance or outcomes.
- The time period in which performance or outcomes is measured, evaluated, and then reset.
- Measurement data retention requirements and assignment of responsibility for data archiving.

SERC Regional Reliability Standard Development Procedure

Revision History

Revision	Date	Comments
0	October 25, 2006	Document Origination
1	October 10, 2007	Document revised to change to a registered ballot body approach to approve standards, changed "Manager of Reliability Services" to Manager of Reliability Standards," changed the RSS meeting notice period to 21 days, changed the review period for this procedure from five to three years, and moved from the Standing Committee Executive Committees to the SERC Standards Committee the ability to remand a SAR back to the Requester for additional work.
2	Ballot pool approved: September 29, 2011 SERC Board Executive Committee Approved: December 14, 2011	Update to 1) address document three-year review and reapproval requirements; 2) address issues identified during the SERC 2009 audit by NERC; 3) make revisions to improve process efficiency and reduce the time required to develop a regional standard; 4) ensure alignment with the NERC Standard Processes Manual, Revision 1 dated November 2010; and 5) changed the review period for this procedure back from three to five years.

Responsible SERC Group(s)

SERC Standards Committee (SC)

Review and ~~Re-Approval~~[Reapproval](#) Requirements

This document will be reviewed every ~~three~~[five](#) years or as appropriate by the SERC Standards Committee for possible revision. ~~The existing or revised document will be re-certified and distributed to all members of SERC.~~

List of Appendices

- Appendix A: ~~-~~Stakeholder Representation
- Appendix B: ~~-~~Principles, Characteristics, and Special Procedures
- Appendix C: ~~-~~SERC Regional Reliability Standard Authorization Request Form
- Appendix D: ~~-~~Elements of a SERC Regional Reliability Standard
- Appendix E: ~~-~~ Comment Form for Draft SERC Regional Reliability Standard
- Appendix F: ~~-~~ SERC Consideration of Comments Form
- Appendix G: ~~-~~ SERC Process Flow Diagram

Introduction

This procedure defines the process for development, revision, reaffirmation, and withdrawal of a regional reliability standard by the SERC Reliability Corporation (SERC). SERC is a regional entity authorized through an approved delegation agreement with the North American Electric Reliability Corporation (NERC) to propose regional reliability standards in accordance with Section 215 of the Federal Power Act (FPA), the U.S. Federal Energy Regulatory Commission (FERC) Order No. 672, and [Section 39 of Title 18 § 39](#) of the U.S. Code of Federal Regulations ([18 C.F.R. 48 § 39](#)).

SERC Regional Reliability Standards apply to the planning, operation, and critical infrastructure protection of the Bulk ~~Power~~[Electric](#) System in the SERC Region. Proposed SERC 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. -No SERC Regional Reliability Standard shall be effective within the SERC ~~area~~[Region](#) unless filed by NERC with FERC and approved by FERC.

SERC Regional Reliability Standards shall provide for as much uniformity as possible with reliability standards across the interconnected ~~bulk power system~~[Bulk Electric System](#) of the North American continent. - A SERC Regional 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 regional difference necessitated by a physical difference in the ~~bulk power system.~~ [Bulk Electric System](#). A SERC 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.

SERC Regional Reliability Standards, when approved by FERC, shall be made part of the body of NERC reliability standards and shall be enforced upon all applicable ~~bulk power system~~[Bulk Electric System](#) owners, operators, and users within the SERC ~~area~~[Region](#), regardless of membership in the ~~region.~~ [Region](#).

Process Roles

Requester: The ~~requester~~[Requester](#) is the sponsor of the SERC Regional Reliability Standard request and may assist in the development of the standard.- Any ~~member~~[Member Company](#) of SERC, or any group (or member of a group) within SERC (i.e., committee, subcommittee, working group, study group, task force, or SERC staff), shall be allowed to request that a SERC Regional Reliability Standard be developed, modified, or withdrawn.- Additionally, any entity that is directly and materially affected by the reliability of the SERC Bulk ~~Power~~[Electric](#) System shall be allowed to request that a SERC Regional Reliability Standard be developed, modified, or withdrawn.

SERC Board of Directors: The SERC Board of Directors shall consider for ~~adoption~~[approval](#) as SERC Regional Reliability Standards, those Standards that have been developed and approved by this procedure.- Once the Board ~~adopts~~[approves](#) a SERC Regional Reliability Standard, such Standard shall be submitted to NERC for approval.- When approved by NERC, it shall be submitted to FERC for approval.

SERC ~~Staff~~[staff](#): The SERC Manager of Reliability Standards is responsible for forwarding a request for the development, modification or withdrawal of SERC Regional Reliability Standards to the SERC Standards Committee.- The SERC ~~Staff~~[staff](#) shall facilitate all steps in this process.

SERC Standards Committee: The SERC Regional Reliability Standard Development Procedure shall be administered by the SERC Standards Committee (SC). -The SERC SC is responsible for ensuring that the development, modification, or withdrawal of SERC Regional Reliability Standards is in accordance with the steps in this procedure. The SERC SC will ensure the integrity of the process and the consistency of quality and completeness of the SERC Regional Reliability Standards.

SERC Standing Committees: The SERC Standing Committees will perform a high level technical review of the SAR -to determine which requests for new or revised standards shall be assigned for development (or existing standards considered for deletion).- The Standing Committees will appoint the standard drafting team (Responsible SERC Subgroup).

The current SERC Standing Committees are the Engineering Committee (EC), Operating Committee (OC), and Critical Infrastructure Protection Committee (CIPC). The Standing Committees are balanced stakeholder committees, inclusive of all stakeholder interests that provide for or are materially impacted by the reliability of the ~~bulk power system~~.- ~~See Appendix A for the representation model of the Standing Committees~~.[Bulk Electric System](#).

SERC Regional Reliability Standard Development Procedure

~~**Compliance Advisory Groups:** The SERC Compliance Advisory Groups provide inputs and comments during the standards development process to ensure the measures will be effective and other aspects of the compliance program can be practically implemented.~~

Responsible SERC Subgroup (RSS): Responsible SERC Subgroups are teams, responsible for drafting the standard: they are also referred to as the Standard Drafting Team (SDT). The RSS may include technical experts and be based around a permanent SERC Standing Committee subgroup. -An RSS is established expressly to draft the standard. Membership on an RSS will be assigned by the SERC EC, OC, and/or CIPC. -The ~~requester~~Requester may act as the RSS, serve on the RSS, or otherwise assist the RSS. SERC membership is not a prerequisite for serving on an RSS. The RSS will:

- Develop the details of the SERC Regional Reliability Standard,
- Consider and respond to industry comments,
- Participate in forums to help build consensus on draft SERC Regional Reliability Standards,
- Assist in the implementation of approved SERC Regional Reliability Standards,
- Provide technical oversight in response to changing industry conditions, and
- Assist in the identification of the need for new SERC Regional Reliability Standards.

Registered Ballot Body (RBB): -The ~~registered ballot body~~RBB votes to approve standards.- The RBB comprises all entities or individuals that qualify for one of the SERC industry Sectors, and are registered with SERC as potential ballot participants in the voting on standards. SERC membership is not a prerequisite for registering with SERC as a potential ballot participant. Any entity that is directly and materially affected by the reliability of the SERC Bulk ~~Power~~Electric System shall be allowed to register as a potential ballot participant.

Each member of the ~~registered ballot body~~RBB is eligible to vote on standards. -Each standard action has its own ballot pool formed of interested members of the ~~registered ballot body~~RBB.

Ballot Pool: -Each standard action has its own ballot pool formed of interested members of the ~~Registered Ballot Body~~RBB. The ballot pool comprises those members of the ~~Registered Ballot Body~~RBB that respond to a pre-ballot survey for that particular standard action. The ballot pool will ensure, through its vote, the need for and technical merits of a proposed standard action and the appropriate consideration of views and objections received during the development process. The ballot pool votes to approve each standards action.

SERC Regional Reliability Standard Development Procedure

Process Steps

Note: The term “days” below refers to calendar days.

SERC will coordinate with NERC such that the acknowledgement of receipt of an accepted standard request identified in [stepStep](#) 4, notice of comment posting period identified in [stepStep](#) 7, and notice for vote identified in [stepStep](#) 9 below are concurrently posted on both the SERC and NERC [websitesweb sites](#).

Step 1: Request for a new SERC Regional Reliability Standard or modification to, or withdrawal of an existing SERC Regional Reliability Standard

A request to develop, modify, or withdraw a SERC Regional Reliability Standard shall be submitted, using the SERC Regional Reliability Standard Authorization Request (SAR) Form (see Appendix C), to the SERC Manager of Reliability Standards (via e-mail to regstd@serc1.org) by any [memberMember Company](#) of SERC, or any group (or member of a group) within SERC (i.e., committee, subcommittee, working group, study group, task force, or SERC staff), or any entity that is directly and materially affected by reliability of the SERC Bulk [PowerElectric](#) System.- The SERC SAR Form can be downloaded from the SERC [websiteweb site](#) (www.serc1.org).

An acceptable SAR shall contain a description of the proposed regional reliability standard subject matter with sufficient descriptive detail of the proposed standard to clearly define the purpose, scope, impacted parties, and other relevant information. [The Requester must verify in the Justification section of the SAR that the request meets one of the following criteria:](#)

- [The proposed standard covers a topic addressed in a continent-wide standard, but the proposed standard will include requirements more stringent than those in the continent-wide standard.](#)
- [The proposed standard addresses matters that the continent-wide reliability standards do not.](#)
- [The proposed standard is necessitated by a physical difference in the Bulk Electric System.](#)

SERC [Staffstaff](#) shall verify that the SAR Form has been adequately completed.- Within 15 days of receiving the SAR, the SERC Manager of Reliability Standards or his designee will electronically acknowledge receipt of the SAR, and will forward the SAR to the SERC Standards Committee. -The SERC Manager of Reliability Standards may offer the Requester suggestions regarding changes or improvements to enhance the

SERC Regional Reliability Standard Development Procedure

clarity of the proposed standards work and to assist the SERC Standards Committee in understanding the [requester's Requester's](#) intent and objectives.- The [requester Requester](#) is free to accept or reject these suggestions.

Step 2: Assignment of SERC Regional Reliability Standard Request

The [SERC](#) Standards Committee will review the SAR to ensure it is not in conflict with or duplication of a current standard or a standards drafting effort already proposed or in progress.- Within 15 days after receiving the SAR from the SERC Manager of Reliability Standards, the [SERC](#) Standards Committee will take one of the two following actions:

- Assign the SAR to the appropriate SERC Standing Committee(s). SERC [Staffstaff](#) will forward the SAR to the [Chair\(s\) and Executive Committee\(s\) of the appropriate SERC Standing Committee](#)~~Chair(s) and Standing Committee(s) Executive Committee.(s).~~
- Remand the SAR back to the Requester for additional work.- The SERC Manager of Reliability Standards will make reasonable efforts to assist the Requester in addressing the deficiencies identified by the [SERC](#) Standards Committee.- The Requester may then resubmit the modified SAR using the process above. -The [requester Requester](#) may choose to withdraw the SAR from further consideration.

Step 3: Acceptance of a SERC Regional Reliability Standard Request

Within 60 days of receipt of a completed SAR, the [Executive Committee\(s\) of the assigned SERC Standing Committee\(s\)](#) ~~Executive Committee(s)~~ shall determine the disposition of the SAR.- [The committee\(s\) shall verify that the SAR Requester has provided information to justify that the request meets one of the following criteria:](#)

- [The proposed standard covers a topic addressed in a continent-wide standard, but the proposed standard will include requirements more stringent than those in the continent-wide standard.](#)
- [The proposed standard addresses matters that the continent-wide reliability standards do not.](#)
- [The proposed standard is necessitated by a physical difference in the Bulk Electric System.](#)

The committee may take one of the two following actions:

SERC Regional Reliability Standard Development Procedure

- Accept the SAR as a candidate for development of a new standard, revision of an existing standard, or deletion of an existing standard. -The committee(s) may, at its discretion, expand or narrow the scope of the SAR under consideration. The committee(s) 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 SAR.- If the committee(s) rejects a SAR, a written explanation for rejection will be delivered to the Requester within 30 days of the decision.

Deliberations and decisions of the [Executive Committee\(s\) of the](#) assigned SERC Standing ~~Committee(s) Executive~~ Committee(s) concerning requests shall be made and documented in accordance with the SERC Standing Committee rules and procedures then in effect.

Step 4: Posting of SERC Regional Reliability Standard Request

Any SAR that is accepted by the [Executive Committee\(s\) of the](#) assigned SERC Standing ~~Committee(s) Executive~~ Committee(s) for development of a standard (or modification or deletion of an existing standard) shall be posted for public viewing on the SERC ~~website~~ [web site](#) within 30 days of acceptance by the committee.- [A comments form and a nomination form to serve on the drafting team \(Responsible SERC Subgroup\) will be included in the posting.](#) A notice of the posting for a 30-day comment period will be sent to all SERC Standing Committees representatives and alternates. -In addition, the notice will be sent (via e-mail) to NERC, the [Region Managers regional standards area](#) of the [other](#) Regional Entities ~~adjoining SERC (RFC, MRO, SPP, and FRCC),~~ individuals listed as entity contacts in the SERC Compliance Registry, and the SERC Registered Ballot Body representatives to seek input on the proposed SAR. SERC ~~Staff~~ [staff](#) will perform this posting on the SERC ~~website~~ [web site](#) and coordinate or send correspondences described in this and other steps of the process. [SERC staff will assist in developing a response to any comments received. Any accompanying revision to the SAR based on comments received must be approved by the Executive Committee\(s\) of the assigned SERC Standing Committee\(s\).](#)

Step 5: Formation of a Responsible SERC Subgroup

Within 60 days of accepting a SAR for development, the [Executive Committee\(s\) of the](#) assigned SERC Standing ~~Committee(s) Executive~~ Committee(s) shall assign and direct the proposal to the appropriate Responsible SERC Subgroup (RSS) to develop the draft Regional Reliability Standard.- The RSS may be a permanent Standing Committee subgroup (augmented by other persons as may be appropriate to address the subject matter of the proposed standard), or a task force established expressly by the Executive Committee(s) for drafting the standard. SERC membership is not a prerequisite for serving on an RSS.

SERC Regional Reliability Standard Development Procedure

After consulting with the [Executive Committee\(s\) of the](#) assigned SERC Standing [Committee\(s\) Executive](#) Committee(s) as necessary, the SERC Standards Committee (SC) will assign a preliminary date on which the RSS is expected to have ready a completed draft Standard and associated supporting documentation available for consideration.

Step 6: Drafting of a SERC Regional Reliability Standard

The RSS shall develop a work plan for completing the regional reliability standard, including the establishment of a milestone schedule for completing critical elements of the work in sufficient detail to ensure that the RSS will meet the objectives established by the SC. -The RSS shall submit its work plan to the SC for its concurrence. [Any subsequent revision to the plan by the RSS which delays balloting the draft standard by 60 days or longer will be presented to the SC for its concurrence.](#)

The RSS shall convene periodically, either in person or by electronic means as necessary, establish work teams (made up of members of the RSS) as necessary, and perform other activities to complete the proposed standard within the milestone date(s) agreed upon by the SC. ~~All in-person RSS meetings or portions of meetings associated with development of the draft standard shall be open and publicly noticed on the SERC web site for a minimum of twenty-one (21) calendar days prior to the meeting. All conference call and electronic (WebEx) RSS meetings or portions of meetings associated with development of the draft standard shall be open and publicly noticed on the SERC ~~website~~ web site for a minimum of ~~twenty-one (21)~~ ~~seven (7)~~ calendar days prior to the meeting.~~ - All RSS meeting attendees are required to register via the SERC ~~website~~ web site.

The RSS shall consider all comments received on the posting of the SAR and shall develop a draft SERC Regional Reliability Standard that will address the accepted SAR. The RSS shall use the [SERC Regional most current version of the approved NERC Reliability Standards Format Template Standard template and its associated elements posted on the NERC web site](#) as the format for the draft standard ~~(see Appendix D). The SERC Regional Reliability Standards Format Template can be downloaded from the SERC website (www.serc1.org).~~

The work product of the RSS will [be completed before taking the draft standard to ballot \(Steps 9 and 10\) and each item of the work product will be included as background information for at least one comments posting period \(Step 7\).](#) The work product will consist of the following:

- A draft Standard consistent with the SAR on which it was based.

SERC Regional Reliability Standard Development Procedure

- An assessment of the [reliability](#) impact of the standard ~~on~~[request within the Region and in](#) neighboring regions, ~~and including~~ appropriate input from the neighboring regions if the standard ~~request~~ is ~~determined likely~~ to impact any neighboring region. [Communications between neighboring regions may be through the regional standard drafting teams, the regional standards development staff, or other means as appropriate.](#)
- An implementation plan, including the nature, extent, and duration of field-testing, if any.
- Identification of any existing Standard that will be deleted, in part or whole, or otherwise impacted by the implementation of the draft Standard.
- Technical reports, white papers, and/or work papers that provide technical support for the draft Standard under consideration.
- Documentation of the perceived reliability impact should the Standard be approved.

The RSS shall regularly inform the SC, at a frequency determined by the SC, [\(RSS shall deliver a status report at every SC meeting at a minimum\)](#), of its progress in meeting a timely completion of the draft standard. - The RSS may, with justification, request of the SC scope changes from the SAR at any point in the standard development process.

The RSS shall submit the draft SERC Regional Reliability Standard and supporting documentation to the SC for review. -The RSS will send any revised SERC Regional Reliability Standard to the SC in both “Clean” and “Tracking” formats. -The RSS shall also send the SC an accompanying Comments Form which may include specific questions addressing the major issues associated with the new or revised standard. -In any event, the Comments Form must also allow for general comments on the standard (see Appendix E for sample form). -The SC will verify that the proposed standard is consistent with the SAR on which it was based. The SERC Regional Reliability Draft Standards Comments Form can be downloaded from the SERC [website \(www.serc1.orgweb site \(www.serc1.org\)\)](#).

Step 7: Posting of a Draft SERC Regional Reliability Standard

The SERC Standards Committee shall send to the SERC Manager of Reliability Standards the draft SERC Regional Reliability Standard, along with a draft implementation plan and supporting documents, for comments. -SERC [Staffstaff](#) will post these documents on the SERC [websiteweb site](#) for thirty (30) calendar days. - A notice of the posting for comment will be sent to all SERC Standing Committees representatives and alternates. -In addition, the request will be sent (via e-mail) to NERC, the [Region Managersregional standards area](#) of the [other](#) Regional Entities [adjoining SERC \(RFC, MRO, SPP, and FRCC\)](#), individuals listed as entity contacts in the SERC Compliance Registry, and the SERC Registered Ballot Body representatives

SERC Regional Reliability Standard Development Procedure

to seek input on the draft SERC Regional Reliability Standard.- Comments shall be submitted electronically (via e-mail) to regstd@serc1.org.- All comments are due by the close of business on the 30th calendar day of posting. If the comment due date falls on a weekend or nationally recognized holiday, the comments shall be due by the close of business on the next regularly scheduled business day.

Step 8: Standard Drafting Team Review of Comments

SERC ~~Staff~~ shall forward all comments received to the RSS ~~and SC. The SC may review comments and make recommendations concerning them. Any SC recommendation will be forwarded to the RSS.~~ The RSS shall review the comments received and revise the draft SERC Regional Reliability Standard as needed.- The RSS shall develop a written response to each comment received using the Consideration of Comments Form Template (see Appendix F). The SERC Consideration of Comments Form Template can be downloaded from the SERC website (www.serc1.org). The completed Consideration of Comments Form will be posted on the SERC [website](#).

The RSS shall summarize comments that were rejected by the RSS and the reason(s) that these comments were rejected, in part or whole.- The RSS shall submit to the SC the summary of comments rejected, the completed Consideration of Comments form, and any resulting revisions to the draft SERC Regional Reliability Standard.

If needed, a second draft of the SERC Regional Reliability Standard (along with the summary of comments rejected and the Consideration of Comments from the previous posting) will be posted for another comment period. -Such comment period shall be for thirty (30) calendar days.- A notice of the posting for comment will be sent to all SERC Standing Committees representatives and alternates. -In addition, the notice will be sent (via e-mail) to NERC, the [Region Managers regional standards area](#) of the [other Regional Reliability Organizations adjoining SERC \(RFC, MRO, SPP, and FRCC\)](#), [Entities](#), individuals listed as entity contacts in the SERC Compliance Registry, and the SERC Registered Ballot Body representatives to seek input on the revised draft SERC Regional Reliability Standard.

Based on comments received to the posting, Step 7 will be repeated as necessary until the RSS and the SC ~~believe the draft SERC Regional Reliability Standard is ready to submit to the SERC Ballot Body for approval~~ [agree that no additional comments posting periods are warranted.](#)

[The SERC Manager of Reliability Standards will then request the NERC regional standards staff to make arrangements for a formal quality review of the draft standard. The RSS will develop responses to any recommendations from that review, including](#)

SERC Regional Reliability Standard Development Procedure

developing revisions to the draft standard if appropriate. The SDT and SC must agree on those responses prior to taking one of the two following actions:

- Submit the draft standard for an additional comment posting period (Step 7); or
- Submit the draft standard to the SERC Ballot Body for approval (Step 9).

The SC will determine if an additional NERC formal quality review will be requested for a draft standard which has been revised based on responses to an addition comments posting period.

Step 9: Notice of Vote to Approve a SERC Regional Reliability Standard

The Responsible SERC Subgroup shall submit the summary of comments rejected and the Consideration of Comments document along with the final draft of the proposed SERC Regional Reliability Standard (both “Tracking” and “Clean” versions for standard revisions) to the SERC Manager of Reliability Standards for posting on the SERC [websiteweb site](#) at least 15 days prior to requesting approval of the standard.

The SERC Manager of Reliability Standards 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.

Ballot Poolpool: The SERC Manager of Reliability Standards shall establish a ballot pool for a standard action at least 15 days prior to the start of a ballot. The SERC Manager of Reliability Standards shall send a notice to every entity in the Registered Ballot Body. The purpose of this notice is to establish a ballot pool to participate in the ballot of the proposed standards action.

Any member of the Registered Ballot Body may join or drop out of a ballot pool until the ballot period begins (Step 10). No Registered Ballot Body member may join or leave the ballot pool once the first ballot starts. The SERC Manager of Reliability Standards shall coordinate changes to the membership of the ballot pool and publicly post the standard ballot pool for each standard action.

The SERC Manager of Reliability Standards shall schedule a vote by the ballot pool for approval. -The vote shall commence no sooner than 15 days and no later than 30 days following the issuance of the notice for the vote.

Step 10: SERC Ballot Pool of Registered Ballot Body Approval

The ~~Ballot Pool~~ballot pool shall have a minimum of ten (10) days to vote on a standards action. The ~~Ballot Pool~~ballot pool should give due consideration to the work of the RSS, as well as the comments of stakeholders and minority objections, in approving a proposed regional reliability standard.- The ~~Ballot Pool~~ballot pool may vote to approve or not approve the standard. The ballot will include provisions for comments. The RSS shall develop a written response to each ballot comment received.

~~Once approved, the SERC Regional Reliability Standard along with the proposed implementation plan and supporting documentation will be submitted by the SERC President, or the President's designee, to the SERC Board of Directors for adoption.~~

If approval by the RBB is not obtained, the Standing Committee(s) will determine if the draft SERC Regional Reliability Standard is to be sent back to the RSS to repeat Step 8 to incorporate any RBB or SERC Standing Committee(s) comments, form a new RSS for that purpose, or to ~~take no further action on~~withdraw the proposed SERC Regional Reliability Standard.

If ~~no further action~~the standard is ~~taken~~withdrawn, the reason for such will be posted on the SERC ~~website~~web site. A notice of the posting will be sent to all SERC Standing Committee representatives and alternates. -In addition, the notice will be sent (via e-mail) to NERC, the ~~Region Managers~~regional standards area of the ~~other~~ Regional Entities ~~adjoining SERC (RFC, MRO, SPP, and FRCC)~~, individuals listed as entity contacts in the SERC Compliance Registry, and the SERC Registered Ballot Body representatives.

~~Step 11: Adoption~~

Step 11: Submission of SERC Regional Reliability Standards to NERC to post for comments

Once the SERC Regional Reliability Standard is approved by the SERC RBB, the SERC Manager of Reliability Standards will forward it to NERC and request that they post it for comments in accordance with the NERC Regional Reliability Standards Evaluation Procedure.

The Responsible SERC Subgroup will develop a response to any comments received and submit it along with any associated standard modifications to the SERC Standards Committee for approval. The SERC Standards Committee may approve minor editorial-type modifications that do not have a substantive impact. If the Responsible SERC Subgroup proposes any substantive modifications, the SERC Standards Committee may 1) remand it back to the Responsible SERC Subgroup for further consideration; or 2) accept the proposed modification and send it back to Step 9 to re-ballot the standard.

Step 12: Approval of SERC Regional Reliability Standards by the SERC Board of Directors

The SERC Board of Directors shall consider ~~adoption~~approval of any SERC Regional Reliability Standard that has been approved by the SERC RBB- and has received SERC Standards Committee approval of the resolution of comments received during the Step 11 posting. A SERC Regional Reliability Standard submitted for ~~adoption~~approval by the SERC Board of Directors must be posted for notification on the SERC ~~website~~web site at least 15 days prior to action by the SERC Board of Directors. A notice of the posting will be sent to all SERC Board of Directors representatives and alternates, and to all SERC Standing Committee representatives and alternates. -In addition, the notice will be sent (via e-mail) to NERC, the ~~Region Managers~~regional standards area of the ~~other~~ Regional Entities ~~adjoining SERC (RFC, MRO, SPP, and FRCC)~~ and to any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System.

The SERC Board of Directors shall consider the comments received, the responses provided, and any dissenting opinions. -The SERC Board of Directors shall ~~adopt~~approve or reject a SERC Regional Reliability Standard as submitted, but may not substantively modify the proposed SERC Regional Reliability Standard.

If the SERC Board of Directors chooses to reject a SERC Regional Reliability Standard as submitted, it shall provide its reasons for doing so. -The reasons for such decision will be posted on the SERC ~~website~~web site. A notice of the posting will be sent to all SERC Standing Committees representatives and alternates. -In addition, the notice will be sent (via e-mail) to NERC, the ~~Region Managers~~regional standards area of the ~~other~~ Regional Entities ~~adjoining SERC (RFC, MRO, SPP, and FRCC)~~, individuals listed as entity contacts in the SERC Compliance Registry, and the SERC Registered Ballot Body representatives.- The assigned Standing Committee(s) will determine if the draft standard should be resubmitted with modifications. -If so, the draft standard will be remanded back to the RSS in Step 8 above.

Step 1213: Submission of SERC Regional Reliability Standards to NERC and FERC

Once the SERC Regional Reliability Standard is ~~adopted~~approved by the SERC Board of Directors, the SERC President, or the President's designee shall submit the SERC Regional Reliability Standard to NERC for ~~approval~~adoption and filing with FERC. ~~NERC will post the~~ The SERC Regional ~~Manager of Reliability Standard for comments.~~ ~~The Responsible SERC Subgroup will develop a response to any comments and submit it to the Standards Committee for approval.~~ ~~When the Responsible SERC Subgroup response is approved by the Standards Committee, the SERC President, or the President's designee will forward the comments to NERC~~will ensure the record of the

SERC Regional Reliability Standard Development Procedure

[standard development and any other documentation required](#) for consideration by the NERC Board— [or FERC are included in the submittal.](#)

If the NERC Board rejects the SERC Regional Reliability Standard the SERC Board will determine if the SERC Regional Reliability Standard is to be sent back to the assigned SERC Standing Committee(s) to incorporate the NERC Board comments or to [take no further action on/withdraw](#) the standard.

When [approved/adopted](#) by the NERC Board, NERC will submit the SERC Regional Reliability Standard to FERC for approval.- If FERC rejects the SERC Regional Reliability Standard, the SERC Board will determine if the SERC Regional Reliability Standard is to be sent back to the assigned SERC Standing Committee(s) to incorporate the FERC comments or to [take no further action on/withdraw](#) the standard.

Step ~~13~~14: Implementation of SERC Regional Reliability Standards

A SERC Regional Reliability Standard that is [adopted/approved](#) by the SERC Board of Directors, NERC, and FERC, shall become effective on a date designated by FERC.- In developing the standard, the RSS should consider the time needed for NERC and FERC approval in the proposed implementation date.

Appendix A: Stakeholder Representation

A.1 SERC Standing Committees and Member Representation

Membership in SERC is open to any entity [in the SERC Region](#) that is a user, owner, or operator of the Bulk-Power [Electric](#) System and subject to the jurisdiction of the Federal Energy Regulatory Commission for the purpose of complying with Reliability Standards established under Section 215 of the Federal Power Act and all amendments thereto. [SERC's membership policy](#) [SERC](#) permits full and fair participation of all [members](#) [Member Companies](#) through their representatives, including in the development of and voting on Regional Reliability Standards. The SERC standing committees have a role in developing standards, a ballot pool of the SERC Registered Ballot Body vote to approve Regional Reliability Standards, and the SERC Board of Directors adopts all standards. Since each [member](#) [Member Company](#) is entitled to representation on both the Board and the Standing Committees, SERC's membership policy permits full and fair participation of its [members](#) [Member Companies](#).

~~The following are excerpts from the SERC Reliability Corporation Bylaws. Section 8.1 establishes the Standing Committees and SERC Member representation on those committees. Section 8.2 specifies committee [their](#) voting rights [will](#) [shall](#) be based on the same method as adopted by established pursuant to the SERC Board of Directors, Bylaws. Refer to the committee scope documents and [refers to](#) the Organization and Procedures Manual for SERC Standing Committees for more specific details.~~

~~*8.1 Designation by Board. The Board of Directors, by resolution adopted by a Bicameral Simple Majority, may designate standing and special (ad hoc) committees, as shall be necessary to address the purposes of the Corporation. Such committees shall include, but are not limited to the following:*~~

~~*(a) Engineering Committee — The purpose of this committee shall be to promote the reliability and adequacy of the Bulk-Power System, as related to the planning and engineering of electric systems. The committee shall provide a mechanism for the coordination of activities in the areas of planning and engineering.*~~

~~*b) Operating Committee — The purpose of this committee shall be to promote the reliability and adequacy of the Bulk-Power System, as related to the operation of electric systems. The committee shall provide a mechanism for the coordination of activities in the area of operations.*~~

~~*(c) Critical Infrastructure Protection Committee — The purpose of this committee shall be to promote the advancement of the physical and cyber security of the Bulk-Power System. It serves as an expert advisory panel in the areas of physical and cyber security, establishes and maintains an information reporting*~~

SERC Regional Reliability Standard Development Procedure

~~procedure, provides a liaison with state government agencies, and conducts forums and workshops related to Critical Infrastructure Protection.~~

~~Each Member is entitled, but not required, to name both a representative and alternate to the committees designated in this Section 8.1.~~

~~8.2 Voting Rights for Committees. Except as otherwise provided for in these Bylaws, voting rights for the Committees established pursuant to Section 8.1 shall be based on the same method as adopted by the Board of Directors of the Corporation. Operating procedures, definitions for quorum, and votes for approval are contained in the Organization and Procedures Manual for the Corporation's Standing Committees.~~

A.2 SERC Regional Reliability Standards Voting Procedures

The following are the voting procedures for the SERC Registered Ballot Body:

1. ~~1.~~ Registration Procedures

The Registered Ballot Body (RBB) comprises all organizations and entities that:

- Qualify for one of the SERC Sectors, and
- Are registered with SERC as potential ballot participants in the voting on standards.

All registrations will be done electronically. Each participant, when initially registering to join the RBB will self-select to belong to one of the Sectors and will also name their RBB representative. The Executive Committee of the Board of Directors or its designee will review all applications for joining the Registered Ballot Body, and make a determination of whether the self-selection satisfies the criteria to belong to that sector. ~~The Sectors shall be identical to those in Section 3.4 of the SERC's Bylaws.~~

All registered organizations and entities that qualify for a Sector with SERC may vote on a standard. ~~Voting is in writing with each registered stakeholder (a "stakeholder") having one vote. The stakeholder's RBB representative will have the right to register to participate in ballot pools and cast the stakeholder's vote.~~

2. ~~2.~~ Sector Qualification Guidelines

The sector qualification guidelines are inclusive; i.e., any entity with a legitimate interest in the reliability of the SERC ~~bulk power system~~ Bulk Electric System that can meet the criteria for a sector as defined in ~~Section 3.4 of~~ the SERC's Bylaws is entitled to belong to and vote in that sector. The general guidelines are:

- Corporations or organizations with affiliates that qualify to belong to more than one sector (e.g., Investor-Owned Utility and Merchant Electricity Generator) may belong to each of the sectors in which they qualify, provided that each sector ~~constitutes a separate membership and~~ is represented by a different representative.
- At any given time, affiliated entities may collectively be registered only once within a sector.
- Any individual currently employed by an organization that is eligible to join one of the other seven sectors, shall not be qualified to join as a “customer” in the ISO-RTO/Customer sector.

3. ~~3.~~ Definitions

Individual Vote – shall mean a single vote accorded to each stakeholder.

4. ~~4.~~ Quorum

Two-thirds of the Individual Votes of the ~~Ballot Pool~~ ballot pool shall constitute a quorum.

5. ~~5.~~ SERC Registered Ballot Body Voting Requirements

A ballot pool will be established to participate in the ballot of any proposed standards action. Approval of a reliability standard or revision to a reliability standard requires the affirmative vote of a two thirds majority of the weighted Sector votes cast. The number of votes cast in each Sector is the sum of affirmative and negative votes, excluding abstentions and non-response.

The following process is used to determine if there are sufficient affirmative votes.

- 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 and non-responses will not be counted for the purposes of determining the fractional affirmative vote for a Sector.
- The fractional affirmative vote for a Sector is then multiplied by the Sector weight factor, to determine the weighted fractional affirmative vote for a Sector. The weight factors for the Sectors are:
 - Investor-Owned Utility Sector: weight factor is 3.
 - Federal/State Sector: weight factor is 2.
 - Cooperative Sector: weight factor is 2.
 - Municipal Sector: weight factor is 2.
 - Marketer Sector: weight factor is 1.

SERC Regional Reliability Standard Development Procedure

- Merchant Electricity Generator Sector: weight factor is 1.
 - ISO-RTO/Customer Sector: weight factor is 1.
- The sum of the weighted fractional affirmative votes from all Sectors divided by the sum of the weights of the 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 weighted fractional affirmative votes from all Sectors divided by the sum of the weights of the voting Sectors is two-thirds or greater.

Appendix B: Principles, Characteristics, and Special Procedures

Principles

SERC develops regional standards with due consideration of the following principles, in accordance with the steps outlined in this procedure. -This procedure has been designed to ensure that any SERC Regional Reliability Standard is technically sound and the technical specifications proposed will achieve a valuable reliability objective.

The SERC Regional Reliability Standards Development Procedure has the following characteristics:

- **Open:** Participation in the development of a SERC Regional Reliability Standard shall be open to all organizations that are directly and materially affected by the SERC ~~bulk power system~~[Bulk Electric System](#) reliability. - There shall be no undue financial barriers to participation. - Participation shall not be conditioned upon membership in SERC, and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements. - Meetings of the Responsible SERC Subgroup assigned to draft a standard shall be open to the SERC ~~members~~[Member Companies](#) and others.
- **Balanced:** The SERC Regional Reliability Standards Development Procedure 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.
- **Inclusive:** Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the ~~bulk power system~~[Bulk Electric System](#) in the SERC ~~area~~[Region](#) shall have a right to participate by: a) expressing a position and its basis, b) having that position considered, c) registering as a potential ballot participant and voting on a proposed standard; and d) having the right to appeal.
- **Fair due process:** The SERC Regional Reliability Standards Development Procedure provides for reasonable notice and opportunity for public comment. This procedure includes 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.
- **Transparent:** All actions material to the development of SERC Regional Reliability Standards shall be transparent. -All standards development meetings shall be open and publicly noticed on the SERC ~~Web~~[web](#) site.

SERC Regional Reliability Standard Development Procedure

- **Due ~~Course-~~course:** Does not unnecessarily delay development of the proposed SERC Regional Reliability Standard.

NERC has adopted reliability principles and market interface principles to define the purpose, scope, and nature of reliability standards. -These principles are to be used to guide the development of reliability standards, including regional reliability standards. The NERC Board of Trustees may modify these principles from time to time, as necessary, to adapt its vision for reliability standards.

- Each SERC 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~~ Bulk Electric System. Each standard shall also be consistent with all of the reliability principles, thereby ensuring that no standard undermines reliability through an unintended consequence.
- 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~~ Bulk Electric System reliability and electricity markets are inseparable and mutually interdependent, all SERC 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.

Regional Reliability Standard Characteristics and Elements

Characteristics of a SERC Regional Reliability Standard

The following characteristics describe objectives to be considered in the development of SERC Regional Reliability Standards:

1. **Applicability:** Each SERC Regional Reliability Standard clearly identifies the functional classes of entities responsible for complying with the standard, with any specific additions or exceptions noted. -Such functional classes include: ~~reliability coordinators, balancing authorities, transmission operators, transmission owners, generator operators, generator owners, interchange authorities, transmission service providers, market operators, planning authorities, transmission planners, resource planners, load-serving entities, purchasing-selling entities~~ Reliability Coordinators, Balancing Authorities, Transmission Operators, Transmission Owners, Generator

SERC Regional Reliability Standard Development Procedure

[Operators, Generator Owners, Interchange Coordinators, Transmission Service Providers, Planning Coordinators, Transmission Planners, Resource Planners, Load-Serving Entities, Purchasing-Selling Entities](#), and ~~distribution providers.~~ [Distribution Providers](#). Each SERC Regional Reliability Standard identifies the geographic applicability of the standard.- A standard may also identify any limitations on the applicability of the standard based on electric facility characteristics.

2. **Reliability Objectives**~~objectives~~: Each SERC Regional Reliability Standard has a clear statement of purpose that describes how the standard contributes to the reliability of the ~~bulk power system~~[Bulk Electric System](#).
3. **Requirement or Outcome**~~outcome~~: Each SERC Regional Reliability Standard states one or more requirements, which if achieved by the applicable entities, will provide for a reliable ~~bulk power system~~[Bulk Electric System](#), consistent with good utility practices and the public interest.
4. **Measurability**: Each performance requirement is stated so as to be objectively measurable by a third party with knowledge or expertise in the area addressed by that requirement. -Each performance requirement has one or more associated measures used to objectively evaluate compliance with the requirement. -If performance can be practically measured quantitatively, metrics are provided to determine satisfactory performance.
5. **Technical Basis**~~basis~~ in **Engineering**~~engineering~~ and **Operations**~~operations~~: Each regional reliability standard is based upon sound engineering and operating judgment, analysis, or experience, as determined by expert practitioners in that particular field.
6. **Completeness**: Each SERC Regional Reliability Standard is complete and self-contained. -Supporting references may be provided with standards, but they are not part of the standard and do not impose mandatory requirements.
7. **Clear Language**~~language~~: Each SERC Regional Reliability Standard is stated using clear and unambiguous language.- Responsible entities, using reasonable judgment and in keeping with good utility practice, are able to arrive at a consistent understanding of the required performance.
8. **Practicality**: Each SERC Regional Reliability Standard establishes requirements that can be practically implemented by the assigned responsible entities within the specified effective date and thereafter.
9. **Consistent Terminology**~~terminology~~: To the extent possible, SERC Regional Reliability Standards use a set of standard terms and definitions that are approved

SERC Regional Reliability Standard Development Procedure

through the SERC Regional Reliability Standard Development Procedure.

Although regional reliability standards have a common format and process, several types of standards may exist, each with a different approach to measurement:

- Technical standards are related to the provision, maintenance, operation, or state of electric systems, and will likely contain measures of physical parameters that are technical in nature.
- Performance standards are related to the actions of entities providing for or impacting the reliability of the ~~bulk power system~~ [Bulk Electric System](#), and will likely contain measures of the results of such actions or qualities of performance of such actions.
- Preparedness standards are related to the actions of entities to be prepared for conditions that are unlikely to occur, but are nonetheless critical to reliability, and will likely contain measures of such preparations or the state of preparedness.

Elements of a SERC Regional Reliability Standard

To ensure uniformity of SERC Regional Reliability Standards, a SERC Regional Reliability Standard shall consist of the elements identified in Appendix D of this procedure. However, the most current version of the approved NERC Reliability Standard template and its associated elements posted on the NERC [website](#) will be used at the time of the development of the SERC Regional Reliability Standard if different from the elements listed in Appendix D. This is to ensure all essential elements are contained in the SERC standard to achieve consistency and uniformity and meet all statutory requirements. 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 SERC 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.

Maintenance of the SERC Regional Reliability Standards Development Procedure

Any ~~member~~ [Member Company](#) of SERC, or group (or member of a group) within SERC (i.e., committee, subcommittee, working group, study group, task force, or SERC staff), or any entity that is directly and materially affected by the reliability of the SERC Bulk ~~Power~~ [Electric](#) System may submit a written request to modify the SERC Regional

SERC Regional Reliability Standard Development Procedure

Reliability Standard Development Procedure.- The Manager of Reliability Standards shall oversee the handling of the request.

Significant changes to this procedure shall be addressed using the same procedure as a request to develop, modify, or withdraw a SERC Regional Reliability Standard. For any such changes to this procedure, the SERC Standards Committee will assume the responsibilities normally assigned to the Executive Committee(s) of the SERC Standing Committee(s) in Steps 3, 5, and 10.

For any minor changes to this procedure, the SERC Standards Committee shall review the request and submit recommendations to the SERC Board of Directors for consideration. -The SERC Board of Directors, on its own motion, may amend the SERC Regional Reliability Standard Procedure.

Maintenance of SERC Regional Reliability Standards

Each SERC Regional Reliability Standard shall be reviewed at least once every five (5) years. -The review date will be determined from the effective date or the latest revision date, whichever is later. -The review process shall be conducted in accordance with Steps 1 through 4314 of the SERC Regional Reliability Standard Development Procedure.- As a result of this review, a SERC Regional Reliability Standard shall be reaffirmed, revised, or withdrawn.

Interpretations of Standards

Any ~~member~~Member Company of SERC, or group within SERC, or an entity that is directly and materially affected by reliability of the SERC Bulk Electric System shall be permitted to request an interpretation of a SERC Regional Reliability Standard ~~or regional criteria documented in a SERC Standing Committee Document. Any such entity shall also be permitted to request implementation guidance regarding how the SERC compliance program will be measuring and enforcing a NERC Reliability Standard⁴.~~ The entity requesting an interpretation ~~or implementation guidance~~ shall send a request to regstd@serc1.org 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 possible incorrect interpretation. -SERC Staffstaff will forward requests for interpretations to the ~~appropriate~~-SERC StandingStandards Committee Chair(s),¹ who will assign ~~a Responsible SERC Subgroup~~an Interpretation Drafting Team (IDT) with the relevant expertise to address the clarification. The IDT should include appropriate industry stakeholder representatives and members of the original Standard Drafting Team, consistent with availability.

⁴ ~~This is different than requesting an interpretation of the meaning of a NERC Reliability Standard itself, which must be addressed through the NERC process by submitting a request for interpretation to NERC.~~

SERC Regional Reliability Standard Development Procedure

As soon as practical [but not more than forty-five (45) calendar days following ~~the receipt~~establishment of the ~~request~~IDT], the ~~assigned subgroup~~IDT will ~~prepare a draft~~a written interpretation of the SERC Regional Reliability Standard ~~or regional criteria~~ addressing the issues raised. ~~The SERC staff will post the draft interpretation will be on~~the SERC web site for 30-day informal² stakeholder comment period. A notice of the posting will be sent to all SERC Standing Committees representatives and alternates; NERC; the regional standards area of the other Regional Entities; individuals listed as entity contacts in the SERC Compliance Registry; and the SERC Registered Ballot Body representatives by e-mail. Comments shall be submitted to the appropriate SERC Standing electronically by e-mail to regstd@serc1.org. All comments are due by the close of business on the 30th calendar day of posting. If the comment due date falls on a weekend or nationally recognized holiday, the comments shall be due by the close of business on the next regularly scheduled business day.

The IDT will review the stakeholder feedback and may revise the draft interpretation. The IDT will then forward the draft interpretation to the SERC Standards Committee(s) Executive for review. The Standards Committee for review will determine if the interpretation is consistent with the standard and does not add additional requirements to the standard. The interpretation will then be posted for public review and a ballot pool will be formed consistent with the process steps to approve a draft standard as detailed in the body of this procedure. The interpretation is then balloted and, if approved, will be submitted for SERC Board of Directors approval and filing with NERC and FERC.

~~As soon as practical [but not more than twenty (20) calendar days following the receipt of the written interpretation from the RSS], the SERC Standing Committee Executive Committee will develop a written recommendation to the SERC Executive Committee concerning approval of the interpretation. The SERC Standing Committee Executive Committee must recommend either that 1) the RSS written interpretation; or 2) a revision of that interpretation be approved. The recommendation, the RSS written interpretation, and any revised interpretation will be forwarded to the SERC Executive Committee.~~

If approved by ~~the SERC Executive Committee~~FERC, the interpretation is appended to the SERC Regional Reliability Standard ~~or SERC regional criteria~~ and is effective immediately. ~~The interpretation will stand until such time as the SERC Regional Reliability Standard or SERC Standing Committee Document is revised through the normal process, at which time the SERC Regional Reliability Standard or SERC Standing Committee Document will be modified to incorporate the clarifications provided by the interpretation.~~

² An informal comment period does not require the IDT to respond to every stakeholder comment and is only used to make potential changes for the final draft of the interpretation.

SERC Regional Reliability Standard Development Procedure

~~Requests for implementation guidance regarding how the SERC compliance program will be measuring and enforcing a NERC Reliability Standard will be forwarded to the SERC Compliance staff. The SERC Compliance staff will assign the request to the applicable compliance advisory group to develop appropriate implementation guidance. As soon as practical [but not more than forty-five (45) calendar days following the receipt of the request], the assigned compliance advisory group will draft written implementation guidance for review by the SERC Compliance staff. The SERC Compliance staff will notify the requestor of the approved implementation guidance.~~

Appeals

Any ~~member~~Member Company of SERC or any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System that believes it has been or will be adversely affected by any substantive or procedural action or inaction related to the development, approval, revision, or withdrawal of a SERC Regional Reliability Standard shall have the right to appeal. - This appeals process applies only to the SERC Regional Reliability Standards Process as defined in this manual. -The burden of proof to show adverse effect shall be on the appellant. - Appeals shall be made within thirty (30) calendar days of the date of the action purported to cause the adverse effect. -The final decisions of any appeal shall be documented in writing and posted on the SERC Member Company website. - A notice of the posting will be sent to all SERC Board of Directors representatives and alternates, and to all SERC Standing Committees representatives and alternates. In addition, the notice will be sent (via e-mail) to the ~~Region Managers~~regional standards area of the ~~other~~ Regional Entities ~~adjoining SERC (RFC, MRO, SPP, and FRCC)~~ and to any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System.

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 this appeals process. -The appellant submits to the SERC President a complaint in writing that describes the substantive or procedural action associated with a SERC Regional Reliability Standard or the SERC Regional Reliability Standards Process. -The appellant must describe in the complaint the actual or potential adverse impact to the appellant.

Assisted by any necessary staff and the SERC Standards Committee, the SERC President, or the President's designee shall prepare a written response addressed to the appellant as soon as practical but not more than forty-five (45) calendar days after receipt of the complaint. - If the appellant accepts the response as a satisfactory

SERC Regional Reliability Standard Development Procedure

resolution of the issue, both the complaint and response will be made a part of the record associated with the SERC Regional Reliability Standard.

Level 2 Appeal

If after the Level 1 Appeal, the appellant remains unsatisfied with the resolution, notification shall be made in writing to the SERC President within fifteen (15) calendar days of the affected entity's Level 2 Appeal to the SERC Executive Committee. -In all cases, no SERC Executive Committee members that have any direct affiliation with the participants in the appeal will participate in the Level 2 Appeal.

SERC ~~Staff~~ shall post on the SERC ~~website~~ [web site](#) the notice of the Level 2 appeal and other relevant materials at least fifteen (15) calendar days prior to consideration of the Level 2 appeal by the SERC Executive Committee.

In addition to the appellant, any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System, and who is directly and materially affected by the substantive or procedural action referenced in the complaint shall be heard by the SERC Executive Committee. -The SERC Executive Committee shall not consider any expansion of the scope of the appeal that was not presented in the Level 1 Appeal.

The Executive Committee may direct the [SERC Standards Committee](#) to research and/or advise it on technical issues or matters related to the appeal.- Each appellant, any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System, and who is directly and materially affected by the substantive or procedural action referenced in the complaint may request that an ad-hoc committee be formed to assist the Executive Committee in its review.

The SERC Executive Committee may in its decision find for the appellant and remand the issue to the SERC Standards Committee for resolution with a statement of the issues and facts in regard to which fair and equitable action was not taken.

The SERC Executive Committee 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 actions of the SERC Executive Committee shall be posted on the SERC ~~website~~ [web site](#). A notice of the posting will be sent to the appellant, all SERC Board of Directors representatives and alternates, and all SERC Standing Committees representatives and alternates. -In addition, the notice will be sent (via e-mail) to the [Region Managers regional standards area](#) of the [other](#) Regional Entities ~~adjoining SERC (RFC, MRO, SPP, and FRCC)~~ and to any entity that is directly and materially affected by the reliability of the SERC Bulk Electric System.

SERC Regional Reliability Standard Development Procedure

Appendix C: SERC Regional Reliability Standard Authorization Request Form (~~Latest~~**latest** approved version of form is posted on the SERC ~~website~~**web site**: www.serc1.org)

SERC to complete

ID
Authorized for Posting
Authorized for Development

Title of Proposed Standard:
Request Date:

SAR Originator Information

Name	SAR Type (Check box for one of these selections.)	
Company	<input type="checkbox"/>	New Standard
Telephone	<input type="checkbox"/>	Revision to Existing Standard
Fax	<input type="checkbox"/>	Withdrawal of Existing Standard
E-mail	<input type="checkbox"/>	<input type="checkbox"/>

Purpose (Describe the purpose of the proposed Standard — what the Standard will achieve in support of reliability.)

SERC Regional Reliability Standard Development Procedure

Industry Need (Provide a detailed statement justifying the need for the proposed Standard, along with any supporting documentation.)

Brief Description (Describe the proposed standard in sufficient detail to clearly define the scope in a manner that can be easily understood by others.)

Justification for Regional Variation (Provide a detailed statement justifying the need for the proposed Standard specifically identifying the need for a regional variation standard.)

Reliability Functions

The Standard ~~will~~ May Apply to the Following Functions (Check box for each one that applies.)

<p>Reliability Authority <u>Coordinator</u></p>	<p>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. Responsible for the real-time operating reliability of its Reliability Coordinator Area in coordination with its neighboring Reliability Coordinator's wide area view.</p>
<p>Balancing Authority</p>	<p>The responsible entity that integrates <u>Integrates</u> resource plans ahead of time, <u>and</u> maintains load-interchange generation <u>resource</u> balance within a</p>

SERC Regional Reliability Standard Development Procedure

		Balancing Authority Area, and supports Interconnection frequency in real time.
	Interchange <u>AuthorityCoordinator</u>	Authorizes valid and balanced Interchange Schedules <u>Ensures communication of interchange transactions for reliability evaluation purposes and coordinates implementation of valid and balanced interchange schedules between Balancing Authority Areas.</u>
	Planning <u>AuthorityCoordinator</u>	The responsible entity that coordinates and integrates transmission facility and service plans, resource plans, and protection systems. <u>Assesses the longer-term reliability of its Planning Coordinator Area.</u>
	Transmission Service Provider	The entity that administers <u>Administers</u> the transmission tariff and provides Transmission Service to Transmission Customer <u>transmission services</u> under applicable transmission service agreements. (e.g., the pro forma tariff).
	Transmission Owner	The entity that owns <u>Owns</u> and maintains transmission facilities.
	Transmission Operator	The entity responsible for <u>Ensures</u> the <u>Real-time operating</u> reliability of its "local" <u>the</u> transmission system, and that operates or directs the operations of the transmission facilities <u>assets within a Transmission Operator Area.</u>
	Transmission Planner	The entity that develops <u>Develops</u> a long-term (generally \geq one year and beyond) plan for the reliability (adequacy) of the interconnected bulk electric transmission systems <u>Bulk Electric System</u> within its portion of the Planning Authority Area <u>Coordinator area.</u>
	Resource Planner	The entity that develops <u>Develops</u> a long-term (generally \geq one year and beyond) plan for the resource adequacy of its specific loads (customer demand and energy requirements) within a Planning Authority Area <u>Coordinator area.</u>
	Generator Operator	The entity that operates generating unit(s) and performs the functions of supplying energy and <u>Interconnected Operations Services.</u> <u>Operates</u>

SERC Regional Reliability Standard Development Procedure

		<u>generation unit(s) to provide real and reactive power.</u>
	Generator Owner	<u>Entity that owns</u> Owns and maintains <u>generating units</u> generation facilities .
	Purchasing-Selling Entity	<u>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. Purchases or sells energy, capacity, and necessary reliability-related services as required.</u>
	Distribution Provider	<u>Provides and operates</u> Delivers electrical energy to the "wires" between the transmission system and the <u>End-use</u> customer.
	Load-Serving Entity	Secures energy and transmission service (and <u>reliability-related Interconnected Operations Services</u> services) to serve the electrical demand and energy requirements of its end <u>End-use</u> Customer.

NOTE: The RSS may find it necessary to modify the initial reliability function responsibility assignment as a result of the standards development and comments received.

Applicable Reliability Principles *(Check all boxes that apply.)*

- | | |
|-------------------------------------|---|
| <input type="checkbox"/> | 1. Interconnected bulk power systems <u>Bulk Electric Systems</u> 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 <u>Bulk Electric Systems</u> 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 <u>Bulk Electric Systems</u> shall be made available to those entities responsible for planning and operating the systems reliably. |
| <input checked="" type="checkbox"/> | 4. Plans for emergency operation and system restoration of interconnected bulk power systems <u>Bulk Electric Systems</u> shall be developed, coordinated, maintained, and implemented. |

SERC Regional Reliability Standard Development Procedure

- | | |
|--------------------------|--|
| <input type="checkbox"/> | 5. Facilities for communication, monitoring, and control shall be provided, used, and maintained for the reliability of interconnected bulk power systems <u>Bulk Electric Systems</u> . |
| <input type="checkbox"/> | 6. Personnel responsible for planning and operating interconnected bulk power systems <u>Bulk Electric Systems</u> 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 <u>Bulk Electric Systems</u> shall be assessed, monitored, and maintained on a wide-area basis. |

Does the proposed Standard comply with all of the following Market Interface Principles? (Select 'yes' or 'no' from the drop-down box.)

Recognizing that reliability is ~~an~~ 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 Reliability Standards (NERC and SERC Regional)

Standard No.	Explanation

SERC Regional Reliability Standard Development Procedure

Related SARs

<u>SAR ID</u>	<u>Explanation</u>

Implementation Plan

Description *(Provide plans for the implementation of the proposed standard, including any known systems or training requirements.- Include the reliability risk(s) associated with the violation that the standard will mitigate, and the costs associated with implementation.)*

(This area is currently blank for implementation plan details.)

Proposed Implementation _____ days after Board of Directors [adoptionapproval](#)
 or
on (date): _____

SERC Regional Reliability Standard Development Procedure

For Example Only

SERC Regional Reliability Standard Development Procedure

Appendix D: Elements of a SERC Regional Reliability Standard

Title	A brief, descriptive phrase identifying the topic of the standard.
Identification Number	A unique identification number assigned to facilitate tracking and reference to SERC Regional Reliability Standards. The identification number will be consistent with the Numbering Convention for NERC Regional Reliability Standards. The latest approved version of the convention will be posted on the SERC website (www.serc1.org) .
Effective Date and Status	The effective date of the standard or, prior to adoption of the standard by the Board of Directors, the proposed effective date.
Purpose	The purpose of the standard. -The purpose shall explicitly state what outcome is expected by this standard.
Applicability	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 SERC 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.
Requirement(s)	Explicitly stated technical, performance, and preparedness requirements.- Each requirement identifies what entity is responsible and what action is to be performed or what outcome is to be achieved. -Each statement in the requirements section shall be a statement for which compliance is mandatory.

SERC Regional Reliability Standard Development Procedure

Violation Severity Levels	Defines the degree to which compliance with a requirement was not achieved. The violation severity levels, are part of the standard and are balloted with the standard, and developed by the NERC and SERC compliance programs in coordination with the Responsible SERC Subgroup. Each requirement must have at least one Violation Severity Level.
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SERC Regional Reliability Standard Development Procedure

<u>Violation Risk Factor(s)</u>	
	<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<u>Bulk Electric System</u> instability, separation, or a cascading sequence of failures, or could place the bulk power system<u>Bulk Electric System</u> 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<u>Bulk Electric System</u> instability, separation, or a cascading sequence of failures, or could place the bulk power system<u>Bulk Electric System</u> at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to abnormal 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<u>Bulk Electric System</u>, or the ability to effectively monitor and control the bulk power system<u>Bulk Electric System</u>, but is unlikely to lead to bulk power system<u>Bulk Electric System</u> 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<u>Bulk Electric System</u>, or the ability to effectively monitor, control, or restore the bulk power system<u>Bulk Electric System</u>, but is unlikely, under emergency, abnormal, or restoration conditions anticipated by the preparations, to lead to bulk power system<u>Bulk Electric System</u> 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<u>Bulk Electric System</u>, or the ability to effectively monitor and control the bulk power system<u>Bulk Electric System</u>; 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<u>Bulk Electric System</u>, or the ability to effectively monitor, control, or restore the bulk power system<u>Bulk Electric System</u>.</p>

SERC Regional Reliability Standard Development Procedure

<p>Measure(s)</p>	<p>Each requirement shall be addressed by one or more measurements.- Measurements that will be used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. -Each measurement identifies to whom the measurement applies and the expected level of performance or outcomes required demonstrating compliance. -Each measurement 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 full compliance level of each measurement should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.</p>
<p>Compliance Monitoring Process monitoring process</p>	<p>Defines for each measure:</p> <ul style="list-style-type: none"> • The specific data or information that is required to measure performance or outcomes. • The entity that is responsible for providing the data or information for measuring performance or outcomes. • The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes. • The entity that is responsible for evaluating data or information to assess performance or outcomes. • The time period in which performance or outcomes is measured, evaluated, and then reset. • Measurement data retention requirements and assignment of responsibility for data archiving. • Violation severity levels.

SERC Regional Reliability Standard Development Procedure

<u>Time horizon</u>	<p><u>The time period an entity has to mitigate an instance of violating the associated requirement.</u></p> <ul style="list-style-type: none">• <u>Long-term planning — a planning horizon of one year or longer.</u>• <u>Operations planning — operating and resource plans from day-ahead up to and including seasonal.</u>• <u>Same-day operations — routine actions required within the timeframe of a day, but not real-time.</u>• <u>Real-time operations — actions required within one hour or less to preserve the reliability of the bulk electric system.</u>• <u>Operations assessment — follow-up evaluations and reporting of real time operations.</u>
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SERC Regional Reliability Standard Development Procedure

Attached Supporting Information Elements

Interpretations	Any interpretations of the SERC Regional Reliability Standards that were developed, and approved by the SERC Executive Committee, to expound on the application of the standard for unusual or unique situations.
Implementation Plan	Each SERC 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.
Supporting References	This section references related documents that support reasons for, or otherwise provide additional information related to the standard –Examples include, but are not limited to: <ul style="list-style-type: none">• Glossary of Terms• Developmental history of the standard and prior versions• Responsible SERC Subgroup• Notes pertaining to implementation or compliance• Standard references• Procedures/Practices• Training and/or Technical Reference• Frequently Asked Questions Document

SERC Regional Reliability Standard Development Procedure

Appendix E: Comment Form for Draft SERC Regional Reliability Standard (~~Latest~~latest approved version of form is posted on the SERC ~~website~~web site: www.serc1.org)

COMMENT FORM FOR [INSERT APPROPRIATE TITLE OF SERC REGIONAL RELIABILITY STANDARD]

Please use this form to submit comments on **[insert description]**. -Comments must be submitted by **[date]**.- You must submit the completed form by [emailing-mailing](#) it to **[insert appropriate contact names & e-mail addresses]** with the words **[insert appropriate subject]** in the subject line. If you have questions please contact **[insert appropriate contact names, e-mail addresses & phone numbers]**.

DO: **Do** use punctuation and capitalization as needed.
Do use more than one form if responses do not fit in the spaces provided.
Do submit any formatted text or markups in a separate WORD file.

DO NOT: **Do not** submit a response in an unprotected copy of this form.

Commenter Information

Group Name (if applicable):

Contact Name:

Organization:

Telephone:

[Email](#)E-mail:

Background:

In this section, provide background information including the reasons for the development of new SERC Regional Reliability Standard or revisions to an existing SERC Regional Reliability Standard.

Major Changes to this Revision of the SERC Regional Reliability Standard

Provide additional information that may help the reviewers better understand the need and motivation for the changes.

Include any other sections as necessary to facilitate the review process.

SERC Regional Reliability Standard Development Procedure

Please Enter All Comments in Simple Text Format.

Insert a "check" mark in the appropriate boxes by double-clicking the gray areas.

[The following are sample questions. -Revise the questions as appropriate.]

1. Do you agree with the inclusion of the following in section [xxx] of the standard?

Describe revision details.

Yes

No

Comments:

2. Do you agree with the proposed definitions that were added or revised?

Yes

No

Comments:

3. Do you agree with the deletion of the following section from part [xxx]?

Yes

No

Comments:

4. Do you agree with the proposed changes in section [xxx] of the document?

Yes

No

Comments:

5. Please identify anything you believe needs to be modified before this revision of the standard can be approved by SERC?

Comments:

6. Please provide any other comments on this revision of the standard?

Comments:

SERC Regional Reliability Standard Development Procedure

Appendix F: SERC Consideration of Comments Form (~~Latest~~latest approved version of form is posted on the SERC ~~website~~web site: www.serc1.org)

**SERC [INSERT RSS NAME] Consideration of Comments on
[INSERT APPROPRIATE SERC REGIONAL RELIABILITY STANDARD TITLE & REV. #]**

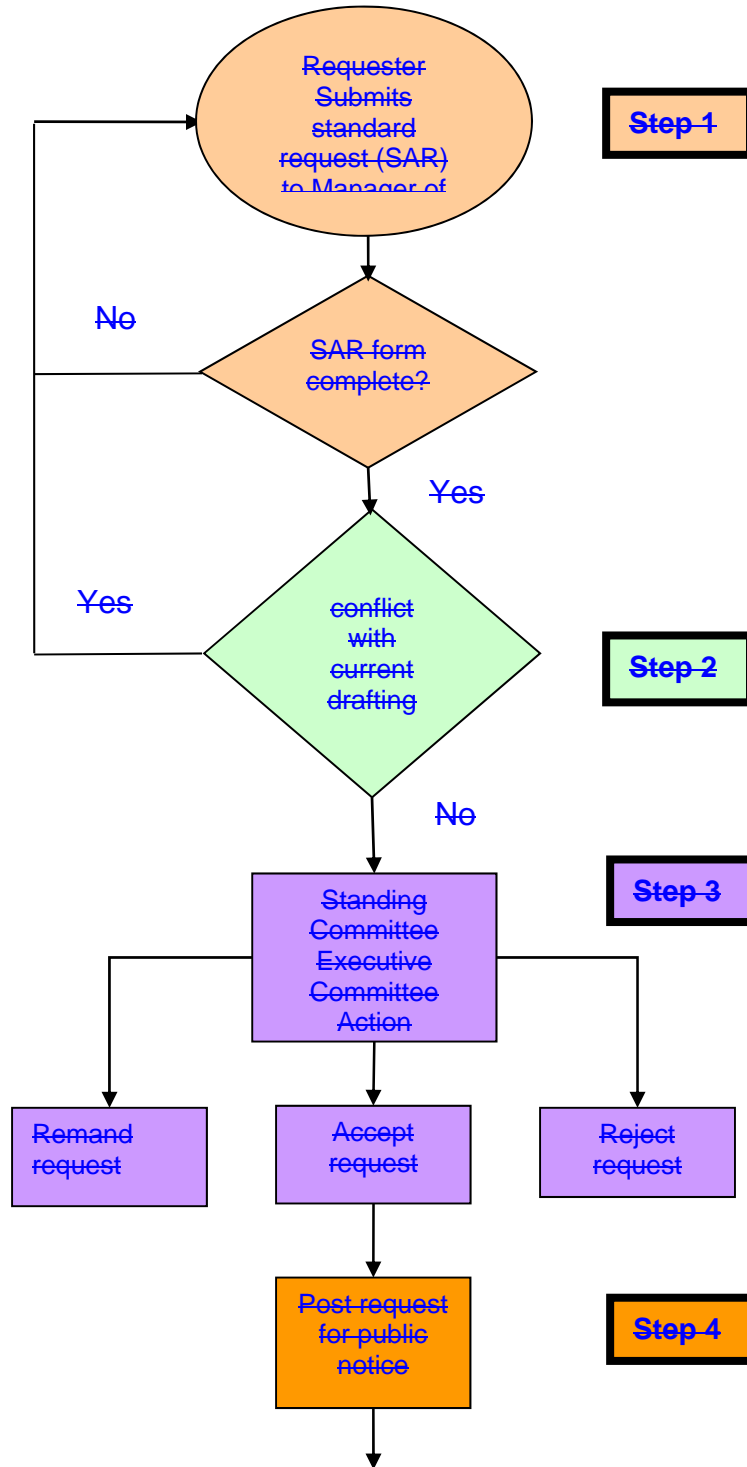
[SAMPLE LANGUAGE]

This document contains comments submitted on Revision [] of the [Standard], which was distributed for review on [Date] in accordance with the SERC Regional Reliability Standards Process Manual. Comments were received from the following.

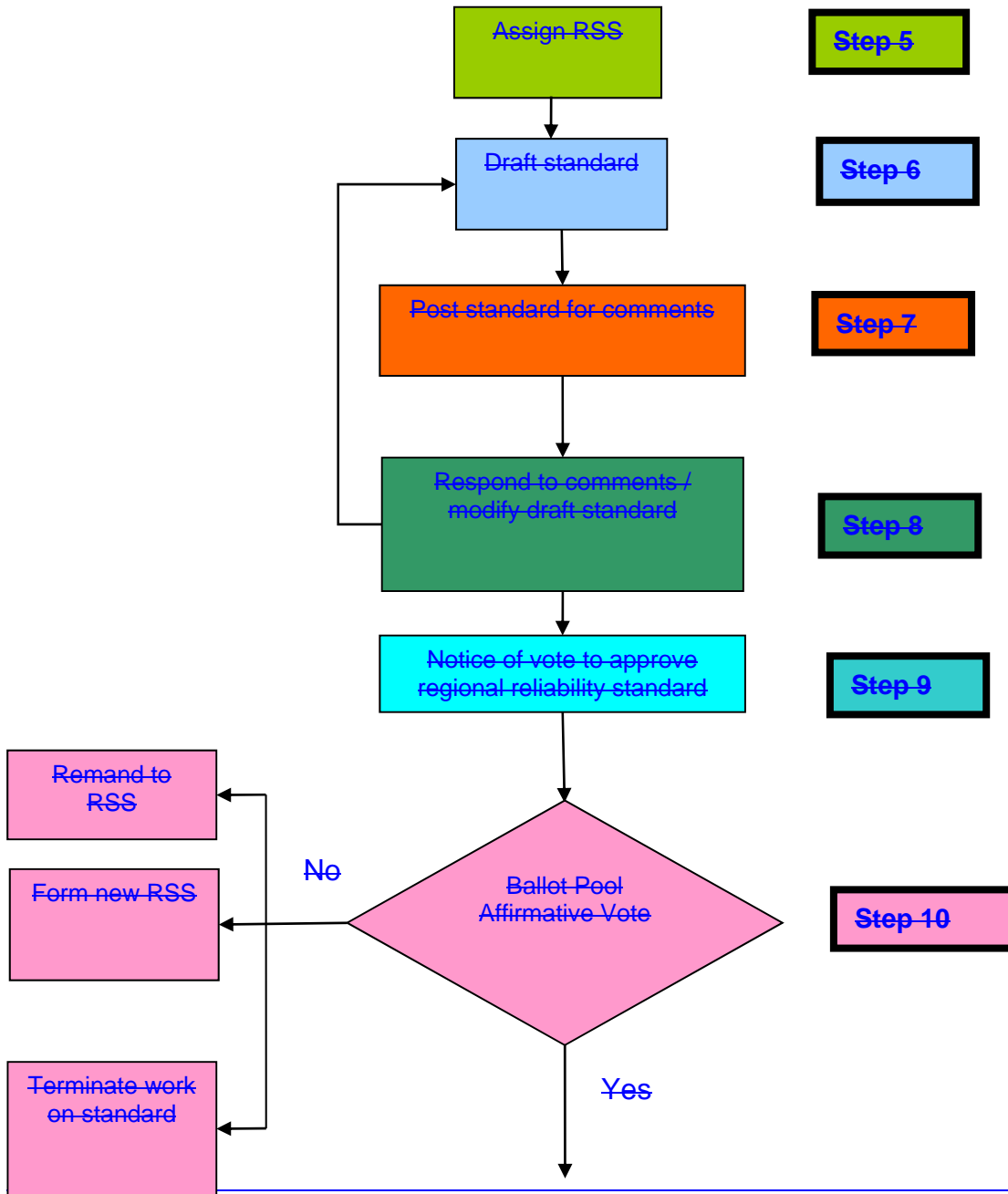
[INSERT INTRODUCTORY LANGUAGE AS APPROPRIATE]

Commenter	Comment	Response
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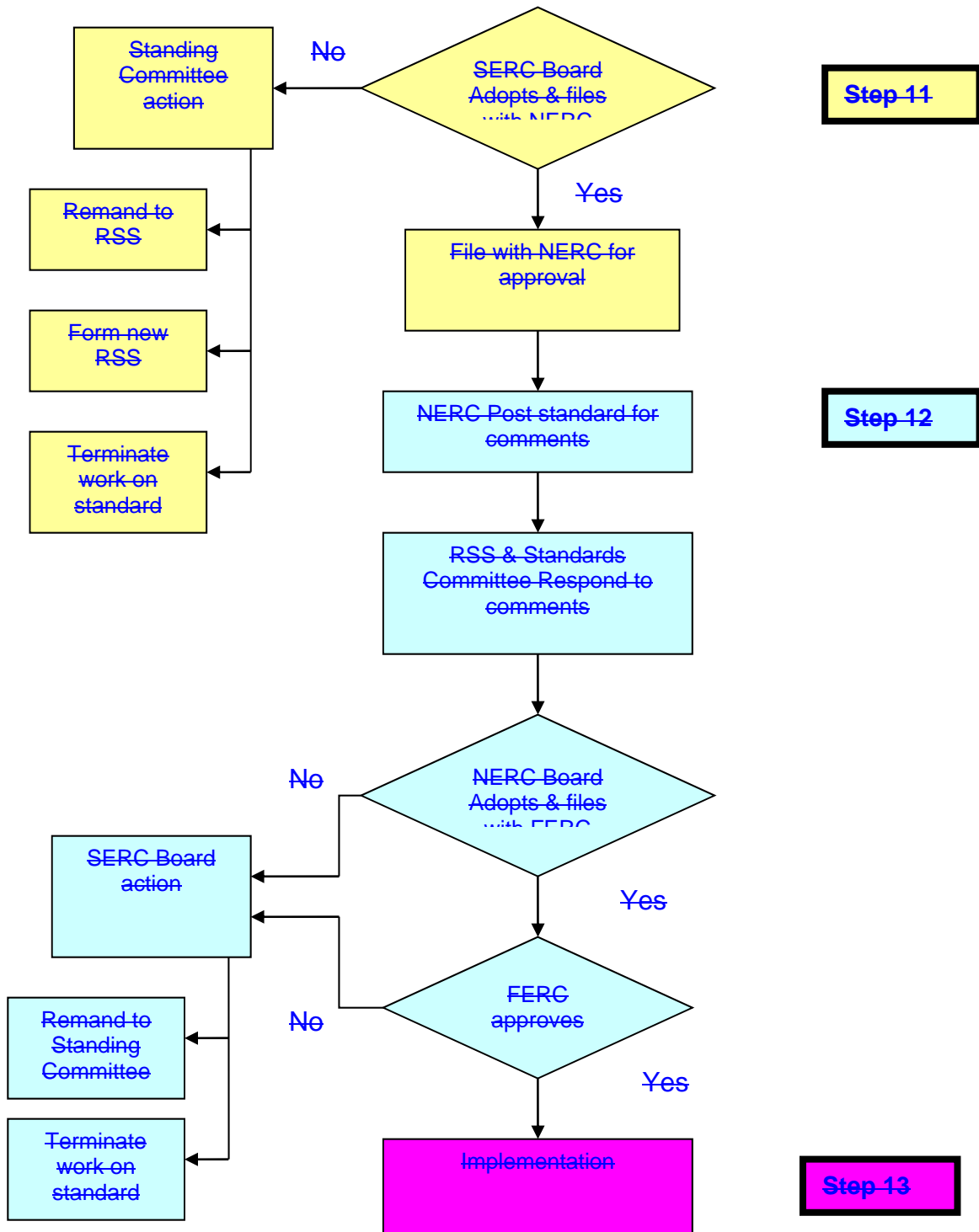
Appendix G: -SERC Process Flow Diagram



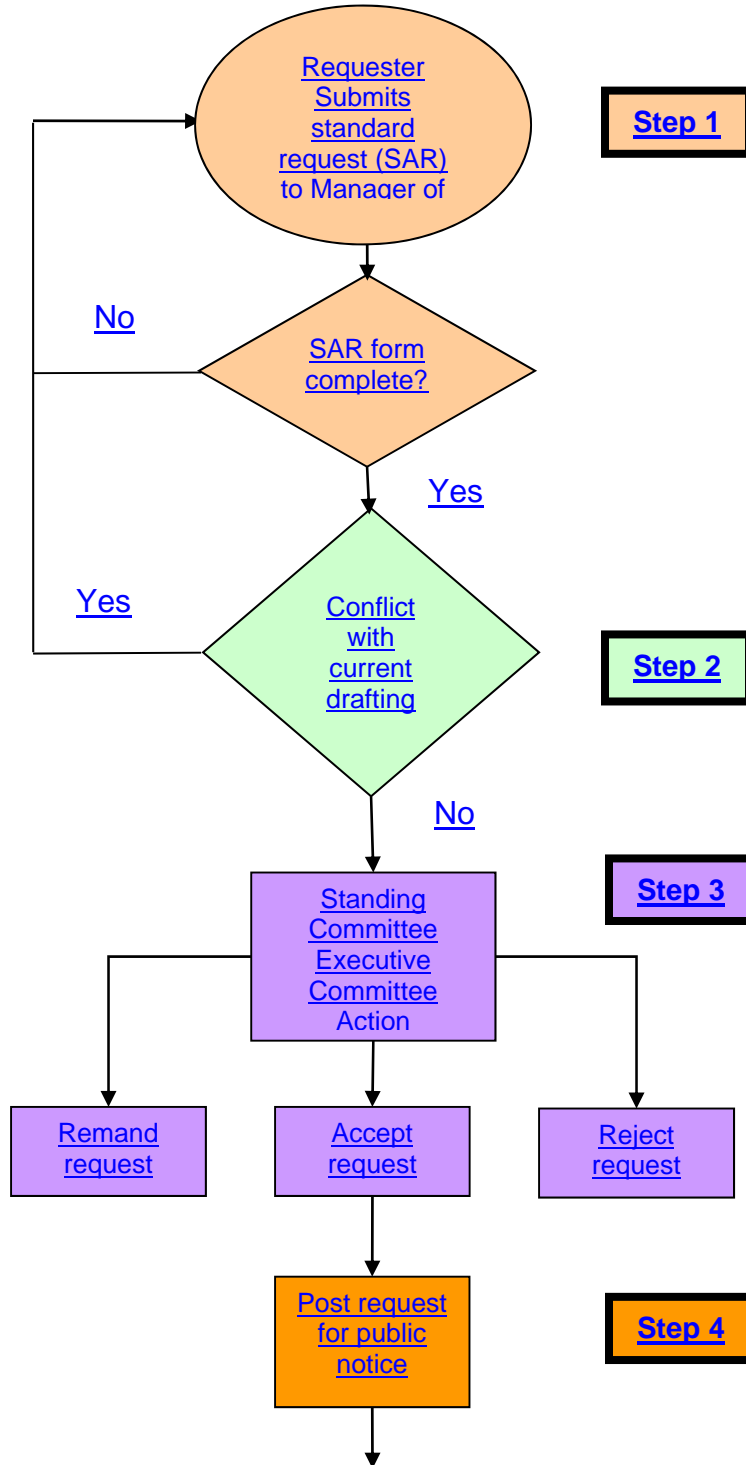
SERC Regional Reliability Standard Development Procedure



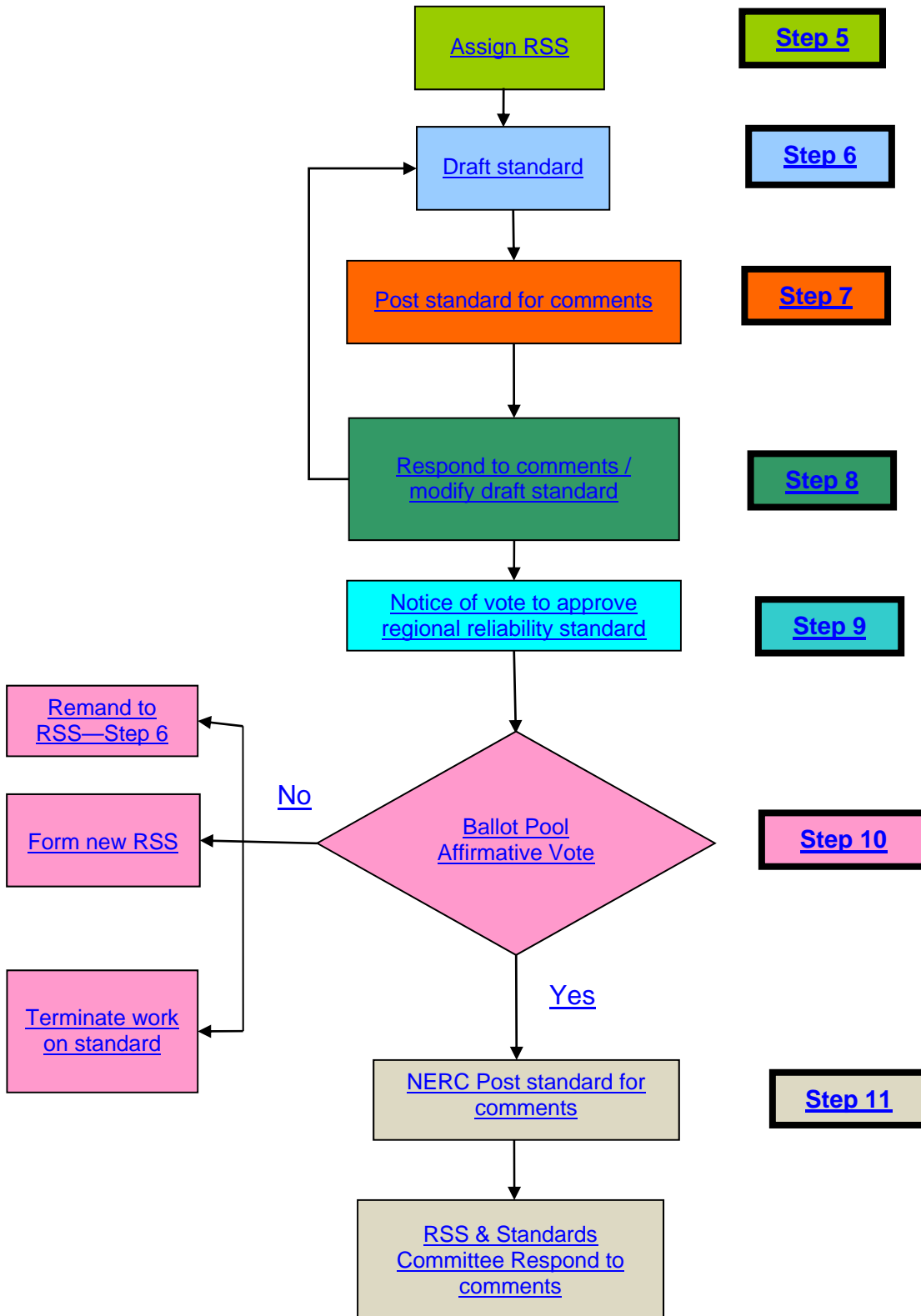
SERC Regional Reliability Standard Development Procedure



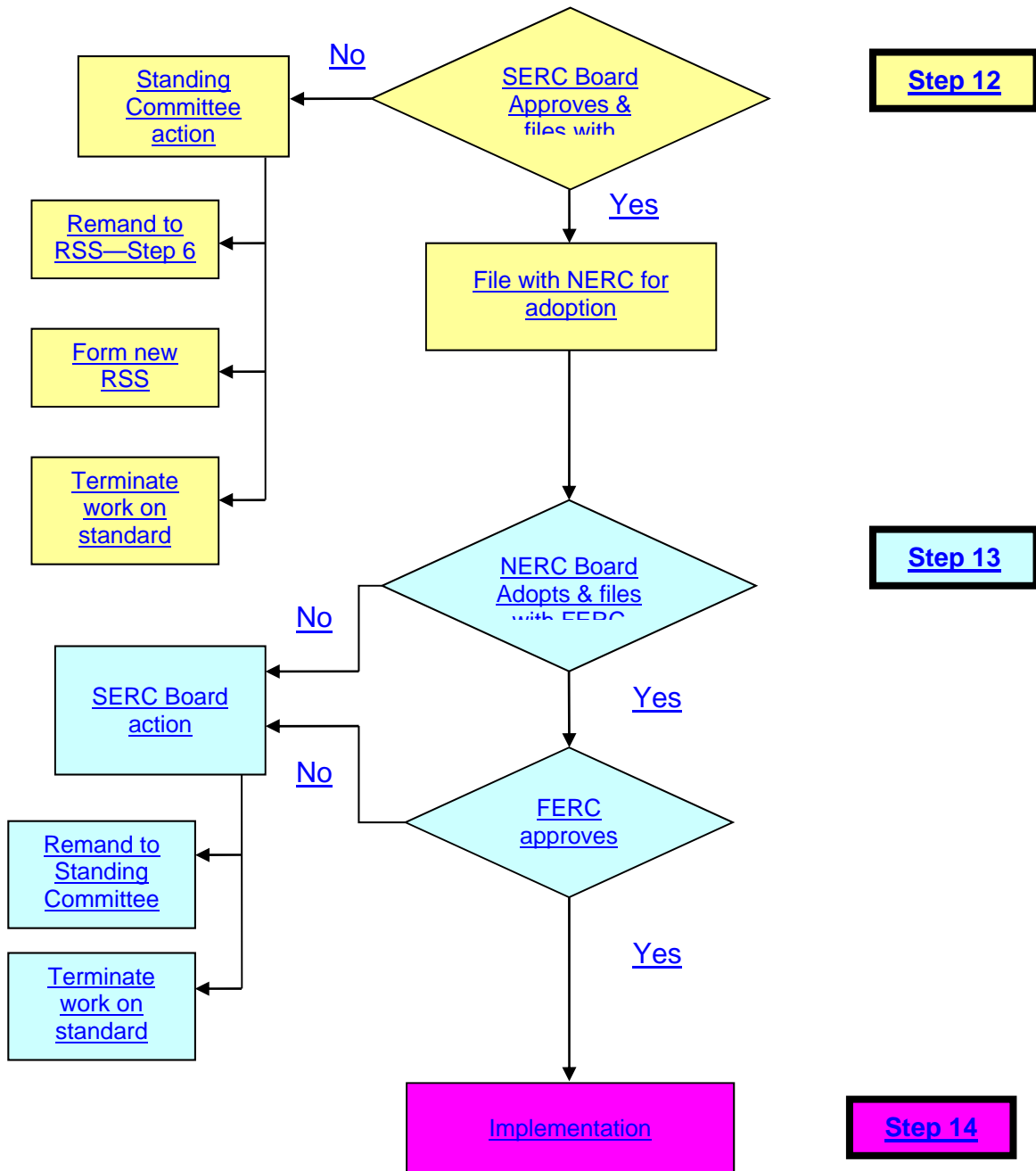
SERC Regional Reliability Standard Development Procedure



SERC Regional Reliability Standard Development Procedure



SERC Regional Reliability Standard Development Procedure



SERC Regional Reliability Standard Development Procedure

SERC Compliance Monitoring and Enforcement Program

Exhibit D to the Amended and Restated Regional Entity Delegation Agreement between

**North American Electric Reliability Corporation
and
SERC Reliability Corporation**



EXHIBIT D – COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

1.0 REGIONAL COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

SERC Reliability Corporation will implement the NERC Compliance Monitoring and Enforcement Program, Appendix 4C to the NERC Rules of Procedure (which for purposes of this section 1.0 shall not include Attachment 2, Hearing Procedures), to monitor and enforce compliance with Reliability Standards by the owners, operators, and users within SERC Reliability Corporation's geographic or electrical boundaries, and such other scope, set forth on **Exhibit A** of this Agreement.

2.0 REGIONAL HEARING OF COMPLIANCE MATTERS

SERC Reliability Corporation shall establish and maintain a hearing body with authority to conduct and 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, which shall be a balanced compliance panel reporting directly to SERC Reliability Corporation's board.

SERC Reliability Corporation's Hearing Body is the Board Compliance Committee, or a subset of the Board Compliance Committee. The Board Compliance Committee is comprised of SERC board members appointed by the Board of Directors. The Board Compliance Committee representation is as follows:

- The Investor-Owned Utility Sector shall have three (3) representatives;
- The Federal/State Sector shall have two (2) representatives;
- The Cooperative Sector shall have two (2) representatives;
- The Municipal Sector shall have two (2) representatives;
- The Marketer Sector shall have one (1) representative;
- The Merchant Electricity Sector shall have one (1) representative;
- The ISO-RTO/Customer Sector shall have one (1) representative

Consistent with the Hearing Procedures, a quorum for the purpose of constituting a Hearing Body shall be half of SERC's Board Compliance Committee, or six members including alternates. In addition to the quorum requirement, the chair of the Board Compliance Committee shall declare the Hearing Body duly constituted only if no two sectors can control and no one sector can veto the actions of the Hearing Body (the "Sector Control Requirements"). To ensure that the Sector Control Requirements are met in the formation of a Hearing Body, the Chair shall adhere to the following in declaring the Hearing Body duly constituted:

- If the Hearing Body is made up of six (6) members of the BCC, then each sector shall have no more than one (1) representative on the Hearing Body.

- If the Hearing Body is made up of seven (7) or eight (8) members of the BCC, then only one sector can have two (2) representatives on the Hearing Body, and each other sector can have only one (1) representative on the Hearing Body.
- If the Hearing Body is made up of nine (9) or ten (10) members of the BCC, then no sector can have more than two (2) representatives on the Hearing Body.
- If the Hearing Body is made up of eleven (11) or twelve (12) members of the BCC, then the Sector Control Requirements are met, as no two sectors would have enough votes to control, and no one sector would have the ability to veto.

Approval of all actions before a duly constituted Hearing Body shall require a simple majority of the votes cast, with each member of the Hearing Body having one vote. The decision of any duly constituted Hearing Body pursuant to these requirements shall be final and binding on the Corporation, without requiring either the full Compliance Committee or the Corporation to ratify the Hearing Body's actions.

3.0 OTHER DECISIONMAKING BODIES

SERC Reliability Corporation does not use decision making bodies within its compliance program other than the Board Compliance Committee described in Section 2.0.

SERC Funding

Exhibit E to the Amended and Restated Regional Entity Delegation Agreement between

**North American Electric Reliability Corporation
and
SERC Reliability Corporation**



Exhibit E — Funding

1. Scope of activities funded through the ERO funding mechanism

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

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

2. Preparation of Annual Business Plan and Budget

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

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

3. Allocation of Costs

Assessments to fund the costs of SERC's delegated functions and related activities pursuant to the Agreement shall be allocated among all load-serving entities on the basis of Net Energy for Load, unless a different method(s) of allocating and calculating such assessments has been submitted to and approved by NERC and the Commission in

accordance with Section 9(b) of the Agreement. SERC shall submit to NERC annually at the same time it submits its budget request a list of the load-serving entities or designees within its geographic boundaries that shall be responsible for paying SERC's assessment and the load-serving entities' proportionate Net Energy for Load, and such other data and information as is necessary to allocate and calculate the allocation of SERC's assessment to the load-serving entities or designees under the method(s) of allocation and calculation that will be used.

4. Collection of Funding

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

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

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

5. Application of Penalties

Except as otherwise approved by the Commission, all penalty monies received by SERC, other than penalty monies received from an operational function or division or affiliated entity of SERC, shall be applied as a general offset to SERC'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. Except as otherwise approved by the Commission, any penalty monies received from an operational function or division or affiliated entity of SERC shall be transmitted to or retained by NERC and shall be used by NERC as a general offset to NERC's budget for its activities as the ERO under the Act for the following year.

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

In addition to its delegated functions and related activities, as specified in Sections 5, 6 and 7 of the Agreement and in Section 1 of this **Exhibit E** (such delegated functions and activities referred to in this Section 6 as "statutory activities"), SERC performs the following other functions and activities (such other functions and activities being referred to in this Section 6 as "non-statutory activities"): None.

SERC shall employ the following methods and procedures to (i) keep its funding mechanisms for its statutory activities separate from its funding mechanisms for its 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:
Not applicable.

SERC shall provide its budget for such non-statutory activities to NERC at the same time that SERC submits its proposed annual business plan and budget for statutory activities to NERC pursuant to Section 9 of the Agreement. SERC's budget for non-statutory activities that is provided to NERC shall contain a detailed list of SERC's non-statutory activities and a description of the funding sources for the non-statutory activities. SERC agrees that no costs (which shall include a reasonable allocation of SERC's general and administrative costs) of non-statutory activities are to be included in the calculation of SERC's assessments, dues, fees, and other charges for its statutory activities.

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

7. Amended or Supplemental Business Plans and Budgets

During the course of the fiscal year, if SERC determines it does not or will not have sufficient funds to carry out its delegated functions and related activities, SERC shall submit to NERC one or more proposed amended or supplemental business plans and budgets and requests for approval of supplemental assessments, reflecting costs, cost increases or funding shortfalls not provided for in SERC's approved business plan and budget for the fiscal year. NERC shall review and approve the proposed amended or supplemental business plan and budget and proposed supplemental assessment, or shall direct SERC to make such revisions as NERC deems appropriate prior to approval. NERC shall submit SERC's approved amended or supplemental business plan and budget and proposed supplemental assessment to the Commission for approval.

8. NERC Review of Regional Entity Financial Records

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