
**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**NORTH AMERICAN ELECTRIC)
RELIABILITY CORPORATION)**

Docket No. RR06-1-000

**QUARTERLY REPORT OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
REGARDING
ANALYSIS OF RELIABILITY STANDARDS VOTING RESULTS
OCTOBER–DECEMBER 2007**

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I. INTRODUCTION

The North American Electric Reliability Corporation (“NERC”)¹ submits its fourth quarter 2007 report on the analysis of voting results for reliability standards. This filing is submitted in response to the Federal Energy Regulatory Commission’s (“FERC” or the “Commission”) January 18, 2007 Order² that requires NERC to closely monitor and report to the Commission the voting results for NERC Reliability Standards each quarter during the next three years. This fourth quarter 2007 report covers balloting results during October 1–December 31, 2007 and includes NERC’s analysis of the voting results, including trends and patterns of stakeholder approval of NERC Reliability Standards.

II. NOTICES AND COMMUNICATIONS

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

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Commission’s official service list.

¹ NERC has been certified by the Commission as the electric reliability organization (“ERO”) authorized by Section 215 of the Federal Power Act. The Commission certified NERC as the ERO in its order issued July 20, 2006 in Docket No. RR06-1-000. 116 FERC ¶ 61,062 (2006).

² *Order on Compliance Filing*, 118 FERC ¶ 61,030 (2007), at P 18.

III. BACKGROUND

NERC develops reliability standards in accordance with Section 300 of its Rules of Procedure and the NERC *Reliability Standards Development Procedure*, which is Appendix 3A to the Rules of Procedure.³ In order for an entity or individual to vote on a proposed reliability standard, the individual or entity must join the registered ballot body, which includes all entities or individuals that qualify for one of ten stakeholder segments and have registered with NERC as potential voting participants. Each member of the registered ballot body is eligible to participate in the voting process and ballot pool for each standard action. The ten stakeholder segments are:

- Transmission Owners
- Regional Transmission Organizations and Independent System Operators
- Load-Serving Entities
- Transmission Dependent Utilities
- Electric Generators
- Electricity Brokers, Aggregators, and Marketers
- Large Electricity End Users
- Small Electricity Users
- Federal, State, and Provincial Regulatory or other Government Entities
- Regional Reliability Organizations and Regional Entities

Each standard action has its own ballot pool, populated by interested members of the registered ballot body. The individuals who join a ballot pool respond to a pre-ballot e-mail announcement associated with each reliability standard ballot action. The ballot pool votes to approve or reject each standard action. Specifically, the ballot pool votes determine: first, the need for and technical merits of a proposed standard action; and second, that appropriate consideration of views and objections received during the development process was undertaken.

³ Version 6 of the *Reliability Standards Development Procedure* was filed with NERC's March 19, 2007 compliance filing.

The reliability standards development process includes three types of ballots: an initial ballot, a recirculation ballot, and a re-ballot. If an initial ballot achieves a quorum but includes any negative ballots submitted with comments on the proposed standard action, then a recirculation ballot must be conducted. If an initial ballot does not achieve a quorum, then a re-ballot is conducted using the same ballot pool, but with an extended ballot window.

Approval of a standard action requires both:

- A quorum, which is established by at least 75% of the members of the ballot pool for the standard action submitting a response with an affirmative vote, a negative vote, or an abstention; and
- A two-thirds majority of the weighted segment votes cast must be affirmative. The number of votes cast is the sum of affirmative and negative votes, excluding abstentions and non-responses.

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

- The number of affirmative votes cast in each segment is divided by the sum of affirmative and negative votes cast to determine the fractional affirmative vote for each segment. Abstentions and non-responses are not counted for the purposes of determining the fractional affirmative vote for a segment.
- If there are less than ten entities that vote in a segment, the vote weight of that segment is proportionally reduced. Each voter within that segment voting affirmative or negative receives a weight of 10% of the segment vote. For segments with ten or more voters, the regular voting procedures are followed.
- The sum of the fractional affirmative votes from all segments divided by the number of segments voting⁴ is used to determine if a two-thirds majority affirmative vote has been achieved. (A segment is considered as “voting” if any member of the segment in the ballot pool casts either an affirmative or a negative vote.)
- A standard is approved if the sum of fractional affirmative votes from all segments divided by the number of voting segments is greater than two thirds.

IV. SUMMARY OF BALLOTS DISCUSSED IN THIS REPORT

NERC conducted nine ballots from October 1–December 31, 2007, each undertaken using the NERC *Reliability Standards Development Procedure*. These nine ballots can be

⁴ When less than ten entities vote in a segment, the total weight for that segment is determined as one tenth per entity voting.

grouped into seven distinct groups of ballot events as follows:

- Urgent Action SAR for BAL-004-1 — Time Error Correction – One (1) Initial Ballot and One (1) Recirculation Ballot
- Interpretation of CIP-006-1 Requirement R1.1 – One (1) Initial Ballot and One (1) Recirculation Ballot
- Interpretation of BAL-005-0 Requirement R17 – One (1) Initial Ballot
- PRC-023-1 — Transmission Relay Loadability – One (1) Initial Ballot
- Interpretation of VAR-001-1 Requirement R4 – One (1) Initial Ballot
- Interpretation of TPL-002-0 and TPL-003-0 Requirements R1.3.2 and R1.3.12 (Ameren) – One (1) Initial Ballot
- Interpretation of TPL-002-0 and TPL-003-0 Requirements R1.3.2 and R1.3.12 (MISO) – One (1) Initial Ballot

Each ballot event achieved a quorum and a high affirmative vote. However, each initial ballot event included at least one negative ballot with comments, initiating the need for a recirculation ballot. One ballot event, the interpretation of BAL-005-0 Requirement R17, did achieve a quorum and had a high overall affirmative rating, but comments submitted with the initial ballot suggested that the interpretation needed revision and the drafting team removed the interpretation from the ballot process to make the necessary revisions. Several initial ballot events were initiated in the last weeks of 2007 and the recirculation ballots will not be conducted until the first quarter of 2008.

The discussion of the detailed ballot results for each ballot event in the fourth quarter 2007 is contained in **EXHIBIT A** to this filing. No instance occurred where a proposed Reliability Standard or interpretation was disapproved by the ballot pool and thereafter a less stringent version of the Reliability Standard was approved in a subsequent ballot.

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EXHIBIT A:

Analysis of 4th Quarter 2007 Reliability Standards Balloting Results

Introduction

On January 18, 2007, the Commission issued its *Order on Compliance Filing* (“January 18 Order”), acting on a compliance filing by the North American Electric Reliability Corporation (“NERC”) in response to the Commission’s Order certifying NERC as the nation’s electric reliability organization (“ERO”) under Section 215 of the Federal Power Act. The January 18 Order requires NERC to closely monitor the voting results for reliability standards and to report to the Commission quarterly for the next three years NERC’s analysis of the voting results, including trends and patterns that may signal a need for improvement in the voting process. In its compliance filing in response to the January 18 Order, NERC stated it would file its initial quarterly report with the Commission for the first quarter of 2007 and would submit subsequent quarterly filings for the next three years. This is the fourth quarterly report for 2007 on the analysis of voting results for reliability standards.

Background

The NERC reliability standards development process is administered by action of the NERC Standards Committee. The Standards Committee officially approves the scope and purpose of standards authorization requests, appoints standard drafting teams to develop standards, authorizes field tests of proposed standards when necessary, and approves the proposed standards for ballot. The goal of the reliability standards development process is to gain industry consensus on the need and technical sufficiency of proposed standards. Consensus is primarily established through various formal industry comment periods designed to obtain stakeholder input on the proposed standards.

The members of the registered ballot body, comprising entities or individuals registered in one of ten stakeholder segments, must specifically request to be included in the ballot pool for a standard ballot event. Any entity or interested individual may become a member of the registered ballot body, but only the ballot pool members are allowed to vote on the proposed standard once the balloting begins. If the ballot pool approves a proposed standard as described below, the standard is presented to the NERC Board of Trustees for its approval and subsequent filing with the Commission and regulatory authorities in Canada.

The NERC *Reliability Standards Development Procedure* provides for three different types of ballots — an initial ballot, a recirculation ballot, and a re-ballot. To “pass,” a ballot must achieve a quorum (at least 75% of the members of the ballot pool must return a ballot) **and** must receive an affirmative vote that is at least two-thirds of the weighted segment average of all ballots returned with a vote.

- If a ballot achieves a quorum but includes any negative ballots submitted with comments, then a recirculation ballot must be conducted.

- If a ballot does not achieve a quorum, then a re-ballot is conducted using the same ballot pool, but with an extended ballot window.

There were nine ballots conducted during the fourth quarter of 2007, as shown in the table below; seven were initial ballots, and two were recirculation ballots. The ballots are discussed below as seven distinct groups of “ballot events.”

Ballot Event #	Ballot Name	Initial Ballot Dates	Re-ballot Dates	Recirculation Ballot Dates	Ballot Pool Size	Total # of Votes	Quorum	Weighted Segment Approval
1	Urgent Action SAR for BAL-004-1	Oct 18–Oct 29, 2007			157	151	96.18%	93.93%
				Nov 16–Dec 4, 2007	157	153	97.45%	92.10%
2	Interpretation of CIP-006-1 Requirement R1.1	Oct 18–Oct 29, 2007			152	148	97.37%	92.24%
				Nov 16–Dec 4, 2007	153	151	98.69%	92.62%
3	Interpretation of BAL-005-0 Requirement R17	Oct 18–Oct 29, 2007			142	137	96.48%	85.91%
4	PRC-023-1 — Transmission Relay Loadability	Nov 19–Dec 4, 2007			208	191	91.83%	80.84%
5	Interpretation of VAR-001-1 Requirement R4	Dec 4–Dec 13, 2007			184	159	86.41%	93.00%
6	Interpretation of TPL-002-0 and TPL-003-0 Requirements R1.3.2 and R1.3.12 (Ameren)	Dec 4–Dec 13, 2007			188	163	86.70%	88.10%
7	Interpretation of TPL-002-0 and TPL-003-0 Requirements R1.3.2 and R1.3.12 (MISO)	Dec 4–Dec 13, 2007			187	161	86.10%	87.50%

Discussion of Fourth Quarter 2007 Ballot Events

1. **The first ballot event in the fourth quarter of 2007** consisted of an initial ballot and a recirculation ballot for BAL-004-1 — Time Error Correction, conducted using the urgent action process. The Standards Committee authorized the use of the Urgent Action process to ballot the following revisions to the Version 0 standard as requested in a standards authorization request by the NERC Operating Committee:
 - Requirement R1 — Remove the requirement for the NERC Operating Committee to designate an entity to serve as the Interconnection Time Monitor because the Operating Committee is not a bulk power system owner, operator, or user.
 - Requirement R2 — Delete the requirement for two reasons: first, under the Operating Policy that preceded the Version 0 reliability standards, serving as the interconnection time monitor was a voluntary service and, in translating the Operating Policy to a reliability standard, the voluntary role was converted to a role with a penalty for noncompliance now that reliability standards are mandatory and enforceable. Entities impacted by this translation have indicated they may not continue to serve in this role unless the threat of financial penalties is removed. Second, the requirement directs the entity serving as the time monitor to implement time error corrections in accordance with a NAESB procedure, and it is not appropriate for a reliability standard to compel an entity to comply with NAESB business practices.

NERC conducted an initial ballot from October 18–October 29, 2007 and achieved a quorum of 96.18%. But the ballot also included seven negative ballots with a comment, initiating the need to conduct a recirculation ballot. Some balloters listed more than one reason for submitting a negative ballot:

- All seven balloters who submitted a negative ballot with a comment indicated that the revisions left unclear what entity will assume the responsibility for serving as the time monitor for each interconnection;
- Three balloters indicated that the revisions left unspecified the responsibility for directing the implementation of a time error correction;
- Two balloters indicated that reliability standards should include requirements to comply with NAESB business practices because the NAESB business practice is also FERC-approved;
- One balloter suggested revising Requirement R2 to omit the reference to the NAESB business practice; and
- One balloter disagreed with the use of the Urgent Action Process to effect these changes.

The response to comments indicated that the NERC Operating Committee is working to document the process for identifying which entity will serve as the time monitor for each interconnection.

The recirculation ballot was conducted from November 16–December 4, 2007 and the revised standard passed with a weighted segment approval of 92.10%, with a quorum of 97.45% of the ballot pool voting.

Between the initial ballot and the recirculation ballot, several voters changed their ballots, but none of the changed ballots were accompanied by a comment to explain the reason for the change. There was no discernable pattern in the modifications made:

- Two balloters changed from negative to affirmative;
- Two balloters changed from affirmative to negative;
- One balloter changed from abstain to negative;
- One balloter changed from abstain to affirmative; and
- Two balloters who did not vote initially voted in the affirmative.

2. **The second ballot event in the fourth quarter of 2007** consisted of an initial ballot and a recirculation ballot for the interpretation of Requirement R1.1 for CIP-006-1 — Physical Security of Critical Cyber Assets.

South Carolina Electric & Gas asked if dial-up remote terminal units (RTUs) that use non-routable protocols and have dial-up access are required to have six-wall perimeters or are only required to have electronic security perimeters. The interpretation clarifies that if dial-up assets are classified as critical cyber assets in accordance with CIP-002-1, the assets must reside within an electronic security perimeter; however, physical security control over a critical cyber asset is not required if that asset does not have a routable protocol. Entities are therefore not required to enclose dial-up RTUs that do not use routable protocols within a six-wall border.

NERC conducted an initial ballot from October 18–October 29, 2007 and achieved a quorum of 97.37%. The ballot also included five negative ballots with comments, triggering the need to conduct a recirculation ballot:

- Three balloters indicated agreement with the interpretation, but voted against it because they felt the interpretation was not needed. They believed the compliance elements of the standard already address the question asked in the interpretation;
- One balloter indicated that the CIP Frequently Asked Questions document provided a better response to the request for an interpretation and indicated concern that the interpretation could diminish the purpose of the standard; and
- One balloter indicated that the interpretation could create a situation where a Critical Cyber Asset could be left unprotected outside of a Physical Security Perimeter or Electronic Security Perimeter. The team of CIP subject matter experts who prepared the interpretation disagreed with this perspective and explained that the interpretation does not eliminate the requirement for an electronic security perimeter.

The recirculation ballot was conducted from November 16–December 4, 2007 and achieved a final weighted segment approval of 92.62%. Nearly 98.7% of the registered ballot pool participants voted.

Between the initial ballot and the recirculation ballot several voters changed their ballots, but only one of the changed ballots was accompanied by a comment to explain the reason for the change. There was no discernable pattern in the modifications made:

- Two balloters changed from negative to affirmative;
 - Two balloters changed from abstain to affirmative;
 - One balloter changed from affirmative to negative;
 - One balloter changed from affirmative to abstain;
 - One balloter who did not cast an initial ballot cast an affirmative ballot; and
 - One balloter who did not cast an initial ballot cast a negative ballot during the recirculation with a comment indicating that although he agreed with the interpretation, he felt the interpretation was not needed as the response was already provided in the compliance section of the standard.
3. **The third ballot event in the fourth quarter of 2007** consisted of an initial ballot for an interpretation of Requirement R17 in BAL-005-0 — Automatic Generation Control, as requested by Portland General Electric.

The request asked if the requirement to annually check and calibrate time error and frequency devices applies to the following measuring devices:

- Only equipment within the operations control room;
- Only equipment that provides values used to calculate automatic generation control area control error;
- Only equipment that provides values to its SCADA system;
- Only equipment owned or operated by the balancing authority;
- Only to new or replacement equipment; and
- To all equipment that a balancing authority owns or operates.

The interpretation stated that Requirement R17 applies only to the time error and frequency devices that provide, or in the case of backup equipment, may provide, input into the Area Control Error (ACE) equation or provide real-time time error or frequency information to the system operator. The time error and frequency measurement devices may not necessarily be located in the operations control room or owned by the balancing authority; however, the balancing authority has the responsibility for the accuracy of the frequency and time error measurement devices. No other devices are included in Requirement R17. New or replacement equipment that provides the same functions noted above requires the same calibrations. Some devices used for time error and frequency measurement cannot be calibrated as such. In this case, these devices should be cross-checked against other properly calibrated equipment and replaced if the devices do not meet the required level of accuracy. This interpretation is the second for Requirement R17 and, if approved, will replace the initial interpretation approved and filed for FERC approval in December, 2007.

NERC conducted an initial ballot from October 18–October 29, 2007 and achieved a quorum of 96.48% with a weighted segment approval of 85.91%. The ballot also included some negative ballots with comments. When the drafting team reviewed the comments, they decided to revise the interpretation to improve its clarity, and posted the revised interpretation for a new 30-day pre-ballot review period that concluded in late December,

2007. The second set of ballot results for the revised interpretation will be presented in the first quarter of 2008 report.

4. **The fourth ballot event in the fourth quarter of 2007** consisted of an initial ballot for PRC-023-1 — Transmission Relay Loadability.

This standard was developed to address the cascading transmission outages that occurred in the August 2003 blackout when backup distance and phase relays operated on high loading and low voltage without electrical faults on the protected lines. This is referred to as the “zone 3 relay” issue and has been expanded to address other protection devices subject to unintended operation during extreme system conditions. The proposed standard establishes minimum loadability criteria for these relays to minimize the chance of unnecessary line trips during a major system disturbance.

NERC conducted an initial ballot from November 19–December 4, 2007 and achieved a quorum of 91.83%. The ballot included 25 negative ballots with comments, initiating the need to conduct a recirculation ballot. Several balloters identified more than one reason for their negative ballot:

- Ten balloters indicated that the applicability was either unclear or should be based on impact to the bulk power system rather than voltage level;
- Ten balloters disagreed with some language in the reference document;
- Four balloters indicated that the standard requires operating more conservatively than needed;
- Two balloters suggested removing the word, “critical” from Requirement R3 to prevent confusion with the use of the same word in other standards;
- Two balloters indicated that the violation severity levels need more refinement;
- Two balloters had several suggestions for minor wording modifications to improve clarity;
- One balloter indicated that a relay margin of 15% above the emergency rating is too high, increasing risk to reliability;
- One balloter indicated that relay loadings should be based on load flow studies rather than equipment ratings and indicated that basing the loadings on equipment ratings will result in reduced backup protection; and
- One balloter disagreed with the need for annual self-certification.

The standard drafting team is considering these comments and will be developing its response in the first quarter of 2008.

5. **The fifth ballot event in the fourth quarter of 2007** consisted of an initial ballot for an interpretation of Requirement R4 in VAR-001-1 — Voltage and Reactive Control as requested by Dynegy.

The request asked if the transmission operator is implicitly required to have a technical basis for specifying the voltage or reactive power schedule, asked if the voltage or reactive power

schedule must be reasonable and practical for the generator operator to maintain, and asked what measure should be used to determine if the transmission operator has issued a technically based, reasonable, and practical voltage or reactive power schedule.

The interpretation clarifies that VAR-001-1 is only comprised of stated requirements and associated measures and compliance elements. There are no requirements in VAR-001-1 to issue a “technically based, reasonable, and practical voltage or reactive power schedule and associated tolerance band.”

NERC conducted an initial ballot from December 4–December 13, 2007 and achieved a quorum of 86.41% with 93.00% weighted segment approval. The ballot included five negative ballots with comments, initiating the need to conduct a recirculation ballot:

- Four balloters indicated that they agreed with the interpretation, but believed the interpretation process should not have been used since it was obvious that the question being asked was not within the requirements of the standard; and
- One balloter indicated that he disagreed with the interpretation, and believed that the standard’s requirements do imply that there will be a technical justification for a reactive power schedule.

NERC will conduct a recirculation ballot in the first quarter of 2008.

6. **The sixth ballot event in the fourth quarter of 2007** consisted of an initial ballot for an interpretation of Requirements R1.3.2 and R1.3.12 in TPL-002-0 — System Performance Following the Loss of a Single Bulk Electric System Element and TPL-003-0 — System Performance Following Loss of Two or More Bulk Electric System Elements. This interpretation was requested by Ameren.

The request asked how the phrase “critical system conditions” should be interpreted. Does TPL-002-0 R1.3.2 and TPL-003-0 R1.3.2 require multiple contingent generating unit outages as part of possible generation dispatch scenarios describing critical system conditions for which the system shall be operated in accordance with the contingency definitions included in Table 1? The request also asked how the inclusion of planned outages should be interpreted with respect to the contingency definitions specified in Table 1 for Category C and D. Does TPL-002-0 R1.3.12 and TPL-003-0 R1.3.12 require that the system be planned to be operated during those conditions associated with planned outages consistent with the performance requirements described in Table 1 plus any unidentified planned outage?

The interpretation clarifies that TPL-002-0 R1.3.2 and TPL-003-0 R1.3.2 do not specify the process for selection of the credible critical generation dispatch for modeling of critical system conditions and clarifies that the selection of the credible critical generation dispatch for modeling of critical system conditions is within the discretion of the planning authority and the transmission planner. The interpretation also states that TPL-002-0 R1.3.12 and TPL-003-0 R1.3.12 explicitly provide that the inclusion of planned (including maintenance) outages of any bulk electric equipment at demand levels, for which the planned outages are performed, is within the discretion of the planning authority and the transmission planner.

NERC conducted an initial ballot from December 4–December 13, 2007 and achieved a quorum of 86.70% with a weighted segment approval of 88.10%. The ballot included 13 negative ballots with comments, initiating the need to conduct a recirculation ballot. Some balloters provided more than one reason for their negative ballot:

- Thirteen balloters indicated that the interpretation did not really answer the question and needs more details; and
- Eight balloters indicated that the interpretation posted did not fully match the interpretation developed by the Planning Committee and the interpretation from the Planning Committee did a better job of answering the second question asked.

Responses to these comments are being developed and further ballot events will ensue thereafter.

7. **The seventh ballot event in the fourth quarter of 2007** consisted of an initial ballot for an interpretation of Requirements R1.3.2 and R1.3.12 in TPL-002-0 — System Performance Following the Loss of a Single Bulk Electric System Element and TPL-003-0 — System Performance Following Loss of Two or More Bulk Electric System Elements. This interpretation was requested by MISO.

The request asked if TPL-002-0 R1.3.2 and TPL-003-0 R1.3.2 require that any specific dispatch be applied, other than one that is representative of supply of firm demand and transmission service commitments, in the modeling of system contingencies specified in Table 1 in the TPL standards. MISO then asked if a variety of possible dispatch patterns should be included in planning analyses including a probabilistically based dispatch that is representative of generation deficiency scenarios. The request also asked if the term “planned outages” means only already known/scheduled planned outages that may continue into the planning horizon, or does it include potential planned outages not yet scheduled that may occur at those demand levels for which planned (including maintenance) outages are performed?

The interpretation states that TPL-002-0 R1.3.2 and TPL-003-0 R1.3.2 do not specify the process for selection of the credible critical generation dispatch for modeling of critical system conditions and clarifies that the selection of the credible critical generation dispatch for modeling of critical system conditions is within the discretion of the planning authority and the transmission planner.

The interpretation also states that TPL-002-0 R1.3.12 and TPL-003-0 R1.3.12 explicitly provide that the inclusion of planned (including maintenance) outages of any bulk electric equipment at demand levels for which the planned outages are performed, is within the discretion of the planning authority and the transmission planner.

NERC conducted an initial ballot from December 4–December 13, 2007 and achieved a quorum of 86.10% with a weighted segment approval of 87.50%. The ballot included 11 negative ballots with comments, initiating the need to conduct a recirculation ballot. Some balloters provided more than one reason for their negative ballot.

- Seven balloters indicated that the interpretation posted did not fully match the interpretation developed by the Planning Committee and the interpretation from the Planning Committee did a better job of answering the second question asked; and
- Eleven balloters indicated that the interpretation did not really answer the question and needs more details.

Responses to these comments are being developed and further ballot events will ensue thereafter.

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing document upon all parties listed on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 31st day of January, 2008.

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