

Agenda Board of Trustees

July 30, 2008 | 8 a.m.–noon
Hyatt Regency
1255 Jeanne-Mance Street
Montréal, Québec
514-982-1234

Introductions and Chairman's Remarks

Antitrust Compliance Guidelines

Consent Agenda — Approve

- *1. **Minutes**
 - [May 7, 2008 Meeting](#)
- *2. **Standing Committees**
 - a. Committee Membership Appointments and Changes
 - b. Planning Committee Charter Revision
- *3. **Future Meetings**

Regular Agenda

- 4. **President's Report**
- *5. **Electricity Sector Steering Group Charter — Approve**
- *6. **Amendments to Bylaws — Approve**
- *7. **Transmission Owners and Operators Forum Charter Revision — Approve**
- *8. **Reliability Standards — Approve**
- *9. **Revised Registration Criteria — Approve**

10. **Board of Trustees Task Forces — Update**
 - a. Readiness Program
 - b. Standards Process
 - c. Compliance Program
- *11. **NERC Critical Infrastructure Protection Strategic Direction and Capability — Discussion** (Attachment 1 — Letter from Rick Sergel to Board of Trustees and NERC Stakeholders)
- *12. **Compliance Monitoring and Enforcement— Update**

Committee, Group, and Forum Reports (Item 13)

- [Compliance and Certification Committee](#)
- [Critical Infrastructure Protection Committee](#)
- [Member Representatives Committee](#)
- [Operating Committee](#)
- [Personnel Certification Governance Committee](#)
- [Planning Committee](#)
- [Regional Entity Management Group](#)
- [Standards Committee](#)
- [Transmission Owners and Operators Forum](#)

Board Committee Reports

- *14. **Finance and Audit**
 - a. 2nd Quarter Statement of Activities — **Approve**
 - b. *2009 NERC Business Plan and Budget* — **Approve**
15. **Compliance**
16. **Corporate Governance and Human Resources**
17. **Technology**
18. **Other Business**

* Background materials included

Antitrust Compliance Guidelines

I. General

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

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

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

II. Prohibited Activities

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

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

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

III. Activities That Are Permitted

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

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

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

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

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

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

Draft Minutes Board of Trustees

May 7, 2008 | 8 a.m.
JW Marriott Grande Lakes
Orlando, FL

Chairman Richard Drouin called to order a duly noticed meeting of the North American Electric Reliability Corporation Board of Trustees on May 7, 2008 at 8 a.m., local time, and a quorum was declared present. The meeting announcement, agenda, and list of attendees are attached as **Exhibits A, B, and C**, respectively.

NERC Antitrust Compliance Guidelines

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

Executive Session

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

Minutes

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

- January 21, 2008 Conference Call
- February 12, 2008 Meeting
- February 28, 2008 Conference Call
- March 21, 2008 Action Without a Meeting
- March 26, 2008 Conference Call

Future Meetings

The board approved May 5–6, 2009 in Washington, D.C. as a future meeting date and location.

Board and Committee Evaluation

Chairman Drouin reported that he had conducted one-on-one interviews with each of the trustees. He stated that, as a whole, there were no outstanding issues presented to him,

although he did receive several suggestions for process improvements. Chairman Drouin felt the individual interviews are useful, and they will be continued. Finally, he informed the board that a decision on who the new chairman will be needs to be made in October 2008, with an approval vote in February 2009.

President's Report

President and CEO Rick Sergel began his report by thanking Armie Perez for his contributions to NERC over the years. Mr. Perez is retiring from California ISO as the vice president, planning and infrastructure development. He served as a volunteer in a number of capacities, including chairman of the Planning Committee and chairman of the Planning Standards Subcommittee.

Mr. Sergel outlined how NERC and the stakeholders had been successful in what's been accomplished so far: putting smart people together to develop a proposal, posting it, revising it based on the comments, posting it again, and building consensus. The discussion at the MRC meeting the previous day had posed a set of generic challenges. Mr. Sergel stated:

“Those challenges are a consequence of the policy choices the broader NERC community made in the past. The question now is what do we do to rebuild the consensus around those policy choices or how do we build consensus around changes in those policy choices.

“We already have a well functioning budget process. What should we do in NERC's other program areas? Starting with situation awareness, the Electricity Sector Steering Group that has been recommended for the ES-ISAC is the perfect group to move that discussion forward. He asked the MRC to select the members of that group quickly.

“The reliability assessments are getting better each year. The looming question is climate change. NERC will ask the stakeholders what issues in climate change could adversely affect reliability if not addressed in the expected legislation. Once we have those issues pulled together, we will ask those who are studying climate change how their proposals address those issues.

“As to the readiness program, the question is do we form a separate group to examine those issues or do we assign that topic to the Finance and Audit Committee, which is already dealing with some aspects of that question. The big two are the compliance program and the standards program.

“For compliance I heard stakeholders asking for transparency, speed, and setting priorities. I suggest we use the board Compliance Committee to lead that effort. It may require a change in the philosophy of how we hold committee meetings, so there is a dialogue and not one-way communication. It may require a greater amount of time for committee work.

“For standards, I envision a small task force of trustees to examine the policy choices. That group would need to choose who and how to have broader participation in the discussion. The group should report back in August on the options considered and develop a proposal to be posted for comment.”

Chairman Drouin made assignments to three of the individual board committees. The Compliance Committee was tasked with reviewing the policies, procedures, and priorities within the compliance program; the Finance and Audit Committee was asked to form a recommendation on the future of the readiness program; and the Corporate Governance and Human Resources Committee was requested to examine the policies, procedures, and priorities within the standards program. He asked that mandates for the assignments to the committees be developed promptly. In addition, he stated NERC plans to move promptly to form the Electricity Sector Steering Group to evaluate the proposed expansion of NERC’s situation awareness capability and staff and requested the MRC leadership to assist in forming the group. He will convene a meeting with Rick Sergel, Steve Hickok and Steve Naumann to revisit the structure and schedule for board, board committee, and MRC meetings.

Revisions to Section 1600 of Rules of Procedure

David Cook, vice president and general counsel, presented revisions to Section 1600 of Rules of Procedure for approval (**Exhibit E**). The proposed revisions are being made to comply with the February 21, 2008, order of the Federal Energy Regulatory Commission that conditionally approved NERC’s proposed Section 1600 — Requests for Data or Information. The proposed revisions take account of comments received from stakeholders during the public posting period. On motion by John Q. Anderson, the board approved the following:

“RESOLVED, that the Board of Trustees approves the proposed revisions to Section 1600 of the Rules of Procedure for inclusion in NERC’s compliance filing in response to the Federal Energy Regulatory Commission’s February 21, 2008 order.”

ES-ISAC Task Force Report

Dave Whiteley, executive vice president, presented two recommendations from the ES-ISAC Task Force report to the board for their approval (**Exhibit F**). Chairman Drouin thanked the task force for their work. Following discussion among the trustees, on motion by Paul Barber the board approved the following:

“RESOLVED, that the Board of Trustees approves the recommendations from the ES-ISAC Task Force that:

- (1) NERC’s existing role in the operations of the ES-ISAC should continue. NERC should periodically review the type, amount, and level of resources necessary to adequately perform the operations role of the ES-ISAC and recommend changes to the Board of Trustees as appropriate. To the extent

the scope of operations need to expand beyond the bulk power system, NERC and its partners in industry and government should consider alternative structures.

- (2) The existing role of the Electricity Sector Coordinating Council (ESCC) is appropriate for providing guidance to the ES-ISAC operations and should continue. In order to enhance strategic and policy guidance to the ES-ISAC, and in order to provide strategic and high-level policy guidance and broad electricity sector participation and support on critical infrastructure security matters, including matters beyond the bulk power system, executive-level participation from the stakeholder sectors needs to be added by forming an Electricity Sector Steering Group (ESSG) to provide direction to the ESCC. The ESSG should comprise the following seven members: one member from the NERC Board of Trustees, the NERC CEO, and five CEO-level executives named by the NERC MRC.

“FURTHER RESOLVED, that management, in consultation with MRC leadership, is directed to prepare a charter for the ESSG for prompt consideration by the board and that the MRC is requested to name the five CEO-level executives as soon thereafter as possible.”

Reliability Standards

Gerry Adamski, vice president and director of standards, presented 12 modified violation risk factors for approval (**Exhibit G**). These violation risk factors are being modified in response to a directive from the Federal Energy Regulatory Commission in Order No. 706 approving reliability standards CIP-002-1 through CIP-009-1. The modified violation risk factors are to be filed 90 days prior to the date the relevant standards become enforceable. On July 1, 2008, 13 main requirements and their associated sub-requirements from the CIP-002-1 through CIP-009-1 reliability standards become enforceable as to certain entities. After discussion among the trustees, on motion by Ken Peterson, the board approved the following:

“RESOLVED, that the Board of Trustees approves the compliance filing of the proposed modifications to twelve Violation Risk Factors pertaining to the approved Critical Infrastructure Protection standards as directed by FERC in Order No. 706 and directs staff to file the modified Violation Risk Factors with FERC and applicable governmental authorities in Canada.”

Board members asked that the minutes reflect the need for the standards process task group to address stakeholder concerns about the procedural issues surrounding directives from the Federal Energy Regulatory Commission for changes to violation risk factors and violation severity levels.

2008 Summer Assessment

Dave Nevius, senior vice president, presented the *2008 Summer Reliability Assessment* to the board for approval. Following discussion, on motion by Jim Goodrich, the board approved the following:

“RESOLVED, that the Board of Trustees approves the proposed 2008 Summer Reliability Assessment for publication, substantially in the form presented at the meeting.”

Compliance Monitoring and Enforcement

David Hilt, vice president and director of compliance reported on the activities of the Compliance Monitoring and Enforcement Program (**Exhibit H**).

Communications Plan for First Round of Compliance Actions

Julia Souder, director of intergovernmental affairs, gave a presentation on NERC’s communications plan for the first round of compliance actions (**Exhibit I**). In accordance with its statutory obligations, NERC is preparing to announce the first batch of confirmed violations of its reliability standards. The successful launch of this announcement will impact the way the media and key stakeholders perceive the process of developing, monitoring and enforcing reliability standards in North America, as well as the capabilities of the organizations responsible for conducting this oversight work. It also lays the groundwork for clear and accurate communications on future violation postings.

Organization Registration — NERC Statement of Compliance Registry Criteria

David Hilt gave a presentation on the status of the NERC Statement of Compliance Registry Criteria (**Exhibit J**).

Committee, Group, and Forum Reports

Compliance and Certification Committee

Chairman Ted Hobson reported the committee has added new members to its roster. He was also pleased to hear the suggestion for more open communications through the board committees. Mr. Hobson informed the board that the committee currently has two open slots for regulators.

Critical Infrastructure Protection Committee

Chairman Barry Lawson reported the committee is currently focusing on issues related to FERC Order 706. He also stated the Reliability Coordinator Working Group is preparing a guidance document on risk-based assessment. Mr. Lawson anticipates the committee will be assigned further work on Order 706 for guidance and white paper documents. He also is looking forward to working with the new ES-ISAC steering group.

Member Representatives Committee

Chairman Steve Hickok stated the MRC leadership will assist in identifying the five CEO-level people needed to fill the Electricity Sector Steering Group.

Operating Committee

Chair Gayle Mayo reported that the Operating Committee (OC) is well aware of the concern from the industry regarding the Reliability Readiness Evaluation and Improvement Program and its continued value. Because the readiness program falls under the auspices of the OC, the committee has formed a small team to work with NERC staff to develop a white paper, and will accelerate that in order to accommodate the budget process. Ms. Mayo also stated the committee is working with the board's Technology Committee on a review of NERC's tools, and the committee has also approved a report on real-time tools best practices.

Planning Committee

Chairman Scott Helyer reported the committee has spent considerable time on reliability assessments, and is continually engaged to improve the reports. He stated the committee is also in process of updating a rolling three-year work plan. Issues on wind integration will be incorporated into that work plan.

NAESB

Rae McQuade, NAESB President, thanked all involved in the project regarding FERC Order 890.

Regional Entity Management Group

Chairman Dan Skaar reported that the Regions rely on transparency, balance, and professionalism with NERC. He stated there is a level of fatigue among stakeholders and staff, and the right balance has not been struck as of yet. Mr. Skaar reminded the board that NERC must include both U.S. and Canadian issues, and strike a balance between regulatory and industry issues.

Standards Committee

Chairman Scott Henry thanked the board for listening to the presentation he gave the previous day at the Member Representatives Committee meeting.

Transmission Owners and Operators Forum

Julius Pataky reported that the forum continues to grow in members and activities. He stated the forum is planning to conduct vegetation management workshops in June, with the focus to understand current NERC vegetation management standards and lessons learned. Mr. Pataky also reported the forum is initiating its first performance review using the INPO structure, which will include site visits. The areas of focus are operator training, operating tools, and vegetation management; these reviews will help to determine superior practices. He further stated that the forum has a number of groups under way that have conference calls and meetings on such topics as event sharing, tracking vegetation contacts, and equipment metrics that go beyond TADS metrics. The

forum is beginning to post information related to compliance and training programs. Mr. Pataky reported the forum is in discussions with TAPS to attempt to reach a resolution on the issue of the forum's confidentiality. Finally, the forum has arrived at vision, mission, and core statements. The next step is to identify strategic actions going forward.

Board Committee Reports

Finance and Audit

Chairman Bruce Scherr reported that in its open session the committee: approved minutes; approved the unaudited March 31, 2008 statement of activities; reviewed the consolidated NERC and Regional Entities March 31, 2008 unaudited statement of activities; reviewed the draft audited financial statements of NERC and the related audit procedures with Marguerite Mount of Mercadien, P.C.; and approved a proposal from NPCC for a new cost allocation policy for certain compliance program costs within the NPCC footprint.

On motion by Bruce Scherr, the board approved the following:

- Unaudited March 31, 2008 statement of activities
- Draft audited financial statements of NERC

Regarding the *2009 NERC Business Plan and Budget* Chairman Scherr encouraged a complete and total vetting of all aspects of the plan.

Finally, Chairman Scherr reported in the closed session the committee: heard a report from Lyn Costantini, chief information officer, updating the committee on NERC's information security program; met separately with the external auditor to discuss major audit findings and recommendations; and met with management to assess the performance of the external auditor.

Compliance

Chairman Paul Barber reported the committee has continued to meet at least once a month, and still has a heavy load. Mr. Barber also informed the board the Compliance Committee held its first open session and will continue that practice going forward.

Corporate Governance and Human Resources

Chairman John Q. Anderson reported the committee performed its regular second quarter review, which included the employee manual and benefit plans. As part of the review the committee asked the staff to develop a comparison of NERC's total benefit costs. Mr. Anderson stated the board members will not be receiving increases this year, since they received an increase in 2007. The committee also recommended a change to NERC's Savings and Investment Plan. On motion of John Q. Anderson the board approved the following:

“RESOLVED, that the NERC Board of Trustees approves an amendment to the defined contribution portion of the NERC Savings and Investment Plan to change the

eligibility period from one year to three months, with plan entry dates of January 1, April 1, July 1, and October 1, and directs management to take the actions necessary to implement the amendment.”

Technology

Chairman Jim Goodrich requested additional time for the board committee meetings, due to the fact it is difficult to accomplish tasks in a short period of time. He stated the committee has reviewed the staff draft of NERC’s tool development process and has provided observations back to the staff. Mr. Goodrich reported the committee heard a presentation from Joe Gracia, senior advisor, power system operations, TVA, on the phasor project. The committee also heard a report from Stan Johnson, NERC Manager of Situational Awareness and Infrastructure Security, on the status of the solicitation of a project manager for the phasor project. Finally, the committee discussed a possible visit to Oak Ridge National Lab this fall.

Adjournment

There being no further business, Chairman Drouin adjourned the meeting at 11:10 a.m.

Submitted by,



Committee Membership Appointments and Changes

Board Action Required

Approve the following changes

Compliance and Certification Committee

RRO-NPCC — Edward (Ted) Dahill, Lead, Senior Engineer, National Grid

Small End-Use Customer — Patti Metro, Manager, Transmission & Reliability Standards,
NRECA

TDU — Donald Morrow, Director, Systems Operations Center, Madison Gas and Electric Co.

Operating Committee

See **Attachment 1**

Planning Committee

See **Attachment 2**

Operating Committee Open Positions for Election Term: 2008–2010

Sector	No. of Open Elected Positions	Proposed Members for 2008–2010 ¹
1. Investor-owned utility	1	Paul Johnson Managing Director – Transmission Operations American Electric Power
2. State/municipal utility	1	Ralph Anderson Compliance Officer KUA/FMPA
3. Cooperative utility	1	Chris Bolick Manager of Operations Associated Electric Cooperative, Inc.
4. Federal or provincial utility/Federal Power Marketing Administration	2 (Canadian)	Lorne Midford Manager, System Performance Department Manitoba Hydro Louis-Omer Rioux Directeur Contrôle des mouvements d'énergie Hydro-Québec TransEnergie
5. Transmission dependent utility	1	Ray Phillips Manager System Operations Support Alabama Municipal Electric Authority
6. Merchant electricity generator	1	Ralph P. Honeycutt Director, Transmission Analysis & Operations SUEZ Energy Marketing, NA
7. Electricity marketer	1	Matt Greek VP-Operations Reliant Energy
8. Large end-use electricity customer	1	Thomas Gianneschi Regulatory Affairs Alcoa, Inc.
9. Small end-use electricity customer	2	No nominees
10. Independent system operator/regional transmission organization	1 1 (Canadian)	James G. McIntosh Director of Grid Operations CAISO Warren Frost Vice President, Operations and Reliability Alberta Electric System Operator
11. Regional reliability organization	None - All members are appointed by their region.	
12. State government	2	David Cleaver Electric Engineer – Energy Analyst Office of the Ohio Consumers' Counsel
Officers	0	
	14	12

¹Subject to approval by the NERC Board of Trustees at its July 30, 2008 meeting.

July 1, 2008

Planning Committee 2008 Election Results

The Planning Committee received nominations for vacant voting member positions for the sectors shown on the attached table. Elections were held from June 9 through June 23, 2008 for nominations which were received by June 2, 2008.

- Two sectors (Sector 1 — investor-owned utility and Sector 3 — cooperative utility) had three nominees each and therefore requiring balloting by the NERC members in those respective sectors. The nominee that received a majority of the first preference votes in each sector is shown on the attached table.
- Four sectors had unopposed nominees: Sector 2 (state/municipal utility), Sector 4 (federal or provincial utility/federal Power Marketing Agency), Sector 5 (transmission dependent utility), and Sector 8 (large end-use electricity customer). Unopposed nominees are not balloted.

After the nomination period cut-off date of June 2, 2008, nominations were received by the committee secretary for vacant un-nominated positions in three sectors: Sector 7 (electricity marketer), Sector 9 (small end-use customer), Sector 10 (independent system operator/regional transmission organization), and Sector 12 (state government). Under the Section 3.4.a of the *Planning Committee Charter*, these nominations are used to fill such vacant positions.

Pending approval of the proposed members by the NERC Board of Trustees on July 30, 2008, the proposed members listed on the attached table will serve two-year terms, commencing on the Planning Committee Meeting scheduled for September 10–11, 2008 in Seattle, Washington.

Summary of Planning Committee Representation for 2008–2009

1. Pending approval of the proposed members shown on the table, the committee will have 25 of the 28 voting member position filled. The following three sectors each have one vacant position: Sector 6 (merchant electricity generator), Sector 8 (large end-use electricity customer), and Sector 9 (small end-use electricity customer).
2. Canadian membership is discussed in Sections 3.3.b and 3.4.d of the *Planning Committee Charter*. The committee will have three existing or proposed Canadian members, all in Sector 4. This is the maximum number of Canadian members permitted to be added to a single sector. Based upon the net energy for load formula, an additional Canadian member is permitted, but that member must be in another sector. Sector membership would be expanded to accommodate an additional Canadian member.

Respectfully submitted,

John Seelke

John Seelke
Planning Committee Secretary

Planning Committee 2008 Election Results — Term: 2008–2010

Sector	No. of Open Positions	Proposed Members for 2008-2010; subject to approval by the NERC Board at its July 30, 2008 meeting
1. Investor-owned utility	1	Richard Kafka Transmission Policy Manager Pepco Holdings, Inc.
2. State/municipal utility	1	Stuart Nelson Manager, Asset Development LCRA
3. Cooperative utility	1	Jay Farrington Manager, Transmission Planning and Reliability PowerSouth Energy Cooperative
4. Federal or provincial utility/Federal Power Marketing Administration	2 (Canadian)	Ronald W. Mazur Manager, System Planning Department Manitoba Hydro Jean-Marie Gagnon Manager Interconnection Networks Hydro-Québec TransÉnergie
5. Transmission dependent utility	1	Denise Roeder Senior Planning Engineer North Carolina Eastern Municipal Power Agency
6. Merchant electricity generator	1	No nominees
7. Electricity marketer	1	Israel Melendez Vice President — Grid Optimization Constellation Energy Commodities Group
8. Large end-use electricity customer	2	Charles Rogers Principal Engineer Consumers Energy
9. Small end-use electricity customer	1	Glenn Ross President All Energy
10. Independent system operator/regional transmission organization	1	Peter Wong Manager, Resource Adequacy ISO New England
11. Regional reliability organization	None — All members are appointed by their region.	
12. State government	1	Philip D. Riley Advisory Engineer IV Public Service Commission of South Carolina
Officers	0	
Total	13	10

Planning Committee Charter Revision

Board Action Required

Approve revisions to Planning Committee Charter.

Information

The Functional Model Working Group's (FMWG) scope was updated and approved by the Operating Committee (OC) and Planning Committee (PC) at their June meetings. The updated FMWG scope required three committees (OC, PC, and CIPC) to approve the technical content of revisions to the Functional Model. The change to the PC Charter is a result of the FMWG's updated scope. A clean and redline version of the PC Charter are attached (**Attachments 1 and 2**).

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Planning Committee Charter

to ensure
the reliability of the
bulk power system

July 30, 2008

116-390 Village Blvd., Princeton, NJ 08540
609.452.8060 | 609.452.9550 fax
www.nerc.com

Table of Contents

Section 1. Purpose	4
Section 2. Functions	4
1. General forum.	4
2. Advice and recommendations.	4
3. Support to the Reliability Assessment and Performance Analysis Program.	4
4. Support to other NERC programs.	4
5. Documents and procedures.	5
6. Opinions and guidance.	5
Section 3. Membership	5
1. Goals.	5
2. Expectations.	5
3. Representation.	6
4. Selection.	6
5. Terms.	6
6. Resignations, Vacancies, and Nonparticipation.	6
7. Proxies.	7
Section 4. Meetings	7
1. Quorum.	7
2. Voting.	7
3. Antitrust Guidelines.	7
4. Open Meetings.	7
5. Confidential Sessions.	7
Section 5. Officers	7
1. Selection.	7
2. Terms.	8
3. Representation.	8
4. Board approval.	8
Section 6. Subcommittees	8
Section 7. Executive Committee	8
1. Authorization.	8
2. Membership.	8
3. Election Process.	8

4. Terms.	8
Appendix 1 — Committee Members	9
Appendix 2 – Meeting Procedures.....	12
Section 1. Voting Procedures for Motions	12
Section 2. Minutes	12
1. General guidelines.....	12
2. Minority Opinions.	12
3. Personal Statements.....	12
Appendix 3 – Officer Selection Process	13
Appendix 4 – Reliability Guidelines Approval Process	14

Section 1. Purpose

The Planning Committee proactively supports the NERC mission and the several NERC program areas by carrying out a broad array of functions and responsibilities focused on the reliable planning and assessment of interconnected bulk power systems.

Section 2. Functions

1. **General forum.** Provides a general forum for aggregating ideas and interests regarding the reliable planning and assessment of the interconnected bulk power systems in North America.
2. **Advice and recommendations.** Provides NERC (stakeholders, Board of Trustees, and staff) with advice, recommendations, and the collective and diverse opinions on matters related to bulk power system planning, reliability, and adequacy to help the industry arrive at informed decisions. Issue reliability guidelines in accordance with the process described in Appendix 4.
3. **Support to the Reliability Assessment and Performance Analysis Program.** Provides technical support, guidance, and advice to NERC's Reliability Assessment and Performance Analysis Program, which includes:
 - a. **Reliability Assessments**
 - Provide input on seasonal, long-term, and special reliability assessment reports, including reliability issues and trends to be addressed in these reports.
 - Review and comment on draft reliability assessment reports.
 - Endorse the approval by the NERC board of reliability assessment reports.
 - b. **Events Analysis and Information Exchange**
 - Review and discuss the results of individual event investigations and lessons learned as well as long-term trends.
 - Recommend actions to other NERC programs (standards, compliance, readiness, training, etc.) based on lessons learned and trends from event investigations.
 - Support information exchange within the industry on lessons learned from event investigations, including the issuance of event notifications, significant event reports, and trends in events analysis.
 - c. **Reliability Metrics and Benchmarking**
 - Provide input to the Reliability Metrics and Benchmarking Program.
 - Support the development and improvement of NERC's key reliability metrics.
4. **Support to other NERC programs.** Provides technical advice and subject matter expert support to each of the other NERC programs, and serve as a forum to integrate the outputs of these programs, specifically:

- a. **Standards.**
 - Provide the committee's majority and minority opinions to the industry on NERC's standards as those standards are drafted, posted for ballot, and presented to the board for implementation.
 - Help the Standards Committee prioritize those standards that are in the drafting queue.
 - Provide technical opinions and interpretations of standards at the request of industry stakeholders or the NERC board.
 - b. **Compliance.** Review quarterly and annual compliance reports for trends and suggest new or different types of compliance monitoring based on a technical review of system performance trends or as a result of investigations.
 - c. **Readiness evaluations.** Provide technical advice on readiness evaluation objectives, guidelines, examples of excellence, and review evaluation findings for trends.
5. **Documents and procedures.** Develop and maintain documents and procedures related to the reliable planning and assessment of interconnected bulk power systems, including but not limited to:
- a. **Functional model.** Approve the technical content of the NERC Reliability Functional Model.
 - b. **Reference documents.** Technical reference documents and guidelines on matters including: system modeling and model validation, system static and dynamic analysis, system protection and control, load forecasting, resource adequacy assessment, and reliability data requirements.
 - c. **Field test procedures.** Field test procedures for prospective reliability standards.
6. **Opinions and guidance.** Provide technical opinions and guidance on planning reliability concepts and philosophies.

Section 3. Membership

1. **Goals.** The Planning Committees provides for balanced decision making by bringing together a wide diversity of opinions from industry experts with outstanding technical knowledge and experience in the area of interconnected systems planning reliability and reliability assessment.
2. **Expectations.** Planning Committee voting members are expected to:
 - a. Bring subject matter expertise to the Planning Committee
 - b. Be knowledgeable about planning reliability and reliability assessment
 - c. Attend and participate in all Planning Committee meetings
 - d. Express their opinions as well as the opinions of the sector they represent at committee meetings.

- e. Discuss and debate interests rather than positions
- f. Complete committee assignments

3. **Representation.** See Appendix 1, “Committee Members.”

- a. Committee members may, but need not be, NERC members.
- b. To ensure adequate Canadian representation, the membership to the committee may be increased so that the number of Canadian voting members is equal to the percentage of the net energy for load (NEL) of Canada to the total NEL of the United States and Canada, times the total number of voting members on the committee, rounded to the next whole number.

4. **Selection.** NERC sector members will annually elect voting committee members in committee sectors corresponding to their NERC sector under an election process that is open, inclusive, and fair. The selection process will be completed in time for the secretary to send the committee membership list to the board for its approval at the board’s August meeting so that new committee members may be seated at the September meeting.

- a. Un-nominated voting member positions will remain vacant until the next annual election, or until the committee secretary receives a nomination for that position, whichever occurs first.
- b. Members may not represent more than one committee sector.
- c. A particular organization, including its affiliates, may not have more than one member on the committee.
- d. If additional Canadian members are added, no more than one additional Canadian voting member shall be selected from a sector unless this limitation precludes the addition of the number of additional Canadian voting representatives required by Section 3.3.b. In this case, no more than two additional Canadian voting members may be selected from the same sector.
- e. The secretary will monitor the committee selection process to insure that membership specifications are met.

5. **Terms.** Members’ terms are staggered, with one-half of the members’ terms expiring each year. Except for the initial selection, a member’s term is two years and will commence on the first September meeting following the member’s selection pursuant to Section 3.4 and continue until the September meeting two years later. Members may be re-elected for subsequent terms.

6. **Resignations, Vacancies, and Nonparticipation.**

- a. Members who resign will be replaced for the time remaining in the member’s term. Members will be replaced pursuant to Section 4, officers will be replaced pursuant to Appendix 3, and executive committee members will be replaced pursuant to Section 7.
- b. The secretary will submit the new member’s name to the board for approval at the board’s next regular meeting.

- c. The committee may approve the new member on an interim basis at the committee's next meeting.
- d. The committee chair will contact any member who has missed two consecutive meetings (even if the member has sent a proxy) to 1) seek a commitment to actively participate or 2) ask the member to resign from the committee.

7. **Proxies.** A member of the committee may give a proxy only to a person who is not affiliated with the same organization as another committee member. This provision is consistent with Section 3.4.c. Each voting member of the committee shall have one vote on any matter coming before the committee that requires a vote.

Section 4. Meetings. See Appendix 2, "Meeting Procedures." Unless stated otherwise, the Planning Committee will follow Robert's Rules of Order, Newly Revised.

1. **Quorum.** The quorum necessary for the transaction of business (i.e., formal actions) at meetings of the committee is two-thirds of the voting members currently on the committee roster (i.e., does not count vacancies). The committee may engage in discussions without a quorum present.
2. **Voting.** Actions by members of the committee shall be approved upon receipt of the affirmative vote of two-thirds of the voting members of the committee present and voting, in person or by proxy, at any meeting at which a quorum is present. The chair and vice chair may vote. Additional voting guidelines are in Appendix 2.
3. **Antitrust Guidelines.** All persons attending or otherwise participating in the committee meeting shall act in accordance with NERC's Antitrust Compliance Guidelines at all times during the meeting. A copy of the NERC antitrust statement shall be included with each meeting agenda.
4. **Open Meetings.** NERC committee meetings shall be open to the public, except as noted below under Confidential Sessions. Although meetings are open, only voting members may offer and act on motions.
5. **Confidential Sessions.** The chair of a committee may limit attendance at a meeting or portion of a meeting, based on confidentiality of the information to be disclosed at the meeting. Such limitations should be applied sparingly and on a nondiscriminatory basis as needed to protect information that is sensitive to one or more parties. A preference, where possible, is to avoid the disclosure of sensitive or confidential information so that meetings may remain open at all times. Confidentiality agreements may also be applied as necessary to protect sensitive information.

Section 5. Officers.

See Appendix 3, "Officer Selection Process"

1. **Selection.** At its first June meeting and every two years thereafter, the committee shall select a chair and vice chair from among its voting members by majority vote of the members

of the committee to serve as chair and vice chair of the committee from the end of that June meeting until the end of the June meeting two years later.

2. **Terms.** The chair and vice chair serve two-year terms.
3. **Representation.**
 - a. The newly selected chair and vice chair shall not be from of the same sector.
 - b. The chair and vice chair, upon assuming such positions, shall cease to act as members of the sectors that elected them as members to the committee and shall thereafter be responsible for acting in the best interests of the members as a whole.
4. **Board approval.** The secretary will submit the elected officers to the chair of the board for approval.

Section 6. Subcommittees

The Planning Committee may appoint technical subcommittees, task forces, and working groups as needed. The Planning Committee is responsible for directing the work of these subgroups and for their work products.

Section 7. Executive Committee

1. **Authorization.** The executive committee is authorized to act between regular meetings of the Planning Committee. However, the executive committee may not reverse the Planning Committee's decisions.
2. **Membership.** The executive committee is comprised of the chair, the vice chair, and four at-large members. The committee will nominate and elect the four at-large members of the executive committee at its September meeting. No two members may be from the same sector.
3. **Election Process.**
 - a. The chair opens the floor for nominations.
 - b. If the committee members nominated four or fewer candidates, then those candidates are automatically elected.
 - c. If the committee members nominate more than four candidates, then the secretary will distribute paper ballots for the members to list their top four candidates.
 - d. The four candidates who receive the most votes will be elected, provided that no two candidates may be from the same sector.
4. **Terms.** The executive committee will be replaced every two years, with the chair and vice chair replaced at a June meeting and the at-large members replaced at a September meeting.

Appendix 1 – Committee Members

Name	Definition	Members
Voting Members		
1. Investor-owned utility	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. This sector also includes organizations that represent the interests of such entities.	2
2. State/municipal utility	This sector includes any entity owned by or subject to the governmental authority of a state or municipality, that is engaged in the generation, delivery, and/or sale of electric power to end-use customers primarily within the political boundaries of the state or municipality; and any entity, whose members are municipalities, formed under state law for the purpose of generating, transmitting, or purchasing electricity for sale at wholesale to their members. This sector also includes organizations that represent the interests of such entities.	2
3. Cooperative utility	This sector includes any non-governmental entity that is incorporated under the laws of the state in which it operates, is owned by and provides electric service to end-use customers at cost, and is governed by a board of directors that is elected by the membership of the entity; and any non-governmental entity owned by and which provides generation and/or transmission service to such entities. This sector also includes organizations that represent the interests of such entities.	2
4. Federal or provincial utility/Federal Power Marketing Administration	This sector includes any U.S. federal, Canadian provincial, or Mexican entity that owns and/or operates electric facilities in any of the asset categories of generation, transmission, or distribution; or that functions as a power marketer or power marketing administrator. This sector also includes organizations that represent the interests of such entities. One member will be a U.S. federal entity and one will be a Canadian provincial entity.	2
5. Transmission dependent utility	This sector includes any entity with a regulatory, contractual, or other legal obligation to serve wholesale aggregators or customers or end-use customers and that depends primarily on the transmission systems of third parties to provide this service. This sector also includes organizations that represent the interests of such entities.	2
6. Merchant electricity generator	This sector includes any entity that owns or operates an electricity generating facility that is not included in an investor-owned utility's rate base and that does not otherwise fall within any of sectors (i) through (v). This sector includes but is not limited to cogenerators, small power producers, and all other non-utility electricity producers such as exempt wholesale generators who sell electricity at wholesale. This sector also includes organizations that represent the interests of such entities.	2
7. Electricity marketer	This sector includes any entity that is engaged in the activity of buying and selling of wholesale electric power in North America on a physical or financial basis. This sector also includes organizations that represent the interests of such entities.	2

Planning Committee Charter

Name	Definition	Members																									
Voting Members																											
8. Large end-use electricity customer	This sector includes any entity in North America with at least one service delivery taken at 50 kV or higher (radial supply or facilities dedicated to serve customers) that is not purchased for resale; and any single end-use customer with an average aggregated service load (not purchased for resale) of at least 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility. This sector also includes organizations that represent the interests of such entities.	2																									
9. Small end-use electricity customer	This sector includes any person or entity within North America that takes service below 50 kV; and any single end-use customer with an average aggregated service load (not purchased for resale) of less than 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility. This sector also includes organizations (including state consumer advocates) that represent the interests of such entities.	2																									
10. Independent system operator/regional transmission organization	This sector includes any entity authorized by the Commission to function as an independent transmission system operator, a regional transmission organization, or a similar organization; comparable entities in Canada and Mexico; and the Electric Reliability Council of Texas or its successor. This sector also includes organizations that represent the interests of such entities.	2																									
11. Regional reliability organization	This sector includes any regional reliability organization as defined in Article I, Section 1, of the Bylaws of the corporation. In aggregate, this sector will have voting strength equivalent to two members. The voting weight of each regional member's vote will be set such that the sum of the weight of all available regional reliability organizations members' votes is two votes.	2																									
	<table border="1"> <thead> <tr> <th data-bbox="602 1056 846 1087"><u>RRO</u></th> <th data-bbox="846 1056 1094 1087"><u>Number of Members</u></th> <th data-bbox="1094 1056 1336 1087"><u>Proportional Voting</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="602 1098 846 1129">FRCC</td> <td data-bbox="846 1098 1094 1129">1</td> <td data-bbox="1094 1098 1336 1129">X</td> </tr> <tr> <td data-bbox="602 1140 846 1171">RFC</td> <td data-bbox="846 1140 1094 1171">1</td> <td data-bbox="1094 1140 1336 1171">X</td> </tr> <tr> <td data-bbox="602 1182 846 1213">ERCOT</td> <td data-bbox="846 1182 1094 1213">1</td> <td data-bbox="1094 1182 1336 1213">X</td> </tr> <tr> <td data-bbox="602 1224 846 1255">MRO</td> <td data-bbox="846 1224 1094 1255">1</td> <td data-bbox="1094 1224 1336 1255">X</td> </tr> <tr> <td data-bbox="602 1266 846 1297">NPCC</td> <td data-bbox="846 1266 1094 1297">1</td> <td data-bbox="1094 1266 1336 1297">X</td> </tr> <tr> <td data-bbox="602 1308 846 1339">SERC</td> <td data-bbox="846 1308 1094 1339">1</td> <td data-bbox="1094 1308 1336 1339">X</td> </tr> <tr> <td data-bbox="602 1350 846 1381">SPP</td> <td data-bbox="846 1350 1094 1381">1</td> <td data-bbox="1094 1350 1336 1381">X</td> </tr> <tr> <td data-bbox="602 1392 846 1423">WECC</td> <td data-bbox="846 1392 1094 1423">1</td> <td data-bbox="1094 1392 1336 1423">X</td> </tr> </tbody> </table>		<u>RRO</u>	<u>Number of Members</u>	<u>Proportional Voting</u>	FRCC	1	X	RFC	1	X	ERCOT	1	X	MRO	1	X	NPCC	1	X	SERC	1	X	SPP	1	X	WECC
<u>RRO</u>	<u>Number of Members</u>	<u>Proportional Voting</u>																									
FRCC	1	X																									
RFC	1	X																									
ERCOT	1	X																									
MRO	1	X																									
NPCC	1	X																									
SERC	1	X																									
SPP	1	X																									
WECC	1	X																									
12. State government	(See Government representatives below)	2																									
Officers	Chair and Vice Chair	2																									
Total Voting Members		26																									
Non-Voting Members¹																											

¹ Industry associations and organizations and other government agencies in the U.S. and Canada may attend meetings as non-voting observers.

Planning Committee Charter

Name	Definition	Members
Voting Members		
Government representatives	This sector includes any federal, state, or provincial government department or agency in North America having a regulatory and/or policy interest in wholesale electricity. Entities with regulatory oversight over the Corporation or any regional entity, including U.S., Canadian, and Mexican federal agencies and any provincial entity in Canada having statutory oversight over the Corporation or a regional entity with respect to the approval and/or enforcement of reliability standards, may be nonvoting members of this sector.	
	United States federal government	2
	Canadian federal government	1
	Provincial government	1
Regional reliability organizations	The remaining RROs that are not RRO sector voting members.	6
Secretary	The committee secretary will be seated at the committee table	1
Subcommittee Chairs	The chairs of the subcommittees will be seated at the committee table.	

Appendix 2 – Meeting Procedures

Section 1. Voting Procedures for Motions

- a. The default procedure is a voice vote.
- b. If the chair believes the voice vote is not conclusive, he may call for a show of hands.
- c. The chair will not specifically ask those who are abstaining to identify themselves when voting by voice or a show of hands.
- d. The committee may conduct a roll-call vote in those situations that need a record of each member's vote.
 - The committee must approve conducting a roll-call vote for the motion.
 - The secretary will call each member's name.
 - Members may answer “yes,” “no,” or “present” if they wish to abstain from voting.

Section 2. Minutes

1. General guidelines.

- a. Meeting minutes are a record of what the committee did, not what its members said.
- b. Minutes should list discussion points where appropriate, but should usually not attribute comments to individuals. It is acceptable to cite the chair's directions, summaries, and assignments.
- c. Do not list the person who seconds a motion.
- d. Do not record (or even ask for) abstentions.

2. **Minority Opinions.** All committee members are afforded the opportunity to provide alternative views on an issue. The meeting minutes will provide an exhibit to record minority opinions. The chair shall report both the majority and any minority views in presenting results to the Board of Trustees.

3. **Personal Statements.** The minutes will also provide an exhibit to record personal statements.

Appendix 3 – Officer Selection Process

The committee selects officers using the following process. The chair is selected first, followed by the vice chair.

- a. The chair opens the floor for nominations.
- b. After hearing no further nominations, the chair closes the nominating process.
- c. If the committee nominates one person, that person is automatically selected as the next chair.
- d. If the committee nominates two or more persons, then the secretary will distribute paper ballots for the members to mark their preference.
- e. The secretary will collect the ballots. If the committee nominates three or more candidates, then the winner will be selected using the Instant Runoff Process. (Explained in Robert's Rules of Order.)

Appendix 4 – Reliability Guidelines Approval Process

1. Reliability Guidelines

Reliability guidelines are documents that suggest approaches or behavior in a given technical area for the purpose of improving reliability. Reliability guidelines are not binding norms or mandatory requirements. Reliability guidelines may be adopted by a responsible entity in accordance with its own facts and circumstances.²

2. Approval of Reliability Guidelines

Because reliability guidelines contain suggestions that may result in actions by responsible entities, those suggestions must be thoroughly vetted before a new or updated guideline receives approval by a technical committee. The process described below will be followed by the Planning Committee:

- a. New/updated draft guideline approved. The Planning Committee approves release of a new or updated draft guideline developed by one of its subgroups or the committee as a whole.
- b. Post draft guideline for industry comment. The draft guideline is posted for industry-wide comment for forty-five (45) days. If the draft guideline is an update, a redline version against the previous version must also be posted.
- c. Post industry comments and responses. After the public comment period, the Planning Committee posts the comments received as well as its responses to the comments. The committee may delegate the preparation of responses to a committee subgroup.
- d. New/updated guideline approval and posting. A new or updated guideline which considers the comments received, is approved by the sponsoring technical committee and posted on the NERC Web site. Updates must include a revision history and a redline version against the previous version.
- e. Guideline updates. After posting a new or updated guideline, the Planning Committee will continue to accept comments from the industry via a Web-based forum where commenters may post their comments.
 - i. Each quarter, the Planning Committee will review the comments received. At any time, the Planning Committee may decide to update the guideline based on the comments received or on changes in the industry that necessitate an update.
 - ii. Updating an existing guideline will require that a draft updated guideline be approved by the Planning Committee in step “a” and proceed to steps “b” and “c” until it is approved by the Planning Committee in step “d.”

² Standards Committee authorization is required for a reliability guideline to become a supporting document that is posted with or referenced from a NERC Reliability Standard. See Appendix 3A in the NERC’s *Rules of Procedure* under “Supporting Documents.”

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Planning Committee Charter

to ensure
the reliability of the
bulk power system

~~May 7~~ July 30, 2008

116-390 Village Blvd., Princeton, NJ 08540
609.452.8060 | 609.452.9550 fax
www.nerc.com

Table of Contents

Section 1. Purpose	4
Section 2. Functions	4
1. General forum.	4
2. Advice and recommendations.	4
3. Support to the Reliability Assessment and Performance Analysis Program.	4
4. Support to other NERC programs.	4
5. Documents and procedures.	5
6. Opinions and guidance.	5
Section 3. Membership	5
1. Goals.	5
2. Expectations.	5
3. Representation.	6
4. Selection.	6
5. Terms.	6
6. Resignations, Vacancies, and Nonparticipation.	6
7. Proxies.	7
Section 4. Meetings	7
1. Quorum.	7
2. Voting.	7
3. Antitrust Guidelines.	7
4. Open Meetings.	7
5. Confidential Sessions.	7
Section 5. Officers	7
1. Selection.	7
2. Terms.	8
3. Representation.	8
4. Board approval.	8
Section 6. Subcommittees	8
Section 7. Executive Committee	8
1. Authorization.	8
2. Membership.	8
3. Election Process.	8

4. Terms.	8
Appendix 1 — Committee Members	9
Appendix 2 – Meeting Procedures.....	12
Section 1. Voting Procedures for Motions	12
Section 2. Minutes	12
1. General guidelines.....	12
2. Minority Opinions.	12
3. Personal Statements.....	12
Appendix 3 – Officer Selection Process	13
Appendix 4 – Reliability Guidelines Approval Process	14

Section 1. Purpose

The Planning Committee proactively supports the NERC mission and the several NERC program areas by carrying out a broad array of functions and responsibilities focused on the reliable planning and assessment of interconnected bulk power systems.

Section 2. Functions

1. **General forum.** Provides a general forum for aggregating ideas and interests regarding the reliable planning and assessment of the interconnected bulk power systems in North America.
2. **Advice and recommendations.** Provides NERC (stakeholders, Board of Trustees, and staff) with advice, recommendations, and the collective and diverse opinions on matters related to bulk power system planning, reliability, and adequacy to help the industry arrive at informed decisions. Issue reliability guidelines in accordance with the process described in Appendix 4.
3. **Support to the Reliability Assessment and Performance Analysis Program.** Provides technical support, guidance, and advice to NERC's Reliability Assessment and Performance Analysis Program, which includes:
 - a. **Reliability Assessments**
 - Provide input on seasonal, long-term, and special reliability assessment reports, including reliability issues and trends to be addressed in these reports.
 - Review and comment on draft reliability assessment reports.
 - Endorse the approval by the NERC board of reliability assessment reports.
 - b. **Events Analysis and Information Exchange**
 - Review and discuss the results of individual event investigations and lessons learned as well as long-term trends.
 - Recommend actions to other NERC programs (standards, compliance, readiness, training, etc.) based on lessons learned and trends from event investigations.
 - Support information exchange within the industry on lessons learned from event investigations, including the issuance of event notifications, significant event reports, and trends in events analysis.
 - c. **Reliability Metrics and Benchmarking**
 - Provide input to the Reliability Metrics and Benchmarking Program.
 - Support the development and improvement of NERC's key reliability metrics.
4. **Support to other NERC programs.** Provides technical advice and subject matter expert support to each of the other NERC programs, and serve as a forum to integrate the outputs of these programs, specifically:

- a. **Standards.**
 - Provide the committee's majority and minority opinions to the industry on NERC's standards as those standards are drafted, posted for ballot, and presented to the board for implementation.
 - Help the Standards Committee prioritize those standards that are in the drafting queue.
 - Provide technical opinions and interpretations of standards at the request of industry stakeholders or the NERC board.
 - b. **Compliance.** Review quarterly and annual compliance reports for trends and suggest new or different types of compliance monitoring based on a technical review of system performance trends or as a result of investigations.
 - c. **Readiness evaluations.** Provide technical advice on readiness evaluation objectives, guidelines, examples of excellence, and review evaluation findings for trends.
5. **Documents and procedures.** Develop and maintain documents and procedures related to the reliable planning and assessment of interconnected bulk power systems, including but not limited to:
- a. **Functional model.** Approve the technical content of the NERC Reliability Functional Model ~~(in conjunction with the NERC Operating Committee).~~
 - b. **Reference documents.** Technical reference documents and guidelines on matters including: system modeling and model validation, system static and dynamic analysis, system protection and control, load forecasting, resource adequacy assessment, and reliability data requirements.
 - c. **Field test procedures.** Field test procedures for prospective reliability standards.
6. **Opinions and guidance.** Provide technical opinions and guidance on planning reliability concepts and philosophies.

Section 3. Membership

1. **Goals.** The Planning Committees provides for balanced decision making by bringing together a wide diversity of opinions from industry experts with outstanding technical knowledge and experience in the area of interconnected systems planning reliability and reliability assessment.
2. **Expectations.** Planning Committee voting members are expected to:
 - a. Bring subject matter expertise to the Planning Committee
 - b. Be knowledgeable about planning reliability and reliability assessment
 - c. Attend and participate in all Planning Committee meetings
 - d. Express their opinions as well as the opinions of the sector they represent at committee meetings.

- e. Discuss and debate interests rather than positions
- f. Complete committee assignments

3. **Representation.** See Appendix 1, “Committee Members.”

- a. Committee members may, but need not be, NERC members.
- b. To ensure adequate Canadian representation, the membership to the committee may be increased so that the number of Canadian voting members is equal to the percentage of the net energy for load (NEL) of Canada to the total NEL of the United States and Canada, times the total number of voting members on the committee, rounded to the next whole number.

4. **Selection.** NERC sector members will annually elect voting committee members in committee sectors corresponding to their NERC sector under an election process that is open, inclusive, and fair. The selection process will be completed in time for the secretary to send the committee membership list to the board for its approval at the board’s August meeting so that new committee members may be seated at the September meeting.

- a. Un-nominated voting member positions will remain vacant until the next annual election, or until the committee secretary receives a nomination for that position, whichever occurs first.
- b. Members may not represent more than one committee sector.
- c. A particular organization, including its affiliates, may not have more than one member on the committee.
- d. If additional Canadian members are added, no more than one additional Canadian voting member shall be selected from a sector unless this limitation precludes the addition of the number of additional Canadian voting representatives required by Section 3.3.b. In this case, no more than two additional Canadian voting members may be selected from the same sector.
- e. The secretary will monitor the committee selection process to insure that membership specifications are met.

5. **Terms.** Members’ terms are staggered, with one-half of the members’ terms expiring each year. Except for the initial selection, a member’s term is two years and will commence on the first September meeting following the member’s selection pursuant to Section 3.4 and continue until the September meeting two years later. Members may be re-elected for subsequent terms.

6. **Resignations, Vacancies, and Nonparticipation.**

- a. Members who resign will be replaced for the time remaining in the member’s term. Members will be replaced pursuant to Section 4, officers will be replaced pursuant to Appendix 3, and executive committee members will be replaced pursuant to Section 7.
- b. The secretary will submit the new member’s name to the board for approval at the board’s next regular meeting.

- c. The committee may approve the new member on an interim basis at the committee's next meeting.
- d. The committee chair will contact any member who has missed two consecutive meetings (even if the member has sent a proxy) to 1) seek a commitment to actively participate or 2) ask the member to resign from the committee.

7. **Proxies.** A member of the committee may give a proxy only to a person who is not affiliated with the same organization as another committee member. This provision is consistent with Section 3.4.c. Each voting member of the committee shall have one vote on any matter coming before the committee that requires a vote.

Section 4. Meetings. See Appendix 2, "Meeting Procedures." Unless stated otherwise, the Planning Committee will follow Robert's Rules of Order, Newly Revised.

1. **Quorum.** The quorum necessary for the transaction of business (i.e., formal actions) at meetings of the committee is two-thirds of the voting members currently on the committee roster (i.e., does not count vacancies). The committee may engage in discussions without a quorum present.
2. **Voting.** Actions by members of the committee shall be approved upon receipt of the affirmative vote of two-thirds of the voting members of the committee present and voting, in person or by proxy, at any meeting at which a quorum is present. The chair and vice chair may vote. Additional voting guidelines are in Appendix 2.
3. **Antitrust Guidelines.** All persons attending or otherwise participating in the committee meeting shall act in accordance with NERC's Antitrust Compliance Guidelines at all times during the meeting. A copy of the NERC antitrust statement shall be included with each meeting agenda.
4. **Open Meetings.** NERC committee meetings shall be open to the public, except as noted below under Confidential Sessions. Although meetings are open, only voting members may offer and act on motions.
5. **Confidential Sessions.** The chair of a committee may limit attendance at a meeting or portion of a meeting, based on confidentiality of the information to be disclosed at the meeting. Such limitations should be applied sparingly and on a nondiscriminatory basis as needed to protect information that is sensitive to one or more parties. A preference, where possible, is to avoid the disclosure of sensitive or confidential information so that meetings may remain open at all times. Confidentiality agreements may also be applied as necessary to protect sensitive information.

Section 5. Officers.

See Appendix 3, "Officer Selection Process"

1. **Selection.** At its first June meeting and every two years thereafter, the committee shall select a chair and vice chair from among its voting members by majority vote of the members

of the committee to serve as chair and vice chair of the committee from the end of that June meeting until the end of the June meeting two years later.

2. **Terms.** The chair and vice chair serve two-year terms.
3. **Representation.**
 - a. The newly selected chair and vice chair shall not be from of the same sector.
 - b. The chair and vice chair, upon assuming such positions, shall cease to act as members of the sectors that elected them as members to the committee and shall thereafter be responsible for acting in the best interests of the members as a whole.
4. **Board approval.** The secretary will submit the elected officers to the chair of the board for approval.

Section 6. Subcommittees

The Planning Committee may appoint technical subcommittees, task forces, and working groups as needed. The Planning Committee is responsible for directing the work of these subgroups and for their work products.

Section 7. Executive Committee

1. **Authorization.** The executive committee is authorized to act between regular meetings of the Planning Committee. However, the executive committee may not reverse the Planning Committee's decisions.
2. **Membership.** The executive committee is comprised of the chair, the vice chair, and four at-large members. The committee will nominate and elect the four at-large members of the executive committee at its September meeting. No two members may be from the same sector.
3. **Election Process.**
 - a. The chair opens the floor for nominations.
 - b. If the committee members nominated four or fewer candidates, then those candidates are automatically elected.
 - c. If the committee members nominate more than four candidates, then the secretary will distribute paper ballots for the members to list their top four candidates.
 - d. The four candidates who receive the most votes will be elected, provided that no two candidates may be from the same sector.
4. **Terms.** The executive committee will be replaced every two years, with the chair and vice chair replaced at a June meeting and the at-large members replaced at a September meeting.

Appendix 1 – Committee Members

Name	Definition	Members
Voting Members		
1. Investor-owned utility	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. This sector also includes organizations that represent the interests of such entities.	2
2. State/municipal utility	This sector includes any entity owned by or subject to the governmental authority of a state or municipality, that is engaged in the generation, delivery, and/or sale of electric power to end-use customers primarily within the political boundaries of the state or municipality; and any entity, whose members are municipalities, formed under state law for the purpose of generating, transmitting, or purchasing electricity for sale at wholesale to their members. This sector also includes organizations that represent the interests of such entities.	2
3. Cooperative utility	This sector includes any non-governmental entity that is incorporated under the laws of the state in which it operates, is owned by and provides electric service to end-use customers at cost, and is governed by a board of directors that is elected by the membership of the entity; and any non-governmental entity owned by and which provides generation and/or transmission service to such entities. This sector also includes organizations that represent the interests of such entities.	2
4. Federal or provincial utility/Federal Power Marketing Administration	This sector includes any U.S. federal, Canadian provincial, or Mexican entity that owns and/or operates electric facilities in any of the asset categories of generation, transmission, or distribution; or that functions as a power marketer or power marketing administrator. This sector also includes organizations that represent the interests of such entities. One member will be a U.S. federal entity and one will be a Canadian provincial entity.	2
5. Transmission dependent utility	This sector includes any entity with a regulatory, contractual, or other legal obligation to serve wholesale aggregators or customers or end-use customers and that depends primarily on the transmission systems of third parties to provide this service. This sector also includes organizations that represent the interests of such entities.	2
6. Merchant electricity generator	This sector includes any entity that owns or operates an electricity generating facility that is not included in an investor-owned utility's rate base and that does not otherwise fall within any of sectors (i) through (v). This sector includes but is not limited to cogenerators, small power producers, and all other non-utility electricity producers such as exempt wholesale generators who sell electricity at wholesale. This sector also includes organizations that represent the interests of such entities.	2
7. Electricity marketer	This sector includes any entity that is engaged in the activity of buying and selling of wholesale electric power in North America on a physical or financial basis. This sector also includes organizations that represent the interests of such entities.	2

Planning Committee Charter

Name	Definition	Members																											
Voting Members																													
8. Large end-use electricity customer	This sector includes any entity in North America with at least one service delivery taken at 50 kV or higher (radial supply or facilities dedicated to serve customers) that is not purchased for resale; and any single end-use customer with an average aggregated service load (not purchased for resale) of at least 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility. This sector also includes organizations that represent the interests of such entities.	2																											
9. Small end-use electricity customer	This sector includes any person or entity within North America that takes service below 50 kV; and any single end-use customer with an average aggregated service load (not purchased for resale) of less than 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility. This sector also includes organizations (including state consumer advocates) that represent the interests of such entities.	2																											
10. Independent system operator/regional transmission organization	This sector includes any entity authorized by the Commission to function as an independent transmission system operator, a regional transmission organization, or a similar organization; comparable entities in Canada and Mexico; and the Electric Reliability Council of Texas or its successor. This sector also includes organizations that represent the interests of such entities.	2																											
11. Regional reliability organization	<p>This sector includes any regional reliability organization as defined in Article I, Section 1, of the Bylaws of the corporation. In aggregate, this sector will have voting strength equivalent to two members. The voting weight of each regional member's vote will be set such that the sum of the weight of all available regional reliability organizations members' votes is two votes.</p> <table border="1" data-bbox="596 1045 1344 1421"> <thead> <tr> <th data-bbox="596 1045 846 1087"><u>RRO</u></th> <th data-bbox="846 1045 1094 1087"><u>Number of Members</u></th> <th data-bbox="1094 1045 1344 1087"><u>Proportional Voting</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="596 1087 846 1129">FRCC</td> <td data-bbox="846 1087 1094 1129">1</td> <td data-bbox="1094 1087 1344 1129">X</td> </tr> <tr> <td data-bbox="596 1129 846 1171">RFC</td> <td data-bbox="846 1129 1094 1171">1</td> <td data-bbox="1094 1129 1344 1171">X</td> </tr> <tr> <td data-bbox="596 1171 846 1213">ERCOT</td> <td data-bbox="846 1171 1094 1213">1</td> <td data-bbox="1094 1171 1344 1213">X</td> </tr> <tr> <td data-bbox="596 1213 846 1255">MRO</td> <td data-bbox="846 1213 1094 1255">1</td> <td data-bbox="1094 1213 1344 1255">X</td> </tr> <tr> <td data-bbox="596 1255 846 1297">NPCC</td> <td data-bbox="846 1255 1094 1297">1</td> <td data-bbox="1094 1255 1344 1297">X</td> </tr> <tr> <td data-bbox="596 1297 846 1339">SERC</td> <td data-bbox="846 1297 1094 1339">1</td> <td data-bbox="1094 1297 1344 1339">X</td> </tr> <tr> <td data-bbox="596 1339 846 1381">SPP</td> <td data-bbox="846 1339 1094 1381">1</td> <td data-bbox="1094 1339 1344 1381">X</td> </tr> <tr> <td data-bbox="596 1381 846 1421">WECC</td> <td data-bbox="846 1381 1094 1421">1</td> <td data-bbox="1094 1381 1344 1421">X</td> </tr> </tbody> </table>	<u>RRO</u>	<u>Number of Members</u>	<u>Proportional Voting</u>	FRCC	1	X	RFC	1	X	ERCOT	1	X	MRO	1	X	NPCC	1	X	SERC	1	X	SPP	1	X	WECC	1	X	2
<u>RRO</u>	<u>Number of Members</u>	<u>Proportional Voting</u>																											
FRCC	1	X																											
RFC	1	X																											
ERCOT	1	X																											
MRO	1	X																											
NPCC	1	X																											
SERC	1	X																											
SPP	1	X																											
WECC	1	X																											
12. State government	(See Government representatives below)	2																											
Officers	Chair and Vice Chair	2																											
Total Voting Members		26																											
Non-Voting Members¹																													

¹ Industry associations and organizations and other government agencies in the U.S. and Canada may attend meetings as non-voting observers.

Planning Committee Charter

Name	Definition	Members
Voting Members		
Government representatives	This sector includes any federal, state, or provincial government department or agency in North America having a regulatory and/or policy interest in wholesale electricity. Entities with regulatory oversight over the Corporation or any regional entity, including U.S., Canadian, and Mexican federal agencies and any provincial entity in Canada having statutory oversight over the Corporation or a regional entity with respect to the approval and/or enforcement of reliability standards, may be nonvoting members of this sector.	
	United States federal government	2
	Canadian federal government	1
	Provincial government	1
Regional reliability organizations	The remaining RROs that are not RRO sector voting members.	6
Secretary	The committee secretary will be seated at the committee table	1
Subcommittee Chairs	The chairs of the subcommittees will be seated at the committee table.	

Appendix 2 – Meeting Procedures

Section 1. Voting Procedures for Motions

- a. The default procedure is a voice vote.
- b. If the chair believes the voice vote is not conclusive, he may call for a show of hands.
- c. The chair will not specifically ask those who are abstaining to identify themselves when voting by voice or a show of hands.
- d. The committee may conduct a roll-call vote in those situations that need a record of each member's vote.
 - The committee must approve conducting a roll-call vote for the motion.
 - The secretary will call each member's name.
 - Members may answer “yes,” “no,” or “present” if they wish to abstain from voting.

Section 2. Minutes

1. General guidelines.

- a. Meeting minutes are a record of what the committee did, not what its members said.
- b. Minutes should list discussion points where appropriate, but should usually not attribute comments to individuals. It is acceptable to cite the chair's directions, summaries, and assignments.
- c. Do not list the person who seconds a motion.
- d. Do not record (or even ask for) abstentions.

2. **Minority Opinions.** All committee members are afforded the opportunity to provide alternative views on an issue. The meeting minutes will provide an exhibit to record minority opinions. The chair shall report both the majority and any minority views in presenting results to the Board of Trustees.

3. **Personal Statements.** The minutes will also provide an exhibit to record personal statements.

Appendix 3 – Officer Selection Process

The committee selects officers using the following process. The chair is selected first, followed by the vice chair.

- a. The chair opens the floor for nominations.
- b. After hearing no further nominations, the chair closes the nominating process.
- c. If the committee nominates one person, that person is automatically selected as the next chair.
- d. If the committee nominates two or more persons, then the secretary will distribute paper ballots for the members to mark their preference.
- e. The secretary will collect the ballots. If the committee nominates three or more candidates, then the winner will be selected using the Instant Runoff Process. (Explained in Robert's Rules of Order.)

Appendix 4 – Reliability Guidelines Approval Process

1. Reliability Guidelines

Reliability guidelines are documents that suggest approaches or behavior in a given technical area for the purpose of improving reliability. Reliability guidelines are not binding norms or mandatory requirements. Reliability guidelines may be adopted by a responsible entity in accordance with its own facts and circumstances.²

2. Approval of Reliability Guidelines

Because reliability guidelines contain suggestions that may result in actions by responsible entities, those suggestions must be thoroughly vetted before a new or updated guideline receives approval by a technical committee. The process described below will be followed by the Planning Committee:

- a. New/updated draft guideline approved. The Planning Committee approves release of a new or updated draft guideline developed by one of its subgroups or the committee as a whole.
- b. Post draft guideline for industry comment. The draft guideline is posted for industry-wide comment for forty-five (45) days. If the draft guideline is an update, a redline version against the previous version must also be posted.
- c. Post industry comments and responses. After the public comment period, the Planning Committee posts the comments received as well as its responses to the comments. The committee may delegate the preparation of responses to a committee subgroup.
- d. New/updated guideline approval and posting. A new or updated guideline which considers the comments received, is approved by the sponsoring technical committee and posted on the NERC Web site. Updates must include a revision history and a redline version against the previous version.
- e. Guideline updates. After posting a new or updated guideline, the Planning Committee will continue to accept comments from the industry via a Web-based forum where commenters may post their comments.
 - i. Each quarter, the Planning Committee will review the comments received. At any time, the Planning Committee may decide to update the guideline based on the comments received or on changes in the industry that necessitate an update.
 - ii. Updating an existing guideline will require that a draft updated guideline be approved by the Planning Committee in step “a” and proceed to steps “b” and “c” until it is approved by the Planning Committee in step “d.”

² Standards Committee authorization is required for a reliability guideline to become a supporting document that is posted with or referenced from a NERC Reliability Standard. See Appendix 3A in the NERC’s *Rules of Procedure* under “Supporting Documents.”

Future Meetings

Board Action Required

Approve August 4–5, 2009 (T–W) in Winnipeg, Manitoba, Canada as a future meeting date and location

Information

The board has approved the following future meeting dates and locations:

- October 28–29, 2008 — Washington, D.C. (T–W)
- February 9–10, 2009 — Phoenix, Arizona (M–T)
- May 5–6, 2009 — Washington, D.C. (T–W)

Electricity Sector Steering Group Charter

Board Action Required

Approve Electricity Sector Steering Group Charter

Information

At its October 23, 2007 meeting, the Board of Trustees formed a task force to consider issues surrounding the governance structure and NERC's overall role in the Electricity Sector Information Sharing and Analysis Center (ES ISAC). The task force was formed as a joint task force with representatives from the Board of Trustees and the Member Representatives Committee (MRC).

The task force recommended formation of an Electricity Sector Steering Group (ESSG) to enhance strategic and policy guidance to the ES ISAC. The ESSG would also provide support on critical infrastructure security matters. The Board of Trustees approved that recommendation. Along with approval of that recommendation, the Board of Trustees approved the following seven-member structure for the group: One member from the NERC Board of Trustees, the NERC CEO, and five CEO-level executives named by the MRC. The Board of Trustees directed NERC staff to work with the MRC leadership to develop a draft charter for the ESSG and to move expeditiously to fill the positions on the ESSG. Both of those tasks have been completed.

Attachment 1 is the draft ESSG charter. This draft was discussed during the June 30 MRC conference call and while there were no comments during the call, one set of written comments (**Attachment 2**) were submitted prior to the call. The written comments call to attention several points including: the draft charter emphasizes the importance of utility experience and asset ownership in the effectiveness of the ESSG and that important NERC policy matters, including resource issues, should continue to be brought to the NERC Board of Trustees in a manner that is as open as possible considering the subject matter. The draft ESSG charter calls for all its meetings to be open to the public, except as needed to protect information concerning critical infrastructure security matters.

Filling the positions on the ESSG has also been completed using the seven-member structure approved as part of the joint task force recommendations. The selection process is included in the attached draft charter. Nominations for the CEO-level executives were solicited in early June (**Attachment 3**) with nominations due June 23. The MRC chairman and vice chairman prepared a slate of candidates from the nominations received. **Attachment 4** is a letter from Steve Hickok, MRC Chairman, to the MRC announcing the slate and explaining the selection process. That slate was reviewed and approved by the MRC during its June 30 conference call. By approving the ESSG charter, the Board of Trustees will also be confirming the slate of candidates that were chosen according to the process contained in the draft charter.

Electricity Sector Steering Group Draft Charter

Section 1. Purpose

The Electricity Sector Steering Group (ESSG) provides strategic and policy guidance to the Electricity Sector Coordinating Council (ESCC) and to NERC in its role as the operator of the Electricity Sector Information Sharing and Analysis Center (ES ISAC).

Section 2. Background

The Electric Sector Information Sharing and Analysis Center (ES ISAC) and Electric Sector Coordinating Council (ESCC) are established under U.S. federal authorities to provide the federal government a forum for coordinating with the electricity sector on critical infrastructure protection matters.¹ These authorities give each private sector broad latitude to organize its Sector Coordinating Council and/or Information Sharing and Analysis Center as best fits the needs of sector members. As an organizing body that brings together many electricity sector asset owners and operators, NERC has served as the home of both the ES ISAC and the ESCC since their inception.

NERC agreed in September 1988 to be the electricity sector coordinator and to operate the ES ISAC. NERC staff performs the day-to-day functions of ES ISAC operations. The ESCC was later established to provide overall strategic leadership in the critical

¹ Two U.S. authorities establish the federal framework for working with the U.S. private sector on infrastructure protection: Presidential Decision Directive 63 (PDD-63) and Homeland Security Presidential Directive 7 (HSPD-7). PDD-63 encourages the formation of ISACs that would “possess a large degree of technical focus and expertise and non-regulatory and non-law enforcement missions. It would establish baseline statistics and patterns on the various infrastructures, become a clearinghouse for information within and among the various sectors, and provide a library for historical data to be used by the private sector and, as deemed appropriate by the ISAC, by the government. Critical to the success of such an institution would be its timeliness, accessibility, coordination, flexibility, utility, and acceptability.” PDD-63 at p. 13-14, *available at*: <http://www.fas.org/irp/offdocs/pdd/pdd-63.htm>.

HSPD-7 provides that DHS and sector-specific agencies “will collaborate with appropriate private sector entities and continue to encourage the development of information sharing and analysis mechanisms . . . [and] shall collaborate with the private sector and continue to support sector-coordinating mechanisms: (a) to identify, prioritize, and coordinate the protection of critical infrastructure and key resources; and (b) to facilitate sharing of information about physical and cyber threats, vulnerabilities, incidents, potential protective measures, and best practices.” HSPD-7 at p. 5-6; *available at* <http://www.whitehouse.gov/news/releases/2003/12/20031217-5.html>

infrastructure protection arena. At the time, the NERC Critical Infrastructure Protection Committee (CIPC) Executive Committee was the most logical group to form the core of this leadership role. Recognizing the need to supplement this core leadership, CIPC's Executive Committee, along with NERC's CEO and representatives from EEI, APPA, and NRECA, agreed to serve as the ESCC.

The NERC Board of Trustees requested at its October 2007 meeting that a task force be organized to explore options and make recommendations for governance and oversight of NERC's ES ISAC and ESCC responsibilities. At its May 7, 2008 meeting, the NERC Board of Trustees approved recommendations presented to it by this task force. The task force concluded that:

The existing role of the ESCC is appropriate for providing guidance to the ES ISAC operations and should continue. However, in order to enhance strategic and policy guidance to the ES ISAC, and in order to provide strategic and high level policy guidance and broad electricity sector participation and support on critical infrastructure security matters, including matters beyond the bulk power system, executive level participation from the stakeholder sectors needs to be added. The task force recommends that this be done by the following.

The ESCC to be directed by an Electricity Sector Steering Group (ESSG) comprising the following seven members:

- *One member from the NERC Board of Trustees*
- *The NERC CEO*
- *Five CEO-level executives named by the NERC MRC*

Section 3. Functions and Duties

Strategic Guidance

Provide strategic guidance to the ESCC and ES ISAC operations.

Policy

Set policy for the ESCC and NERC in its role as the operator of the ES ISAC. Ensure clarity in the roles and responsibilities for the ES ISAC, NERC and ESCC.

Periodic Review

Periodically review the type, amount, and level of NERC resources necessary to adequately perform the operations role of the ES ISAC. Make recommendations to the NERC Board of Trustees on their findings. To the extent that the scope of ES ISAC operations needs to expand beyond the bulk power system, the ESSG will provide direction to NERC and interface with industry and government representatives in developing a recommendation for the NERC Board of Trustees.

Government Interface

Provide an executive level interface with government agencies and officials in North America on Electricity Sector infrastructure protection issues.

Section 4. Membership

1. Representation

- a. One member from the NERC Board of Trustees appointed by the BOT chairman.
- b. The NERC CEO
- c. Five CEO-level executives from NERC member organizations

2. Qualifications for the CEO-level Executives

- a. Should hold the highest executive-level position at a NERC member entity that owns and/or operates electricity industry assets.²
- b. A background in electric industry operations is strongly preferred. In addition, experience with related assets, such as telecommunications, nuclear generation, hydroelectric dams, and oil and gas pipelines and distribution, will be helpful.

3. Process to Select the CEO-level Executives

- a. Annually starting June 1, the NERC MRC will accept nominations for three weeks ending on June 21 (or the next business day), for qualified individuals to serve on the ESSG.
- b. Nominations should be emailed to the MRC chairman, MRC vice-chairman, NERC CEO, and NERC staff secretary for the MRC.
- c. ESSG nominations must include the candidate's name, title, entity affiliation, and a brief (one or two paragraph) statement describing how the nominee would contribute to an ESSG that meets the criteria contained in #4 below.
- d. The MRC chairman and vice-chairman will review the nominees and assemble a proposed slate of candidates reflecting the qualifications set out in #2 above. The proposed slate will be submitted to the MRC for its approval. (All nominations will accompany the transmittal of the proposed slate to the MRC.)
- e. The MRC approval may occur by conference call, email vote, or at a regularly scheduled meeting in accordance with the NERC by-laws. If the MRC does not approve the proposed slate, the MRC chairman and vice-chairman will submit revised slates until one is approved by the MRC.

² Depending on the type of entity, these individuals will have job titles such as Chief Executive Officer, President, or General Manager.

- f. If an insufficient pool of nominations has been received from which to populate an ESSG slate that meets the selection criteria, the MRC chairman may reach out to MRC members for further assistance in identifying additional nominees.
4. **Criteria for Selecting a Slate of ESSG Executives**

The MRC will consider the following criteria to select an ESSG that is broadly reflective of operating environments and business models that make up the electricity industry.

 - a. Asset Type Diversity – ESSG membership should reflect diversity of types of assets owned or operated, including transmission, distribution, and various types of generation.
 - b. Geographic Diversity – ESSG composition should reflect a broad geographic diversity, including international.
 - c. Business Model Diversity – ESSG membership should reflect ownership or operation of assets under diverse business models and regulatory requirements.
 5. **Terms**

The CEO-level executives' terms are for two years. They may be re-elected for subsequent terms. Consideration should be given to providing for overlapping terms in order to avoid replacing all 5 members in a given year if possible.
 6. **Resignations, Vacancies, and Nonparticipation**

A CEO-level executive who resigns before the end of their term may be replaced by appointment of the MRC chairman for the time remaining in the resigning executive's term.

Section 6. Meetings

1. **Frequency**

The ESSG will meet in person, by conference call, or other electronic means on a schedule and at times determined by the ESSG chairman.
2. **Voting**

The ESSG is not expected to take formal actions, making voting procedures unnecessary. However, if the group decides to take a formal action, at least 4 of the 7 members must agree to that action for it to be considered an action of the ESSG.
3. **Antitrust Guidelines**

All persons attending or otherwise participating in the committee meeting shall act in accordance with NERC's Antitrust Compliance Guidelines at all times during the meeting. A copy of the NERC antitrust statement shall be made available to the ESSG at each meeting.

4. **Open Meetings**

ESSG meetings shall be open to the public, except as noted below under Confidential Sessions.

5. **Confidential Sessions**

The ESSG chairman may limit attendance at a meeting or portion of a meeting, based on confidentiality of the information to be disclosed at the meeting. Such limitations should be applied sparingly and on a nondiscriminatory basis as needed to protect information concerning critical infrastructure security matters. A preference, where possible, is to avoid the need to disclose sensitive or confidential information so that meetings may remain open at all times. Confidentiality agreements may also be utilized as necessary to protect information regarding critical infrastructure security matters.

Section 6. Officers

The NERC CEO will serve as the chairman of the ESSG.



The West Tower
1333 H Street, N.W., 8th Floor
Washington, DC 20005
(202) 682-1390

ELECTRICITY
CONSUMERS
RESOURCE
COUNCIL

John A. Anderson

President & Chief Executive Officer

MEMORANDUM

Date: June 24, 2008

To: Member Representatives Committee

From: John Anderson (janderson@elcon.org or 202-682-1390)

Issue: Electricity Sector Steering Group

The Member Representatives Committee (MRC) is being asked to comment on the Draft Charter for the Electricity Sector Steering Group (ESSG) during our conference call on June 30th (Item #2 of the Agenda). I have several concerns about the Draft Charter.

Specifically, the Charter specifies that the ESSG will (in part):

- “Policy: *Set* policy for the ESCC and NERC in its role as the operator of the ES ISAC... (emphasis added)
- “Periodically review the type, amount, and level of NERC resources necessary to adequately perform the operations role of the ES ISAC...”

The Charter also specifies that the ESSG shall be composed of seven members including: (1) one member from the NERC Board of Trustees, (2) the NERC CEO, and (3) five CEO-level executives named by the NERC MRC.

In my view, this guarantees that the ESSG will be composed entirely of individuals from the producer side. Consumers, those that pay the bills, will be entirely excluded. So are regulators. Yet this group will both “set policy for the ESCC and NERC” and advise the NERC Board on the need for and use of resources that could amount to significant amounts of money. Further, we don’t really know the full scope of the future ESSG. As an example, an EEI representative recently said at a meeting at FERC that the ESSG would be the perfect organization to give “industry input” to FERC as it develops emergency orders to fill gaps in reliability standards. I can only speculate as to other functions such a group might try to fill.

Recommendations:

1. Specify that the ESSG shall include at least two consumers and/or regulators
2. Modify the “Policy” provisions of the Charter to state that the ESSG shall: “Prepare policy recommendations for the ESCC and NERC, subject to MRC approval, in its role as the operator of the ES ISAC.”
3. Specify that all ESSG activities shall be transparent. Non-ESSG MRC members should have the opportunity to review all actions of the ESSG. This does not mean that all meetings must be open and may not mean posting of minutes where critical and sensitive information could be secured by unidentified people. It does mean that other members of the MRC can monitor the activities of the ESSG.

Please let me know if other members of the MRC share these (or other) concerns with the Draft Charter.

June 5, 2008

NERC Members
Member Representatives Committee

RE: Quick Action Needed: Nominations for Electricity Sector Steering Group

Dear NERC Members and Member Representatives Committee:

The NERC Board of Trustees (BOT) approved formation of an Electricity Sector Steering Group (ESSG) at its May 7, 2008 meeting to provide strategic direction and policy guidance for NERC's operation of the Electricity Sector Information Sharing and Analysis Center (ES ISAC). Formation of the ESSG came as part of a joint BOT/MRC task force's recommendations after considering issues surrounding the governance structure for and NERC's future role as the ES ISAC. Those recommendations included a suggested composition for the ESSG: one member of the NERC BOT, the NERC CEO, and five CEO-level industry executives named by the NERC MRC.

While the NERC BOT has not yet approved a charter for the ESSG, it has approved the make-up of the group. In order that the group can be formed quickly to provide needed guidance to the ES ISAC, nominations for the five industry executives are being solicited now. The draft charter is still being developed and while not ready for formal comment, an early version of the draft is attached for information purposes.

This letter is to request your priority attention to providing nominations for the MRC to consider in filling the five CEO-level executive slots on the ESSG using the process identified in the draft charter. Please note the qualifications for the CEOs in section 4.

Starting immediately and continuing through the close of business on June 23, nominations for the ESSG will be accepted by emailing Steve Hickok [sghickok@bpa.gov], chairman of the MRC. Please copy Steve Naumann [steven.naumann@exeloncorp.com], vice-chairman of the MRC; Rick Sergel [rick.sergel@nerc.net], NERC CEO; and Dave Whiteley [david.whiteley@nerc.net], MRC secretary, on your email.

The MRC will consider the nominations and appoint the five individuals during a conference call to be scheduled in late June or early July. Notification of that conference call will be posted shortly.

Thanks in advance for your input on this important matter.

Sincerely,



David A. Whiteley

June 27, 2008

NERC Members
Member Representatives Committee

RE: Nominations for Electricity Sector Steering Group

In response to Dave Whiteley's June 5 letter to NERC's membership, MRC vice chairman Steve Naumann and I received 10 nominations of CEO-level executives to serve on the Electricity Sector Steering Group (ESSG). Recall that this group will guide the operations of the Electricity Sector Coordinating Council (ESCC) and the Electricity Sector Information Sharing and Analysis Center (ES ISAC), which are important means of coordinating infrastructure protection in North America.

We were very pleased to note that all were highly qualified by virtue of their utility operations experience, and we have thanked the nominators for their great work on our behalf.

Steve and I used the criteria of the draft ESSG charter in section 4 to produce the required five-CEO slate that would give the ESSG breadth in assets owned or operated, in business models represented, and in geographic footprints. It is our recommendation that the Member Representatives Committee (MRC) vote to approve this slate on June 30 for the (staggered) terms indicated below.

Steve Hickok
MRC Chairman

Recommended slate:

Paul Murphy, CEO, Ontario IESO	2 years
Jim Torgerson, CEO, UIL Holdings	2 years
Ken Ksionek, CEO, Orlando Utilities	2 years
Gary Fulks, General Manager, Sho-Me Power	1 year
Paul Bonavia, Utilities Group President, Xcel Energy	1 year

Also nominated:

Terry Boston, CEO, PJM Interconnection
Greg Ford, CEO, Georgia System Operations Corp.
Bill Fehrman, CEO, MidAmerican Energy
Eric Baker, CEO, Wolverine Power Supply Co-op
Tom Standish, Regulated Operations Group President, CenterPoint Energy

Amendments to NERC Bylaws

Board Action Required

Approve proposed amendments to the NERC Bylaws. These amendments must also be approved by the Member Representatives Committee, which will consider them at its July 29, 2008 meeting.

Background

These proposed amendments to the NERC Bylaws contain two substantive provisions and several technical and conforming amendments. The complete text of the bylaws, redlined to indicate the changes, is attached (**Attachment 1**). Article XIV, Section 1 of the bylaws requires that amendments to the bylaws be approved by a majority vote of both the Board of Trustees and the Member Representatives Committee in respective meetings at which a quorum is present.

Substantive Provisions

(1) NERC proposes to provide a short period of time after being elected for a newly elected trustee to resolve any conflicts of interest (10 days for any employee, officer, or director positions and 60 days for financial interests). The member would be required to recuse himself or herself from any particular matter involving the source of the conflict in the meantime. The amendment occurs in Article III, Section 3, and reads as follows:

Provided, that upon initial election to the board, an independent trustee shall within ten (10) days terminate any employee, officer, or director position that conflicts with this subparagraph and shall within sixty (60) days terminate any financial interest or other relationship that conflicts with this subparagraph, and prior to such termination shall not participate in discussion of or voting on any matter involving the entity of which the trustee is an employee, officer or director or in which the trustee has the financial interest or other relationship giving rise to the conflict.

During last year's nominating process, members of the Board of Trustees Nominating Committee were concerned that the current NERC Bylaws require a new nominee to resolve any conflicts (employee, officer, or director, positions or financial interests) prior to the time the new nominee knows whether he or she will be elected by the Member Representatives Committee. The board's Corporate Governance and Human Resources Committee discussed the matter and agreed that a new nominee should have a short period of time after the election to resolve such conflicts.

The proposed amendment to the bylaws would provide for such a short period of time: 10 days to resign from any conflicting positions and 60 days to resolve any financial conflicts. In the meantime, the newly elected trustee would recuse himself or herself from any particular matter involving the source of the conflict. David Cook, NERC General Counsel, discussed the issue informally with FERC staff, and they do not see this as a problem, so long as the period is short and the trustee recuses in the meantime.

(2) The second substantive amendment addresses the method for selecting one or more additional Canadians for the Member Representatives Committee should that become necessary.

At present, the bylaws direct that the additional Canadian is “the candidate who received the highest vote total among those candidates who would have qualified as Canadian voting representatives but were not elected.” Certain members of the MRC have expressed a concern that the current method of selecting the additional Canadian may not prove satisfactory in the future. The following hypothetical illustrates the point: Suppose there is an unelected Canadian in a large (100-entity) sector who finished a distant fourth (and last) place in that sector with just eight votes, and there is an unelected Canadian in a “small” (15-entity) sector who finished a close second place in that sector with seven votes (almost half the sector). Which one gets the additional seat on the MRC?

The bylaws say “the candidate who received the highest vote total”. If “highest vote total” means the candidate with the highest raw number of votes, then the candidate who finished dead last with just 8 percent of the votes in the large sector will get the seat. Whereas, if “highest vote total” means the candidate with the highest fraction of the vote, then the candidate who finished second by a hair's breadth (47 percent of the vote) in the small sector will get the seat.

The latter outcome seems fairer. To ensure the latter outcome obtains in some future election of Member Representatives, the proposed amendment would substitute “highest fraction of the sector vote” for “highest vote total” in Article VIII, Section 4.

Technical Amendments

(1) We propose to delete the definition of “regional reliability organization” from the bylaws as well as the many references to “regional reliability organization.” As events have unfolded, we do not need that term, and some report confusion over the role of regional reliability organization to regional entity by continuing to maintain the term in the bylaws. “Regional entity” remains as a defined term. The deletions occur throughout the bylaws.

(2) The statement in Article III, Section 3 regarding the identity of the independent trustees at NERC’s start-up is no longer accurate, with the election of new trustees and subsequent effective dates for revised bylaws. To make the sentence accurate for historical purposes, we propose to insert the word “original” in the second sentence of subparagraph b. of Section 3 and change the verb tense to match, as follows:

As of the original effective date of these Bylaws, the independent trustees of the Corporation and the date the term of each independent trustee expires were as follows:

BYLAWS
OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

ARTICLE I
Definitions

Section 1 — Definitions — As used in these Bylaws of the North American Electric Reliability Corporation (hereinafter referred to as “the Corporation”), the terms set forth in this Article I shall have the meanings set forth herein.

“Applicable governmental authority” means the Federal Energy Regulatory Commission within the United States and the appropriate governmental authority with subject matter jurisdiction over reliability within Canada and Mexico.

“Board” means the Board of Trustees of the Corporation.

“Bulk power system” means facilities and control systems necessary for operating an interconnected electric energy transmission network (or any portion thereof) and electric energy from generation facilities needed to maintain transmission system reliability. The term does not include facilities used in the local distribution of electric energy.

“Commission” means the Federal Energy Regulatory Commission.

“Electric reliability organization” or “ERO” means the organization that is certified by the Commission under Section 39.3 of its regulations, the purpose of which is to establish and enforce Reliability Standards for the bulk power system in the United States. The organization may also have received recognition by applicable governmental authorities in Canada and Mexico to establish and enforce reliability standards for the bulk power systems of the respective countries.

“Member” means a member of the Corporation pursuant to Article II of these Bylaws.

“Net Energy for Load (NEL)” means net generation of an electric system plus energy received from others less energy delivered to others through interchange. It includes system losses, but excludes energy required for storage of energy at energy storage facilities. Calculations of net energy for load for all purposes under these Bylaws shall be based on the most recent calendar year for which data on net energy for load of applicable regions of the United States, Canada, and Mexico is available.

“Regional entity” means an entity having enforcement authority pursuant to 18 C.F.R. § 39.8.

~~“Regional reliability organization” means each of the following organizations or any successor organizations: Electric Reliability Council of Texas, Florida Reliability Coordinating Council, Midwest Reliability Organization, Northeast Power Coordinating Council, ReliabilityFirst Corporation, SERC Reliability Corporation, Southwest Power Pool, and Western Electricity Coordinating Council.~~

“Reliability standard” means a requirement to provide for reliable operation of the bulk power system, including without limiting the foregoing requirements for the operation of existing bulk power system facilities, including cybersecurity protection, and the design of planned additions or modifications to such facilities to the extent necessary for reliable operation of the bulk power system, but shall not include any requirement to enlarge bulk power system facilities or to construct new transmission capacity or generation capacity.

“Reliable operation” means operating the elements of the bulk power system within equipment and electric system thermal, voltage, and stability limits so that instability, uncontrolled separation, or cascading failures of the bulk power system will not occur as a result of a sudden disturbance, including a cybersecurity incident, or unanticipated failure of system elements.

“Sector” means a group of members of the Corporation that are bulk power system owners, operators, or users or other persons and entities with substantially similar interests, including governmental entities, as pertinent to the purposes and operations of the Corporation and the operation of the bulk power system, as defined in Article II, Section 4 of these Bylaws. Each sector shall constitute a class of members for purposes of the New Jersey Nonprofit Corporation Act.

Section 2 — Additional Defined Terms — Additional terms not defined in this Article I are defined in the remainder of these Bylaws.

Section 3 — Technical Terms — Technical terms not defined in these Bylaws shall have the definitions set forth in the Federal Power Act, Part 39 of the regulations of the Commission, or the “Glossary of Terms Used in Reliability Standards”, in that order of precedence, and if not defined in any of those sources, shall be defined in accordance with their commonly understood and used technical meaning in the electric power industry, including applicable codes and standards.

ARTICLE II Membership

Section 1 — Members — Membership in the Corporation is voluntary and is open to any person or entity that has an interest in the reliable operation of the North American bulk power system and that registers with the Corporation as a member, maintains its registration

in accordance with this Article II, and complies with the other conditions and obligations of membership specified in these Bylaws. Membership in a ~~regional reliability organization or~~ regional entity shall not be a condition for membership in the Corporation. The secretary of the Corporation shall maintain a roster of the members of the Corporation.

Section 2 — Registration as a Member — Any person or entity that is eligible to be a member of the Corporation in accordance with Article II, Section 1 may become a member by completing, and submitting to the secretary of the Corporation, a membership registration on a form prescribed by the board. If not a natural person, the member shall designate a representative and an alternative representative with authority to receive notices, cast votes, and execute waivers and consents on behalf of the member. The secretary of the Corporation shall maintain a current roster of the members of the Corporation including each member's designated representative and alternative representative. From time to time, the board shall establish a date by which members shall submit their registration renewals. All members shall be required to renew their registrations within 30 calendar days of a request by the secretary of the Corporation, using a registration renewal form prescribed by the board. The secretary of the Corporation shall remove from the roster of members of the Corporation any member that has not submitted a registration renewal within 30 days following a date established by the board. The secretary shall notify any member that is removed from the roster of members of such removal, by notice sent to such former member's last known address on the records of the Corporation.

Section 3 — Obligations and Conditions of Membership

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

Section 4 — Membership Sectors

- a. Each member shall elect to be assigned to one of the following membership sectors:
 - (i) investor-owned utility; (ii) state/municipal utility; (iii) cooperative utility; (iv) federal or provincial utility/power marketing administration; (v) transmission-dependent utility; (vi) merchant electricity generator; (vii) electricity marketer; (viii)

Marked for Proposed Amendments 6-30-08

large end-use electricity customer; (ix) small end-use electricity customer; (x) independent system operator/regional transmission organization; (xi) ~~regional reliability organization~~/regional entity; or (xii) government representatives. The composition of each sector shall be as follows:

- i. Investor-owned utility — This sector includes any investor-owned entity with a substantial business interest in ownership and/or operation in any of the asset categories of generation, transmission or distribution. This sector also includes organizations that represent the interests of such entities.
- ii. State/municipal utility — This sector includes any entity owned by or subject to the governmental authority of a state or municipality, that is engaged in the generation, delivery, and/or sale of electric power to end-use customers primarily within the political boundaries of the state or municipality; and any entity, whose members are municipalities, formed under state law for the purpose of generating, transmitting, or purchasing electricity for sale at wholesale to their members. This sector also includes organizations that represent the interests of such entities.
- iii. Cooperative utility — This sector includes any non-governmental entity that is incorporated under the laws of the state in which it operates, is owned by and provides electric service to end-use customers at cost, and is governed by a board of directors that is elected by the membership of the entity; and any non-governmental entity owned by and which provides generation and/or transmission service to such entities. This sector also includes organizations that represent the interests of such entities.
- iv. Federal or provincial utility/Federal Power Marketing Administration — This sector includes any U.S. federal, Canadian provincial, or Mexican entity that owns and/or operates electric facilities in any of the asset categories of generation, transmission, or distribution; or that functions as a power marketer or power marketing administrator. This sector also includes organizations that represent the interests of such entities.
- v. Transmission-dependent utility — This sector includes any entity with a regulatory, contractual, or other legal obligation to serve wholesale aggregators or customers or end-use customers and that depends primarily on the transmission systems of third parties to provide this service. This sector also includes organizations that represent the interests of such entities.
- vi. Merchant electricity generator — This sector includes any entity that owns or operates an electricity generating facility that is not included in an investor-owned utility's rate base and that does not otherwise fall within any of sectors (i) through (v). This sector includes but is not limited to cogenerators, small power producers, and all other nonutility electricity

Marked for Proposed Amendments 6-30-08

producers such as exempt wholesale generators who sell electricity at wholesale. This sector also includes organizations that represent the interests of such entities.

- vii. Electricity marketer — This sector includes any entity that is engaged in the activity of buying and selling of wholesale electric power in North America on a physical or financial basis. This sector also includes organizations that represent the interests of such entities.
- viii. Large end-use electricity customer — This sector includes any entity in North America with at least one service delivery taken at 50 kV or higher (radial supply or facilities dedicated to serve customers) that is not purchased for resale; and any single end-use customer with an average aggregated service load (not purchased for resale) of at least 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility. This sector also includes organizations that represent the interests of such entities.
- ix. Small end-use electricity customer — This sector includes any person or entity within North America that takes service below 50 kV; and any single end-use customer with an average aggregated service load (not purchased for resale) of less than 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility. This sector also includes organizations (including state consumer advocates) that represent the interests of such entities.
- x. Independent system operator/regional transmission organization — This sector includes any entity authorized by the Commission to function as an independent transmission system operator, a regional transmission organization, or a similar organization; comparable entities in Canada and Mexico; and the Electric Reliability Council of Texas or its successor. This sector also includes organizations that represent the interests of such entities.
- xi. Regional ~~reliability organization/regional~~ regional ~~reliability organization or~~ regional entity — This sector includes any regional entity as defined in Article I, Section 1.
- xii. Government representatives — This sector includes any federal, state, or provincial government department or agency in North America having a regulatory and/or policy interest in wholesale electricity. Entities with regulatory oversight over the Corporation or any regional entity, including U.S., Canadian, and Mexican federal agencies and any provincial entity in Canada having statutory oversight over the Corporation or a regional entity with respect to the approval and/or enforcement of reliability standards, may be nonvoting members of this sector.

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

Section 5 — Term of Membership — Membership in the Corporation shall be retained as long as a member meets its respective qualifications, obligations, and conditions of membership as set forth in this Article II.

Section 6 — Removal — In addition to termination of membership in accordance with Article II, Section 2, the board, following notice to the member and exercise of appropriate due process procedures, may terminate the membership of a member if in the judgment of the board that member has violated its obligations and responsibilities to the Corporation. This termination shall require a two-thirds vote of the trustees present and voting at a meeting of the board at which a quorum of the board entitled to vote is present. Within thirty (30) days following the action of the board terminating the membership of a member, the member shall be entitled to appeal such termination to the Commission or to the applicable governmental authority in Canada or Mexico.

ARTICLE III Board of Trustees

Section 1 — Board of Trustees — The business and affairs of the Corporation shall be managed by a Board of Trustees. The board shall consist of eleven members (the "trustees"). Ten (10) of the trustees shall be "independent" trustees nominated and elected in accordance with the requirements and procedures specified in Sections 2, 3, 4, and 5 of this Article III (the "independent trustees"). The remaining trustee shall be the person elected by the board, in accordance with Article VI, Section 1, of these Bylaws, to serve as president of the Corporation (the "management trustee"). Each trustee, including the management trustee, shall have one (1) vote on any matter brought before the board for a vote. All trustees are expected to serve the public interest and to represent the reliability concerns of the entire North American bulk power system.

Section 2 — Composition of Board Based on Country Participation

- a. The board shall consist of a number of trustees from the United States and from Canada. The number of trustees from Canada shall not be less than the percentage of the NEL of Canada to the total NEL of the United States and Canada, times eleven, rounded up to the nearest whole number. For purposes of this board composition requirement, the management trustee shall be counted as a trustee from Canada if he or she is a Canadian citizen.

- b. When the Corporation receives recognition by appropriate regulatory authorities in Mexico as its electric reliability organization, the number of independent trustees will be increased by at least one, and the board composition requirement in subsection (a) will be expanded to include Mexico.

Section 3 — Independent Board Members — The independent trustees shall be elected, shall have the qualifications specified, and shall serve in the manner provided in this section.

- a. An independent trustee is a person (i) who is not an officer or employee of the Corporation, a member or an officer, director, or employee of a member of the Corporation, or an officer, director, or employee of any entity that would reasonably be perceived as having a direct financial interest in the outcome of board decisions and (ii) who does not have any other relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a trustee. Provided, that upon initial election to the board, an independent trustee shall within ten (10) days terminate any employee, officer, or director position that conflicts with this subparagraph and shall within sixty (60) days terminate any financial interest or other relationship that conflicts with this subparagraph, and prior to such termination shall not participate in discussion of or voting on any matter involving the entity of which the trustee is an employee, officer or director or in which the trustee has the financial interest or other relationship giving rise to the conflict.
- b. Independent trustees shall be elected to terms expiring at the annual election of independent trustees occurring in the third year after their election. As of the original effective date of these Bylaws, the independent trustees of the Corporation and the date the term of each independent trustee expires ~~wereare~~ as follows:

<u>Name</u>	<u>Term Expires</u>
John Q. Anderson	2007
Paul F. Barber	2008
Thomas W. Berry	2007
Richard Drouin	2009
James M. Goodrich	2008
Donald P. Hodel	2008
Sharon L. Nelson	2007
Bruce A. Scherr	2009
Kenneth G. Peterson	2009
Fred Gorbet	2008

- c. Independent trustees shall be nominated and elected pursuant to the nomination and election procedures specified in Sections 4, 5, and 6 of this Article III.

Section 4 — Vacancies on the Board —Should any vacancy on the board arise from the death, resignation, retirement, disqualification, or removal from office of any independent

trustee, or from any other cause, such vacancy shall be filled by electing a trustee at the next annual election of trustees to fill the remainder, if any, of the term of the departed trustee. Provided, that the board by resolution may in its discretion call a special election to fill any such vacancy for the remainder, if any, of the term of the departed trustee. Any vacancy shall be filled so as to maintain the composition of the board in accordance with country participation pursuant to Section 2 of this Article III.

Section 5 — Nominating Committee — The board shall appoint, on an annual basis, or more frequently if needed in the event of a special election pursuant to Article III, Section 4, a nominating committee (the “nominating committee”) to recommend candidates (i) to succeed the independent trustees whose terms expire during the current year and (ii) to serve the remainder of the term of any independent trustee who ceased to serve as a trustee subsequent to the last annual election of trustees. The nominating committee shall consist of those independent trustees whose terms do not expire during the current year and such number of other persons with such qualifications as the board shall specify, provided, that the nominating committee shall be chaired by an independent trustee whose term does not expire during the current year and shall include at least three persons who are also members of the Member Representatives Committee, and provided further, that the nominating committee formed for the purpose of recommending candidates to stand for election as trustees at the election to be held on or about February 1, 2007, pursuant to Article III, Section 6 shall not include any members of the Member Representatives Committee but shall include three persons each of whom at the time of his or her appointment by the chair of the Stakeholders Committee of the North American Electric Reliability Council to the nominating committee shall be a member of that Stakeholders Committee. The board shall establish, by resolution, the procedures to be followed by the nominating committee in identifying and recommending candidates to serve as independent trustees; provided, however, that such procedures shall include a means of permitting members of the Corporation to recommend to the nominating committee candidates for consideration as nominees for independent trustees. The nominating committee shall nominate candidates for election to the board consistent with the requirements of Article III, Section 2 for board composition by country participation, and shall also endeavor to nominate candidates for election to the board consistent with the objectives that the board as an entirety reflects expertise in the areas of technical electric operations and reliability, legal, market, financial, and regulatory matters, and familiarity with regional system operation issues; and reflects geographic diversity.

Section 6 — Election of Independent Trustees — The Member Representatives Committee of the Corporation shall elect the persons (i) to succeed those independent trustees whose terms expire each year and (ii) to serve the remainder of the term of any independent trustee who ceased to serve as a trustee subsequent to the last annual election of independent trustees. The annual election of independent trustees shall be scheduled to be conducted on or about February 1 of each year or as soon thereafter as is reasonably possible. Any special election pursuant to Article III, Section 2 shall be held as expeditiously as possible consistent with the time required for a nominating committee to be appointed and to nominate one or more candidates for the special election. All independent trustees shall be elected from nominees proposed by the nominating committee. A nominee shall be elected an independent trustee if such person receives the affirmative vote of two-thirds of the members of the Member

Marked for Proposed Amendments 6-30-08

Representatives Committee. Each nominee receiving the necessary two-thirds vote of the Member Representatives Committee shall take office immediately upon election. In the event that the voting fails to elect a nominee to fill any of the positions of independent trustee to be filled in an annual election of independent trustees, the nominating committee shall as promptly as reasonably possible consider and propose one or more additional nominee or nominees for that position, and a vote by the Member Representatives Committee on the election of such nominee or nominees shall be conducted as quickly as possible. For avoidance of doubt, the independent trustees shall be elected by the Member Representatives Committee in accordance with this Section 6 and shall not be elected by vote of the members of the Corporation.

Section 7 — Management Trustee — The president of the Corporation shall be, ex officio, the management trustee of the Corporation, effective as of the date of his or her election by the board as president of the Corporation in accordance with Article VI, Section 1, of these Bylaws, to serve until such time that he or she ceases to hold the position of president.

Section 8 — Committees of the Board — The board shall by resolution create and appoint all committees of the board as the board deems necessary to perform its responsibilities; provided, that the management trustee shall not be a member of the audit committee or of the human resources committee, if any. All committees of the board shall have such duties as are prescribed by the board. Notice to the public of the dates, places, and times of meetings of board committees, and all nonconfidential material provided to committee members, shall be posted on the Corporation's Web site within 24 hours of the time that notice is given to committee members. Meetings of board committees shall be open to the public, subject to reasonable limitations due to the availability and size of meeting facilities; provided, that the meeting may be held in or adjourn to closed session to discuss matters of a confidential nature, including but not limited to personnel matters, compliance and enforcement matters, litigation, or commercially sensitive or critical infrastructure information of any entity.

ARTICLE IV Meetings of Members of the Corporation

Section 1 — Meetings of Members — Meetings of members of the Corporation may be called for any purpose or purposes by the chairman of the board or by a number of members constituting at least ten (10) percent of the members on the roster of members maintained by the secretary of the Corporation, which number shall include members in at least three of the sectors. Meetings of members shall be held at the principal office of the Corporation or at such other place fixed by the board as shall be specified in the notice of meeting. Meetings shall be called upon written notice of the time, date, place, and purposes of the meeting given to all members on the roster of members maintained by the secretary of the Corporation not less than ten (10) nor more than sixty days (60) prior to the date of the meeting.

Section 2 — Quorum and Voting Requirements for Meetings of Members — At any meeting of the members of the Corporation, attendance in person or by proxy by one-half of the members in each of at least two-thirds of the sectors on the roster of members maintained by the secretary of the Corporation shall constitute a quorum. Except as otherwise expressly

provided in the Corporation's Certificate of Incorporation, these Bylaws or applicable law, actions by the members of the Corporation shall be approved upon receipt of seven affirmative votes at a meeting of the members of the Corporation at which a quorum is present, where (i) each sector of the Corporation shall have one vote, except that if less than one-half of the members in a sector are present, in person or by proxy, at the meeting, the vote of that sector shall be weighted by a percentage equal to the number of members of the sector present in person or by proxy at the meeting divided by one-half of the members in the sector; (ii) the vote of each sector of the Corporation shall be allocated for and against the proposed action based on the respective percentages of votes cast for and against the proposed action by the members in that sector voting in person or by proxy; and (iii) the proportions of the votes of each sector allocated for and against the proposed action shall be summed to determine the total number of votes for and against the proposed action.

Section 3 — Waivers of Notice of Meetings of Members; and Member Meeting

Adjournments — Notice of a meeting of members need not be given to any member who signs a waiver of notice, in person or by proxy, whether before or after the meeting. The attendance of any member at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice of the meeting by such member. When any meeting of members is adjourned to another time or place, it shall not be necessary to give notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken, and if at the adjourned meeting only such business is transacted as might have been transacted at the original meeting.

Section 4 — Action Without a Meeting of Members — Any action, required or permitted to be taken at a meeting of members, may be taken without a meeting if the action is consented to in writing by the minimum number of members that would be required to approve the action at a meeting of the members at which all members were present. The call for action without a meeting of members may be initiated by the chairman of the board or by a number of members constituting at least ten (10) percent of the members on the roster of members maintained by the secretary of the Corporation, which number shall include members in at least three of the sectors. Notice of the proposal for action without a meeting shall be provided to all members on the roster of members maintained by the secretary of the Corporation at least ten (10) days prior to the date established for the tabulation of consents. The members shall receive written notice of the results, and the results shall be posted on the Corporation's Web site, within ten (10) days of the action vote, and all written responses of the members shall be filed with the minutes of proceedings of members.

Section 5 — Meetings of the Members to be Open — Notice to the public of the dates, places, and times of meetings of the members, and all nonconfidential material provided to the members, shall be posted on the Corporation's Web site within 24 hours of the time that notice is given to the members. Meetings of the members shall be open to the public, subject to reasonable limitations due to the availability and size of meeting facilities; provided, that the meeting may be held in or adjourn to closed session to discuss matters of a confidential nature, including but not limited to personnel matters, compliance and enforcement matters, litigation, or commercially sensitive or critical infrastructure information of any entity.

ARTICLE V
Meetings of the Board of Trustees

Section 1 — Regular Meetings of the Board — A regular meeting of the board for such business as may come before the meeting shall be held on or about February 1 of each year. By resolution adopted at any meeting of the board, the board may provide for additional regular meetings that may be held without further notice to the trustees.

Section 2 — Special Meetings of the Board — Special meetings of the board for any purpose or purposes may be called at any time by the chairman or by any two trustees. Such meetings may be held upon notice given to all trustees not less than five (5) days prior to the date of the meeting. Such notice shall specify the time, date, place, and purpose or purposes of the meeting and may be given by telephone, telegraph, or other electronic media, or by express delivery.

Section 3 — Quorum and Voting Requirements for Meetings of the Board — Unless otherwise expressly provided in the Corporation's Certificate of Incorporation, these Bylaws or applicable law, (i) the quorum necessary for the transaction of business at meetings of the board shall be a majority of the trustees, and (ii) actions by the board shall be approved upon receipt of the affirmative vote of a majority of the trustees present and voting at a meeting at which a quorum is present.

Section 4 — Meetings of the Board to be Open — Notice to the public of the dates, places, and times of meetings of the board, and all nonconfidential material provided to the board, shall be posted on the Corporation's Web site, and notice of meetings of the board shall be sent electronically to members of the Corporation, within 24 hours of the time that notice or such material is given to the trustees. Meetings of the board shall be open to the public, subject to reasonable limitations due to the availability and size of meeting facilities; provided, that the board may meet in or adjourn to closed session to discuss matters of a confidential nature, including but not limited to personnel matters, compliance and enforcement matters, litigation, or commercially sensitive or critical infrastructure information of any entity. Any or all of the trustees, or members of a committee, may participate in a meeting of the board, or a meeting of a committee, by means of a communications system by which all persons participating in the meeting are able to hear each other.

Section 5 — Waivers of Notice of Board Meetings; and Board Meeting Adjournments — Notice of a board meeting need not be given to any trustee who signs a waiver of notice, in person or by proxy, whether before or after the meeting, or who attends the meeting without protesting, prior to the conclusion of the meeting, the lack of notice of such meeting. Notice of an adjourned board meeting need not be given if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken and if the period of adjournment does not exceed ten (10) days.

Section 6 — Action Without a Meeting — Any action, required or permitted to be taken at a meeting of the board or of any committee thereof, may be taken by the board or by the committee without a meeting if the action is consented to in writing by the number of trustees or members of the committee, as the case may be, entitled to vote on the action that would be required to approve the action at a meeting of the board or committee with all members of the board or committee present. The call for action without a meeting of the board may be initiated by the chairman or by any two trustees. Notice of the proposed call for action without a meeting, and all nonconfidential material provided to the board in connection with the call for action without a meeting, shall be posted on the Corporation's Web site within 24 hours of the time notice of the call for action without a meeting or such material is provided to the board. The call for action without a meeting of a committee of the board may be initiated by the chairman or by any two members of the committee. The trustees or members of the committee shall receive written notice of the results, and unless the action was confidential the results shall be posted on the Corporation's Web site, within seven (7) days of the action vote. All written responses of the trustees shall be filed with the minutes of the Corporation, and all written responses of members of a committee shall be filed with the minutes of such committee.

ARTICLE VI Officers

Section 1 — Officers — At its regular meeting held on or about February 1 of each year in accordance with Section 1 of Article V of these Bylaws, the board shall elect a chairman, a vice chairman, a president, a secretary, a treasurer, an assistant secretary-treasurer, and such other officers of the Corporation (collectively, the "officers") as it shall deem necessary. The chairman and the vice chairman must each be independent trustees prior to their election to such offices. The chairman, vice chairman, and president shall each be nominated and elected by the board. All of the remaining officers shall be appointed or removed by the board based upon the recommendation of the president. The duties and authority of the chairman, the vice chairman, and the president shall be determined from time to time by the board, and the duties and authority of the other officers of the Corporation shall be determined from time to time by the president. Subject to any such determination, the officers shall have the following duties and authority:

- a. The chairman shall preside at all meetings of the members and at all meetings of the board. The chairman, in consultation with the other trustees, shall be responsible for the efficient operation of the board and its committees. The chairman shall be an ex officio member of each committee of the board. The chairman may delegate from time to time any or all of the aforesaid duties and authority to the vice chairman, another trustee, the president, or any other officer.
- b. The vice chairman shall have such duties and possess such other powers as may be delegated to him or her by the chairman. The vice chairman shall act as the chairman at such times as the chairman may request. In the event the chairman is unable to discharge the duties and powers of that office by reason of incapacity and during any vacancies in the office of the chairman, the vice chairman shall act as

Marked for Proposed Amendments 6-30-08

chairman until the cessation of such incapacity or the filling of such vacancy.

- c. The president shall be the chief executive officer of the Corporation. He or she shall be responsible for the day-to-day ongoing activities of the Corporation and shall have such other duties as may be delegated or assigned to him or her by the chairman. The president may enter into and execute in the name of the Corporation contracts or other instruments not in the regular course of business that are authorized, either generally or specifically, by the board.
- d. The secretary shall maintain the roster of members of the Corporation; shall cause notices of all meetings to be served as prescribed in these Bylaws; shall keep or cause to be kept the minutes of all meetings of the members and the board; and shall have charge of the seal of the Corporation. The secretary shall perform such other duties and possess such other powers as are incident to his or her office or as shall be assigned to him or her by the president.
- e. The treasurer shall have custody of the funds and securities of the Corporation, and shall keep or cause to be kept regular books of account for the Corporation. The treasurer shall perform such other duties and possess such other powers as are incident to his or her office or as shall be assigned to him or her by the president.
- f. The assistant secretary-treasurer shall have such duties and possess such other powers as may be delegated to him or her by the president.

ARTICLE VII Committees of the Corporation

Section 1 — Committees of the Corporation — In addition to those committees specified by these Bylaws, to which the board shall appoint members in accordance with the requirements of these Bylaws, the board may by resolution create standing committees of the Corporation; and may in addition by resolution appoint such other committees as the board deems necessary to carry out the purposes of the Corporation. The board shall appoint standing committees and other committees of the Corporation that are representative of members, other interested parties and the public, that provide for balanced decision making, and that include persons with outstanding technical knowledge and experience. All appointments of committees of the Corporation shall provide the opportunity for an equitable number of members from the United States and Canada (and from Mexico after the Corporation receives recognition by appropriate governmental authorities in Mexico as its electric reliability organization) to be appointed to each committee in approximate proportion to each country's percentage of the total NEL. All committees shall have such scope and duties, not inconsistent with law, as are specified in these Bylaws and the Rules of Procedure of the Corporation or otherwise determined by the board.

ARTICLE VIII Member Representatives Committee

Section 1 — Member Representatives Committee — The Corporation shall have a Member Representatives Committee that shall have the following rights and obligations:

- a. to elect the independent trustees, in accordance with Article III, Section 6;
- b. to vote on amendments to the Bylaws, in accordance with Article XVI; and
- c. to provide advice and recommendations to the board with respect to the development of annual budgets, business plans and funding mechanisms, and other matters pertinent to the purpose and operations of the Corporation.

Because it is elected by the members of the Corporation and not appointed by the board, the Member Representatives Committee shall not be a standing committee of the Corporation, but is authorized to provide its advice and recommendations directly to the board.

Section 2 — Composition of the Member Representatives Committee — The Member Representatives Committee shall consist of (i) two representatives from each sector except the government representative sector and the ~~regional reliability organization~~/regional entity sector, (ii) two voting representatives from the ~~regional reliability organization~~/regional entity sector, with the remaining members of that sector being non-voting members of the Member Representatives Committee, (iii) the chairman and vice chairman of the Member Representatives Committee, (iv) any additional Canadian representatives as are selected pursuant to Section 4 of this Article VIII, and (v) the following representatives of the government representatives sector: two representatives of the United States federal government, one representative of the Canadian federal government, two representatives of state governments, and one representative of a provincial government, all of whom shall be nonvoting members of the Member Representatives Committee except the two representatives of state governments. The representatives of each sector shall be members of the Corporation, or officers or executive-level employees, agents or representatives of members of the Corporation, in that sector; provided, that at any time only one officer, employee, agent, or representative of a member in a sector may be a representative from that sector. No member of the board shall be a member of the Member Representatives Committee. The board may by resolution create additional nonvoting positions on the Member Representatives Committee at the written request of any group of members of the Corporation that believes its interests are not adequately represented on the Member Representatives Committee.

In order to provide that the terms of approximately one-half of the members of the Member Representatives Committee expire each year, on the initial Member Representatives Committee one-half of the representatives from each sector shall serve a term expiring at the next annual meeting, and one-half of the representatives from each sector shall serve a term expiring at the second succeeding annual meeting, in each case held pursuant to Section 7 of this Article VIII.

Following the expiration of the terms of the members of the initial Member Representatives Committee as provided above, each member of the Member Representatives Committee shall thereafter serve a term of two years commencing at an annual meeting held pursuant to

Section 7 of this Article VIII and ending at the second succeeding annual meeting. There shall be no limit on the number of terms that a member of the Corporation, or an employee, agent, or representative of a member of the Corporation, may serve on the Member Representatives Committee.

Section 3 — Election of Members of the Member Representatives Committee

- a. Unless a sector adopts an alternative election procedure, the annual election of representatives from each sector to the Member Representatives Committee, and any election to fill a vacancy, shall be conducted in accordance with the following process, which shall be administered by the officers of the Corporation. During the period beginning approximately ninety (90) days and ending approximately thirty (30) days prior to an annual election, or beginning approximately forty-five (45) days and ending approximately fifteen (15) days prior to an election to fill a vacancy, nominations may be submitted for candidates for election to the Member Representatives Committee, provided that for the initial election the period may begin as soon as these bylaws are made effective and may end approximately fifteen (15) days prior to the election. A nominee for election as a sector representative must be a member, or an officer, executive-level employee or agent of a member, in that sector. No more than one nominee who is an officer, executive-level employee or agent of a member or its affiliates may stand for election in any single sector; if more than one officer, employee or agent of a member or its affiliates is nominated for election from a sector, the member shall designate which such nominee shall stand for election. The election of representatives shall be conducted over a period of ten (10) days using an electronic process. Each member in a sector shall have one vote for each representative to be elected from the sector in that election, and may cast no more than one vote for any nominee. The nominee receiving the highest number of votes in each sector shall be elected to the representative position to be filled from that sector; if there is more than one representative position to be filled from a sector, the nominee receiving the second highest number of votes shall also be elected, and so forth. Provided, that to be elected a nominee must receive a number of votes equal to a simple majority of the members in the sector casting votes in the election. If no nominee in a sector receives a simple majority of votes cast in the first ballot, a second ballot shall be conducted which shall be limited to the number of candidates receiving the two (2) highest vote totals on the first ballot (or to the number of candidates receiving the four (4) highest vote totals on the first ballot if two representative positions remain to be filled, and so forth). The nominee or nominees receiving the highest total or totals of votes on the second ballot shall be elected to the representative position or positions remaining to be filled for the sector.

A sector may adopt an alternative procedure to the foregoing to nominate and elect its representatives to the Member Representatives Committee if (i) the alternative procedure is consistent in principle with the procedures specified in the preceding paragraph of this Section 3a, and (ii) the alternative procedure is approved by vote of at least two-thirds of the members in the sector. Any alternative procedure is

subject to review and disapproval by the board.

Section 4 — Adequate Representation of Canadian Interests on the Member

Representatives Committee — In addition to the requirements for composition of the Member Representatives Committee specified in Section 1 of this Article VIII, the Member Representatives Committee shall contain a number of Canadian voting representatives equal to the percentage of the NEL of Canada to the total NEL of the United States and Canada, times the total number of voting members on the Member Representatives Committee, rounded up to the next whole number. If the annual selection of members of the Member Representatives Committee pursuant to Section 3 of this Article VIII does not result in the number of Canadian voting representatives provided for herein on the Member Representatives Committee, then the candidate who received the highest ~~vote total~~fraction of the sector vote among those candidates who would have qualified as Canadian voting representatives but were not elected to the Member Representatives Committee shall be added to the Member Representatives Committee. Additional Canadian voting representatives shall be added to the Member Representatives Committee through this selection process until the Member Representatives Committee includes a number of Canadian voting representatives equal to the percentage of the NEL of Canada to the total NEL of the United States and Canada, times the total number of voting members on the Member Representatives Committee, rounded up to the next whole number. Provided, that no more than one such additional Canadian voting representative shall be selected from a sector, except that if this limitation precludes the addition of the number of additional Canadian voting representatives required by the previous sentence, then no more than two Canadian voting representatives may be selected from the same sector. Such additional Canadian voting representatives shall be representatives of the sectors in which they stood for election, and shall serve terms expiring at the next annual meeting of the Member Representatives Committee pursuant to Section 7 of this Article VIII. For purposes of this Section 4, “Canadian” means one of the following: (a) a company or association incorporated or organized under the laws of Canada or of a province of Canada that is a member of the Corporation, or its designated representative irrespective of nationality; (b) an agency of a federal, provincial, or local government in Canada that is a member of the Corporation, or its designated representative irrespective of nationality; or (c) a person who is a Canadian citizen residing in Canada and is a member of the Corporation.

When the Corporation receives recognition from appropriate governmental authorities in Mexico as the electric reliability organization, this provision will be expanded to provide for adequate representation of Mexican interests on the Member Representatives Committee.

Section 5 — Officers of the Member Representatives Committee — At the initial meeting of the Member Representatives Committee, and annually thereafter prior to the annual election of representatives to the Member Representatives Committee, the Member Representatives Committee shall select a chairman and vice chairman from among its voting members by majority vote of the members of the Member Representatives Committee to serve as chairman and vice chairman of the Member Representatives Committee during the upcoming year; provided, that the incumbent chairman and vice chairman shall not vote or otherwise participate in the selection of the incoming chairman and vice-chairman. The newly

Marked for Proposed Amendments 6-30-08

selected chairman and vice chairman shall not have been representatives of the same sector. Selection of the chairman and vice chairman shall not be subject to approval of the board. The chairman and vice chairman, upon assuming such positions, shall cease to act as representatives of the sectors that elected them as representatives to the Member Representatives Committee and shall thereafter be responsible for acting in the best interests of the members as a whole.

Section 6 — Vacancies on the Member Representatives Committee — In the event that any member of the Member Representatives Committee ceases to serve as a member of the Member Representatives Committee as a result of his or her death, resignation, retirement, disqualification, or removal or other cause, the members in the sector of which such member was a representative shall elect, as soon thereafter as reasonably possible, and in accordance with the procedures in Sections 3 and 4 of this Article VIII, a new member to replace the member of the Member Representatives Committee who ceases to serve. Except with regard to the selection of the chairman and vice chairman at the initial meeting of the Member Representatives Committee, the vacancies in the sector representatives created by the selection of the chair and vice chair pursuant to Section 5 of this Article VIII shall be filled at the annual election of representatives to the Member Representatives Committee that is next held following the election of the chairman and vice chairman. In the case of the selection of the chairman and vice chairman at the initial meeting of the Member Representatives Committee, the sector representative vacancies created thereby shall be filled as soon thereafter as reasonably possible in accordance with the procedures in Section 3 of this Article VIII for sector representative vacancies.

Section 7 — Annual Meeting of the Member Representatives Committee — An annual meeting of the Member Representatives Committee for the election of independent trustees and to conduct such other business as may come before the meeting shall be held on or about February 1 of each year or as soon thereafter as is reasonably possible. By resolution adopted at any meeting of the Member Representatives Committee, the Member Representatives Committee may provide for additional regular meetings that may be held without further notice to the members of the Member Representatives Committee.

Section 8 — Special Meetings of the Member Representatives Committee — Special meetings of the Member Representatives Committee for any purpose or purposes may be called by the chair of the Member Representatives Committee or by any five (5) members of the Member Representatives Committee, which number shall include representatives from at least three sectors, and require notice given to all members of the Member Representatives Committee not less than seven (7) days prior to the date of the meeting. Such notice shall specify the time, date, place, and purpose or purposes of the meeting and may be given by telephone, telegraph, or other electronic media, or by express delivery.

Section 9 — Quorums and Voting for Meetings of the Member Representatives Committee — The quorum necessary for the transaction of business at meetings of the Member Representatives Committee shall be two-thirds of the voting members of the Member Representatives Committee attending the meeting in person or by proxy. A member of the Member Representatives Committee may give a proxy only to a person who is a

member, or an officer, executive-level employee, agent or representative of a member, registered in the same sector. Each voting member of the Member Representatives Committee shall have one (1) vote on any matter coming before the Member Representatives Committee that requires a vote. Except as otherwise expressly provided in the Corporation's Certificate of Incorporation, these Bylaws or applicable law, actions by members of the Member Representatives Committee shall be approved upon receipt of the affirmative vote of a majority of the voting members of the Member Representatives Committee present and voting, in person or by proxy, at any meeting at which a quorum is present.

Section 10 — Meetings of the Member Representatives Committee to be Open — Notice to the public of the dates, places, and times of meetings of the Member Representatives Committee, and all nonconfidential material provided to the Member Representatives Committee, shall be posted on the Corporation's Web site, and notice of meetings of the Member Representatives Committee shall be sent electronically to all members of the Corporation, within 24 hours of the time that notice or such material is given to the Member Representatives Committee. Meetings of the Member Representatives Committee shall be open to the public, subject to reasonable limitations due to the availability and size of meeting facilities; provided, that the Member Representatives Committee may meet in or adjourn to closed session to discuss matters of a confidential nature, including but not limited to personnel matters, compliance and enforcement matters, litigation, or commercially sensitive or critical infrastructure information of any entity. Any or all members of, and any other participants in, the Member Representatives Committee may participate in a meeting of the Member Representatives Committee by a means of a communications system by which all persons participating in the meeting are able to hear each other.

Section 11 — Waivers of Notice of Meetings of the Member Representatives Committee; and Meeting Adjournments — Notice of a meeting of the Member Representatives Committee need not be given to any member of the Member Representatives Committee who signs a waiver of notice, in person or by proxy, whether before or after the meeting, or who attends the meeting without protesting, prior to the conclusion of the meeting, the lack of notice of such meeting. Notice of an adjourned meeting of the Member Representatives Committee need not be given if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken and if the period of adjournment does not exceed ten (10) days.

Section 12 — Action Without a Meeting of the Member Representatives Committee — Any action required or permitted to be taken at a meeting of the Member Representatives Committee may be taken by the Member Representatives Committee without a meeting if the action is consented to in writing by the number of members of the Member Representatives Committee entitled to vote on the action that would be required to approve the action at a meeting of the Member Representatives Committee with all of its members present. The call for action without a meeting of the Member Representatives Committee may be initiated by the Chair of the Member Representatives Committee or by any five (5) members of the Member Representatives Committee, which number shall include representatives from at least three (3) sectors. Notice of the proposed call for action without a meeting, and all nonconfidential material provided to the Member Representatives Committee in connection

with the call for action without a meeting, shall be posted on the Corporation's Web site within 24 hours of the time notice of the call for action without a meeting or such material is provided to the members of the Members Representative Committee. The members of the Member Representatives Committee shall receive written notice of the results, and the results shall be posted on the Corporation's Web site, within seven (7) days of the action vote, and all written responses of voting members of the Member Representatives Committee shall be filed with the minutes of the Corporation.

Section 13 — Other Procedures of the Member Representatives Committee — The chairman of the board in office on November 1, 2006, shall preside at the initial meeting of the Member Representatives Committee, until a chairman is selected in accordance with Section 5 of this Article VIII. Except as to any matter as to which the procedure to be followed by the Member Representatives Committee is expressly set forth in these Bylaws, the Member Representatives Committee may adopt such additional procedures, not inconsistent with these Bylaws, as it deems appropriate.

ARTICLE IX Reliability Standards

Section 1 — Development of Reliability Standards — The Corporation shall develop, implement and, in all regions in which necessary governmental approvals have been obtained or authority has been provided, enforce, reliability standards that provide for reliable operation of the bulk power systems of North America. All reliability standards shall be approved by the board. All reliability standards of the Corporation shall be posted on its Web site. Nothing in this Article shall be deemed to invalidate any standard of the Corporation that was in effect on November 1, 2006.

Section 2 — Procedures for Development of Reliability Standards — The Corporation shall develop reliability standards pursuant to procedures and processes that shall be specified in the Rules of Procedure of the Corporation. The Rules of Procedure shall provide for the development of reliability standards through an open, transparent, and public process that provides for reasonable notice and opportunity for public comment, due process, and balancing of interests and is designed to result in reliability standards that are technically sound. Participation in the process for development of reliability standards shall not be limited to members of the Corporation but rather shall be open to all persons and entities with an interest in the reliable operation of the bulk power system.

Section 3 — Procedures for Determinations of Violations of Reliability Standards and Imposition of Sanctions for Violations — In all regions in which regulatory approval has been obtained or governmental authority has been provided, the Corporation shall consider and make determinations that an owner, operator, or user of the bulk power system has violated a reliability standard, and shall impose sanctions for such violations, pursuant to procedures and processes that shall be specified in the Rules of Procedure of the Corporation. Such procedures and processes shall provide for reasonable notice and opportunity for hearing. Any sanction imposed for a violation of a reliability standard shall bear a reasonable relation to the seriousness of the violation and shall take into consideration efforts of the

owner, operator, or user of the bulk power system to remedy the violation in a timely manner. Subject to any necessary action by any applicable governmental authorities, no sanction imposed for a violation of a reliability standard shall take effect until the thirty-first (31) day after the Corporation, where authorized by law or agreement, files with the Commission or other applicable governmental authority notice of the sanction and the record of the proceedings in which the violation and sanction were determined, or such other date as ordered by the Commission or other applicable governmental authority or as prescribed by applicable law.

ARTICLE X

Agreements with Regional Entities

Section 1 — Delegation Agreements with Regional Entities — The Corporation may, in accordance with appropriate governmental authority, enter into agreements with regional entities pursuant to which a regional entity shall be delegated the authority of the Corporation to enforce reliability standards within a geographic region of North America and may develop and propose reliability standards to be in effect within such region. All delegation agreements with regional entities shall be approved by the board. No delegation agreement with a regional entity shall be effective with respect to a region until the agreement has received any necessary approval from an applicable governmental authority.

Section 2 — Standards for Delegation Agreements — The Corporation shall be permitted to enter into a delegation agreement with a regional entity only if the board determines that (i) the regional entity has agreed to promote, support, and comply with the purposes and policies of the Corporation as set forth in its Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards as from time to time adopted, approved, or amended; (ii) the regional entity satisfies the criteria set forth in Sections 39.3(b) and 39.8 of the Commission's regulations, or other criteria specified by applicable governmental authorities, and (iii) the delegation agreement will promote effective and efficient administration of the reliability of the bulk power system.

ARTICLE XI

Rules of Procedure

Section 1 — Development of Rules of Procedure — The Corporation shall develop and implement such Rules of Procedure as in the judgment of the board are necessary or appropriate to carry out the purposes of the Corporation and to govern its operations, including without limiting the foregoing, Rules of Procedure relating to (i) registration of owners, operators, and users of the bulk power system; (ii) development of reliability standards; (iii) procedures for standing committees of the Corporation, subgroups of standing committees, and other committees, subcommittees, task forces, and sector-specific forums of the Corporation; (iv) critical infrastructure protection; (v) conduct of readiness [auditsevaluations](#) and reliability assessments; (vi) enforcement of compliance with reliability standards and determinations of violations of reliability standards by owners, operators, and users of the bulk power system; (vii) impositions of sanctions for violations of reliability standards; (viii) development, implementation, and administration of delegation agreements

with regional entities; (ix) personnel certification; (x) event analysis and information exchange; (xi) real-time monitoring of the bulk power system; and (xii) development and administration of budgets, business plans, and funding mechanisms of the Corporation. All Rules of Procedure of the Corporation shall be posted on its Web site.

Section 2 — Adoption, Amendment, and Repeal of Rules of Procedure — Except as provided in Section 2 of Article XII, all Rules of Procedure, amendments thereto and repeals thereof shall be approved by the board. Proposals to adopt new Rules of Procedure or to amend or repeal existing Rules of Procedure may be submitted by (i) the Member Representatives Committee, (ii) any fifty (50) members of the Corporation, which number shall include members in at least three sectors, (iii) a committee of the Corporation to whose purpose and functions the Rule of Procedure pertains, or (iv) an officer of the Corporation. Unless the board determines that exigent conditions exist requiring adoption of a new Rule of Procedure or amendment or repeal of an existing Rule of Procedure in a shorter time, all proposals for adoption, amendment and repeal of Rules of Procedure shall be posted on the Corporation's Web site and subject to public comment for a minimum of forty-five (45) days prior to action by the board. All Rules of Procedure and amendments to and repeals of Rules of Procedure approved by the board shall be submitted to the Commission and to other applicable governmental authorities for approval, and shall not be effective in the United States until approved by the Commission or in Canada or Mexico until approval is obtained from any governmental authority from which approval is required in those countries and subject to any conditions, limitations, or modifications required by the Commission or other governmental authority. Nothing in this Article shall be deemed to invalidate any Rule of Procedure of the Corporation that was in effect on November 1, 2006.

ARTICLE XII

Personnel Certification Governance Committee

Section 1 — Personnel Certification Governance Committee — There shall be a Personnel Certification Governance Committee of the Corporation, which shall be a standing committee of the Corporation. The purpose of the Personnel Certification Governance Committee shall be to provide oversight to the policies and processes used to implement and maintain the integrity and independence of the Corporation's System Operator Certification Program. The governance authority and structure of the Personnel Certification Governance Committee shall be implemented and maintained so that policies and procedures are established to protect against undue influence that could compromise the integrity of the System Operator Certification process.

Section 2 — Appointment and Reporting of the Personnel Certification Governance Committee — The members of the Personnel Certification Governance Committee shall be appointed by the board from candidates selected and presented by a nominating task force in accordance with Rules of Procedure for the Personnel Certification Governance Committee. Nominations and appointments shall take into account the need to include representatives of all geographic regions of North America on the Personnel Certification Governance Committee. The Personnel Certification Governance Committee shall report directly to the board and the president of the Corporation regarding governance and administration of the

Marked for Proposed Amendments 6-30-08

System Operator Certification Program; provided, however, that the Personnel Certification Governance Committee shall have autonomy in developing and implementing system operator certification eligibility requirements, the development, administration, and scoring of the system operator assessment instruments, and operational processes for the System Operator Certification Program. The Personnel Certification Governance Committee shall provide to the board periodic assessments, no less frequently than every two (2) years, of the effectiveness of the System Operator Certification Program.

Section 3 — Administration of the Personnel Certification Governance Committee — In order to maintain the independence of the Personnel Certification Governance Committee, staff of the Corporation shall administer the System Operator Certification program on behalf of the Personnel Certification Governance Committee on a fee for service basis.

ARTICLE XIII Budgets and Funding

Section 1 — Compensation of the Board and Member Representatives Committee — The board shall have the right to fix from time to time, by resolution adopted by a majority of the independent trustees then serving as trustees, the amount of the annual retainer fee or other compensation to be paid to the independent trustees for their services to the Corporation, including any fees to be paid for each meeting of the board or any board committee attended by an independent trustee. No compensation shall be paid to the management trustee for his or her services on the board, other than the compensation paid to the management trustee for services as president of the Corporation. No compensation shall be paid by the Corporation to the members of the Member Representatives Committee for their services on the Member Representatives Committee.

Section 2 — Preparation and Adoption of Annual Budget, Business Plan, and Funding Mechanism — The board shall prepare or cause to be prepared an annual budget for the administrative and other expenses of the Corporation, including the expenditures for the fiscal year for any material special projects undertaken by the Corporation and reasonable and proper reserves and provisions for contingencies, an accompanying business plan for the Corporation, and a funding mechanism, for each fiscal year. The annual budget, business plan, and funding mechanism of the Corporation shall be for a fiscal year commencing on January 1 and ending on December 31. Each annual budget, business plan, and funding mechanism (including the annual budget, annual business plan, and annual funding mechanism for each regional entity) shall be approved by the board at a regular meeting or a special meeting of the board duly called for that purpose. The board shall approve each annual budget, business plan, and funding mechanism at least 135 days before the start of the fiscal year in order to allow for timely submittal of the approved annual budget, business plan, and funding mechanism to the applicable governmental authorities.

Section 3 — Criteria for Funding Mechanisms — The annual funding mechanism shall be designed to recover, over the course of the fiscal year, the sum of (i) the annual budget, (ii) less revenues projected to be received by the Corporation from other sources such as sales of services and materials and registration, application and certification fees for programs

conducted or administered by the Corporation, and (iii) plus or minus the estimated deficiency or excess of the Corporation's revenues compared to its expenditures for the current fiscal year. The annual funding mechanism shall consist of such assessments as determined by the board that result in an equitable allocation of the Corporation's funding requirement among end users of the North American electric utility system as established in the Corporation's Rules of Procedure.

Section 4 — Consultation in Preparation of Annual Budget, Business Plan, and Funding Mechanism — In preparing the annual budget, business plan, and funding mechanism, the board shall consult with the members of the Member Representatives Committee, and shall post a draft budget and business plan for review and comment by the members of the Corporation and the Member Representatives Committee and the standing committees of the Corporation for at least thirty (30) days prior to the date of the meeting of the board at which the annual budget, business plan, and funding mechanism are to be adopted.

Section 5 — Modified or Supplemental Funding Mechanisms — During the course of a fiscal year, the board may modify the approved funding mechanism or develop and approve a supplemental funding mechanism if determined by the board to be necessary due to such factors as a shortfall in revenues of the Corporation from projected levels, incurred or anticipated expenditures or new projects not provided for in the annual budget, or such other factors as in the judgment of the board warrant modification of the funding mechanism for the fiscal year or development of a supplemental funding mechanism. In preparing a modified or supplemental funding mechanism, the board shall follow the provisions of Section 4 of this Article XIII to the extent possible in the judgment of the board in light of the exigency of the circumstances necessitating preparation and approval of the modified or supplemental funding mechanism. Each modified or supplemental funding mechanism shall be approved by the board at a regular meeting or a special meeting of the board duly called for that purpose.

Section 6 — Submission of Annual Budgets, Business Plans, and Funding Mechanisms to the Governmental Authorities — Each annual budget, annual business plan, and annual, modified, or supplemental funding mechanism approved by the board (including the annual budget, annual business plan, and annual, modified, or supplemental funding mechanism for each regional entity) shall be submitted by the Corporation to the applicable governmental authorities for approval in accordance with its regulations, except as otherwise provided by applicable law or by agreement, and shall not be effective until it has received any necessary approval by the applicable governmental authorities. If a governmental authority by order modifies or remands an annual budget, business plan, or annual, modified, or supplemental funding mechanism, the board shall promptly following such order adopt such modifications to the budget, business plan, or funding mechanism as are required or directed by the order of the governmental authority.

ARTICLE XIV Amendments to the Bylaws

Section 1 — Amendments to the Bylaws — These Bylaws may be altered, amended, or

repealed by a majority vote of both the board and the Member Representatives Committee at respective meetings of the board and the Members Representative Committee at which a quorum is present. Written notice of the subject matter of the proposed changes to the Bylaws shall be provided, as appropriate, to the trustees or to the Member Representatives Committee not less than ten (10) nor more than sixty (60) days prior to the date of the meeting of the board or of the Member Representatives Committee at which the vote is to be taken. Notwithstanding the provisions of this Article XIV, the members of the Corporation voting by sector shall have the right to alter, amend, or repeal Bylaws adopted by the board and the Member Representatives Committee and to adopt new Bylaws, provided that any such alteration, amendment, or repeal or the adoption of new Bylaws is approved by vote of two-thirds of the sectors at a meeting of Members called for that purpose, or by written consent of two-thirds of the sectors, where the number of votes for and against the proposed alteration, amendment, repeal, or adoption of Bylaws shall be determined in accordance with Section 2 of Article IV. Any alteration, amendment, repeal, or adoption of Bylaws shall be subject to any applicable requirements for filing with or approval by the Commission and any other applicable governmental authority.

ARTICLE XV General

Section 1 — Indemnification — The Corporation shall indemnify its officers, trustees and other corporate agents to the full extent from time to time permitted by the New Jersey Nonprofit Corporation Act and other applicable law. Such right of indemnification shall inure to the benefit of the legal representative of any such person. The foregoing indemnification shall be in addition to, and not in restriction or limitation of, any privilege or power that the Corporation may have with respect to the indemnification or reimbursement of its trustees, officers, or other corporate agents. The Corporation shall also pay or advance expenses incurred by an officer, trustee, or other corporate agent in connection with a proceeding in advance of the final disposition of the proceeding upon receipt of an undertaking by or on behalf of the officer, trustee, or other corporate agent to repay the amount unless it shall be ultimately determined that the officer, trustee, or other corporate agent is entitled to be indemnified by the Corporation.

Section 2 — Parliamentary Rules — In the absence of and to the extent not inconsistent with specific provisions in these Bylaws, meetings or other actions pursuant to these Bylaws shall be governed by procedures that the board may, from time to time, establish by resolution.

Section 3 — Dissolution — Upon dissolution of the Corporation, in accordance with paragraph TENTH of the Certificate of Incorporation, the remaining assets of the Corporation after payment of debts shall be distributed in the manner determined by the board, provided, (i) that no part of the assets shall be distributed to any trustee of the Corporation, and (ii) that the distribution of assets shall be consistent with the requirements of Section 501(c)(6) of the United States Internal Revenue Code of 1986, as amended.

Transmission Owners and Operators Forum Charter Revision

Board Action Required

Approval

Background

The Transmission Owners and Operators Forum (Forum) Steering Committee met in Washington, D.C. on May 21, 2008. At this meeting, the committee discussed membership duties, membership eligibility, and ways to get as much diversity in the organization as possible without compromising the policies of the Forum. The steering committee agreed to modify the Forum's membership eligibility requirements to extend the opportunity to those organizations who own or operate at least 50 circuit miles of transmission lines at 100 kV or greater (formerly 200 miles), or operate a "24/7" transmission control center with NERC-certified transmission or reliability operators (new), or have an open access transmission tariff or equivalent on file with a regulatory authority (no change).

The changes to the Forum's charter appear in Section 3 of the charter and are highlighted in bold print below.

2. Eligibility for Membership. Membership in the Forum shall be open to any person or entity that owns, operates or controls at least **50** circuit miles of integrated transmission facilities, or **continuously operates a control center staffed by NERC-certified Transmission Operators or Reliability Operators¹**, or has an open access transmission tariff or equivalent on file with a regulatory authority; provided, however, that Members also must be members of NERC. Members may include, without limitation, regional transmission organizations and independent system operators.

¹ NERC defines the credentials for Transmission Operators and Reliability Operators as part of NERC's System Operator Certification Program.

Membership eligibility changes. Section 3, Page 9.

Transmission Owners & Operators Forum Charter

Approved by the Board of Trustees: November 1, 2006

Table of Contents

Section 1. Creation, Purpose and Key Functions of Forum.....	4
1. Creation of Forum.....	4
2. Purpose of Forum.....	4
3. Key Forum Functions.....	4
Section 2. Steering Committee.....	5
1. Creation of Steering Committee; Term; Vacancies.....	5
2. Chairman and Vice-Chairman of Steering Committee.....	5
3. Resignation and removal.....	5
4. Interface with NERC liaison.....	5
5. Quorum and voting.....	5
6. Annual meeting of the Steering Committee.....	6
7. Regular meetings of the Steering Committee.....	6
8. Special meetings of the Steering Committee.....	6
9. Notice of meetings.....	6
10. Forum staff.....	6
11. Consultants and Other Service Providers.....	7
12. Forum Loaned Employees.....	7
13. Written Consent Actions.....	7
14. Rules of Conduct.....	7
15. Executive Council.....	7
Section 3. Members.....	9
1. Applications for Membership.....	9
2. Eligibility for Membership.....	9
3. Responsibility for Compliance with NERC Reliability Standards.....	9
4. Dues payable.....	9
5. Additional contributions.....	10
6. Costs.....	10
7. Transfer of membership.....	10
8. Resignation of members.....	11
9. Expulsion of members.....	11
10. Liability of members.....	11
11. Liability of members upon resignation or expulsion.....	11
12. Associate members of the Forum.....	12
Section 4. Confidentiality.....	12

Table of Contents

1.	Need for confidential treatment.	12
2.	Confidential information.	12
3.	Confidentiality agreement.	12
4.	Treatment of confidential information.	13
5.	Public sessions.	13
6.	Reporting of Violations.	13
Section 5. Antitrust Compliance		13
1.	Antitrust compliance guidance.	13
2.	Competitively sensitive information.	14
3.	Business review letter.	14
Section 6. Financial Matters		14
1.	Segregated account.	14
2.	Budget and financial Controls.	14
3.	Prohibited transactions.	15
Section 7. Amendments		15
Section 8. Termination		15
Section 9. Miscellaneous		15
1.	Limitations on Forum and Steering Committee authority.	15
2.	Waiver and release.	16
3.	Covenant not to sue.	16
4.	Governing law.	16
Forum Petition		17

Section 1. Creation, Purpose and Key Functions of Forum

1. **Creation of Forum.** Pursuant to Section 712 of the North American Electric Reliability Corporation (“NERC”) Rules of Procedure, the Board of Trustees of NERC (the “NERC Board”) hereby establishes the Transmission Owners & Operators Sector Forum (the “Forum”) as proposed by the petition of at least five (5) members of NERC that is included as an Exhibit to this Charter to be a distinct forum to carry out certain activities consistent with the purposes of NERC. The persons or entities seeking to establish this Forum are referred to herein as Forum “Members.”
2. **Purpose of Forum.** The Forum is intended to improve the reliability and security of the bulk power system by facilitating the pursuit of operational excellence through a forum where transmission owners and operators can identify and exchange information on best practices for reliable operations, evaluate their own performances against those best practices, disseminate lessons learned from disturbances and near misses, and facilitate the utilization of such information in a timely manner, among other things.
3. **Key Forum Functions.** It is intended that the Forum will serve as a mechanism for such things as:
 - a. Exchanging information on best practices for transmission owners and operators;
 - b. Disseminating lessons learned from disturbances and “near misses” as well as operational experiences (e.g., incidents, tools, human performance factors, equipment performance);
 - c. Gathering and sharing detailed data among Forum Members for comparison of performance in all relevant aspects of transmission operations;
 - d. Developing proposals for reliability standards that will be considered through the NERC standards development process;
 - e. Exchanging relevant operational information, such as practices related to system operation, equipment maintenance, and operating performance data;
 - f. Helping to recognize top performing organizations;
 - g. Facilitating candid peer-to-peer assessments of shortcomings as well as achievements of excellence;
 - h. Providing executive training and information sharing opportunities;
 - i. Convening public and other information-sharing meetings (“Public Sessions”) from time to time as deemed appropriate by the Steering Committee that may involve the participation of vendors, regulators, academics or the public in general; and
 - j. Promoting the trial and testing of promising new technology and the dissemination of information on successful new technology.

Section 2. Steering Committee

1. **Creation of Steering Committee; Term; Vacancies.** A Steering Committee is hereby established to manage the activities of the Forum. The number of members of the Steering Committee shall be equal to the number of Members of the Forum. Each Member shall appoint in writing one representative to the Steering Committee. The representative to the Steering Committee must be an executive-level employee of the Member with a background in or responsibility for the Member's activities as a transmission owner or operator. Each representative to the Steering Committee shall continue to serve on the Steering Committee until such person's successor is appointed in writing by the Member, or until the entity represented on the Steering Committee ceases to be a member of the Forum, or until the representative ceases to be employed by the relevant Member. Vacancies on the Steering Committee may be filled by appointments made in the same manner as is provided for in the case of original appointments.
2. **Chairman and Vice-Chairman of Steering Committee.** The representatives to the Steering Committee shall elect one member of the Steering Committee to serve as Chairman and another as Vice-Chairman. The Chairman and Vice-Chairman shall serve in such capacity for a term of one year or until a successor is appointed and assumes office.
3. **Resignation and removal.** Any representative to the Steering Committee may resign at any time upon written notice to the Chairman of the Steering Committee and the NERC Liaison (as hereinafter defined) addressed to NERC's principal office.
4. **Interface with NERC liaison.** The Steering Committee shall interface directly with a NERC senior executive (the "NERC Liaison") as designated from time to time by NERC's President in order to ensure coordination and awareness of the Forum's activities by NERC. The Chairman of the Steering Committee shall provide to the NERC Liaison on at least an annual basis a written report detailing the activities of the Forum. In addition, the NERC Liaison may attend any annual or regular meetings of the Steering Committee.
5. **Quorum and voting.** A majority of the representatives to the Steering Committee shall constitute a quorum for the transaction of business. The act of a majority of the representatives to the Steering Committee present at any meeting at which there is a quorum shall be an act of the Steering Committee, except as otherwise may be specifically provided by law, the Certificate of Incorporation of NERC, the Bylaws of NERC, or this Charter. A Member may designate an alternate representative to attend any meeting of the Steering Committee by delivering a written designation identifying such alternate representative to the Chairman of the Steering Committee prior to the meeting. Any such designated alternate representative will count toward the quorum requirement for the meeting and shall be allowed to vote as would the representative for whom he or she serves as an alternate. Representatives to the Steering Committee may participate in any meeting of the

Steering Committee by means of a conference telephone or similar communications equipment by means of which all persons participating at the meeting can hear each other at the same time, and participation by such means shall constitute presence in person at a meeting.

6. **Annual meeting of the Steering Committee.** The annual meeting of the Steering Committee shall be held each year on a date and at a time and place as shall be determined by resolution of the Steering Committee.
7. **Regular meetings of the Steering Committee.** Regular meetings of the Steering Committee shall be held at such times and places as the Steering Committee by resolution or other action may determine. If any day fixed for a regular meeting shall be a legal holiday at the place where the meeting is to be held, then the meeting which would otherwise be held on that day shall be held at the same hour on the next succeeding business day which is not a legal holiday.
8. **Special meetings of the Steering Committee.** Special meetings of the Steering Committee may be called by either: (a) the Chairman of the Board of NERC, (b) the Chairman or Vice Chairman of the Steering Committee, or (c) a majority of the Steering Committee. Business transacted at a special meeting shall be limited to the purpose or purposes stated in the notice of meeting.
9. **Notice of meetings.** Written notice of the time, day, and place of all meetings of the Steering Committee shall be given to all members of the Steering Committee in person, by telephone, mail, e-mail, or facsimile, by or at the direction of the Chairman of the Steering Committee or the persons who called the meeting. For special meetings, the notice of meeting shall further specify the purpose or purposes for which the meeting is being called. If the notice is sent by mail, it must be deposited in the United States first class mail or with a private mail carrier for overnight delivery, postage prepaid and addressed to the Steering Committee representative at his address as it appears on the records of the Forum, at least five days before the day of the meeting. If the notice is sent by any other method or is delivered in person, the notice must be sent or delivered at least forty-eight hours before the meeting. For special meetings, such notice may be sent or delivered twenty-four hours before the meeting. A waiver of notice in writing signed by the person or persons entitled to notice, whether before or after the time stated therein, shall be equivalent to the giving of notice.
10. **Forum staff.** The Steering Committee shall, subject to the hiring practices and policies of NERC and the approval of NERC's President (which approval shall not be withheld unreasonably), select and be responsible for any Forum Staff, including Forum senior leadership and professional staff, consistent with the provisions pertaining to financial matters for such Forum Staff in Section 6 of this Charter. Both the Steering Committee and NERC's President shall have the authority to terminate Forum Staff; provided, however, that the Steering Committee and NERC's President shall consult with each other regarding such matters. As described more fully in

Section 6, Forum Staff are deemed NERC employees except as provided in Paragraph 11 below or otherwise provided herein.

11. **Consultants and Other Service Providers.** The Steering Committee may, subject to the practices and policies of NERC and the approval of NERC's President (which approval shall not be withheld unreasonably), retain or engage consultants and other service providers as Forum Staff consistent with the provisions pertaining to financial matters for such Forum Staff in Section 6 of this Charter. Both the Steering Committee and NERC's President shall have the authority to terminate such Forum Staff; provided, however, that the Steering Committee and NERC's President shall consult with each other regarding such matters. Such consultant or other service provider may not be considered a "NERC employee" as referenced in Section 6, Paragraph 1, but may be required to adhere to policies and codes of conduct applicable to NERC employees as required by the NERC President or the Steering Committee on a case-by-case basis prior to the retention or engagement of any such consultant or service provider.
12. **Forum Loaned Employees.** On a case-by-case basis and subject to the terms specified by the Steering Committee, and as approved by NERC's President, the Forum may utilize either of the following in furtherance of its purposes: (i) employees of Members who are "on-loan" to the Forum, and (ii) Forum Staff who are "loaned" to a Member.
13. **Written Consent Actions.** Any action required to be taken or permitted to be taken by the Steering Committee may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the members of the Steering Committee. The written consent action shall have the same force and effect as a unanimous vote of such committee and shall be filed with the minutes of the proceedings.
14. **Rules of Conduct.** The Steering Committee may adopt rules for its own conduct not inconsistent with the Certificate of Incorporation of NERC, the Bylaws of NERC, Rules of Procedure of NERC or other rules adopted by NERC's Board or this Charter; provided, however that any such rules of conduct shall be subject to the subsequent review of NERC's General Counsel for consistency with the above-referenced authorities. A copy of any such rules of conduct shall be provided to the NERC Liaison.
15. **Executive Council.** In the event the total number of Members shall exceed twenty, the Steering Committee may create an Executive Council with such number of members, responsibilities, and authority as may be agreed upon by the Steering Committee and delegated to it by resolution. Any such resolution shall be approved by the NERC General Counsel. The NERC Liaison shall participate in the activities of the Executive Council in the same manner as the Steering Committee. Any such Executive Council shall be fairly representative of the Membership, including,

without limitation, where possible Members from various Regional Entities as well as Canada and Mexico.

Section 3. Members

1. **Applications for Membership.** Applications for membership in the Forum shall be made in such form and shall contain or be accompanied by such information regarding the applicant as the Steering Committee may from time to time prescribe. A completed application for membership shall be considered by the Steering Committee as soon as possible following its receipt. The Steering Committee shall act upon such application at such time unless, for a stated reason, action thereon shall be deferred to a later time. Applicants accepted as members of the Forum are, consistent with Section 1, Paragraph 1, referred to as “Members.”
2. **Eligibility for Membership.** Membership in the Forum shall be open to any person or entity that owns, operates or controls at least 200-50 circuit miles of integrated transmission facilities, or continuously operates a control center staffed by NERC-certified Transmission Operators or Reliability Operators¹, or has an open access transmission tariff or equivalent on file with a regulatory authority; provided, however, that Members also must be members of NERC. Members may include, without limitation, regional transmission organizations and independent system operators.
3. **Responsibility for Compliance with NERC Reliability Standards.** Forum Members are expected to comply with all applicable NERC reliability standards. Furthermore, any best practices developed by the Forum shall be consistent with (or not conflict with) any NERC reliability standard. In the event an alleged violation of a reliability standard comes to the attention of the Forum and/or Forum Members during the course of Forum activities, the allegedly violating Member, through its representative on the Steering Committee, will be encouraged to evaluate the alleged violation and self-report the violation to compliance / enforcement program officials as appropriate. However, if no such report is made regarding the alleged violation, and the Forum continues to believe there is a basis for the allegation, then the Forum, through its Chairman or Vice-Chairman is authorized and obligated to inform the CEO of the applicable Member of such alleged violations so that the Member can evaluate and self-report the violation to compliance / enforcement program officials as appropriate. However, if, again, no such report is made regarding the alleged violation and the Forum continues to believe there is a basis for the allegation, then the Forum, through its Chairman or Vice-Chairman, is authorized and obligated to report such alleged violation to the NERC Liaison or NERC compliance / enforcement program officials.
4. **Dues payable.** It is expressly understood that it is the intention of the NERC Board and the Steering Committee that the Forum shall be a fiscally self-sustaining subordinate organization that does not impose additional fiscal burdens on NERC. It

¹ NERC defines the credentials for Transmission Operators and Reliability Operators as part of NERC’s System Operator Certification Program.

is further understood that it is the intention of the NERC Board and the Steering Committee to ensure that dues and other monetary obligations required of Members should not constitute an undue barrier to Membership in the Forum. The Steering Committee shall have the authority to prescribe annual dues payable by Members of the Forum. The Steering Committee, after consultation with the NERC Chief Financial Officer, shall establish procedures for the timing of dues payments, the prorating of dues, and related matters. Such annual dues shall be made up of two equally weighted components: (1) a per capita component, and (2) a size-based component based upon relative load (e.g., peak demand or net energy for load) as determined by the Steering Committee. The size-based component of any such annual membership dues may be imposed on a graduated scale based on any measure with such graduations as the Steering Committee deems appropriate. The Steering Committee may also make such adjustments as it deems appropriate to minimize the effects of double-counting and similar issues. The Steering Committee shall revisit the dues structure and formula following the first fiscal year of the Forum in which a formula is utilized to calculate dues. Notwithstanding anything to the contrary in this Charter, the Steering Committee will assess an "initiation fee" of \$5,000 (U.S.) for the Forum's first year of activities. Any Member that joins the Forum after the first year of Forum activities will be required to pay this initiation fee in addition to any applicable dues pursuant to a duly approved Forum formula.

5. **Additional contributions.** The Steering Committee may from time to time require the Members to contribute such additional amounts as the Steering Committee deems appropriate for the operation of the affairs of the Forum; provided, that such additional amount is approved by at least two-thirds of the Steering Committee members eligible to vote at a duly called meeting. Any such additional contributions shall be based upon the same methodology adopted under Section 3, Paragraph 4, unless the Steering Committee determines otherwise.
6. **Costs.** Each Member shall bear its own costs of attending any meetings of the Steering Committee. The general costs of any such meeting shall be paid from those funds received as dues under Paragraph 4 of this Section 3 or by a special assessment as provided for in Paragraph 5 of this Section 3. In addition, the salary or other overhead costs of the NERC Liaison shall not be included in the calculation of dues or borne by the Forum in any way.
7. **Transfer of membership.** Membership in the Forum shall not be transferable or assignable whether by sale, merger, consolidation, or otherwise, except as expressly provided for in this Charter or approved by the Steering Committee. In the event of a merger or consolidation involving at least one Member, the surviving or resulting entity may continue to be or become a Member of the Forum without the payment of any additional dues or extraordinary contributions occasioned by such merger or consolidation and may continue to hold, and make dues payments for, all such interests held by the parties to the merger provided that the surviving or resulting entity continues to qualify for Forum Membership consistent with Paragraph 2 of this Section 3.

8. **Resignation of members.** Any Member may resign at any time upon written notice to the Steering Committee Chairman and the NERC Liaison at NERC's principal office. Any resignation shall become effective at the time or upon the happening of the condition, if any, specified therein, or, if no such condition or time is specified, upon its receipt. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.
9. **Expulsion of members.** Any Member may be expelled from the Forum for cause by the affirmative vote of three-fourths (3/4) of the members of the Steering Committee then in office. Such cause shall include but not be limited to the following:
 - a. Repeated or willful violations of the provisions of this Charter, the Certificate of Incorporation or Bylaws of NERC, including repeated or willful failure to pay when due any dues owing pursuant to this Charter or otherwise to NERC;
 - b. The occurrence or existence of any act, event, or condition which reasonably leads the Steering Committee to believe that a Member is or is about to become unable to meet its obligations under this Charter or the Bylaws of NERC; and
 - c. An act of misconduct or a misrepresentation which the Steering Committee deems in its sole discretion to have had a detrimental impact on NERC's pursuit of its purposes through the Forum or otherwise.

A Member may be expelled for cause only after a reasonable notice and an opportunity to be heard by the members of the Steering Committee. Upon voting to expel any Member from the Forum, the Steering Committee shall promptly give written notice to the expelled Member setting forth the date on which the expelled Member's membership shall terminate and the reasons for such termination. This notice will be provided simultaneously to the NERC Liaison. The expelled Member may appeal its expulsion to the NERC Board and the Board's decision shall be final.

10. **Liability of members.** Except to the extent expressly provided for elsewhere in this Charter, no Member of the Forum shall be individually or personally liable to the creditors of the Forum or NERC for any indebtedness or liabilities of NERC, and any and all creditors of the Forum or NERC shall look only to the assets of the Forum or NERC, respectively, for payment of any such indebtedness or liabilities.
11. **Liability of members upon resignation or expulsion.** A Member which resigns or is expelled from the Forum or whose membership in the Forum shall have otherwise been terminated for any reason shall be and remain liable to the Forum and its Members, as the case may be, for or on account of any obligations which have accrued prior to the effective date of such resignation, expulsion, or termination of Membership, including without limitation any unpaid dues payable prior to such effective date. No dues previously paid shall be refunded to a resigning or expelled Member.

- 12. Associate members of the Forum.** The Steering Committee may determine by resolution to establish a division(s) of the Forum for entities and persons who would not otherwise be eligible to be Forum Members (“Associate Members”). Potential Associate Members may include transmission owners and operators from outside North America, vendors or academics. Any Steering Committee resolution establishing a division of the Forum for Associate Members shall set forth their roles and responsibilities and such other matters related to Associate Members as the Steering Committee deems appropriate.

Section 4. Confidentiality

- 1. Need for confidential treatment.** In order to encourage full and active participation by Members of the Forum and recognizing that the success of the Forum in enhancing the reliable operation of the bulk power system is largely dependent on broad participation and candid discussions among Members, the meetings and activities of the Forum and other interactions of Forum Members shall be treated with the highest degree of confidentiality as may be permitted by law, rule or regulation of any applicable governmental authority. The Steering Committee may elect to have all Members execute a separate confidentiality agreement as a condition to joining as described below. NERC will use its best efforts to protect the confidentiality of Forum materials and information.
- 2. Confidential information.** For purposes of this Charter, “Confidential Information” shall mean the substance and content of: (i) all discussions between the Members and their respective Representatives (as such term is defined in Section 4 below) concerning or in connection with the Forum and all information ascertained through such discussions; and (ii) any and all written, printed or other materials (regardless of form) provided by any Member to another concerning or in connection with the Forum. Confidential Information shall include, but not be limited to, all cost, operational, economic or financial knowledge, information or data of any nature whatsoever relating to any Member that may have been or will be provided or disclosed in connection with the activities of the Forum. Notwithstanding the foregoing, Confidential Information shall not include: information that at the time of disclosure by a Party (the “Disclosing Party”) is publicly available or later becomes publicly available other than through a violation of this Agreement by the recipient (the “Receiving Party”); information received by the Receiving Party from a third party who, to the best of the Receiving Party’s knowledge, did not acquire such information on a confidential basis either directly or indirectly from the Disclosing Party; or information that the Receiving Party can demonstrate was independently developed by or for it without violating its obligations under this Agreement. Specific information shall not be deemed to be within the foregoing exceptions merely because such information relates to more general information that falls within such exceptions.
- 3. Confidentiality agreement.** Each Member and each Member’s Representatives (as hereinafter defined) taking part in Forum activities whether as representatives to

the Steering Committee or otherwise may be required to execute a Confidentiality Agreement developed by the Steering Committee in a form satisfactory to NERC's General Counsel. To the extent issues applicable to the Forum are not otherwise addressed in any other NERC confidentiality agreement to which they have committed to abide, the NERC Liaison and Forum Staff also may be required to execute a Confidentiality Agreement to participate in Forum activities.

4. **Treatment of confidential information.** Each of NERC, NERC Staff, the Forum, Forum Staff and Forum Members shall use the Confidential Information solely for the purposes contemplated by this Charter and shall not disclose the Confidential Information to any third party except as expressly provided herein. The aforementioned parties shall take all necessary precautions to prevent any such disclosure by their respective employees, officers, directors, representatives, agents and affiliates ("Representatives"). Each of NERC, the Forum and Members acknowledge that all right, title and interest in and to the Disclosing Party's Confidential Information is vested in such Disclosing Party. Notwithstanding anything to the contrary in the foregoing, it is understood and agreed that a Receiving Party shall be allowed to disclose such Confidential Information as is required to comply with applicable laws, regulations or regulatory requirements, or with a court or administrative order, subpoena, civil investigative demand or other legal process, provided that the Disclosing Party receives prior written notice of such disclosure and the Receiving Party cooperates with the Disclosing Party in taking such actions as reasonably necessary to narrow the release of such Confidential Information.
5. **Public sessions.** Notwithstanding anything to the contrary stated herein, information disclosed at Public Sessions, as described in Section 1, Paragraph 3.i shall not be considered Confidential Information. To that end, Members shall not disclose otherwise Confidential Information regarding any other Member at such a Public Session.
6. **Reporting of Violations.** In the event the Chairman or Vice-Chairman reports the alleged violation of a reliability standard by a Member pursuant to Section 3, Paragraph 3 of this Charter, such reporting shall not constitute a violation of this Section 4 or any other obligation under this Charter.

Section 5. Antitrust Compliance

1. **Antitrust compliance guidance.** It is the policy of the Forum to obey all applicable antitrust laws. In order to ensure compliance with those laws, the Forum and all Members of the Forum in conducting the business of the Forum shall observe the Antitrust Guidelines of NERC and any Antitrust Guidelines established for the Forum. To that end, the Steering Committee shall ensure that:
 - a. All agendas of meetings are reviewed by NERC's General Counsel or other counsel with antitrust experience as requested by the NERC General Counsel,

- who shall have an attorney – client relationship with the Forum for privilege purposes in connection with Forum activities;
- b. Counsel familiar with the antitrust laws attends meetings of the Steering Committee and/or the Members when requested by the NERC General Counsel;
 - c. To the extent required by NERC through the NERC Board or its General Counsel, all representatives to the Steering Committee attend antitrust orientation training sessions; and
 - d. Competitively sensitive information either is not shared among the Members or is dealt with in a manner that renders such information unlikely to be useful in any attempt by the relevant parties to violate the antitrust laws.
2. **Competitively sensitive information.** Competitively sensitive information may be exchanged among competitors only if certain safeguards are put in place such as the aggregation of such data by an independent third party and the aging of such aggregated information prior to dissemination among competitors. Any Antitrust Guidelines established for the Forum are to include any such requirements.
 3. **Business review letter.** The NERC General Counsel may request that the Forum seek a Business Review Letter from the United States Department of Justice Antitrust Division for prospective activities and in such event the Forum shall effectuate such request.

Section 6. Financial Matters

1. **Segregated account.** The Forum shall have the right to establish an account within NERC for the retention and separate accounting of monies associated with its activities. Any monies remaining in such account at the end of any fiscal year may be maintained in such account until needed for the Forum's activities. Any such account shall be under the supervision of and managed in consultation with the NERC Chief Financial Officer and the NERC Liaison. Any person hired to manage, coordinate or support the activities of the Forum shall be a NERC employee and paid by NERC from the Forum's account; provided, that any consultant or service provider retained or engaged by the Forum who is not a NERC employee shall also be paid by NERC from the Forum's account, as described in Section 2, Paragraph 11. The Forum shall be financially self-sustaining with respect to NERC's support of the Forum, including appropriate overhead costs.
2. **Budget and financial Controls.** The Forum shall utilize the same fiscal year as NERC. In its second year of operations and thereafter, the Steering Committee shall establish an annual budget in coordination with the NERC Chief Financial Officer. Such annual budgets shall be submitted to the NERC Board for approval by a date established by the Steering Committee, and the NERC Chief Financial Officer, in consultation with each other. Any variances from the aggregate amount of expenditures shown in the approved budget shall be submitted to the Finance and Audit Committee of the NERC Board for approval unless such variance is proposed

in conjunction with an approved and commensurate Additional Contribution as described in Section 3, Paragraph 5, or unless such variance and the conditions for such variance had been approved by the NERC Board in conjunction with the annual budget.

3. **Prohibited transactions.** No action shall be taken by or on behalf of the Forum if such action is a prohibited transaction or would result in the denial or loss of status of NERC as a tax-exempt organization under the provisions of Section 501(c)(6) of the Internal Revenue Code of 1986, as amended, or the corresponding provisions of any subsequent federal tax law, and its regulations as they now exist or as they may hereafter be amended.

Section 7. Amendments

This Charter may be amended, repealed, or altered in whole or in part by the affirmative vote of three-fourths (3/4) of the members of the Steering Committee and a concurring vote of the majority of the NERC Board then in office at any meeting which is duly convened after notice of such purpose.

Section 8. Termination

The Forum may be terminated by an action of the NERC Board at a duly called meeting, notice of which included the purpose of terminating the Forum. The Forum also may be terminated upon the affirmative vote of not less than three fourths (3/4) of the Members. The Forum shall automatically terminate in the event there are less than five (5) Members for a period of more than one (1) year.

Section 9. Miscellaneous

1. **Limitations on Forum and Steering Committee authority.** For the avoidance of doubt, neither the Forum, the Steering Committee, nor any Executive Council shall have the power to do any of the following:
 - a. Amend or restate NERC's Certificate of Incorporation;
 - b. Amend, alter, or repeal NERC's Bylaws;
 - c. Incur any liability or execute any contracts on behalf of NERC or commit NERC to spend any funds;
 - d. Adopt a plan for the distribution in liquidation of the assets of NERC;
 - e. Effect dissolution of NERC;
 - f. Authorize the sale, lease, exchange, or mortgage of all or substantially all of the property and assets of NERC;
 - g. Adopt a plan of merger or consolidation;
 - h. Elect, appoint, or remove any director or officer of NERC;

- i. Amend, alter, or repeal any action or resolution of NERC's Board unless by its terms such resolution provides that it may be amended, altered, or repealed by such committee;
 - j. Adopt reliability standards; or
 - k. Ignore or violate applicable legal requirements, including applicable antitrust laws, FERC Standards of Conduct, and other NERC requirements.
2. **Waiver and release.** For and in consideration of the right to join and participate in the Forum and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, each Member hereby releases NERC, NERC's Board of Trustees, NERC Staff and other representatives of NERC, the Forum, Forum Staff, the other Forum Members and their respective representatives to the Steering Committee, and other volunteers (collectively, the "Released Parties") from and waives all claims, actions, damages, and causes of action of any type, whether known or unknown, which concern, or arise directly or indirectly out of the business and activities of the Forum and solely as related to the business and activities of the Forum.
3. **Covenant not to sue.** For and in consideration of the right to join and participate in the Forum and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, each Member covenants not to sue the Released Parties and agrees and acknowledges that if it institutes, or causes to be instituted, or allows to be instituted on its behalf, any claim, action, cause of action, complaint, or charge, related, directly or indirectly, to the business and activities of the Forum such Member will indemnify and hold harmless such Released Parties from any and all damages, judgments, interests, costs, and expenses of litigation, including attorneys' fees, of any such action or cause of action related, directly or indirectly, to the business and activities of the Forum.
4. **Governing law.** For the avoidance of doubt, as a subordinate organization of NERC, the Forum shall be governed by the laws of the State of New Jersey, including the New Jersey Nonprofit Corporation Act to the extent applicable.

Forum Petition

PETITION FOR FORMATION OF THE TRANSMISSION OWNERS AND OPERATORS SECTOR FORUM

The undersigned parties, constituting ten expected members of the North American Electric Reliability Corporation (“NERC”) as the certified Electric Reliability Organization, hereby petition the NERC Board of Trustees to establish, pursuant to Section 712.1 of its Rules of Procedure, a sector forum to be named the “Transmission Owners and Operators Sector Forum”. The signatories to this Petition share a common interest in the safety and reliability of the bulk power system and believe that formation of the Transmission Owners and Operators Sector Forum is in the best interest of the safety and reliability of the bulk power system.

Pursuant to Section 712.2 of the NERC Rules of Procedure, the undersigned parties attach as Exhibit A to this Petition a proposed Charter for the Transmission Owners and Operators Sector Forum (the “Charter”). The undersigned parties hereby further request that the NERC Board of Trustees approve the Charter as submitted. This Petition may be executed in counterparts each constituting an original but together forming one Petition.

American Transmission Company

By: /s/ Jose M. Delgado

Name: Jose M. Delgado

Title: President & CEO

Date: October 2, 2006

Ameren

By: /s/ David A. Whiteley

Name: David A. Whiteley

Title: Senior Vice President,
Energy Delivery Service

Date: October 2, 2006

American Electric Power

By: /s/ Carl English

Name: Carl English

Title: President,
AEP Utilities

Date: October 6, 2006

Southern Company Services, Inc.

By: /s/ William O. Ball

Name: William O. Ball

Title: Senior Vice President,
Transmission Planning & Operations

Date: October 2, 2006

Florida Power & Light Co.

By: /s/ C. Martin Mennes

Name: C. Martin Mennes

Title: Vice President,
Transmission & Substation

Date: October 2, 2006

Midwest ISO

By: /s/ William C. Phillips

Name: William C. Phillips

Title: Vice President,
Interregional Coordination & Policy

Date: October 9, 2006

Transmission Owners & Operators Forum Charter

Tennessee Valley Authority

By: /s/ Terry Boston

Name: W. Terry Boston

Title: Executive Vice President,
Power System Operations

Date: October 10, 2006

Exelon Energy Delivery

By: /s/ Susan O. Ivey

Name: Susan O. Ivey

Title: Vice President, Transmission
Operations & Planning

Date: October 9, 2006

Xcel Energy

By: /s/ Douglas W. Jaeger

Name: Douglas W. Jaeger

Title: Vice President,
Transmission

Date: October 9, 2006

ITC Transmission

By: /s/ Joseph L. Welch

Name: Joseph L. Welch

Title: President and CEO

Date: October 10, 2006



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

July 7, 2008

TO: NERC BOARD OF TRUSTEES
NERC STAKEHOLDERS

Ladies and Gentlemen,

NERC has recently come under scrutiny with respect to our response to certain specific cyber security vulnerabilities identified by the Department of Homeland Security (Aurora) as well as the effectiveness of our overall critical infrastructure protection program. It is absolutely essential that NERC responds swiftly and effectively to such criticisms and that the industry continues to address cyber vulnerabilities that could impact the reliability of the bulk power system (BPS).

NERC, as the international electric reliability organization (ERO), must be at the forefront with respect to cyber security. NERC needs to do a better job of communicating industry efforts to mitigate threats to cyber security and must do more, in a coordinated manner, to help policy makers address the critical infrastructure protection concerns faced by the industry.

NERC and the industry share a mutual goal to ensure that threats to the reliability of the BPS, especially cyber security threats, are clearly understood and are sufficiently mitigated.

NERC in collaboration with the industry must address the following questions:

- What will it take to reasonably ensure the reliability of the BPS from a cyber security threat?
- What should NERC do to ensure its efforts are complementary to the efforts of the government and industry with regard to cyber security protection?
- What should NERC do to ensure that there are no “gaps” and no “confusion” with respect to responsibilities for and execution of cyber security protection initiatives?

Overall, NERC is addressing cyber security within each of our major program areas consistent with each program’s scope, unique authority, policies, procedures, and protocols. However, what NERC is currently able to do in each of its programs is limited by a lack of thorough threat analysis and risk assessment. NERC must elevate the importance and sense of urgency associated with cyber security threats, especially as it relates to this shortcoming. While NERC can and will seek to improve in this area, it must also ask “Is it sufficient to continue to treat critical infrastructure protection in the same manner as the remainder of its activities?”

NERC, the industry, and the agencies of the respective governments that oversee our reliability activities understand that cyber security threats are not the same as the traditional threats to BPS reliability. NERC cannot be successful going forward without explicitly identifying and addressing the unique challenges that cyber security threats pose to the reliability of the bulk power system.

Security Threats are Jurisdictionally Unbounded

NERC's charter and delegated authority under Section 215 of the Federal Power Act (in the United States) focus on the reliability of the BPS. When Congress drafted Section 215 it intentionally excluded distribution facilities. As a consequence, NERC has no jurisdiction with respect to distribution facilities and it does not require any additional authority over distribution facilities in order to ensure the reliability of the BPS through its reliability standards development and compliance and enforcement program. (Threats of a national security concern could arise from distribution facilities as demonstrated by Aurora but these are outside the charter and delegated authority of NERC.)

Similarly, NERC has no jurisdiction to set or enforce mandatory standards applicable to the providers of telecommunication services and equipment, which also serve as a potential "attack vector" for cyber security threats.

(NERC, in its capacity as the Electric Sector Information Sharing and Analysis Center (ESISAC), also has some related responsibilities for cyber and physical security issues associated with all electric facilities operated in the United States.)

Critical Infrastructure Protection is Ever-changing with Technology

NERC's standards development process is structured to leverage industry subject matter expertise against well defined problems with long histories and defined data; incremental improvement over time can be accepted, rather than quick, significant change without operating experience as a basis and in short timeframes. While the vast majority of our standards apply to the former, cyber security at times requires the latter. Since the technology changes frequently, potential threats arise quickly. SCADA (Supervisory Control and Data Acquisition) and communications technologies continue to evolve at a rapid pace. Standards relating to critical infrastructure in general and cyber-security in particular will need to continue to evolve driving some future change on the industry.

Critical Infrastructure Threats can be Intentional

NERC standards development is designed to respond to defined, measurable risks that can be identified from operating experience, event analysis, compliance audits, system and equipment performance analysis, and benchmarking programs. Consequently the necessity for standards is transparent.

The intentional nature of cyber and physical security threats means the protection of the BPS is dependent in large measure on the quality and timeliness of threat analysis and risk assessments developed by others. Worldwide circumstances rather than operating conditions of the BPS can raise the threat level.

Critical Infrastructure Threats Require Confidential Assessment

NERC draws its technical expertise from the collective wisdom of others who volunteer their time for the good of the cause. When we are successful it is because we assemble these industry subject matter experts into drafting teams, develop and post our proposed standards for broad industry stakeholder comment, and gain approval by supermajority vote.

Unfortunately much of the valuable information on critical infrastructure threats resides within government agencies and confidential treatment of that information is essential. In non-emergency situations coordination with the respective agencies is possible and the limitations associated with confidential information can be mitigated. Nevertheless these are special challenges not required when developing NERC's other reliability standards.

Response (or lack thereof) to Critical Infrastructure Threats can do Harm

As a standard setting and enforcement organization, NERC must do no harm to the reliability of the BPS.

Critical Infrastructure responses to threats are different. Every survey result, every instruction on how to mitigate risks, every documented compliance action comes with some risk of harm because it could provide a road map of actions taken and not taken with respect to protecting the BPS from such threats. Failure to act quickly may cause even greater harm because of the pace of technological change noted above.

Summary

Because cyber security threats are different, NERC must address these threats differently, but consistent with its mission as an international ERO. This is the most compelling reason for change going forward. Recommendations on immediate actions items are outlined below.

Recommendations

1. Establish a Chief Security Officer (CSO)

Recognizing the critical differences associated with cyber security threats to bulk power system reliability, NERC will consolidate responsibility for coordination of cyber security matters across all NERC activities into a single responsibility area. NERC will staff a senior executive to be the "Chief Security Officer" who will serve as a single point of contact for the industry, the Electricity Sector Steering Group (ESSG), and government stakeholders seeking to communicate with NERC on cyber and infrastructure security matters.

2. Critical Infrastructure Protection as a NERC Program

Critical Infrastructure Protection must become a higher priority within NERC. To do so we will formally establish a Critical Infrastructure Protection program as one of NERC's statutory functions. The program will be led by the NERC CSO reporting to the NERC CEO with guidance from the ESSG. (The current ESISAC and situation awareness activities may also report to the CSO depending on the successful candidate's qualifications.) The CSO will have responsibility for assuring the Rules of Procedure for all NERC programs are implemented in a timely and effectively manner with respect to Critical Infrastructure Protection. The CSO will be responsible for evaluating and recommending any changes to the rules of procedure necessary to achieve the objectives of the Critical Infrastructure Protection program. The CSO will be responsible for assuring coordination between NERC and the respective government agencies with respect to all critical infrastructure protection matters, especially where confidentiality is an issue. As a first step, the CSO, with the assistance of the regional entities, will perform an assessment, with metrics and recommendations, of the preparedness of the users, owners, and operators on the NERC compliance registry to address cyber security threats. The assessment and recommendations will address preventing intrusions as well as assessing the capability for isolating and limiting attacks so they remain within our abilities to withstand any subsequent equipment losses and restore the system quickly. The CSO should also represent NERC in the Partnership for Critical Infrastructure Security.

3. Alternative Standard Setting Process for Cyber Security Standards

As a part of the mandate to the board committee on standards, NERC will establish a task force to review, and where appropriate recommend, a standard setting process for Cyber Security that will include an emergency/crisis standards setting process. This process must provide a level of due process and technical review, but also provide the speed necessary to establish standards quickly and work seamlessly with any new authority granted in the United States to the FERC. NERC will investigate and review standards development models from other industries.

NERC requests the Standards Committee consider the most effective approach for accelerating the review of the existing critical infrastructure protection standards to incorporate the comments from FERC, and specifically consider the extent to which elements of the NIST standards should be included in the NERC cyber security standards.

4. Improve Depth of Expertise

NERC will request the Regional Entities who have not already done so to establish a working group of industry experts. Under the direction of the CSO and in consultation with CIPC leadership, NERC will re-examine the charter and scope of the Critical Infrastructure Protection Committee to maximize its contribution to NERC and the industry with respect to cyber security protection. Under the direction of the CSO and director of compliance NERC will increase its IT professional expertise. Regional Entities will be requested to conduct CIP workshops to enhance the development and training of CIP auditors.

NERC will add Critical Infrastructure Protection experience to the search criteria for the next NERC trustee.

5. Closer Coordination with Government

NERC, with the guidance of the ESSG, will establish a protocol with DHS, DOE, FERC, and their Canadian counterparts to ensure comprehensive cyber security threat analysis and risk assessment is available to NERC from a consolidated government voice, with industry users, owners, operators able to participate directly.

To ensure NERC is making decisions and setting priorities on the most current information, NERC will, in consultation with FERC, organize a briefing for the ESSG, the NERC CEO, and senior level utility executives across all stakeholder groups on cyber security threats. In particular, NERC will determine the need for, and implement any actions such as, alerts, remedial actions, or urgent and emergency action standards that stem from the briefing.

NERC will work with the ESSG, FERC, and applicable Canadian authorities to identify the most effective and secure method of assessing cyber security preparedness and performance.

6. Communications

Under the direction of the CSO, NERC will establish communication protocols for responding to public and media questions on matters associated with Critical Infrastructure Protection, especially with regard to cyber security.

7. Completion Date

Completion of these activities in a timely manner is essential. NERC management will report at each board meeting on progress toward these goals with completion of all goals targeted for no later than year end.

Summary

We share a mutual goal — to ensure the reliability of the BPS with respect to cyber security. The recommendations are designed to be complementary to the government as well as users, owners, and operators of the BPS, while making NERC a more effective and responsive organization in regard to security threats to the reliability of the BPS. I welcome your comments and suggestions.

Sincerely,



North American Electric Reliability Corporation

Statement of Activities

(Unaudited)

From 1/1/2008 to 6/30/2008

(In Whole Dollars)

Over(Under)

	YTD Actual	YTD Budget	YTD Budget Variance	2008 Projection	Total Budget	2008 Budget Variance from Projection
Funding						
Assessments	15,173,474	14,795,955	377,519	25,694,031	24,938,994	755,037
Membership Fees	405,015	175,000	230,015	785,000	175,000	610,000
Testing	625,195	481,500	143,695	963,000	963,000	-
Services & Software	164,601	127,500	37,101	335,000	255,000	80,000
Interest	85,513	100,000	(14,487)	200,000	200,000	-
Misc.	-	-	-	-	-	-
Total Funding	16,453,797	15,679,955	773,842	27,977,031	26,531,994	1,445,037
Expenses						
Personnel Expenses						
Salaries	7,070,161	7,473,825	(403,664)	12,738,355	13,187,575	(449,220)
Payroll Taxes	549,169	561,761	(12,592)	744,973	773,557	(28,584)
Employee Benefits	631,446	841,704	(210,258)	1,623,325	1,692,607	(69,282)
Savings & Retirement	757,508	616,465	141,042	1,649,991	1,261,195	388,797
Total Personnel Expenses	9,008,284	9,493,756	(485,473)	16,756,644	16,914,934	(158,290)
Meeting Expenses						
Meetings	458,663	360,500	98,163	796,003	720,500	75,503
Travel	1,024,893	686,350	338,543	1,626,370	1,372,700	253,670
Conference Calls	70,723	56,500	14,223	134,171	113,000	21,171
Total Meeting Expenses	1,554,280	1,103,350	450,930	2,556,543	2,206,200	350,343
Operating Expenses						
Rent & Improvements	378,872	340,000	38,872	680,000	680,000	-
Contracts	1,248,214	1,313,430	(65,216)	2,816,860	2,626,860	190,000
Consultants	562,143	640,000	(77,857)	1,371,270	1,280,000	91,270
Office Costs	508,462	372,500	135,962	813,168	745,000	68,168
Professional Services	549,388	770,000	(220,612)	1,370,000	1,420,000	(50,000)
Computer Purchase & Maint.	189,604	300,000	(110,396)	742,075	600,000	142,075
Furniture & Equipment	3,098	27,500	(24,402)	55,000	55,000	-
Miscellaneous	3,951	2,000	1,951	4,000	4,000	-
Total Operating Expenses	3,443,732	3,765,430	(321,697)	7,852,373	7,410,860	441,513
Other Non-Operating Expenses						
			-	755,037		755,037
Total Expenses	14,006,296	14,362,536	(356,240)	27,920,598	26,531,994	1,388,604
Net Change in Assets	2,447,501	1,317,419	1,130,082	56,432	(0)	56,432