UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION	**)**	**Docket No. RR06-1-___**

QUARTERLY REPORT OF THE NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION REGARDING ANALYSIS OF RELIABILITY STANDARDS VOTING RESULTS OCTOBER – DECEMBER 2008

Rick Sergel
President and Chief Executive Officer
David N. Cook
Vice President and General Counsel
North American Electric Reliability Corporation
116-390 Village Boulevard
Princeton, NJ 08540-5721
(609) 452-8060
(609) 452-9550 – facsimile
david.cook@nerc.net

Rebecca J. Michael
Assistant General Counsel
North American Electric Reliability Corporation
1120 G Street, N.W., Suite 990
Washington, D.C. 20005-3801
(202) 393-3998
(202) 393-3955 – facsimile
rebecca.michael@nerc.net

January 30, 2009

TABLE OF CONTENTS

I. INTRODUCTION

The North American Electric Reliability Corporation ("NERC")[1] submits its fourth quarter 2008 report on the analysis of voting results for Reliability Standards. This filing is submitted in response to the Federal Energy Regulatory Commission's ("FERC" or the "Commission") January 18, 2007 Order[2] that requires NERC to closely monitor and report to the Commission the voting results for NERC Reliability Standards each quarter for three years. This fourth quarter 2008 report covers balloting results during October 1, 2008–December 31, 2008 and includes NERC's analysis of the voting results, including trends and patterns of stakeholder approval of NERC Reliability Standards.

II. NOTICES AND COMMUNICATIONS

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

Rick Sergel
President and Chief Executive Officer
David N. Cook*
Vice President and General Counsel
North American Electric Reliability Corporation
116-390 Village Boulevard
Princeton, NJ 08540-5721
(609) 452-8060
(609) 452-9550 – facsimile
david.cook@nerc.net

Rebecca J. Michael*
Assistant General Counsel
North American Electric Reliability Corporation
1120 G Street, N.W., Suite 990
Washington, D.C. 20005-3801
(202) 393-3998
(202) 393-3955 – facsimile
rebecca.michael@nerc.net

*Persons to be included on the Commission's official service list.

[1] NERC has been certified by the Commission as the electric reliability organization ("ERO") authorized by Section 215 of the Federal Power Act. The Commission certified NERC as the ERO in its order issued July 20, 2006 in Docket No. RR06-1-000. *Order Certifying North American Electric Reliability Corporation as the Electric Reliability Organization and Ordering Compliance Filing*,116 FERC ¶ 61,062 (2006).

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

III. BACKGROUND

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

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

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

The *Reliability Standards Development Procedure* process includes three types of ballots: an initial ballot, a recirculation ballot, and a re-ballot. If an initial ballot achieves a quorum, but

[3] Version 6.1 of the *Reliability Standards Development Procedure* is the latest Commission-approved version.

includes any negative ballots submitted with comments on the proposed standard action, then a recirculation ballot must be conducted. If an initial ballot does not achieve a quorum, then a re-ballot is conducted using the same ballot pool, but with an extended ballot window.

Approval of a standard action requires both:

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

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

- The number of affirmative votes cast in each segment is divided by the sum of affirmative and negative votes cast to determine the fractional affirmative vote for each segment. Abstentions and non-responses are not counted for the purposes of determining the fractional affirmative vote for a segment.
- If there are less than ten entities that vote in a segment, the vote weight of that segment is proportionally reduced. Each voter within that segment voting affirmative or negative receives a weight of 10% of the segment vote. For segments with ten or more voters, the regular voting procedures are followed.
- The sum of the fractional affirmative votes from all segments divided by the number of segments voting[4] is used to determine if a two-thirds majority affirmative vote has been achieved. (A segment is considered as "voting" if any member of the segment in the ballot pool casts either an affirmative or a negative vote.)
- A standard is approved if the sum of fractional affirmative votes from all segments divided by the number of voting segments is greater than two-thirds.

IV. SUMMARY OF BALLOTS DISCUSSED IN THIS REPORT

NERC conducted nine ballots from October 1, 2008–December 31, 2008, each undertaken using the NERC *Reliability Standards Development Procedure*. These nine ballots can be grouped into six distinct groups of ballot events as follows:

- Interpretation of EOP-002-2 Requirements R6.3 and R7.1 for Brookfield Power – One (1) Re-ballot
- Interpretation of TOP-002-2 Requirement R11 for Orlando Utilities Commission – One (1) Initial Ballot and One (1) Recirculation Ballot

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

- FAC-008-2 — Facility Ratings – One (1) Initial Ballot and One (1) Recirculation Ballot
- PER-005-1 — System Personnel Training – One (1) Initial Ballot and One (1) Recirculation Ballot
- MOD-004-1 — Capacity Benefit Margin – One (1) Recirculation Ballot
- MOD-030-2 — Flowgate Methodology – One (1) Initial Ballot

All of the ballot events achieved a quorum and each of the initial ballots received at least one negative ballot with comments, initiating the need for a recirculation ballot. The recirculation ballots for the MOD-030-2 standard and the interpretation of EOP-002-2 for Brookfield Power were not completed during the fourth quarter 2008. Three of the four recirculation ballots conducted received enough votes to pass the ballots: 1) the interpretation of TOP-002-2 Requirement R11 for Orlando Utilities Commission, 2) the PER-005-1 — System Personnel Training standard, and 3) the MOD-004-1 – Capacity Benefit Margin standard. The recirculation ballot for the FAC-008-2 — Facility Ratings standard received a final weighted affirmative approval of 57.37% and therefore failed to achieve the two-thirds weighted segment industry consensus required for approval.

No instance occurred where a proposed Reliability Standard or interpretation was disapproved by the ballot pool and thereafter a less stringent version of the Reliability Standard was approved in a subsequent ballot. The discussion of the detailed ballot results for each ballot event in the fourth quarter 2008 is contained in **Exhibit A** to this filing.

Respectfully submitted,

/s/ Rebecca J. Michael

Rick Sergel
President and Chief Executive Officer
David N. Cook
Vice President and General Counsel
North American Electric Reliability Council
116-390 Village Boulevard
Princeton, NJ 08540-5721
(609) 452-8060
(609) 452-9550 – facsimile
david.cook@nerc.net

Rebecca J. Michael
Assistant General Counsel
North American Electric Reliability Corporation
1120 G Street, N.W., Suite 990
Washington, D.C. 20005-3801
(202) 393-3998
(202) 393-3955 – facsimile
rebecca.michael@nerc.net

EXHIBIT A:

Analysis of 4th Quarter 2008 Reliability Standards Balloting Results

Introduction

On January 18, 2007, the Federal Energy Regulatory Commission ("Commission" or "FERC") issued its *Order on Compliance Filing* ("January 18 Order"),[5] acting on a compliance filing by the North American Electric Reliability Corporation ("NERC") in response to the Commission's Order certifying NERC as the nation's Electric Reliability Organization ("ERO") under Section 215 of the Federal Power Act.[6] The January 18 Order requires NERC to closely monitor the voting results for reliability standards and to report to the Commission quarterly for three years NERC's analysis of the voting results, including trends and patterns that may signal a need for improvement in the voting process. In its compliance filing in response to the January 18 Order, NERC stated it would file its initial quarterly report with the Commission for the first quarter of 2007 and would submit subsequent quarterly filings for the next three years. This is the fourth quarterly report for 2008 on the analysis of voting results for reliability standards.

Background

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

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

The NERC *Reliability Standards Development Procedure* provides for three different types of ballots — an initial ballot, a recirculation ballot and a re-ballot. To "pass," a ballot must achieve a quorum (at least 75% of the members of the ballot pool must return a ballot) **and** must receive

[5] *Order on Compliance Filing*, 118 FERC ¶ 61,030 (2007).
[6] *North American Electric Reliability Council and North American Electric Reliability Corporation*, "Compliance Filing of the North American Electric Reliability Council and the North American Electric Reliability Corporation Addressing Non-Governance Issues," *Docket No. RR06-1-000* (October 18, 2006).

an affirmative vote that is at least two-thirds of the weighted segment average of all ballots returned with a vote.

- If a ballot achieves a quorum but includes any negative ballots submitted with comments, then a recirculation ballot must be conducted.
- If a ballot does not achieve a quorum, then a re-ballot is conducted using the same ballot pool, but with an extended ballot window.

There were nine ballots conducted during the fourth quarter of 2008, as shown in the table below; four were initial ballots, one was a re-ballot, and four were recirculation ballots. The ballots are discussed below as six distinct groups of "ballot events."

Ballot Event #	Ballot Name	Initial Ballot Dates	Recirculation Ballot Dates	Ballot Pool Size	Total # of Votes	Quorum	Weighted Segment Approval
1	Interpretation of EOP-002-2 Requirements R6.3 and R7.1 for Brookfield Power[7]	10/6/2008 - 10/24/2008		184	152	82.61	74.67
2	Interpretation of TOP-002-2 Requirement R11 for Orlando Utilities Commission	10/21/2008 - 10/30/2008		210	175	83.33	96.94
			12/10/2008 - 12/19/2008	210	184	87.62	97.47
3	FAC-008-2 — Facility Ratings	10/27/2008 - 11/5/2008		230	205	89.13	70.01
			12/10/2008 - 12/19/2008	230	214	93.04	57.37
4	PER-005-1 — System Personnel Training	10/27/2008 - 11/5/2008		223	201	90.13	82.47
			12/12/2008 - 12/22/2008	223	204	91.48	80.63
5	MOD-004-1 — Capacity Benefit Margin		10/28/2008 - 11/6/2008	188	172	91.49	83.71
6	MOD-030-2 — Flowgate Methodology	12/1/2008 - 12/10/2008		191	160	83.77	86.51

[7] This was a re-ballot, conducted because the initial ballot of the revised interpretation (held during third quarter 2008) did not reach quorum.

Discussion of Fourth Quarter 2008 Ballot Events

The first ballot event in the 4th quarter of 2008 consisted of a re-ballot for a revised interpretation of EOP-002-2 — Capacity and Energy Emergencies Requirements R6.3 and R7.1 for Brookfield Power.

The request asked for confirmation that Requirement R6.3 requires the curtailment of only non-firm exports when interruptible load is curtailed, while Requirement R7.1 requires the curtailment of firm exports when firm load is curtailed. Brookfield Power cited Reliability Standard IRO-006-4 — Reliability Coordination — Transmission Loading Relief as the basis for its interpretation of EOP-002-2 Requirement R7.1.

An initial interpretation was balloted from June 2–11, 2008, and several stakeholders indicated the interpretation needed additional clarification. Although the initial ballot achieved a quorum (89.67%) and a weighted segment approval of 76.47%, the drafting team modified the interpretation to improve its clarity, including the language regarding the treatment of wheel-through transactions. The revised interpretation clarified that, when considering actions to be taken to comply with EOP-002-2 R6.3, it is intended that all exports, firm and non-firm, are available for curtailment with the exception of those exports designated as network resources for an external Balancing Authority. If a capacity or energy emergency still exists after all exports have been curtailed, with the exception of those related to a network resource designated to an external Balancing Authority, then EOP-002-2 Requirement R7.1 would take effect and firm load would be shed while the designated network resource transaction would continue to flow. Requirement R7.1 speaks only to the need to manage area control error and is not tied to the curtailment of export transactions as identified in IRO-006-4.

The initial ballot of the revised interpretation was conducted from September 19, 2008–September 28, 2008 and failed to reach a quorum. Since the ballot did not reach quorum, ballots results were not applicable and the interpretation was re-balloted from October 6, 2008–October 24, 2008. The re-ballot achieved a quorum of 82.61% with a weighted affirmative approval of 74.67%. There were 43 negative ballots submitted, and 27 of those ballots included a comment, which initiated the need for a recirculation ballot. Several balloters listed more than one reason for their negative ballot.

The reasons cited for the negative ballots included the following:

- Twenty two balloters indicated concern with (or did not support) limiting a Balancing Authority's curtailment options during an emergency. Most of those balloters stated there are too many variables and circumstances to consider to determine the best course of action during an energy or capacity emergency to mandate shedding firm load before curtailing an export (as the interpretation suggests). Many also stated that a "source" Balancing Authority does not necessarily know which exported resources are designated as network resources in the "sink" Balancing Authority. Some of the balloters offered suggestions on addressing the issue:
    - Modify the e-tag specifications (INT standards) to include an identifier for designated resources to enable the source Balancing Authority to be able to determine which transaction could be curtailed.
    - Modify the interpretation to indicate that the Balancing Authority with the energy shortage should take appropriate actions for the situation, in conjunction with the

Reliability Coordinator, without causing interconnection-wide reliability problems.

- Two balloters indicated concern about the interpretation's wording related to tariffs. One of those balloters was concerned the interpretation had the potential to create confusion with or conflict with the transmission curtailment priority specified in its Open Access Transmission Tariff ("OATT").
- Two balloters indicated that basing curtailments of off-system schedules on whether or not the schedule is ultimately designated as a network resource is incorrect. The balloters stated there are various types of firm sales that can qualify as a network resource, and not all will be more firm than native load.
- One balloter suggested that the issue of how to deal with identifying and coordinating network resources in the source, sink, and intermediary Balancing Authorities should be addressed (perhaps by another standard) prior to proceeding with this interpretation.
- One balloter indicated it would be more reasonable to curtail based on transmission type (*e.g.*, non-firm versus firm), stating it is not practical to expect the source Balancing Authority to identify which exports have been designated as network resources by another entity.
- One balloter indicated the changes do not seem to address the comments on the first ballot.
- Two balloters believe the interpretation is in conflict with FERC's definition of firm transactions. The balloters referenced a FERC definition of firm in the FERC Form 1 (p. 310) and stated there have been numerous Commission and U.S. Circuit Court proceedings that establish curtailment rights and obligations.

The second ballot event in the 4th quarter of 2008 consisted of an initial and recirculation ballot for an interpretation of TOP-002-2 − Normal Operations Planning Requirement R11 for Orlando Utilities Commission.

Orlando Utilities Commission asked for clarification regarding the studies of system operating limits ("SOLs") required in Requirement R11. The questions can be summarized as follows:

1. Can studies be reused?
2. What constitutes a study?
3. Does the phrase "to determine SOLs" include the identification of potential SOL violations?

The interpretation clarified that it is acceptable for a Transmission Operator to use a particular study for more than one day; the standard allows flexibility with respect to what constitutes a study. The study may be based on complex computer studies or a manual reasonability review of previously existing study results. The standard provides the Transmission Operator discretion regarding when to look for new SOLs and when to rely on its current set of SOLs.

The initial ballot was conducted from October 21, 2008–October 30, 2008 and achieved a quorum of 83.33% with a weighted affirmative approval of 96.94%. There were eight negative ballots submitted for the initial ballot, and seven of those ballots included a comment, which initiated the need for a recirculation ballot. The recirculation ballot was conducted from December 10, 2008–December 19, 2008 and achieved a quorum of 87.62% with a weighted

affirmative approval of 97.47%. There were seven negative ballots submitted for the recirculation ballot and five of those ballots included a comment. Some balloters listed more than one reason for their negative ballot.

The reasons cited for the negative ballots included the following:

- One balloter indicated the phrase "identifying exceedences" seems to be adding a requirement through the interpretation.
- Four balloters indicated the "identification of potential SOL violations" is outside the scope of Requirement R11; the balloters believe Requirement R11 refers only to the "determination of system operating limits" (not violations) and suggest the interpretation language be modified accordingly.

The third ballot event in the 4th quarter of 2008 consisted of an initial and recirculation ballot for standard FAC-008-2 — Facility Ratings.

The Facility Ratings standard was developed by combining FAC-008-1 and FAC-009-1 into a single standard. The revision was aimed at addressing the directives in FERC Order No. 693 relative to FAC-008-1. The purpose of the standard is to ensure that Facility Ratings used in the reliable planning and operation of the bulk electric system are determined based on technically sound principles.

The FAC-008-2 standard proposal includes the retirement of the associated approved standards FAC-008-1— Facility Ratings Methodology and FAC-009-1 — Establish and Communicate Facility Ratings. The revisions made to FAC-008-1 and FAC-009-1 addressed the following directives:

1. Document underlying assumptions and methods used to determine normal and emergency facility ratings.
2. Develop facility ratings consistent with industry standards developed through an open, transparent and validated process.
3. For each facility, identify the limiting component and, for critical facilities, the resulting increase in rating if that component is no longer limiting.

The initial ballot was conducted from October 27, 2008–November 5, 2008 and achieved a quorum of 89.13% with a weighted affirmative approval of 70.01%. There were 55 negative ballots submitted for the initial ballot, and 45 of those ballots included a comment, which initiated the need for a recirculation ballot. The recirculation ballot was conducted from December 10, 2008–December 19, 2008 and achieved a quorum of 93.04% with a weighted affirmative approval of 57.37%. There were 93 negative ballots submitted for the recirculation ballot, and 65 of those ballots included a comment. Some balloters listed more than one reason for their negative ballot.

The reasons cited for the negative ballots included the following:

- Forty-six balloters rejected the standard due to Requirement R7 which was developed to address the third directive - to identify, for critical facilities, the limiting component and the theoretical increase in rating if that component were no longer limiting. Most stated the requirement was not needed for reliability purposes and indicated the issue would be more efficiently and appropriately addressed in the transmission tariff and regional

transmission organization ("RTO") market processes. Some balloters were also concerned with the development of the "hypothetical increase in the Facility's Rating if that most limiting Equipment…" language from the Order No. 693 directive, stating that standards must be based on real aspects of operating the Bulk Electric System.

- Thirteen balloters were concerned with the methodologies of Requirement R1, with most indicating the requirement includes more metrics than necessary to accurately determine ratings. Some balloters requested more clarity (such as whether the rating methodology implemented for a generator Facility Rating was intended to be on a unit basis or a plant basis) while others suggested removing items such as facility commissioning data (Requirement R1.1), especially in regards to older existing units that may lack the data.
- Two balloters did not support the wording of Requirement R4 and suggested requiring the Transmission Owner to respond to the documented comment and, *if applicable*, describe any actions it will take in response to the comments. As stated, the entity providing comments is presumed to be challenging the ratings developed and is further correct in that presumption.
- One balloter was concerned with only using a limited number or spot checks of transmission Facility Ratings (for the Violation Severity Level ("VSL") for Requirement R5), stating that a single inconsistency relative to 2, 5 or 50 spot-checked ratings would give significantly different percentages (VSLs take percentages into account).
- One balloter requested clarification on why entities must retain equipment ratings for the previous three years and how compliance would be measured.
- Two balloters indicated Requirement R1 was not clear that the intent is only to "consider" the five subparts and cautioned that an auditor could interpret that one's rating has to be based on all five subparts. The balloters stated their position based on "prior replies from NERC to prior utility comments." The balloter may have been referencing a drafting team response during a comment period stating, "Each Generator Owner's methodology must identify how each of the subrequirements has been addressed. If one or more of the elements (such as commissioning data) is not used in the methodology, then the methodology must include a statement indicating that commissioning data was not used and another means was used to rate the units. The word, 'Consider' is not the same as the word, 'use.'"
- Four balloters indicated this standard should only apply to Transmission Owners, as facility ratings for Generators Owners are already addressed in other standards.
- One balloter suggested that Requirement R7 not be limited to specific types of facilities.
- One balloter suggested deleting Requirement R2.3, indicating Requirement R5 is sufficient.
- Eleven balloters indicated that the wording of Requirements R1 and R2 may cause confusion. Balloter suggestions included removing the reference to Generator Owner in Requirement R2 or recording the drafting team's definition of "generating unit facilities."
- Two balloters did not agree with the peer review methodology in Requirements R3 and R4.
- Two balloters believed different effective dates in some jurisdictions for continent-wide standards create reliability concerns and discriminatory exposure to compliance sanctions.

- One balloter requested all proposed standards that revise or retire an existing standard(s) include a mapping table to facilitate analysis of the changing requirements.
- Seven balloters indicated concern about VSL and Violation Risk Factor ("VRF") levels, including the following:
    - VSLs were too high for Requirements R1 through R4 citing lack of documentation or incomplete documentation does not warrant a VSL of Severe
    - Medium VRF is too high for Requirements R1 and R2 stating system reliability will not be negatively affected as long as the appropriate ratings have been provided to the operators
    - Did not agree with using percentages in the VSLs to judge a fleet of generators or transmission lines because the approach may be unfair for small-fleet entities
- Three balloters indicated concern with potential conflicts with requirements applicable to Generator Operators in the MOD-024 and MOD-025 standards, stating if ratings are verified, a methodology is not required.
- One balloter indicated that for Requirement R6, which requires the reporting of Facility Ratings for new and existing Facilities, the interpretation of "new" facilities is unclear and may include planned facilities. The balloter suggested the standard should 1) apply only to facilities that are connected to the Bulk Electric System, and 2) refer to MOD-010 for ratings of planned facilities.

The number of negative votes increased by 38 between the initial and recirculation ballots. As the table below illustrates, most of those votes were originally affirmative. In reviewing the comments submitted by the balloters who changed votes, the primary reason listed was the inclusion of Requirement R7. Voters consistently indicated the requirement was not needed for reliability purposes and should not be addressed through the NERC standards process.

Changes to Ballots Cast during Recirculation Ballot for FAC-008-2											
Change to Vote	Industry Segment										Total
	1	2	3	4	5	6	7	8	9	10	
Affirmative to Negative	10		10	1	7	5		1			34
No Vote to Negative	1		3	1	1						6
Negative to Affirmative				1	1						2
No Vote to Affirmative	1		1							1	3
Affirmative to Abstain			1								1
Total change to negative	+11		+13	+1	+7	+5		+1			+38

The fourth ballot event in the 4th quarter of 2008 consisted of an initial and recirculation ballot for standard PER-005-1 — System Personnel Training.

The purpose of the standard is to help ensure that system operators performing real-time, reliability-related tasks on the North American bulk electric system are competent to perform

those reliability-related tasks. The proposed standard is applicable to Reliability Coordinators, Balancing Authorities and Transmission Operators. The ballot for this standard includes the retirement of the associated approved standard PER-002-0 — Operating Personnel Training as well as conforming changes to PER-004-1 — Reliability Coordination — Staffing. PER-005-1 requires the use of the systematic approach to training in developing system operator training programs, requires verification that system operators can perform their assigned tasks, and requires that responsible entities provide at least 32 hours of emergency operations training to each of their system operators every 12 months. For a subset of responsible entities, there is a requirement to use simulation technology with their emergency operations training.

The initial ballot was conducted from October 27, 2008–November 5, 2008 and achieved a quorum of 90.13% with a weighted affirmative approval of 82.47%. There were 35 negative ballots submitted for the initial ballot, and 27 of those ballots included a comment, which initiated the need for a recirculation ballot. The recirculation ballot was conducted from December 12, 2008–December 22, 2008 and achieved a quorum of 91.48% with a weighted affirmative approval of 80.63%. There were 39 negative ballots submitted for the recirculation ballot, and 28 of those ballots included a comment. Some balloters listed more than one reason for their negative ballot.

The reasons cited for the negative ballots included the following:

- Eleven balloters indicated the standard is too restrictive.
    - For example, many did not support mandating a training development process due to the difficultly and time requirements for compliance monitoring. Specifically, the balloters were concerned that the administrative work to document the entire training process could divert training resources and potentially reduce training time.
    - Other balloters were concerned about the 12-month timeframe for the 32 hours of emergency training in Requirement R3 and suggested more flexibility, such as 90 hours over a three-year span.
- One balloter indicated PER-002 already provides adequate training requirements to ensure system operator competency.
- Two balloters indicated the standard is too burdensome.
- One balloter suggested that "operational authority and control" in Requirement R3.1 be clarified.
- Two balloters were concerned about potential compliance aspects of the wording related to simulation and virtual technology, suggesting there could be interpretation issues.
- Twelve balloters suggested the effective date should be 36 months instead of 24 months.

The fifth ballot event in the 4th quarter of 2008 consisted of a recirculation ballot for standard MOD-004-1 — Capacity Benefit Margin.

This standard addresses the reliability aspects of determining and maintaining a Capacity Benefit Margin ("CBM") and the conditions under which that margin may be used. The ballot for this standard includes the retirement of the following associated approved standards:

- MOD-005-0 — Procedure for Verifying CBM Values

- MOD-006-0 — Procedures for the Use of Capacity Benefit Margin Values
- MOD-007-0 — Documentation of the Use of Capacity Benefit Margin

The version of MOD-004-1 balloted on the recirculation ballot included minor clarifying edits to the version posted for initial ballot. These modifications were approved by the Standards Committee and do not change the "scope, intent, or applicability" of any of the requirements.

The recirculation ballot was conducted from October 28, 2008–November 6, 2008 and achieved a quorum of 91.49% with a weighted affirmative approval of 83.71%. There were 22 negative ballots submitted for the recirculation ballot and 12 of those ballots included a comment. Some balloters listed more than one reason for their negative ballot.

The reasons cited for the negative ballots included the following:

- One balloter suggested this standard is more appropriate for the North American Energy Standards Board ("NAESB").
- Three balloters expressed concerns about the lack of specifics for determining and updating CBM values.
- Five balloters indicated they were concerned about the difficulties of implementing the standard within the Midwest Independent Transmission System Operator ("MISO") footprint. They suggested the need for a Regional variance to explain how responsibility for certain MOD-004-1 requirements has been transferred by the MISO member transmission companies to MISO.
- Two balloters indicated the terms "subsequent 13 months," "current month," and "current year" in Requirements R5 and R6 are not explicit enough and could lead to misinterpretations. Balloters suggested using the original wording for those requirements. Similar comments were made by multiple balloters on the initial comment, but all but these two balloters retracted the comments because the drafting team clarified the wording in the proposed standard for the recirculation ballot.
- Two balloters suggested the term "energy deficient entity" be defined in the NERC Glossary.
- One balloter indicated Requirements R3 and R4 are too restrictive and should be modified to provide for groups of load serving entities that identify a single CBM value into a defined region or zone.

The sixth ballot event in the 4th quarter of 2008 consisted of an initial ballot for standard MOD-030-2 — Flowgate Methodology.

This standard incorporates balloter suggestions for additional improvements to MOD-030-1 and is aimed at allowing additional methods of achieving the reliability objective. Under the existing standards development process, if the drafting team had made these changes to MOD-030-1 during the initial development, the standard would have needed to be posted for an additional comment period, followed by balloting. This delay would have prevented MOD-030-1 from being ready to file before its FERC-directed due date.

To remedy this problem, the standard drafting team submitted a Standards Authorization Request ("SAR") to initiate modifications to MOD-030-1, and received Standards Committee authorization to post the SAR and a proposed version of MOD-030-2 reflecting consideration of

comments submitted with the initial ballot of MOD-030-1. As envisioned, MOD-030-2 will proceed through the standards development process and will be filed with governmental authorities before MOD-030-1 becomes effective.

The initial ballot was conducted from December 1, 2008–December 10, 2008 and achieved a quorum of 83.77% with a weighted affirmative approval of 86.51%. There were 18 negative ballots submitted for the initial ballot, and 10 of those ballots included a comment, which initiated the need for a recirculation ballot. Some balloters listed more than one reason for their negative ballot.

The reasons cited for the negative ballots included the following:

- Three balloters indicated Requirement R3, which lists the information to be provided to the Transmission Service Provider, seems overly complicated and requires more information than seems necessary.
- Six balloters had concerns with challenges of implementing the proposed standard within a particular ISO, stating that a variance may be necessary.
- One balloter had concerns with the applicability statement.
- One balloter suggested including requirements for longer-term planning (the standard currently only addresses short term) to create consistency between the methodologies used for shorter-term and longer-term sales.

CERTIFICATE OF SERVICE

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

Dated at Washington, D.C. this 30th day of January 2009.

/s/ *Rebecca J. Michael*
Rebecca J. Michael

Attorney for North American Electric Reliability Corporation