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 APRIL – JUNE 2008

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I. INTRODUCTION

The North American Electric Reliability Corporation ("NERC")[1] submits its second 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 during the next three years. This second quarter 2008 report covers balloting results during April 1, 2008 – June 30, 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:

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

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

The reliability standards development process includes three types of ballots: an initial ballot, a recirculation ballot and a re-ballot. If an initial ballot achieves a quorum but includes

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

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 five ballots from April 1, 2008 – June 30, 2008, each undertaken using the NERC *Reliability Standards Development Procedure*. These five ballots can be grouped into four distinct groups of ballot events as follows:

- Interpretation of TPL-002-0 and TPL-003-0 Requirements R1.3.2 and R1.3.12 (Ameren) – One (1) Initial Ballot
- Interpretation of TPL-002-0 and TPL-003-0 Requirements R1.3.2 and R1.3.12 (MISO) – One (1) Initial Ballot

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

- Interpretation of EOP-002-2 Requirements R6.3 and R7.1 (Brookfield) – One (1) Initial Ballot
- FAC-010-2, FAC-011-2 and FAC-014-2 – One (1) Initial Ballot and One (1) Recirculation 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 three interpretations were not completed during the second quarter 2008. The recirculation ballot for FAC-010-2, FAC-011-2, and FAC-014-2 passed.

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

Respectfully submitted,

/s/ Rebecca J. Michael

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EXHIBIT A:

Analysis of 2nd Quarter 2008 Reliability Standards Balloting Results

Introduction

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

Background

The NERC reliability standards development process is administered by action of the NERC Standards Committee. The Standards Committee officially approves the scope and purpose of standards authorization requests, appoints standard drafting teams to develop standards, authorizes field tests of proposed standards when necessary, and approves the proposed standards for ballot. The goal of the reliability standards development process is to gain industry consensus on the need 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 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 five ballots conducted during the second quarter of 2008, as shown in the table below; four were initial ballots, and one was a recirculation ballot. The ballots are discussed below as four 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 TPL-002 and TPL-003 Requirements 1.3.2 and 1.3.12 (MISO)	4/25/2008–5/7/2008		206	171	83.01	79.89
2.	Interpretation of TPL-002 and TPL-003 Requirements 1.3.2 and 1.3.12 (Ameren)	4/25/2008–5/7/2008		207	171	82.61	80.73
3.	Interpretation – EOP-002-2 Requirements R6.3 and R7.1 (Brookfield)	6/2/2008–6/11/2008		184	165	89.67	76.47
4.	FAC-010-2, FAC-011-2, and FAC-014-2	6/2/2008–6/11/2008		188	167	88.83	95.43
			6/13/2008–6/22/2008	188	168	89.36	95.21

Discussion of Second Quarter 2008 Ballot Events

The first ballot event in the 2nd quarter of 2008 consisted of an initial ballot for a revised[5] interpretation of Requirements R1.3.2 and R1.3.12 in TPL-002-0 — System Performance Following Loss of a Single Bulk Electric System Element and TPL-003-0 — System Performance Following Loss of Two or More Bulk Electric System Elements for MISO.

The Midwest ISO ("MISO") asked if TPL-002-0 R1.3.2 and TPL-003-0 R1.3.2 require that any specific dispatch be applied, other than one that is representative of supply of firm demand and transmission service commitments, in the modeling of system contingencies specified in Table 1 in the TPL standards. MISO then asked if a variety of possible dispatch patterns should be included in planning analyses including a probabilistically based dispatch that is representative of generation deficiency scenarios. The request also asked if, in TPL-002-0 R1.3.12 and in TPL-003-0 R1.3.12, the term "planned outages" means only already known/scheduled planned outages that may continue into the planning horizon, or does it include potential planned outages not yet scheduled that may occur at those demand levels for which planned (including maintenance) outages are performed.

The initial ballot was conducted from April 25, 2008 – May 7, 2008 and achieved a quorum of 83.01% and a weighted affirmative approval of 79.89%. There were thirty-seven (37) negative ballots submitted, and thirty (30) 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 include the following:

- Nine balloters indicated that the interpretation ignores the role of the Transmission Planner in the selection of critical system conditions
- Seven balloters indicated that the interpretation did not fully address the question posed
- Four balloters disagreed with the use of the term, "methodology" since this is not used in the associated requirement
- Four balloters disagreed with the reference that indicated the Compliance Monitor will determine whether an assessment is valid
- Four balloters indicated that the interpretation adds ambiguity as to which functional entity is responsible for defining critical system conditions
- Four balloters proposed a modification that would have changed the intent, by changing the reference to system adjustments from "necessary system adjustments" to "reasonable and necessary system adjustments"
- Two balloters indicated that the interpretation adds ambiguity regarding the treatment of planned outages
- One balloter disagreed with referencing the Functional Model
- One balloter identified a typographical error which was subsequently corrected

[5] An initial ballot of the original interpretation was conducted from December 4, 2007 – December 13, 2007 and achieved a quorum (86.70%) and a high affirmative vote (88.10%), but some comments submitted with ballots indicated that the interpretation did not fully address the questions asked, and the drafting team added some clarifying language to the interpretation.

- One balloter, who did not understand that the process for approving interpretations does not include any comment period, indicated that because there was no public comment period, the standards process was not followed
- One balloter who was unaware that the Functional Model V4 was a draft, indicated that the interpretation would be meaningless as Version 4 of the Functional Model proposed the elimination of the Planning Authority/Planning Coordinator

The second ballot event in the 2nd quarter of 2008 consisted of a revised[6] initial ballot for an interpretation of Requirements R1.3.2 and R1.3.12 in TPL-002-0 — System Performance Following Loss of a Single Bulk Electric System Element and TPL-003-0 — System Performance Following Loss of Two or More Bulk Electric System Elements for Ameren.

Ameren asked if TPL-002-0 R1.3.2 and TPL-003-0 R1.3.2 require multiple contingent generating unit outages as part of possible generation dispatch scenarios describing critical system conditions for which the system shall be operated in accordance with the contingency definitions included in Table 1. The request also asked if TPL-002-0 R1.3.12 and TPL-003-0 R1.3.12 require that the system be planned to be operated during those conditions associated with planned outages consistent with the performance requirements described in Table 1 plus any unidentified outage.

The initial ballot was conducted from April 25, 2008 – May 7, 2008 and achieved a quorum of 82.61% and a weighted affirmative approval of 80.73%. There were thirty-seven (37) negative ballots submitted, and thirty (30) 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 include the following:

- Twelve balloters indicated that the interpretation ignores the role of the Transmission Planner in the selection of critical system conditions
- Four balloters indicated that the interpretation adds ambiguity as to which functional entity is responsible for defining critical system conditions
- Three balloters disagreed with the use of the term, “methodology” since this is not used in the associated requirement
- Three balloters disagreed with the reference that indicated the Compliance Monitor will determine whether an assessment is valid
- Three balloters indicated that the interpretation adds ambiguity regarding the treatment of planned outages
- Three balloters proposed a modification that would have changed the intent, by changing the reference to system adjustments from “necessary system adjustments” to “reasonable and necessary system adjustments”
- Two balloters indicated that the interpretation does not fully address the question posed
- One balloter disagreed with referencing the Functional Model

[6] An initial ballot of the original interpretation was conducted from December 4, 2007 – December 13, 2007 and achieved a quorum (86.49%) and a high affirmative vote (88.30%), but some comments submitted with ballots indicated that the interpretation did not fully address the questions asked, and the drafting team added some clarifying language to the interpretation.

- One balloter identified a typographical error which was subsequently corrected
- One balloter, who did not understand that the process for approving interpretations does not include any comment period indicated that because there was no public comment period, the process was not followed
- One balloter who was unaware that the Functional Model V4 was a draft, indicated that the interpretation would be meaningless as V4 proposed the elimination of the Planning Authority/Planning Coordinator

The third ballot event in the 2nd quarter of 2008 consisted of an initial ballot of an 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.

The 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 was conducted from June 2, 2008 – June 11, 2008 and achieved a quorum of 89.67% and a weighted affirmative approval of 76.47%. There were thirty-nine (39) negative ballots submitted, and thirty-two (32) of those ballots included a comment, which initiated the need for a recirculation ballot.

The reasons for submitting a negative ballot varied, and several balloters submitted several reasons for their negative ballot:

- Thirty-four comments indicated that the interpretation is not technically correct with respect to what constitutes, “interruptible loads and exports”
- Eleven comments indicated that the interpretation goes beyond Requirement R6.3 in the standard by interpreting what constitutes, “interruptible loads and exports”
- Eight comments indicated that the areas that need clarification should be addressed in a SAR rather than in the interpretation
- Four comments indicated that the interpretation is unclear on the difference in treatment of curtailments of firm Network Loads within the Balancing Authority Area and firm Network Loads outside the Balancing Authority Area

- Four comments indicated that the interpretation seems to ignore the directive in Order No. 693 that proposes adding a requirement to have the Reliability Coordinator assess and approve actions that have impacts beyond the area views of Balancing Authorities
- Three comments indicated the interpretation is incorrect because the Balancing Authority is not required to know the designation of a Network Resource
- Three comments indicated that the interpretation conflicts with IRO-006-4 Requirement R1.1 and Attachment 1 regarding TLR Level 5a
- Three comments indicated that the interpretation should address whether transactions should be curtailed because doing so will directly improve the Control Performance Standard/Disturbance Control Standard performance of the Balancing Authority experiencing the capacity/energy deficiency
- Three comments indicated that the interpretation should address whether and how a generator located in the Balancing Authority's Area, but whose output is not under the ownership or direct control of the Balancing Authority and which is not a Designated Network Resource for another Balancing Authority should be handled

The fourth ballot event in the 2nd quarter of 2008 consisted of an initial ballot and a recirculation ballot of the following standards:

- FAC-010-2 — System Operating Limits Methodology for the Planning Horizon
- FAC-011-2 — System Operating Limits Methodology for the Operations Horizon
- FAC-014-2 — Establish and Communicate System Operating Limits

In Order 705, the Commission approved these three standards and directed NERC to make changes to each of these standards.[7] The changes made to the above three standards were limited to addressing the directives in Order No. 705 that are subject to stakeholder input — retiring the definition of "Cascading Outage;" removing the example, "e.g., load greater than studied" from a requirement in both from FAC-010-1 and FAC-011-1; and adding Violation Severity Levels to all three standards.[8]

The initial ballot was conducted from June 2, 2008 – June 11, 2008 and achieved a quorum of 88.83% and a weighted affirmative approval of 95.43%. There were eight (8) negative ballots submitted, and seven (7) of those ballots included a comment, which initiated the need for a recirculation ballot.

The reasons for submitting a negative ballot varied, and some balloters submitted several reasons for their negative ballot:

- Four balloters from the same company indicated that FAC-010 is not needed and recommended conforming changes to FAC-014 to reflect elimination of any requirements for planning entities
- Two balloters proposed modifications to the standards that were outside the scope of work associated with the project

[7] *Facilities Design, Connections and Maintenance Reliability Standards*, 121 FERC ¶ 61,296 (2007) at P 1 ("Order No. 705").
[8] Order No. 705 at P 70.

- One balloter proposed modifying several sets of VSLs to treat each of the subrequirements as though they were of equal weight in contributing to the requirement
- One balloter suggested that the proposed dates in the implementation plan for the Version 2 standards could be confusing as entities wouldn't know which requirements to comply with

The recirculation ballot was conducted from June 13, 2008 – June 22, 2008 and the ballot passed with a quorum of 89.36% and a weighted segment approval of 95.21%.

- One balloter who cast an affirmative vote in the initial ballot cast a negative vote in the recirculation ballot, but did not provide a reason for the negative vote
- One balloter who abstained in the initial ballot changed to an affirmative vote in the recirculation ballot.
- One balloter who did not cast a vote in the initial ballot cast an affirmative vote in the recirculation ballot.

CERTIFICATE OF SERVICE

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

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

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

Attorney for North American Electric Reliability Corporation