

**Working Draft of Proposed Compliance Filing to Address NERC Program Directives from FERC's October 16, 2008 Order on NERC's 2009 Business Plan and Budget**

On August 31, 2008, NERC filed with the Federal Energy Regulatory Commission (FERC or Commission) the *2009 Business Plan and Budget* as well as the 2009 business plans and budgets for each of the Regional Entities and the Western Interconnection Regional Advisory Body (WIRAB). On October 16, 2008, FERC issued an order conditionally accepting NERC's *2009 Business Plan and Budget* and ordered compliance filings to address several issues.<sup>1</sup> The first of those filings is a 60-day compliance filing that is due to FERC on December 15, 2008. The issues to be addressed in the 60-day compliance filing can be grouped as follows:

**NERC Program Area Issues**

1. Reliability Standards Development Program – NERC must reassess the sufficiency of its allocation of FTEs and other resources, such as consultants, budgeted in 2009 for the Reliability Standards program, provide an explanation in its compliance filing, and, if appropriate, request supplemental funding for this program. (P 25)
2. Compliance Monitoring and Enforcement Program (CMEP) – NERC must address the adequacy of its 2009 budget for CMEP, including the budget for Compliance Violation Investigations (CVI). NERC must include a meaningful plan and schedule for processing outstanding alleged violations, mitigation plans, notices of penalty, and CVIs. NERC should submit a supplemental budget request if appropriate. (P 28)
3. Reliability Readiness Evaluation and Improvement Program – NERC should reconsider funding for and the decision to eliminate this program; provide additional explanation of the decision to eliminate the program (including the allegation that the program places NERC in a conflicted position vis-à-vis CMEP); and, if appropriate, present a supplemental funding request to continue the program in 2009. (P 34)
4. Reliability Readiness Evaluation and Improvement Program – NERC should explain the effect of the proposed elimination of this program on Section 700 of the NERC Rules of Procedure (ROP). (P 34)

Note - FERC states that NERC must obtain FERC approval before eliminating a previously-approved statutory program, and indicates that if this program

---

<sup>1</sup> *North American Electric Reliability Corporation, Order Conditionally Accepting 2009 Business Plan and Budget of the North American Electric Reliability Corporation and Ordering Compliance Filings*, 125 FERC ¶ 61,056 (2008)

is eliminated, NERC must file for FERC approval of deletion or appropriate modifications of NERC ROP Section 700.

5. Reliability Assessment and Performance Analysis Program – NERC must reconsider the sufficiency of the 2009 funding for this program, provide an explanation, and if appropriate provide a supplemental budget request for additional funding. (P 37)
6. Development of metrics and benchmarks to support Bulk Power System reliability – NERC must provide a detailed description of its goals and plans to achieve its goals in 2009 for developing real-time performance metrics. (P 72)
7. Benchmarking objectives are included in *2008 NERC Business Plan and Budget* (at 26) but omitted from its *2009 Business Plan and Budget* – NERC must explain why the following benchmarking objectives were omitted from its *2009 Business Plan and Budget* (P 73)
  - a. Incorporate results of the latest reliability threats survey on the Reliability Dashboard.
  - b. Report on changes in reliability performance compared to established benchmarks for each reliability performance indicator.
  - c. Develop and submit SARs, as required, for any deficiencies or needs revealed by the benchmarking program.
  - d. Maintain a GADS on the performance of electric generating equipment.
  - e. Communicate performance results, trends, recommendations, and initiatives to those responsible to take actions; follow with confirmations of actions to correct any deficiencies identified.
  - f. Establish and maintain a TADS and report on trends in transmission equipment performance.

### **Finance, Accounting, and Regional Entity Budget Issues**

1. Regional Entity metrics – NERC should provide (1) standardized terminology for the different types of audits conducted by the Regional Entities and (2) revised audit-related metrics applying the standardized methodology.
2. Regional Entity Indirect Cost Increases – NERC must provide a more detailed explanation of the General and Administrative expenses for certain Regional Entities, including additional, detailed information that is sufficient to justify these cost increases. (P 53)
  - a. NPCC
  - b. ReliabilityFirst
  - c. Texas Regional Entity
  - d. SPP Regional Entity

- e. WECC
3. FRCC non-statutory activities – NERC and FRCC must explain (i) the increase in non-statutory activities as a percentage of FRCC’s total budget from 39.5 percent to 45.7 percent, and (ii) whether FRCC expects this percentage to continue to increase in future years. (P 54)
  4. SPP Regional Entity working capital reserve – (i) NERC and SPP Regional Entity should provide additional information on the operating cash balances to which SPP Regional Entity has access. (ii) NERC and SPP Regional Entity must clarify whether the operating cash balances and bank line of credit to which SPP Regional Entity has access are solely under SPP Regional Entity’s name and not shared in any way with SPP, Inc. (P 55)
  5. SPP Regional Entity use of and cost of shared staff of SPP, Inc. – SPP Regional Entity must provide (i) specific information regarding the proposed hours shared employees will work on SPP Regional Entity business and (ii) the actual per hour rate for each indirect cost allocation for shared services. (P 57)
  6. Regional Entity interest income – Certain Regional Entities have not included any interest income in their 2009 Business Plans and Budgets; NERC and these Regional Entities should explain why there is no interest income in these budgets, or correct the budgets to include interest income. (P 59)
    - a. FRCC
    - b. MRO
    - c. NPCC
    - d. SPP Regional Entity
    - e. Texas Regional Entity
  7. Salary increases – NERC and the Regional Entities must provide additional information explaining the proposed salary increases per FTE for certain programs. (P 60)
  8. WIRAB budget – NERC and WIRAB must provide additional explanation for the increase in WIRAB’s budget (including the 55 percent increase for indirect expenses) when WIRAB projects \$214,562 in unspent funds at year-end 2008. (P 62)
  9. Allocation of costs excluded from IESO and Quebec assessments – (i) NERC and NPCC must explain how costs excluded from the allocations to IESO and Quebec are allocated to U.S. entities. (ii) If this allocation is done otherwise than via NEL, the deviation from NEL must be explained and justified. (P 67)

NERC intends to develop its compliance filing considering input from the Member Representatives Committee, NERC's technical committees and the stakeholder community in a similar manner to the process used to develop the original budget. This document presents, for stakeholder input and comment, the proposed response to the program area issues raised in FERC's order. The Member Representatives Committee intends to discuss this document during a conference call scheduled for November 14, 2008. In addition, the NERC Board Finance and Audit Committee is expected to discuss NERC's compliance filing in two open meetings prior to action by the full board in early December.

***This document deals only with the program area issues raised in the FERC order.*** NERC is continuing to work with the Regional Entities on issues related to their business plans and budgets and will be posting a draft of the proposed response to those issues for consideration at the second of the two Finance and Audit Committee open meetings.

### **Executive Summary**

Given the additional experience and information gained since the *2009 Business Plan and Budget* was developed, and in compliance with FERC's order, NERC now anticipates that it will need to acquire additional staff and contract for additional resources in 2009 to supplement those originally called for in the plan. Those additional resources include six new full-time equivalent (FTE) staff and \$750,000 to obtain needed consulting resources and subject matter expertise to supplement NERC staff resources. These additions bring NERC's total 2009 year-end staff projection to 106.5 and result in a revised budget for 2009 that totals \$36,006,226.

However, NERC believes that the funding level and assessments defined in the *2009 Business Plan and Budget* are sufficient to carry out its responsibilities as the Commission-certified Electric Reliability Organization. NERC proposes to utilize the \$2.5 million reserve, already included in the *2009 Business Plan and Budget*, to fund the difference. Therefore, as part of its 60-day compliance filing, NERC does not plan to seek an increase to the funding level or assessments shown in the *2009 Business Plan and Budget* (as corrected) filed on August 31, 2008.

NERC will seek clarification that the Commission, in PP 24–25 of the October 16, 2008 order, is not intending to modify previous orders approving NERC's use of its Reliability Standards development process; and that the Commission is not directing that NERC staff take responsibility for determining the substantive content of new and modified Reliability Standards NERC submits to the Commission for approval. Requests for rehearing or clarification are due to FERC on November 17, and a draft of NERC's proposed request for clarification on this issue has been posted with the agenda for the Board of Trustees conference call on November 13. NERC expects to reiterate that request for clarification in its December 15 compliance filing. However, as described more fully below, NERC plans to add consulting resources for drafting team facilitation and subject matter experts needed to support standards project work in 2009.

NERC's long-standing philosophy regarding business plans and budgets is to include the resources that are needed and can be reasonably brought to bear in accomplishing the goals set out for the coming year. In other words, budget what is necessary to get the job done as efficiently and cost effectively as possible. Unfortunately, the "job" is rarely predictable, especially during periods of significant change. The initial years of standing up a brand new self-regulatory organization certainly qualify as such a period. Furthermore, the annual business plans and budgets do not set a spending "cap" or rigid assignment of resources. If an issue arises that is critical to the reliability of the Bulk Power System that was not anticipated in the business plan or included in the budget, NERC will shift or add resources as needed to do what it takes to address the issue. That may mean readjusting priorities on other projects and programs, drawing down its reserve funds, drawing on its credit line, or proposing a special assessment. In the end, NERC will take the steps it believes necessary and sufficient to meet its mandate of ensuring the reliability of the Bulk Power System.

The following sections of this document deal with the program areas discussed in the Commission's October 16, 2008 order and describe NERC's proposed response.

## **Reliability Standards**

The Reliability Standards Program is addressed in paragraphs 22 through 25 of the October 16, 2008 FERC order.

22. ***Reliability Standards Program.*** *NERC proposes to decrease its FTEs from 15 to 14 for this program. Yet, NERC states that its three-year work plan contemplates over 35 Reliability Standards development projects (from 2008 through 2010).<sup>2</sup> The Commission is concerned that the 14 FTEs NERC budgeted for the 2009 Reliability Standards program may not allow NERC to meet its anticipated increase in Reliability Standards development projects and carry over other projects from the previous year.*

23. *In its advice to the Commission, WIRAB states that it is concerned with NERC's delays in approving and forwarding proposed Interconnection-wide regional Reliability Standards to the Commission.*

24. *While NERC relies on volunteer technical experts and stakeholders to develop proposed Reliability Standards under the facilitation of NERC's professional staff, NERC as the ERO is ultimately responsible for both the process and content of Reliability Standards proposed for Commission approval.*

25. *Thus, the Commission expects that NERC should have or acquire the necessary high level of internal technical expertise to further the development and*

---

<sup>2</sup> 2009 Business Plan and Budget at 9.

*improve the quality of proposed Reliability Standards.<sup>3</sup> Utilization of industry technical expertise does not discharge the ERO of its obligation to ensure Reliability Standards are developed that are responsive to the Commission's orders and provide for reliable operation of the Bulk-Power System. NERC anticipates over 35 Reliability Standards development projects and needs to be technically fluent about all of these projects to ensure that the development of the standards and NERC's subsequent approval or remand are based on its own technical expertise in addition to that of the industry's used to help draft the standards. Accordingly, the Commission directs NERC to reassess its allocation of FTEs and other resources, such as consultants, budgeted in 2009 for the Reliability Standards program, to provide an explanation in its compliance filing and, if appropriate, to request supplemental funding to support this program.*

NERC Response:<sup>4</sup>

NERC believes the resources in the *2009 Business Plan and Budget* would have been sufficient to accomplish the goals and planned projects set out for the program when the budget was developed. However, there are a number of factors that call for an adjustment to the projected 2009 resource requirements based on changes that have occurred since the *NERC 2009 Business Plan and Budget* was finalized and to comply with the Commission's October 16, 2008 order.

One of these factors is the increased focus on critical infrastructure protection standards and the need to expedite their development in support of FERC Order 706. This effort is targeted for completion in an 18 to 24 month window and was advanced from the originally contemplated 2009 work plan into 2008. To reasonably meet this objective, the standard drafting team will need to meet on an accelerated schedule throughout the development process and require greater than normal facilitation. Standards staff coordinators are already fully committed to support the 35 projects (active and planned for 2009/2010) described in the *2009 Business Plan and Budget* and to address any new requests for standard interpretations or variances.

NERC's experience with the current standards development process shows that a standards development coordinator can generally manage three to five projects on a regular (non-accelerated) schedule. The *2009 Business Plan and Budget* includes five full-time coordinators. In addition, four managers in the standards group are available to support projects as time permits in their workload. In order to successfully accomplish the standards development projects in the work plan and meet the need to develop critical infrastructure protection standards in accordance with Order 706, NERC proposes to add

---

<sup>3</sup> See Order No. 672, FERC Stats. & Regs. ¶ 31,204 at P 175; ERO Certification Order, 116 FERC ¶ 61,062 at P 234; *NERC 2009 Business Plan and Budget* at 8.

<sup>4</sup> NERC will seek clarification in PP 24-25 of the October 16, 2008 order as described in the Executive Summary. Thus, the response described in this document is limited to whether NERC's planned Reliability Standards Program staffing and budget have sufficient professional and technical resources to support project work in 2009.

consulting resources to facilitate drafting team work throughout 2009. The estimated cost of this additional expenditure is \$250,000.

Another factor in reviewing projected resource requirements is that NERC, as the Electric Reliability Organization, is responsible for the process and content of Reliability Standards, both for continent-wide standards and for regional standards in accordance with the Regional Delegation Agreements. NERC relies on subject matter experts on staff as a primary resource in carrying out this responsibility, but also contracts for services with subject matter experts in technical areas that go beyond staff expertise. A review of the projects underway or scheduled to commence in 2009 at either the continent-wide or regional level for which contract expertise may be required includes:

#### Continent-Wide Projects

- Voltage and Reactive Control
- Underfrequency and Undervoltage Load Shedding
- Phasor Measurement Units
- Protection Systems
- Balancing Authority Controls
- Reliability-Based Control
- Frequency Response
- Generation Verification/Performance
- Power System Stabilizers

#### Regional Projects

- Misoperation of Control Systems
- Generator Performance during Frequency and Voltage Excursions
- System Performance
- Resource Planning Reserve
- Generator Real and Reactive Power Capability

Recent experience shows that additional subject matter expertise will be required to support drafting team efforts in 2009 for these topics. The current estimate to acquire the contracted subject matter expert resources required for 2009 is \$250,000 more than originally estimated.

Finally, through the end of October 2008, NERC has submitted more than 25 filings to regulatory agencies as a result of work completed by the Reliability Standards Development program. An additional 15 to 20 filings are anticipated by the end of 2008. The number of regulatory filings is now expected to increase in 2009 as additional projects are completed and work progresses to revise Violation Severity Levels (VSLs) in consideration of FERC's guidelines articulated in its June 19, 2008 order.<sup>5</sup> These activities are beyond the workload projected when the *2009 Business Plan and Budget* was developed. Furthermore, the work to develop the initial draft filings is currently

---

<sup>5</sup> *North American Electric Reliability Corporation, Order on Violation Severity Levels Proposed by the Electric Reliability Organization*, 123 FERC ¶ 61,248 (June 19, 2008 Order)

done by the drafting team coordinators and managers in conjunction with the Vice-President of Standards Development. This draws needed resources away from standards project work and overall coordination and management of the program. As a result of these factors, NERC now expects to add 0.5 FTE staff to assist in developing timely regulatory filings.<sup>6</sup>

As noted above, NERC intends to request clarification to the extent the FERC order suggests NERC staff take responsibility for determining the substantive content of new and modified Reliability Standards.

## **Compliance Monitoring and Enforcement**

Paragraphs 26 through 28 of the October 16, 2008 FERC order address the Compliance Monitoring and Enforcement Program.

*26. **Compliance Monitoring and Enforcement.** In Order No. 672, the Commission stated its expectation for the ERO to have a compliance program that incorporates proactive enforcement audits and investigations of alleged violations.<sup>7</sup> This program is to provide for “rigorous” audits of compliance with the Reliability Standards.<sup>8</sup> The Commission is concerned that NERC may not be able to adequately perform its compliance and enforcement duties with the proposed 2009 staffing. NERC proposes to add five FTEs to the compliance and enforcement functions, for a total of 31 FTEs. Of these, three FTEs appear to mainly perform tracking functions, rather than auditing or investigating potential violations or approving Notices of Penalty and mitigation plans.*

*27. Of primary concern is NERC’s ability to substantively review and process alleged violations. Since June 18, 2007, NERC has identified more than 1,400 alleged violations. However, to date, NERC has processed (and filed for Commission approval of) 37 Notices of Penalty addressing only 105 alleged violations. Moreover, NERC has not completed its review of many of the approximately 5,000 alleged pre-June 18, 2008 violations and accompanying mitigation plans that require ERO/Regional Entity approval and monitoring. It is also unclear whether NERC has budgeted sufficient FTEs to ensure consistency across regions with respect to how entities must demonstrate compliance with the Reliability Standards and how differing interpretations of Reliability Standards during audits will be resolved.*

---

<sup>6</sup> The Compliance Monitoring and Enforcement Program has a similar need for additional resources to assist with the preparation of filing documents including Notices of Penalty and will share an added FTE with Standards.

<sup>7</sup> Order No. 672, FERC Stats. & Regs. ¶ 31,204 at P 45.

<sup>8</sup> *Id.* P 463 (citing 18 C.F.R. § 39.7(a)).



28. *NERC reports that 12 compliance violation investigations (CVI) have been initiated (four by NERC and eight by the Regional Entities), but none has been completed. CVIs and related event analyses are critically important to ensure reliability of the Bulk-Power System, because events or disturbances are often symptomatic of underlying reliability issues that require remediation. The Commission is concerned that NERC will not have enough staff to complete all event analyses and compliance violation investigations fully and in a timely manner. Accordingly, NERC must address in a compliance filing the adequacy of its 2009 budget for compliance monitoring and enforcement, and for CVI, including a meaningful plan and schedule for processing outstanding alleged violations, mitigation plans, notices of penalty, CVI, and a supplemental budget request if appropriate.*

#### NERC Response:

NERC recognizes the need for additional resources in the CMEP. During the fall of 2008 but prior to receiving the October 16, 2008 budget order, NERC had begun the process of refocusing parts of its compliance program staff into two areas: compliance violations and audits. New workload estimates for each of those areas show an increase in staffing requirements from those included in the *2009 Business Plan and Budget*, even with the additional efficiency of the new organization. As a result, NERC now believes an additional four FTE staff positions will be required in the program bringing the total staffing level in the compliance area to 35 FTEs in 2009. The compliance violation and audit areas are described more fully in the next two paragraphs along with NERC's current projection of 2009 resources for each.

#### Compliance Violation Investigations

NERC identified a need to establish a group dedicated to CVIs. The length of time required to complete a CVI is of concern. Much of the burden of this effort currently falls upon the Regional Entities. By taking the lead on CVIs going forward, NERC expects that CVIs can be completed in a more timely fashion and resources within the Regional Entities can be applied to processing the backlog of alleged reliability standard violations. For 2009, the CVI group will include a staff of 11 FTEs comprised of one manager and ten dedicated investigators.

In addition, experience during 2008 has shown that CVIs will require subject matter expertise that supplements NERC's experienced staff resources. The number and specific areas of expertise required will depend on the CVIs initiated and on-going during 2009. The current estimate to acquire the contracted subject matter expert resources required for 2009 CVIs is \$250,000 more than originally estimated.

## Audits – Achieving Consistency in Program Application

NERC will move the existing regional oversight activity into an audit function. This function will report directly to the CEO. NERC will continue to conduct audits of the Regional Entity compliance programs on a three-year basis as required by the Rules of Procedure. In addition, the audit function will conduct audits of field work conducted on behalf of NERC by the Regional Entities. These audits will include audits of how the Regional Entities conduct compliance audits, spot checks, self-certifications, and other activities upon the users, owners, and operators of the Bulk Power System. NERC will conduct these audits of field work on a scheduled and unscheduled (without notice to the Regional Entity) basis. The *2009 Business Plan and Budget* included a staff of four FTEs in this group. With the enhanced responsibility described above, NERC will increase this staffing to a total of nine FTEs in 2009.

## Backlog of Outstanding Alleged Violations, Mitigation Plans, and Notices of Penalty

Paragraph 28 of the October 16, 2008 FERC order calls for NERC to include “a meaningful plan and schedule for processing outstanding alleged violations, mitigation plans, notices of penalty” in the 60-day compliance filing. This plan and schedule for completion is being developed and will be included in the compliance filing. However, it is important to note that NERC and the Regional Entities recognize the backlog of work in the compliance area and are taking steps to address it.

Further, the Board of Trustees Compliance Committee has developed metrics identifying the scope and location of the greatest backlogs and provided direction to the Regional Entities on priorities in reducing the backlog. To help facilitate this effort, NERC has moved a senior staff person to this effort as a special assignment. The objective of this special assignment is to expedite the processing of the backlog of alleged violations by converting the direction provided by the Board of Trustees Compliance Committee into specific priorities and actions, and directing the Regional Entities regarding expediting those alleged violations on a schedule that meets NERC’s expectations. The assignment also includes implementation of the “knowledge management” initiative described in NERC’s 2009 CMEP implementation plan. The knowledge management initiative will collect lessons learned from compliance audits and other field work including any knowledge about the application of the reliability standards, provide a process for vetting this knowledge within NERC, and create a searchable database of this knowledge for use by the Regional Entities and all users, owners, and operators. The knowledge management initiative will, in part, continue the effort to communicate lessons learned currently included as part of the Reliability Readiness Program.

As a result of efforts to reduce the backlog within the compliance process, additional resources will be needed to process and file compliance related documents with the appropriate regulatory agencies. In recognition of this need, NERC now projects it will

add 0.5 FTE staff to assist with the preparation of filing documents including Notices of Penalty.<sup>9</sup>

## **Reliability Readiness Evaluation and Improvement**

Paragraphs 29 through 34 of the October 16, 2008 FERC order address the Reliability Readiness Evaluation and Improvement Program. Paragraph 34 provides FERC's direction.

*34. Accordingly, the Commission directs NERC to reconsider the funding for the Reliability Readiness Evaluation and Improvement Program, to provide additional explanation in a compliance filing about the proposed elimination of this program and, if appropriate, to provide a supplemental budget request for the continued funding of the program beyond the first quarter of 2009. Moreover, this compliance filing should address the affect of the proposed elimination on section 700 of its Rules of Procedure that implement this program.*

NERC Response:

NERC supports the original decision to phase out the Reliability Readiness Evaluation and Improvement Program and will support that decision in the 60-day compliance filing.

## **Reliability Assessment and Performance Analysis**

Paragraphs 35 through 37 of the October 16, 2008 FERC order address the Reliability Assessment and Performance Analysis Program. Paragraph 37 provides FERC's direction.

*37. The Commission expects NERC to be proactive when gathering and assessing data. Currently, data is provided by entities to the appropriate Regional Entity and then forwarded by the Regional Entity to NERC where the information for each region is validated by members of other regions. The Commission is concerned that this current practice does not constitute a sufficient method of validating another region's data. Potentially invalid data poses a potential risk for reducing the accuracy of the conclusions drawn from the data and thus rendering the steps taken to protect the grid less successful. Thus, the Commission is concerned whether NERC's Reliability Assessment and Performance Analysis Program is adequately funded and staffed to properly validate data, rather than passively accepting data received from other entities.*

---

<sup>9</sup> The Reliability Standards Development Program has a similar need for additional resources to assist with the preparation of filing documents and will share an added FTE with Compliance.

*Accordingly, the Commission directs NERC to reconsider the funding for the Reliability Assessment and Performance Analysis Program, to provide an explanation in a compliance filing and, if appropriate, to provide a supplemental budget request for additional funding of the program. In response to WIRAB's suggestion that NERC's findings for the long-term reliability assessment become subject to a public review process, the Commission finds that that topic is beyond the scope of this order and encourages NERC to work with WIRAB to resolve this issue.*

#### NERC Response:

In compliance with the Commission order, NERC will in 2009 review its internal data collection and validation processes to fortify its current data analysis system by designing, creating, testing, and putting in place additional automated data checking systems to accommodate the increasing amount of data NERC collects for its reliability assessments. These enhancements will not require additional manpower or other costs, as it will be an internally-developed system. Further, the Reliability Assessment Subcommittee (RAS) has recently added one representative from each Regional Entity to supplement its membership of industry subject matter experts and to further assist NERC in carrying out peer review and data validation.

The aforementioned automated data checks will complement the rigorous peer review performed by NERC staff, Regional Entity staff, and industry subject matter experts described above. It will also expedite this review and increase the productivity of NERC staff and industry experts who are tasked with developing independent and comprehensive reliability assessments of Bulk Power System reliability.

NERC's unique, independent ability to validate the data it gathers from industry in the preparation of its reliability assessment reports is not a matter of resources, but rather a matter of the processes NERC and the Regional Entities use to perform their respective portions of the reliability assessments. As stated in the Introduction section of each of NERC's reliability assessment reports, NERC prepares its reliability assessments with detailed data, information, and regional self assessments from the Regional Entities as well as active support from the RAS under the direction of NERC's Planning Committee with additional review from the NERC Operating Committee.

The data, information, and regional self assessments submitted by each of the Regional Entities is periodically updated throughout the report drafting process to ensure that it is as current as possible. This data and information is first analyzed, vetted, and attested to by the Regional Entities as part of their own self assessment process, which follows a detailed set of assessment criteria established by NERC. After it is received, it undergoes further review by NERC staff and the RAS to ensure accuracy and consistency.

On this basis, NERC believes that no additional funding or personnel are required to support data and information validation in 2009.

## Metrics and Benchmarking

NERC's metrics and benchmarking efforts are addressed in paragraphs 72 and 73 of the October 16, 2008 FERC order.

72. *The Commission believes that NERC's development of grid reliability performance metrics is an important and timely topic to support Bulk-Power System reliability.<sup>10</sup> Improved reliability performance metrics will increase both operator and regulatory understanding of the condition of the Bulk-Power System. Proactive measurement tools and strategies can detect reliability problems in real-time, and resolve occurrences or prevent further vulnerability. The Commission, therefore, encourages NERC to provide the necessary resources to timely develop metrics and benchmarks to support Bulk-Power System reliability. Further, the Commission directs NERC to provide in a compliance filing a detailed description of NERC's goals and plans to achieve those goals for fiscal year 2009 with regard to real-time performance metrics.*

73. *To that effect, we note that NERC's 2009 Business Plan and Budget omit the following benchmarking objectives that were included in previous year business plans and budgets:<sup>11</sup> (1) incorporate the results of the latest reliability threats survey into the Reliability Dashboard;<sup>12</sup> (2) report on changes in reliability performance compared to established benchmarks for each reliability performance indicator; (3) develop and submit standards authorization requests, as required, for any deficiencies or needs revealed by the benchmarking program; (4) maintain a Generating Availability Data System (i.e., GADS) on the performance of electric generating equipment; (5) communicate performance results, trends, recommendations, and initiatives to those responsible to take actions; follow with confirmation of actions to correct any deficiencies identified; and (6) establish and maintain a Transmission Availability Data System (i.e., TADS) and report on trends in transmission equipment performance. The Commission directs the ERO to explain in the compliance filing why the above benchmarking objectives have been omitted.*

---

<sup>10</sup> In Order No. 672, the Commission stated that it "may determine that reliability and adequacy assessments should include appropriate metrics, if applicable, to assist the Commission in monitoring actual reliability performance and plans." Order No. 672, FERC Stats. & Regs. ¶ 31,204 at P 805.

<sup>11</sup> See NERC 2008 Business Plan and Budget, Docket No. RR07-16-000, Attachment 4 at 20-21 (filed Aug. 24, 2007).

<sup>12</sup> Section 809 of NERC's Rules of Procedure requires NERC to maintain a performance metrics "dashboard" on its website which identifies and tracks key reliability indicators as a means of benchmarking reliability performance and measuring reliability improvements. NERC's current benchmarking dashboard includes sections on Reliability Performance Gap Index, Adequacy Gap Index, and Leading Indicators.

NERC Response:

The benchmarking objectives included in the 2008 Business Plan and Budget as highlighted in paragraph 73 of the October 16, 2008 FERC order have been included in different sections of the *2009 Business Plan and Budget* or will be addressed in the compliance filing.

“(1) incorporate the results of the latest reliability threats survey into the Reliability Dashboard”

The reliability threats survey<sup>13</sup> was more closely linked to long-term reliability assessment and the survey results were incorporated into the 2007 Long-Term Reliability Assessment report<sup>14</sup> (LTRA, page 19-20). Nevertheless, NERC will review the survey in light of the metrics data currently being collected to determine if changes should be made to the dashboard. NERC will include an update of that work in the reliability enhancement discussion to be included in the 2010 Business Plan and Budget.

“(2) report on changes in reliability performance compared to established benchmarks for each reliability performance indicator”

Reports will be addressed in the 2009 performance metric and leading indicator work described above. Benchmark levels will be determined as the experience with metrics and leading indicators increases.

“(3) develop and submit standards authorization requests, as required, for any deficiencies or needs revealed by the benchmarking program”

Standard Authorization Requests may be developed as a result of the metrics work as described above.

“(4) maintain a Generating Availability Data System (i.e., GADS) on the performance of electric generating equipment”

This effort is included in the *2009 Business Plan and Budget* (pp. 43-44). The data and trend analysis developed by these systems are incorporated into the metrics and benchmarking effort described above.

“(5) communicate performance results, trends, recommendations, and initiatives to those responsible to take actions; follow with confirmation of actions to correct any deficiencies identified”

---

<sup>13</sup> [http://www.nerc.com/files/Reliability\\_Issue\\_Survey\\_Final\\_Report\\_Rev.1.pdf](http://www.nerc.com/files/Reliability_Issue_Survey_Final_Report_Rev.1.pdf)

<sup>14</sup> <http://www.nerc.com/files/LTRA2007.pdf>

Reports will be addressed in the 2009 performance metric and leading indicator work described above.

“(6) establish and maintain a Transmission Availability Data System (i.e., TADS) and report on trends in transmission equipment performance.”

This effort was included in the *2009 Business Plan and Budget* (pp. 42-43). The data and trend analysis developed by these systems are incorporated into the metrics and benchmarking effort described above.

Considering the Commission’s comments that encourage NERC to timely develop metrics and benchmarks, the desire to more frequently update the dashboard and the newly developed work plan to define metrics for assessing an Adequate Level of Reliability (ALR), NERC now intends to add one FTE data analyst to the benchmarking group in 2009. This staff member will more frequently update and maintain the existing metrics database, incorporate additional data sources, refresh the dashboard with the revised data, and develop and maintain data for the new ALR metrics.