

Agenda Standards Oversight and Technology Committee (SOTC)

February 8, 2012 | 9:15–10:30 a.m. Mountain

Arizona Grand Resort
8000 S. Arizona Grand Parkway
Phoenix, AZ 85044
602-438-9000

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines

Agenda

1. **Minutes* – Approve**
 - a. November 2, 2011 Meeting
2. **SOTC Self-Assessment Results* – Review**
3. **Information Technology (IT)***
 - a. NERC/ERO IT Initiatives Update
 - b. Progress on IT Developments and Plans for NERC
 - c. IDC Transition
4. **Reliability Standards Policy and Guidance***
 - a. Generator Operator (GO)/Transmission Operator (TO)
 - b. COM-002 Interpretation
5. **Reliability Standards Status Report***
6. **Standards Committee Report to SOTC***

*Background materials included.

Antitrust Compliance Guidelines

I. General

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

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

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

II. Prohibited Activities

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

- Discussions involving pricing information, especially margin (profit) and internal cost information and participants' expectations as to their future prices or internal costs.
- Discussions of a participant's marketing strategies.
- Discussions regarding how customers and geographical areas are to be divided among competitors.
- Discussions concerning the exclusion of competitors from markets.
- Discussions concerning boycotting or group refusals to deal with competitors, vendors or suppliers.

- Any other matters that do not clearly fall within these guidelines should be reviewed with NERC's General Counsel before being discussed.

III. Activities That Are Permitted

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

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

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

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

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

- Reliability matters relating to the bulk power system, including operation and planning matters such as establishing or revising reliability standards, special operating procedures, operating transfer capabilities, and plans for new facilities.
- Matters relating to the impact of reliability standards for the bulk power system on electricity markets, and the impact of electricity market operations on the reliability of the bulk power system.
- Proposed filings or other communications with state or federal regulatory authorities or other governmental entities.

Matters relating to the internal governance, management and operation of NERC, such as nominations for vacant committee positions, budgeting and assessments, and employment matters; and procedural matters such as planning and scheduling meetings.

Draft Minutes Standards Oversight and Technology Committee

November 2, 2011 | 9:00-10:30 a.m. Eastern
Westin Buckhead Atlanta
3391 Peachtree Road, NE
Atlanta, GA 30326

Chair Ken Peterson convened a duly noticed open meeting of the Standards Oversight and Technology Committee of the North American Electric Reliability Corporation on November 2, 2011 at 9:00 a.m. local time, and a quorum was declared present. The agenda is attached as **Exhibit A**.

NERC Antitrust Compliance Guidelines

Chair Peterson directed the participants' attention to the NERC Antitrust Compliance Guidelines.

Minutes

The committee approved the August 3, 2011 meeting minutes (**Exhibit B**).

Standards Presentation and Policy Issues for Discussion and Guidance

Herb Schrayshuen, vice president and director of standards, provided a presentation (**Exhibit C**) where he reviewed policy related items for discussion and guidance.

Update on Proposals to Revise Violation Risk Factor (VRF)/Violation Severity Level (VSL) Criteria

Mr. Schrayshuen reviewed that an updated set of definitions, as well as an updated tool for use in analyzing VRFs, is being prepared for a second round of industry comment, as well as a generalized approach for creating VSLs to be used in lieu of the current approach of performing an exhaustive analysis of possible violations for inclusion in the VSLs is in development. Both proposals will be vetted through NERC staff and Regional Entities and staff's position and regional input will be provided in an update to the Standards Committee (SC) and Compliance and Certification Committee (CCC) at the SC meeting in December.

Balanced Assessment of NERC Reliability Standards

Mr. Schrayshuen reviewed the current reliability standards development process and presented questions for consideration and discussion by the SOTC. Chair Peterson stated early alerts on issues that could potentially create problems for NERC is highly recommended. Further discussion ensued on the current process; is there a need for included SOTC input during the process and at what point and level. Gerry Cauley, President and CEO of NERC, and Allen Mosher, Chair of Standards Committee, both agreed that the current procedure is viable, and Mr. Mosher's suggestion is to obtain good technical input from NERC staff and that input is submitted during the process. His long standing goal is to obtain

written input early in the process from FERC and NERC staff and the Regional Entity staff, as well as input from the regional compliance staff to understand how the standard is going to be enforced. Mr. Mosher stated you have to make a judgment on what is the best reliable standard and that takes balance but committed as Chair of the SC to advise of the tough standards earlier for review and guidance.

ANSI – Forward Looking Obligations

Mr. Schrayshuen reviewed NERC received notice that effective September 9, 2011; NERC's standard development process has been re-approved as an ANSI-accredited standard development process and that the following statement was included in the approval letter:

"NERC is expected to continue to make progress towards its stated goal of submitting documents to ANSI for consideration as proposed American National Standards (ANS)."

Mr. Schrayshuen presented two options for consideration and discussion: 1) reaccredit every five years as NERC has been; or 2) move to a continual accreditation process by submitting standards to ANSI for approval.

Chair Peterson stated he does not feel this item is well enough developed to move forward with guidance discussion today. He requested NERC review further and report back to the committee. Mr. Cauley referred to David Cook, NERC General Counsel, to review current process. Mr. Cook stated that his understanding is there is a five year review to determine if everything is ok; NERC's current process does that; however he would review NERC's procedures and FERC directives to determine if either counters that understanding. If there is a difference, Mr. Cook will report back to the committee at is February 2012 meeting.

Industry Request to Change Our Position on CIP v4

Chair Peterson stated there was not enough time at the current SOTC meeting to hold the discussion on CIP v4 and that CIP v4 would be thoroughly reviewed and discussed at the MRC meeting and the committee would not feel comfortable speaking on this issue without first hearing the discussion to be presented at the MRC meeting.

Standards Committee Report

Due to timing Chair Peterson referenced the Standards Committee report in the Agenda package and asked if there were any comments/questions by the committee; there were none. (**Exhibit D**).

NASPI Update and Presentations

Mark Lauby, Vice President and Director of Reliability Assessment and Performance Analysis, reviewed that Russell Robertson, GPA Director, and Alison Silverstein, NASPI Project Manager would provide status reports on both NASPI and GPA activities and give a preview of upcoming deliverables in 2012. Alison Silverstein, NASPI project manager, reviewed NASPI's recent accomplishments, outlined plans for 2012, and outlined the NERC-DOE plan to mainstream NASPI community activities over the next three years (**Exhibit E**). Russell Robertson, GPA director, reviewed GPA's recent deliverables and accomplishments and outlined GPA's plans and major work products for the coming year (**Exhibit F**).

ERO Enterprise Solutions Roadmap

Catherine Sills, Manager ERO Enterprise Projects, provided a status update on the ERO Enterprise Solutions Roadmap. Mr. Cauley stated that he is pleased with the work over the past year and is continuing to move everything forward. Ms. Sills' presentation is attached as **Exhibit G**.

IT 90-Day Plan and Roadmap Update

Marvin Santerfeit, Director of Information Technology and Services, provided a status update on the IT 90-Day Plan and Roadmap. His presentation is attached as **Exhibit H**.

There being no further business, Chair Peterson adjourned the meeting at 10:34 a.m.

Submitted by,



Herb Schrayshuen



NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

2011 Board of Trustees Standards Oversight & Technology Survey

- TalentQuest worked with NERC to conduct its annual Board of Trustees - Standards Oversight and Technology Committee (SOTC) survey through an online methodology
- The Standards Oversight and Technology Committee survey was administered from December 1-21, 2011 to a total of 6 Committee members
- 6 Committee members responded to the survey
 - Response rate of 100%

RATING SCALE

Respondents were asked to rate items on a 1 to 5 scale to indicate their level of agreement with each item.

1 = Needs Prompt Attention *(level of performance is clearly unsatisfactory)*

2 = Below Expectations *(a question exists in the rater's mind as to the level of performance)*

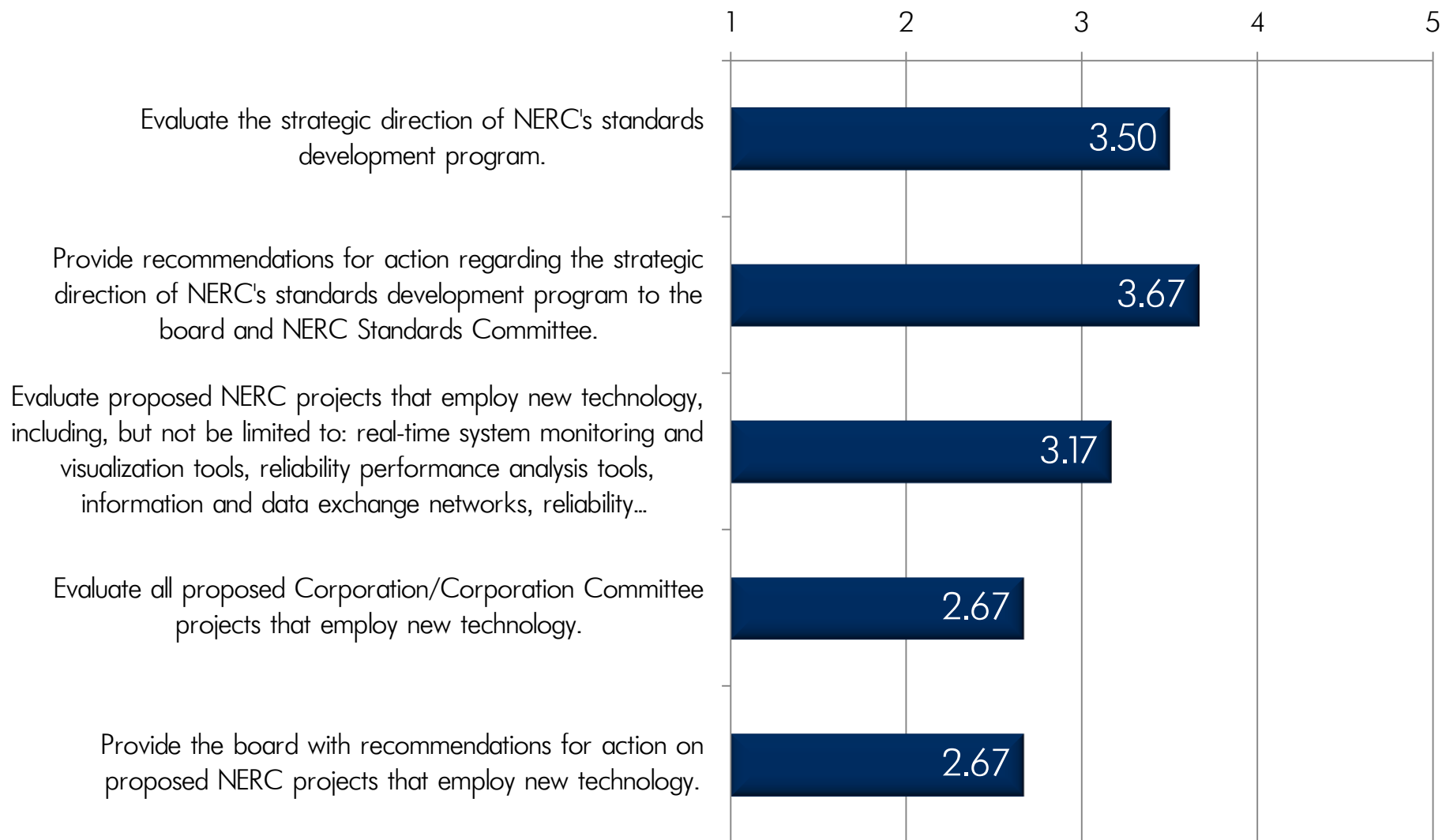
3 = Meets Expectations *(meets the required standard of performance)*

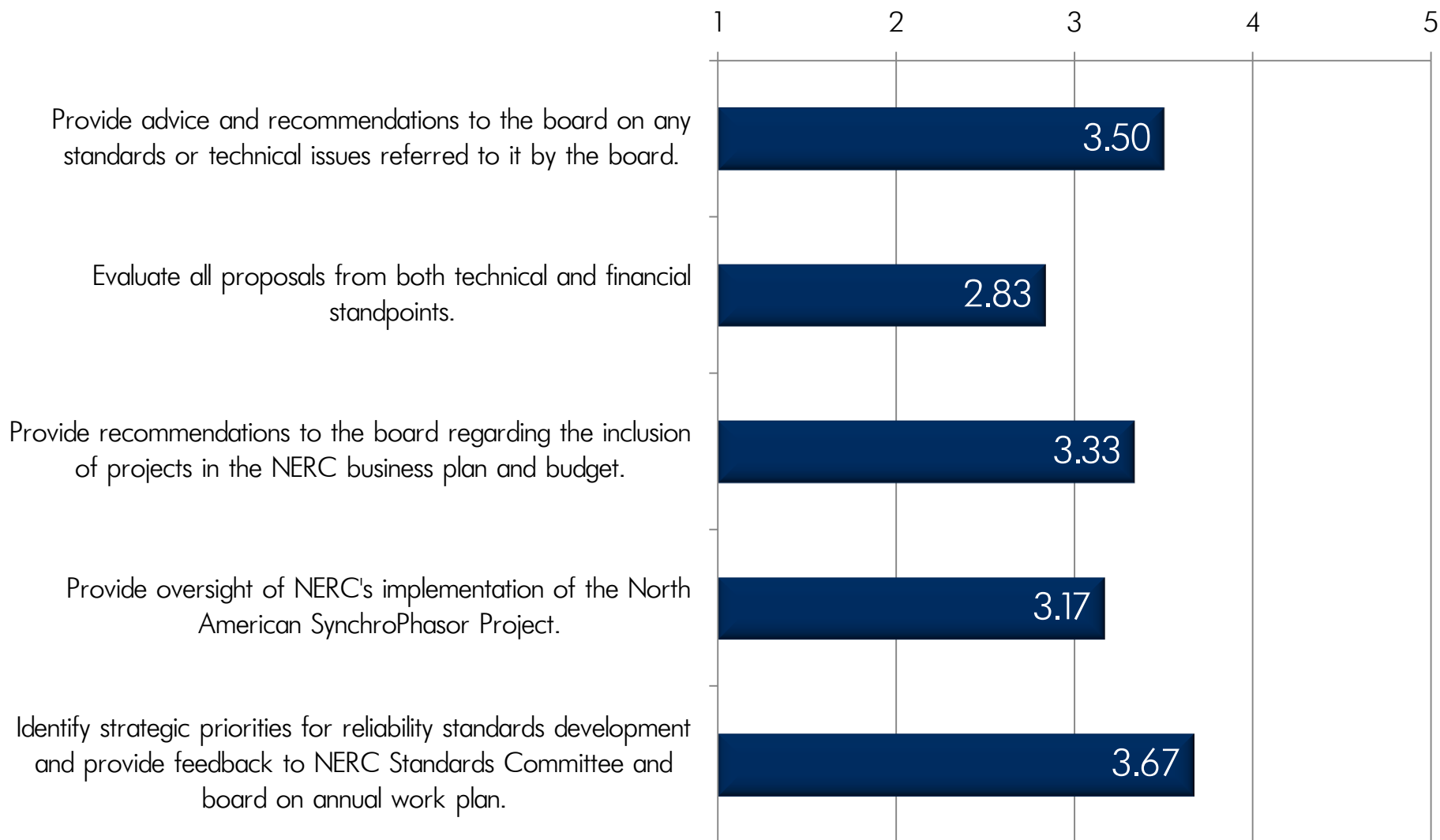
4 = Exceeds Expectations *(fully meets and exceeds the expected and required standard of performance)*

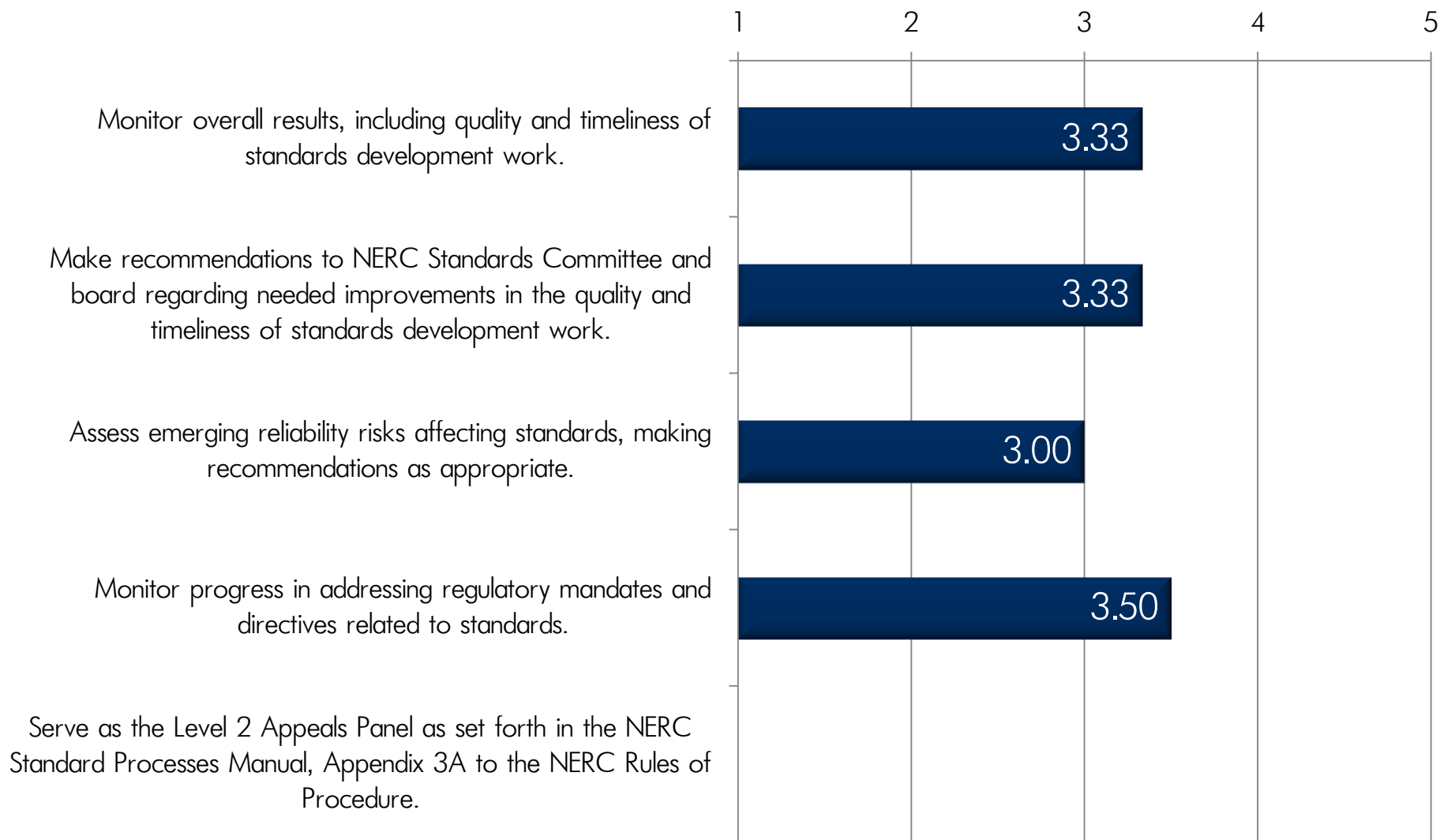
5 = Outstanding *(far exceeds the required standards of performance)*

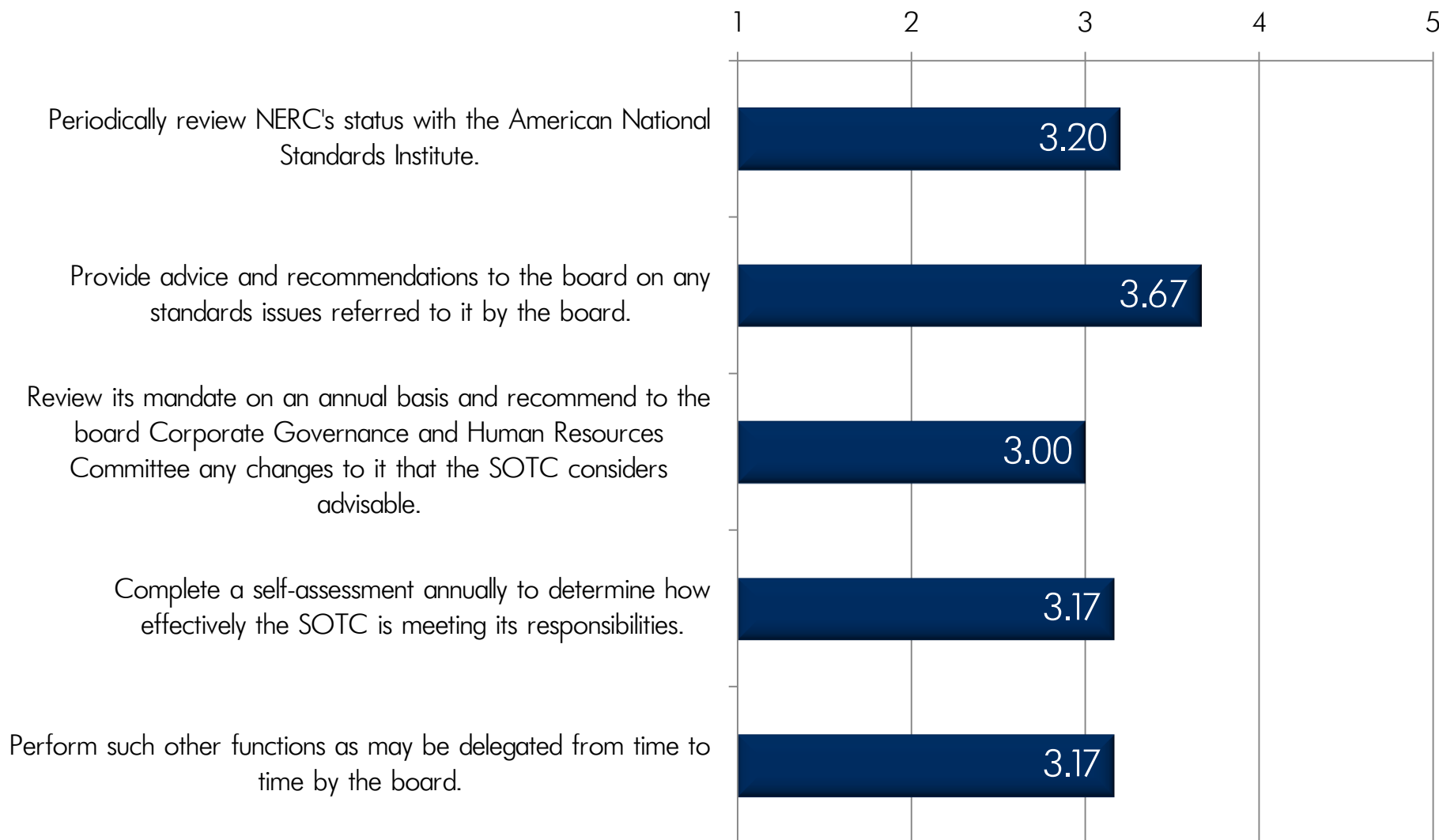


ITEM AVERAGES





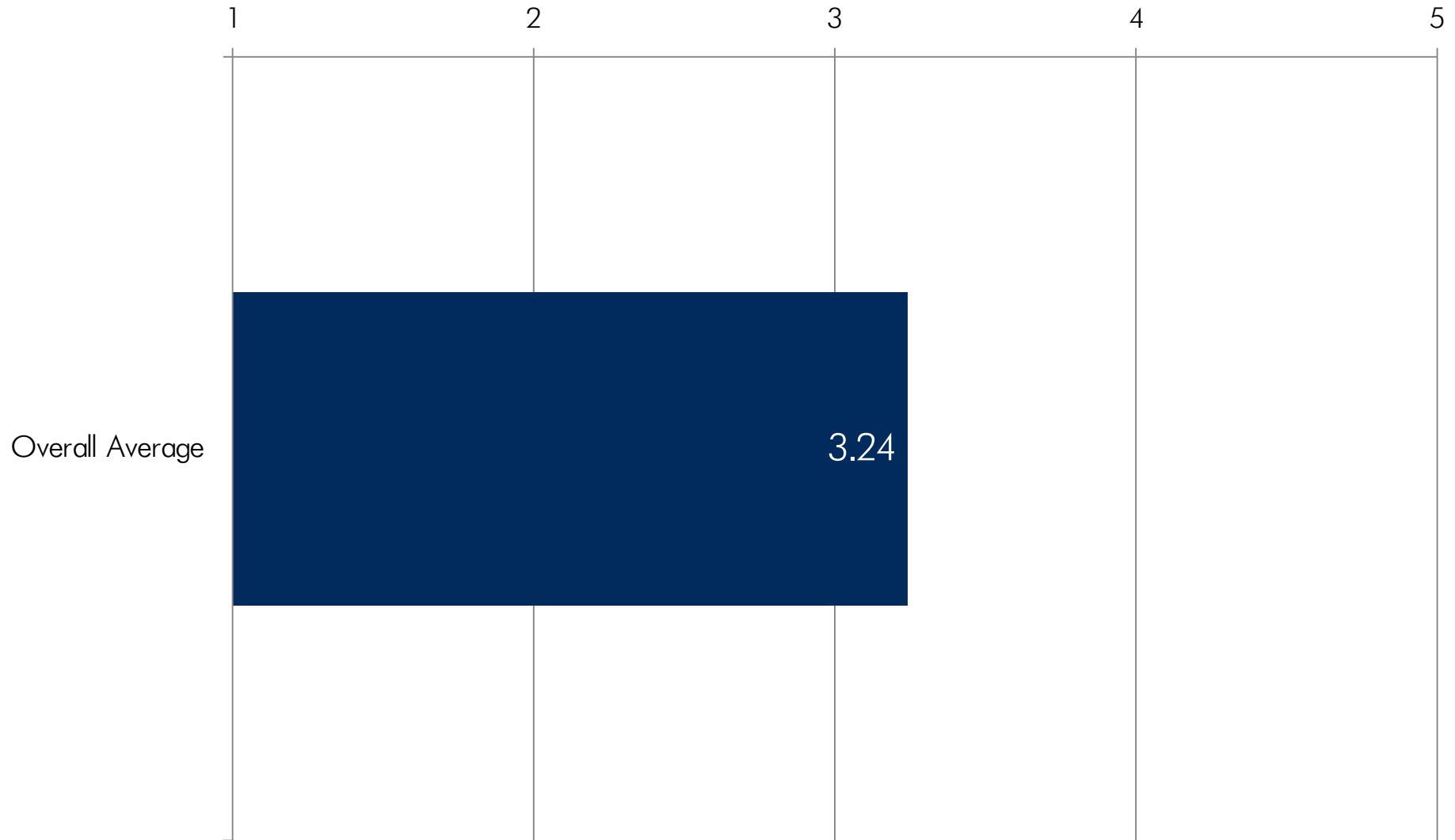




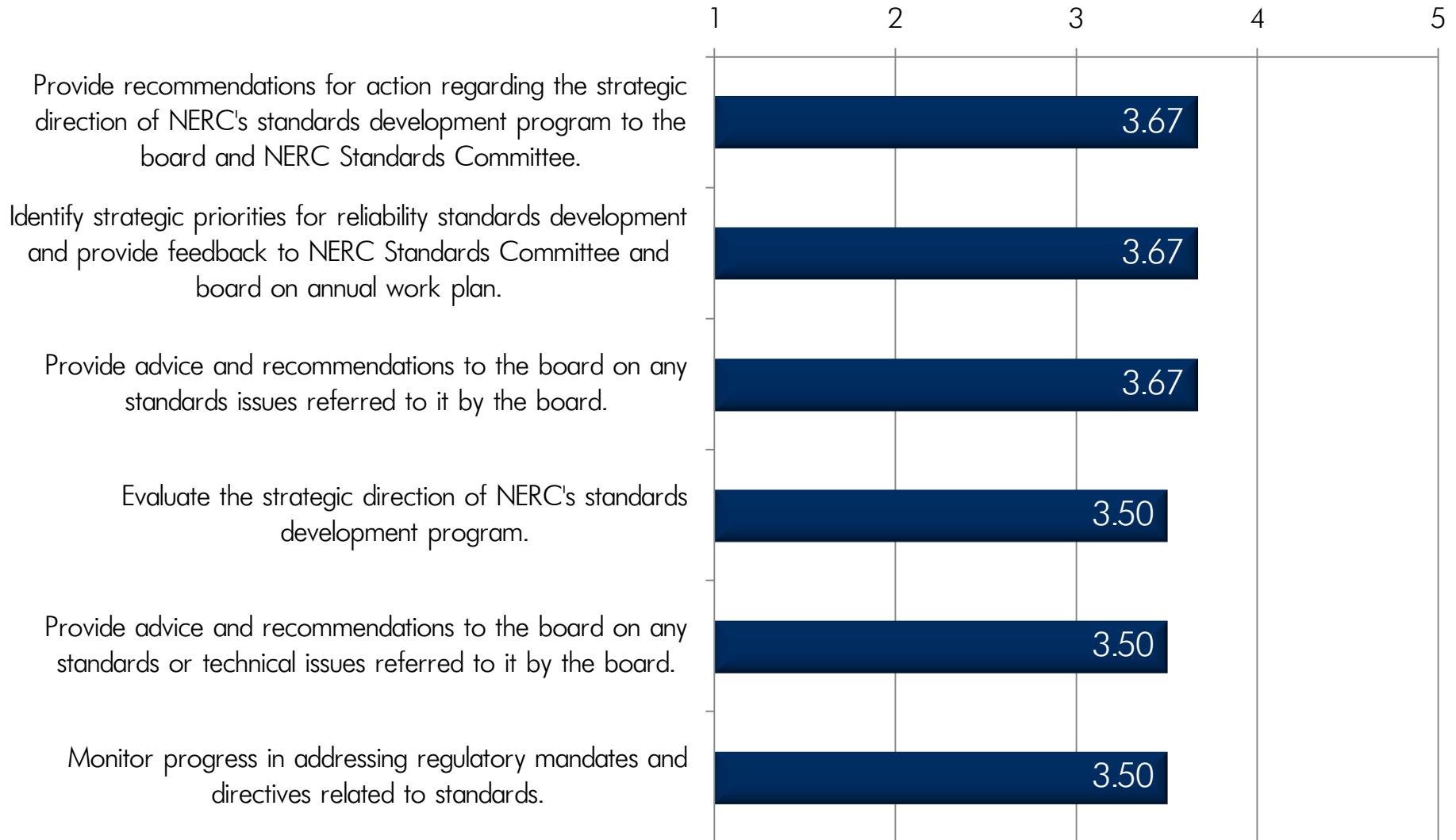


ITEM SUMMARIES

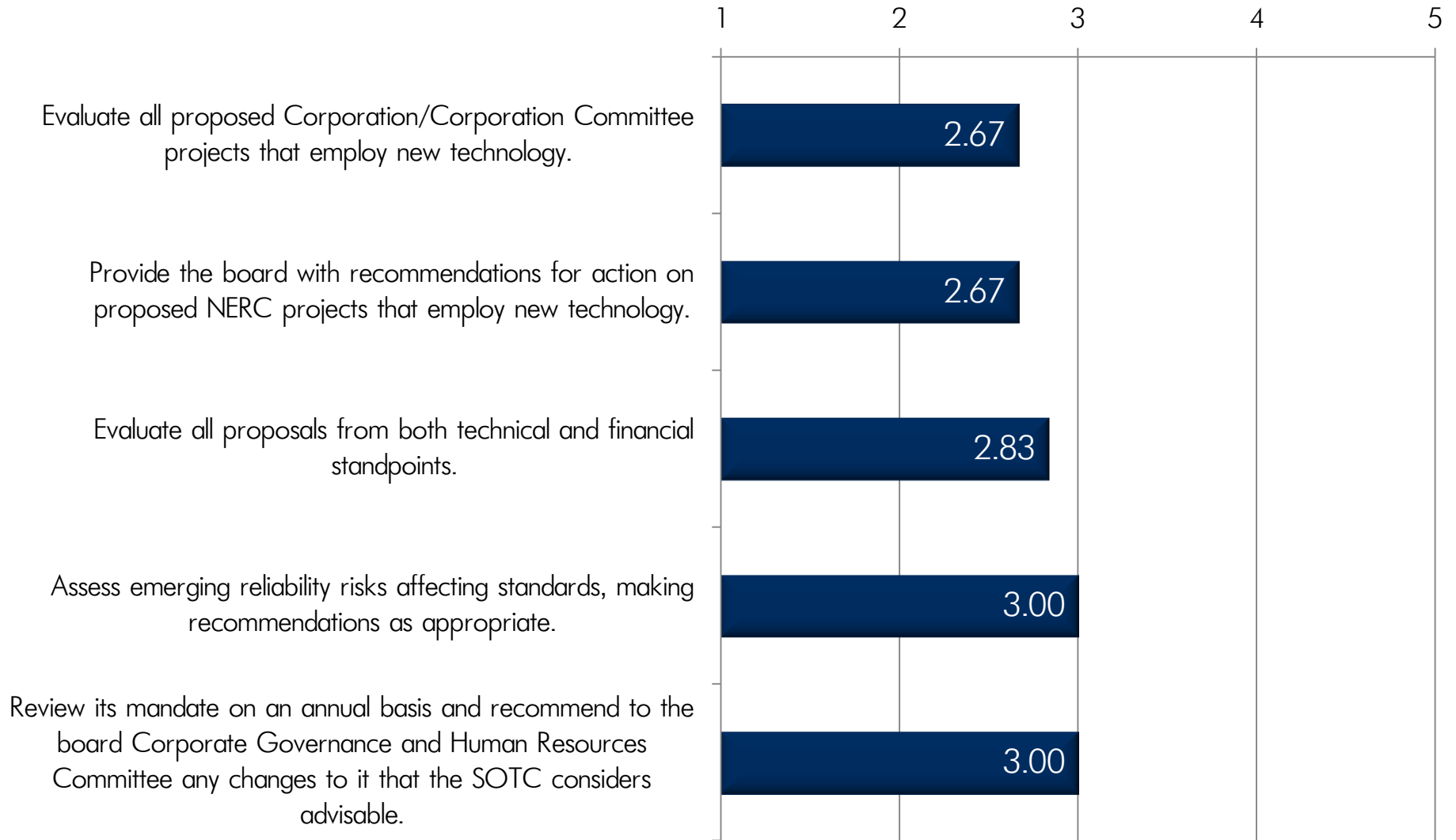
SOTC OVERALL SURVEY AVERAGE



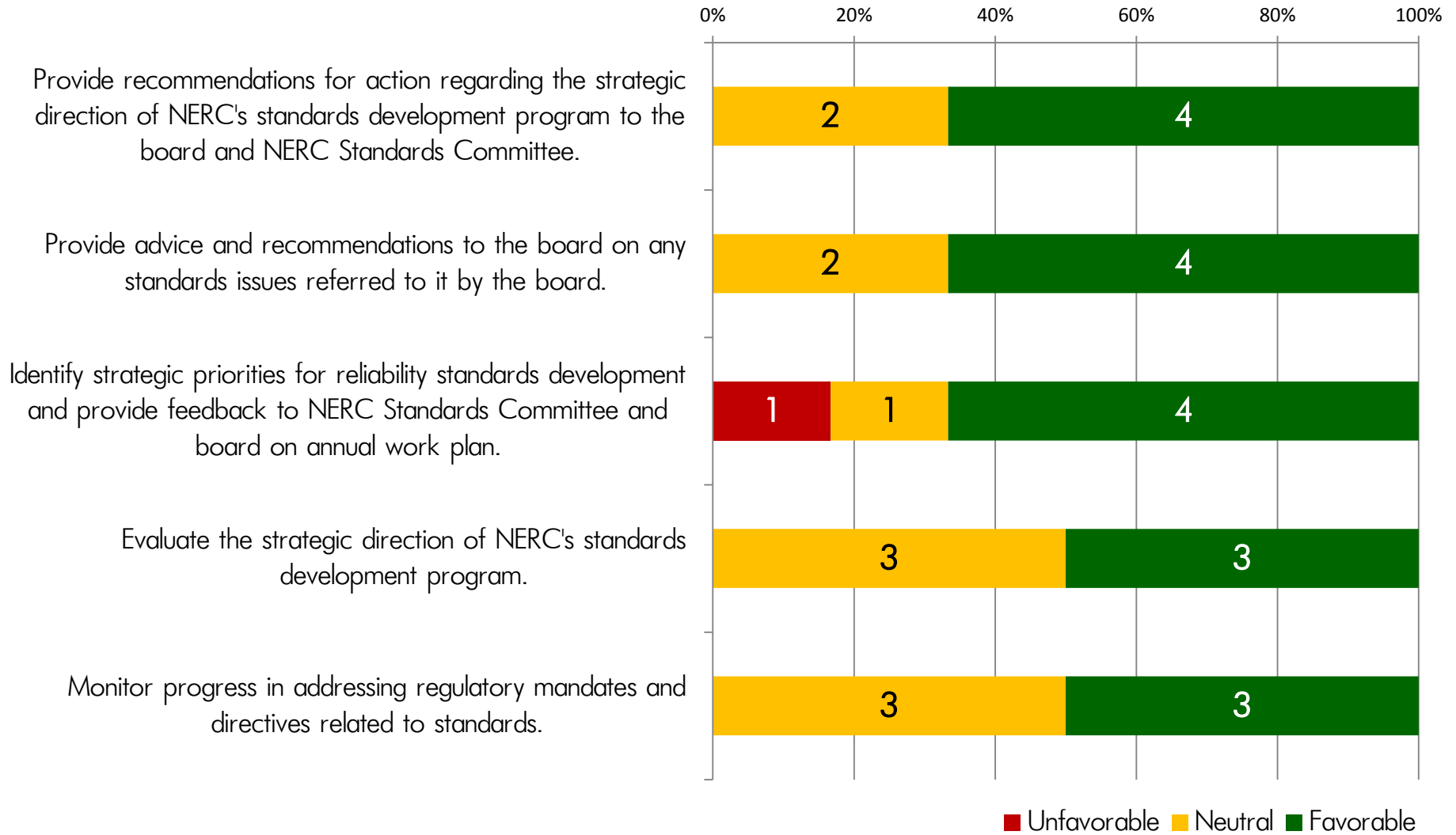
SOTC TOP ITEMS



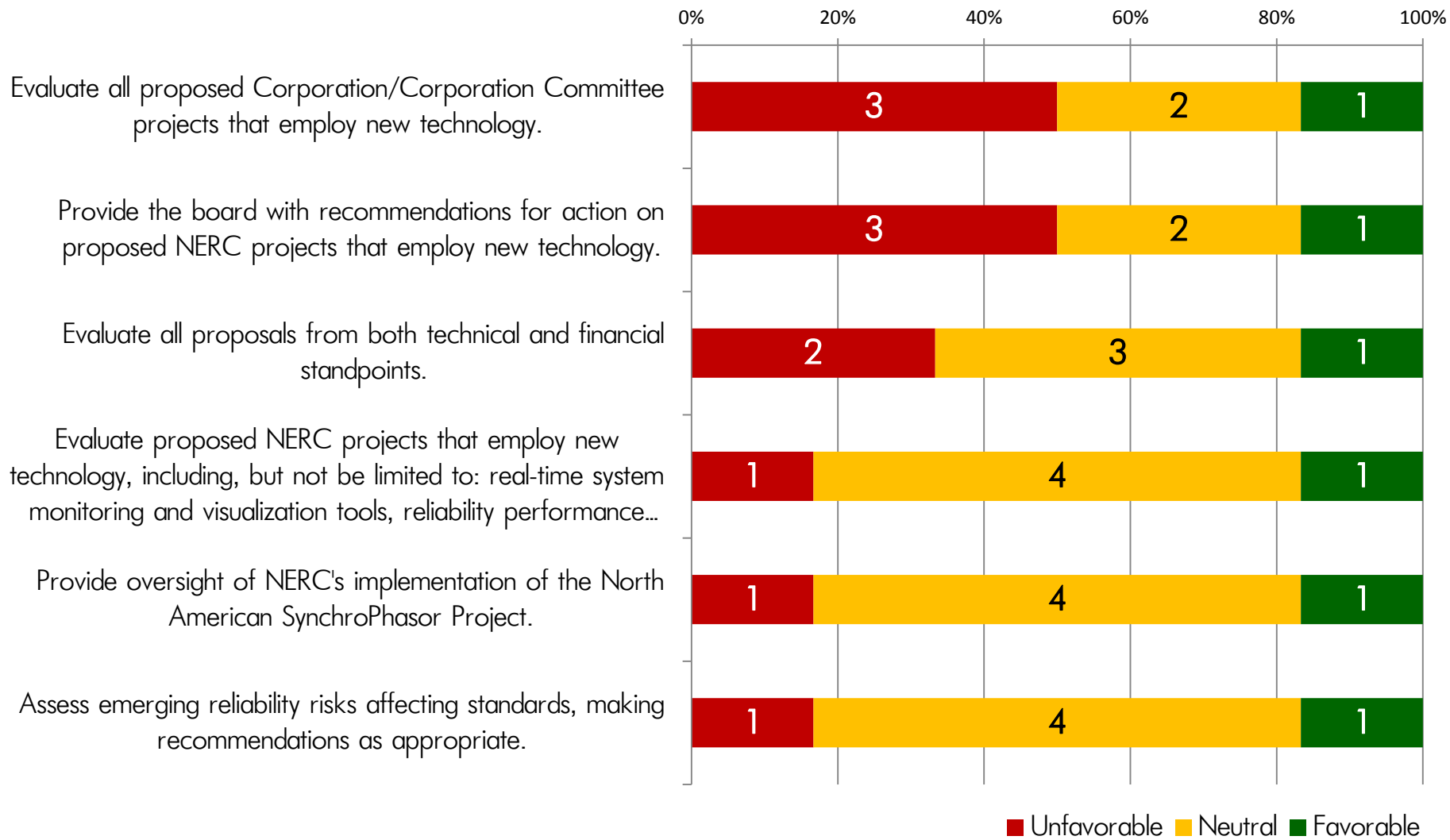
SOTC BOTTOM ITEMS



SOTC MOST FAVORABLE



SOTC LEAST FAVORABLE





COMMENTS

- A very good start-up of the Standards oversight part of the mandate this year. The Committee will need to find the right role and balance over time to have influence, but not cramp the legitimate independence needed by the SC. Ken is really putting in the time and adding the intellectual energy needed to partner well with the SC and lead the Committee.
- SOTC is still learning and feeling its way in terms of roles and responsibilities in the Standards area. Focus on technology has diminished due to new Standards tasks and the change in leadership at NERC. 2012 should see a more robust engagement across the spectrum. However, major attention will continue to be paid to Standards as that is the area in most need of improvement ERO-wide.

- SOTC stands ready to complete its mandate. Some areas of the mandate are active, and others not so. Review/oversight of the SC is a work in progress and is going as expected. We oversee the SC, respond when queried, and indicate the importance to the Board of quality standards being completed promptly. Regarding technology, not much to do other than monitoring the phasor project, which is going well. However, I suggest that NERC and SOTC should continue to be a catalyst for new technology ideas beneficial to reliability as it has in the past. IDC and other software platforms, and the phasor project are relevant examples. The next big game changer for reliability could well be "energy storage". and SOTC should be a voice to the Board and the industry to encourage "storage" ideas to come forward. We should be a catalyst and an incubator as needed. For the promising ideas, we should encourage the industry to carry them on to fruition.

- Technology aspects are progressing well. The new standards oversight role is ramping up nicely under the strong leadership of the Chairman.
- The committee is still relatively new and as such it is finding its way to deal with the very broad mandate requirements; especially the technology topics on an in-depth basis.
- This is a new committee and is still in the early stage of understanding the full requirements for effective performance

Information Technology Update

Standards Oversight and Technology Committee
February 8, 2012

RELIABILITY | ACCOUNTABILITY



NERC Technology Update

- Key Accomplishments
 - Princeton to Atlanta Data Center
 - Washington DC office
 - Public-facing website
 - Process/stability
- NERC Information Technology Architecture Study
 - Key findings
 - Recommendations
- ERO Project Management Office Update
 - Accomplishments to date
 - Next steps
- Four Pillars – Information Technology Next Steps
 - Four Pillars – Information Technology Next Steps

- Princeton to Atlanta Data Center move complete.
- Washington DC new office complete/on-time move in on December 16, 2011.
- Help Desk single point of contact (SPOC) established and implemented – follows Information Technology Infrastructure Library (ITIL) methodology.
- Implemented new Intranet site using SharePoint.
- NERC public-facing website assessment completed. Design and implementation plan created – estimated completion Q3/2012.
- Established NERC Information Technology Advisory Group (ITAG) – Senior leadership with the role of providing guidance and strategic direction on business priorities.
- Completed assessment of purchasing process for Microsoft licenses. Result: Enterprise Agreement (EA) signed that will provide consolidated license tracking, increased flexibility and an estimated 35 percent savings over the six-year agreement.
- Recommended and approved virtualization technology that will improve redundancy and stability of critical business systems.





- IT Architecture (ITA) Study

- Deloitte & Touche completed an ITA study for NERC from November 11, 2011 through January 23, 2012. The goal was to review and recommend steps to improve the technology infrastructure, resource alignment and process methodology for NERC Information Technology and Services.
- Key Findings:
 - NERC Information Technology infrastructure (hardware, co-location, network) follow best practices for redundancy and stability.
 - NERC application review suggested improvements are required in order to seamlessly mine data across multiple disciplines, ex., Compliance, Standards, RAPA, etc., in order to have a holistic view of data.
 - NERC Information Technology has considerable work to achieve in order to align services with technology best practices and process methodology.
 - Several resource enhancements are required in order to build organizational structure aligned with ERO requirements for application and data needs.
 - NERC and the ERO Regional organizations must work together to align strategic application needs in order to maximize effectiveness.

- ERO Project Management Office (PMO) Update
 - PMO staffed with three (3) resources: Manager, Project Manager, Jr. Business Analyst/Technical writer
 - Technical - Compliance Reporting and Tracking System (CRATS) identified as priority #1 by ERO EMG members as requiring immediate stabilization. Since November: WECC, TRE, MRO all synchronizing with no requirement for manual workbook submission. RFC targeted for end of February 2012
 - NERC Business Process Mapping for four processes: Alerts, FFT, Registration and Event Analysis
 - Next steps – Define process implementation plan for NERC specific improvement opportunities and work with the Regions to develop and implement improvements to ERO-wide processes

- Process – Business requirements effort underway to document CRATS Enforcement process steps and target for immediate improvement. Target requirements completion – end of Q2/2012
- PMO next steps:
 - In conjunction with Information Technology, deploy extranet site for ERO visibility to project status
 - Develop and deploy agreed upon ERO process for application criteria, application submission, application prioritization (by ERO EMG) and resource and cost allocation
 - In collaboration with the ITSG members develop agreed upon:
 - Vendor criteria
 - ERO processes for data submission, security, policies, reporting and ongoing status updates
 - ERO processes for application acceptance testing, deployment and enhancement processes

Next Steps: Build upon ERO Four Pillars

-  **Reliability** – to address real impacts and events, to improve the reliability of the grid
 - ☑ Design - technology that is stable, business driven and secure
-  **Accountability** – to be accountable to customers, the industry, and government for the reliable performance of the grid
 - ☑ Implement - metrics and Service Level Objectives for accountability
-  **Learning** – to continually improve and adapt to changes in the dynamic electric industry
 - ☑ Operate - Continually improve our service focus and knowledge management
-  **Risk-based** – to focus resources and actions on issues most important to grid reliability
 - ☑ Plan - Put plans in place to identify and mitigate risk to our mission

Interchange Distribution Calculator (IDC) Transition

Action

Information

Background

NERC staff, the Eastern Interconnection Reliability Coordinator (EI RC) entities, and OATI are working to transition the Interchange Distribution Calculator (IDC) tool to industry consortium in 2013. This transition is based on the Standard Oversight and Technology Committee and Board of Trustees' direction that NERC should incubate reliability software applications and then transition those applications to entities more appropriately suited to the long-term operation and sustainment of those tools. Accordingly, in August 2010, NERC issued a contract termination notice to the IDC vendor which hosts operates and maintains the IDC for the benefits of users in the Eastern Interconnection, with NERC paying the IDC vendor costs and allocating those costs annually to LSE's in the Eastern Interconnection.

In the fall of 2010, the EI RCs began meeting to develop and implement a transition plan related to the IDC. The project schedule is:

- Finalize and execute the consortium agreement (2Q2012)
- Establish Steering Committee and begin operations (3Q2012)
- File and Obtain FERC approval of the billing arrangement (2012)
- Change reporting relationship of the IDC Working Group to the Steering Committee (4Q2012)
- New IDC contract with the consortium goes into effect (May 2013)

The billing agreement will be subject to FERC approval.

Reliability Standards Policy and Guidance Items

Action

Discussion

Summary

a. Generator Operator (GO)/Transmission Operator (TO)

Background

Building on the work of the Ad Hoc Group for Generator Requirements at the Transmission Interface (Ad Hoc Group), these standards include modifications that help ensure that responsibility for generator interconnection facilities is appropriately assigned in NERC's Reliability Standards. The changes proposed by the drafting team for Project 2010-07 offer a focused approach whereby sole-use interconnection facilities (at or above 100 kV) that are owned and operated by generating entities will be included in a small set of standards and requirements previously only applicable to TOs. These generating entities (Generator Owners and Operators) do not own or operate facilities that are part of the interconnected system; rather, they own and operate sole-use facilities that are connected to the boundary of the interconnected system, and as such, may have a limited role in providing reliability compared to those entities that operate in a networked fashion beyond the point of interconnection.

With the above in mind, the drafting team for Project 2010-07 proposed the following standard modifications:

- FAC-001-1 now requires a GO to document and publish facility connection requirements if and when it executes an agreement to evaluate the reliability impact of interconnecting a third party facility to its existing generation interconnection facility.

It is still rare for a third party facility to interconnect to an existing generator interconnection facility, but the scenario has occurred in the past (*see Alta Wind I LLC, et al.*, 134 FERC ¶ 61,109 at P 19 (2011) and *Sky River, LLC*, 134 FERC ¶ 61,064 at P 13 (2011)). Once that interconnection occurs, a GO may be registered for other functions (such as TO, Transmission Planner, and/or Transmission Service Provider), but until such additional registration occurs, there is no requirement for the GO to document and publish facility connection requirements.

- In PRC-004-2.1a, the phrasing of R2 ("The Generator Owner shall analyze its generator Protection System Misoperations...") could lead to some confusion about whether an interconnection facility is included. The phrase "...and generator interconnection Facility" was added as shown in the redlined version of the standard. Because there is no change in applicability, this change is considered a minor change employed only to add clarity.

Standard Development Process

FAC-001-1 progressed through the normal standards development process, which included three postings for stakeholder comment (one informal and two formal) over a nine-month period, an initial ballot in November 2011, and a recirculation ballot in December 2011. The changes made between comment periods improved the clarity of the applicability changes.

PRC-004-2.1a progressed through the normal standards development process, which included one formal comment period that began in October 2011, an initial ballot in November 2011, and a recirculation ballot in December 2011. The changes made between the ballots ensured that the phrase "...and generator interconnection Facility" was included in all necessary sections of the standard.

The ballot for Project 2010-07 closed on December 23, 2011 with the following results:

- FAC-001-1: quorum of 88.48 percent, approval of 90.10 percent
- PRC-004-2.1a: quorum of 86.65 percent, approval of 96.43 percent

FAC-003-3 – Transmission Vegetation Management, which adds GOs to the applicability section of FAC-003-2,¹ was also modified as a part of Project 2010-07. This standard was balloted along with FAC-001-1 and PRC-004-2.1a and was approved by stakeholders (with an 87.17 percent quorum and an 85.38 percent approval). However, a Level 1 Appeal of FAC-003-3/FAC-003-X was received on January 20, 2012 and is pending. Accordingly, the request for Board of Trustees action (if any) relative to FAC-003-3 is being held until the appeal process can be completed. The Level I appeal is attached.

There has been discussion in the industry regarding the need for additional standards to be addressed in order to deal with generator interface issues.

¹ FAC-003-2 was developed as part of Project 2007-07 and approved by the Board of Trustees on November 3, 2011.

b. COM-002 Interpretation

Background

On October 1, 2009, a clarification was requested by the ISO-RTO Council of Requirement R2 of COM-002-2, specifically asking whether “directives” are limited to actions requested during actual and anticipated emergency operating conditions, or whether routine operating instructions are also considered “directives.”

The initiation of the project for developing the interpretation was delayed following discussion with the requester based on the anticipation that more clarity regarding the term, “directives” would be provided through standard development work in Project 2007-02 Operating Personnel Communications Protocols (Project 2007-02). When it became clear that the work in Project 2007-02 would require considerable industry debate, an interpretation drafting team was formed and prepared a draft interpretation, which was posted for a 30-day formal comment period that ended December 18, 2010. However, work on the interpretation was further delayed based on reprioritization of the total standards workload, and again as the Standards Committee developed more formal processes for addressing interpretations.

In April 2011, the Standards Committee approved and issued the NERC Guidelines for Interpretation Drafting Teams and directed that work resume on the interpretation. At that time, the standards staff and the Standards Committee planned to work simultaneously on both the interpretation and Project 2007-02, with the goal of comprehensively addressing three part communication. However, On August 30, 2011 the Standards Review Committee of the ISO/RTO Council submitted a Level 1 Appeal for Inaction related to Project 2009-22 to the Vice President and Director of Standards. The Appeal requested that Project 2009-22 be given an “immediate/urgent” priority and be addressed within 30 days of receiving the Appeal, and that NERC provide a formal explanation of the delays associated with the Project. To be responsive to the Appeal, the interpretation was moved forward separately from the effort to develop a more comprehensive requirement for three part communication. The [Appeal](#), as well as NERC’s [Response](#), is posted on the NERC website.

Results

A revised interpretation was posted for industry comment on October 10, 2011, with a parallel ballot conducted November 8–18, 2011. The ballot achieved a 95.05 percent approval, with a quorum of 91.2 percent. A recirculation ballot was conducted December 14–23, 2011, and the interpretation was approved by stakeholders, achieving a 94.58 percent approval with a quorum of 92.00 percent.

As described in the Standards Committee’s *Roles and Responsibilities* document (page 8), NERC staff is “encouraged to provide comments during the standards development process.” In addition to the technical comments submitted by NERC staff, NERC’s functional area leaders submitted a [letter](#) to the Interpretation Drafting Team, highlighting key issues and concerns regarding three part communication.

January 20, 2012

Mr. Herb Schrayshuen
Vice President of Standards and Training
North American Reliability Corporation
3353 Peachtree Road, N.E.
Suite 600, North Tower
Atlanta, GA 30326

RE: Exelon Appeal of FAC-003-3 and FAC-003-X Process

Dear Herb:

Exelon wishes to initiate a Level 1 Appeal of the recent vote on FAC-003-3 (December 1, 2011 draft) and FAC-003-X (December 1, 2011 draft), Transmission Vegetation Management Program, as part of Project 2010-07, Generator Requirements at the Transmission Interface. Exelon believes that the NERC Standards Process Manual was not followed, and that based on the substantive changes made to both Standards following the Initial Ballot, NERC should have set the Standards for vote using a Successive Ballot rather than a Recirculation Ballot.

Exelon voted against these proposed Standards, and while we respect the vote of the Ballot Body, we believe that the manner in which the Standards were presented for vote is contrary to the process required by the NERC Standards Process Manual.

Prior to the Recirculation Ballot, Section 4.3.1, which defines the criteria for determining which Generation Owners will be covered by the Standards, was modified to increase the scope and applicability to generator owned overhead transmission lines by adding the words "or do not have a clear line of sight from the switchyard fence to the point of interconnection." FAC-003-3; see also FAC-003-X.¹ The Standard Drafting Team's ("SDT") explanation for this last minute addition to Section 4.3.1 is that the addition of the "line of sight reference" merely clarifies the "exception language based on the intent that was agreed upon by the stakeholder body." Sidebar comments to Sections 4.3.1 of FAC-003-3 and FAC-003-X. The SDT went on to identify the "intent" of the stakeholder body as follows:

¹ The language in Section 4.3.1 of FAC-003-3 and FAC-003-X is similar, but not identical. (Compare Section 4.3.1 in FAC-003-3 (quoted in body of this letter) to FAC-003-X, which reads "or does not have a clear line of sight from the switchyard fence to the point of interconnection. . . .")) With respect to the language at issue in this appeal, the differences are of no consequence. Accordingly, references to Section 4.3.1 refer collectively to Section 4.3.1 of FAC-003-3 and FAC-003-X.

“We believe that the one mile length is a reasonable approximation of line of sight, and that using a fixed starting point (at the fenced area of the generation station switchyard) eliminates confusion and any discretion on the part of a Generator Owner or an auditor.’ With the addition of an explicit line of sight reference here, the SDT believes it has clarified its original intent.”²

This explanation does nothing more than (1) reiterate the point the SDT has maintained throughout the entire drafting process, namely that “the one mile length” of a transmission line “is a reasonable approximation of line of sight,” and (2) explain that the SDT included a “fixed starting point” (the fenced area of the generation station switchyard) from which to measure the line to address stakeholder concerns about excessive Generator Owner discretion and inconsistent application of the Standard. The stakeholder concerns and the SDT’s response have absolutely nothing to do with – and certainly do not express the “intent that has been agreed upon by the stakeholder body” – the inclusion of “or do not have a clear line of sight from the switchyard fence to the point of interconnection.” To be clear, the SDT, and even the Ad Hoc Group prior to the SDT, have always focused on the length of the transmission line (either a half mile as proposed by the Ad Hoc Group or a mile as proposed by the SDT) as the basis for determining coverage, the presumption being that up to a certain distance, the overhead line is in the line of sight at various locations throughout the Generator Owner’s property and reasonably subject to being managed through normal day-to-day plant activities. The SDT has not, until the most recent iteration of the Standards, focused on requiring a “clear” line of sight to “the point of interconnection.” The requirement that the Generator Owner be able to view the “point of interconnection” while standing at the switchyard fence is a wholly new requirement based on new considerations not previously addressed through stakeholder comments.

A review of the Technical Justification Document,³ apparently developed prior to the Initial Ballot (referred to as the “Initial Technical Justification”) supports Exelon’s position. In that document, the SDT refers to the Ad Hoc Group’s original thought to exclude from the Standard any transmission lines that was “less than two spans [long] (generally one half mile from the generator property line).”⁴ The SDT then explained that, “[a]fter reviewing formal comments, the SDT agreed to revise the exclusion so that it applies to a Facility [transmission line] if its length is ‘one mile or 1.609 kilometers beyond the fenced area of the generating station switchyard’ to approximate line of sign [sic] from a fixed

² Standard FAC-003-X at p. 2 (Draft 3: Dec. 1, 2011); Standard FAC-003-3 at p. 6 (Draft 3: Dec. 1, 2011)

³ From the title, “Technical Justification Project 2010-07 Generator Requirements at the Transmission Interface,” it appears that the document was created on September 30, 2011, although it appears that the PDF version was created on October 4, 2011. 2011_09_30_Technical_Justification_Document.pdf. In either case, this means the document was codified prior to the start of the November 9, 2011 Initial Ballot.

⁴ 2011_09_30_Technical_Justification_Document.pdf at p. 3.

point,”⁵ (the fixed point being the fenced area of the generating station switchyard). Importantly, the Ad Hoc Group and SDT focused on the length of the line, with no discussion or evaluation of requiring a “clear” line of sight from the fence “to the point of interconnection.”

Aside from the fact that the last minute change by the SDT does not reflect stakeholder intent, it is also technically unsupported. The SDT just added the requirement for a “clear” line of sight “to the point of interconnection” language without considering the implications of why such a change was required. While a specific fixed point may make sense for establishing a starting point from which to measure distance (the one-mile limitation), it does not when considering a clear line of sight, especially in light stakeholder comments and the SDT’s acknowledgment that

in many case, generation Facilities are either (1) **staffed and the overhead portion is within the line of sight** or (2) the overhead Facility is over a paved surface. Stakeholders have generally supported the rationale exempting these Facilities because incorporating them into FAC-003 would offer no reliability benefit. The SDT and industry comments support the position that these qualifiers represent a reasonable and appropriate risk prevention approach.⁶

Notably absent from this rationale is any requirement that there be a clear line of sight from a fixed point; nor is a clear line of sight required when the distance of the overhead line is short (less than a mile) and the Facilities are staffed on a daily basis, meaning that the overhead line will be subject to observation by staff, even if the staff does not have a clear line of sight from a specified fixed point (the switchyard fence) to the point of interconnection. An example helps illustrate this point. Some Generator Owner transmission lines come out of the generating station and take a ‘dog leg’ turn (the line turns at one of the towers). Standing at the tower, an individual has a clear line of sight to either end of the line (the end coming out of the station and the end connecting with the point of interconnection). Since the generating Facility is staffed and the line is within the Generator Owner’s property line or controlled area, the line can be observed and maintained by staff in the same manner as any other short distance line with a “clear” line of sight from the switchyard fence to the point of interconnection.

As illustrated by the preceding discussion, the SDT’s last minute addition of “or do not have a clear line of sight from the switchyard fence to the point of interconnection” constitutes a material and significant change in the scope of the applicability of the Standards to Generator Owners, and it was inappropriate for NERC to use a Recirculation Ballot. The Standard Process Manual regarding Recirculation Ballots (pages 19-20) states:

⁵ 2011_09_30_Technical_Justification_Document.pdf at p. 3.

⁶ Consideration of Comments Generator Requirements at the Transmission Interface Project 2010-07, p. 1 (emphasis added).

Conduct Recirculation (Final) Ballot (Standard has not Changed Substantively from Prior Ballot)

When the drafting team has reached a point where it has made a good faith effort at resolving applicable objections, the team shall conduct a recirculation ballot. In the recirculation ballot, members of the ballot pool shall again be presented the proposed standard **(that has not been significantly changed from the previous ballot)** along with the reasons for negative votes, the responses, and any resolution of the differences. **An insignificant revision is a revision that does not change the scope, applicability, or intent of any requirement and includes but is not limited to things such as correcting the numbering of a requirement, correcting the spelling of a word, adding an obviously missing word, or rephrasing a requirement for improved clarity.** Where there is a question as to whether a proposed modification is “substantive” the Standards Committee shall make the final determination. There is no formal comment period concurrent with the recirculation ballot and no obligation for the drafting team to respond to any comments submitted during the recirculation ballot.

(Emphasis added.)

Regardless of whether the SDT believed that its addition of the language at issue here clarified the intent of the stakeholder body, using the Recirculation Ballot for the Standards was not warranted or allowed by process. An unarticulated intent of the stakeholder body cannot serve as the basis for a substantive change to the Standard. More importantly, the language added by the SDT clearly changed the scope and applicability of the Standard, by drawing in Generator Owners that would have otherwise been excluded from the Standards, namely those Generator Owners with transmission lines less than a mile long that will now be covered by the Standard because some shorter distance of its line is not clearly visible from the switchyard fence to the point of interconnection. The SDT's presentment of this change through a Recirculation Ballot deprived Exelon (and possibly others) of having its comments considered by the SDT and the SDT answer on the record for consideration by the Ballot Body in accordance with the requirements of a Successive Ballot. You can read Exelon's comments on the Recirculation Ballot at:

<https://standards.nerc.net/VoterComment.aspx?VoteGUID=8801b661-a474-4f54-b14a-4cfe644bdaa6>.

Please let me know if you have any further questions.

Best regards,

A handwritten signature in black ink, reading "Steven T. Naumann". The signature is written in a cursive style with a horizontal line under the first name.

Steven T. Naumann
Vice President, Wholesale Market Development
Federal Regulatory Affairs & Public Policy, Exelon Corporation

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Agenda Item 5
SOTC Meeting
February 8, 2012

Reliability Standards Status Report

**Standards Oversight and Technology
Committee Meeting**
February 8, 2012

RELIABILITY | ACCOUNTABILITY



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404-446-2560 | www.nerc.com

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Standards Development Forecast (Continent-wide)

Standards

Projects forecast for action at the May 2012 Board of Trustees meeting

- 2007-03 Real-time Operations (April 25)¹
- 2007-12 Frequency Response (May 10)

Projects forecast for action at the August 2012 Board of Trustees meeting

- 2006-06 Reliability Coordination (remainder)¹
- 2007-17 Protection System Maintenance and Testing
- 2008-06 Cyber Security Order 706
- 2009-01 Disturbance and Sabotage Reporting²

Projects forecast for action at the November 2012 Board of Trustees meeting

- 2007-09 Generator Verification (partial; remainder February 2013)¹
- 2010-14.1 Phase 1 of Balancing Authority Reliability-Based Controls: Reserves (partial; remainder February 2013)³
- 2010-05.1 Phase 1 of Protection Systems: Misoperations

Projects forecast for action at the February 2013 Board of Trustees meeting

- 2010-14.1 Phase 1 of Balancing Authority Reliability-Based Controls: Reserves (remainder)
- 2010-07 Generator Verification (remainder)

Interpretations

Four interpretations, including two CIP interpretations and two non-CIP interpretations that are being addressed through a rapid revision of the standard, are expected to require action at the August 2012 Board of Trustees meeting.

¹ This project has been intentionally delayed in order to limit the number of concurrent standards actions being requested of industry stakeholders.

² This project has been intentionally delayed due to a need to hold a Successive Ballot following an unsuccessful Initial Ballot.

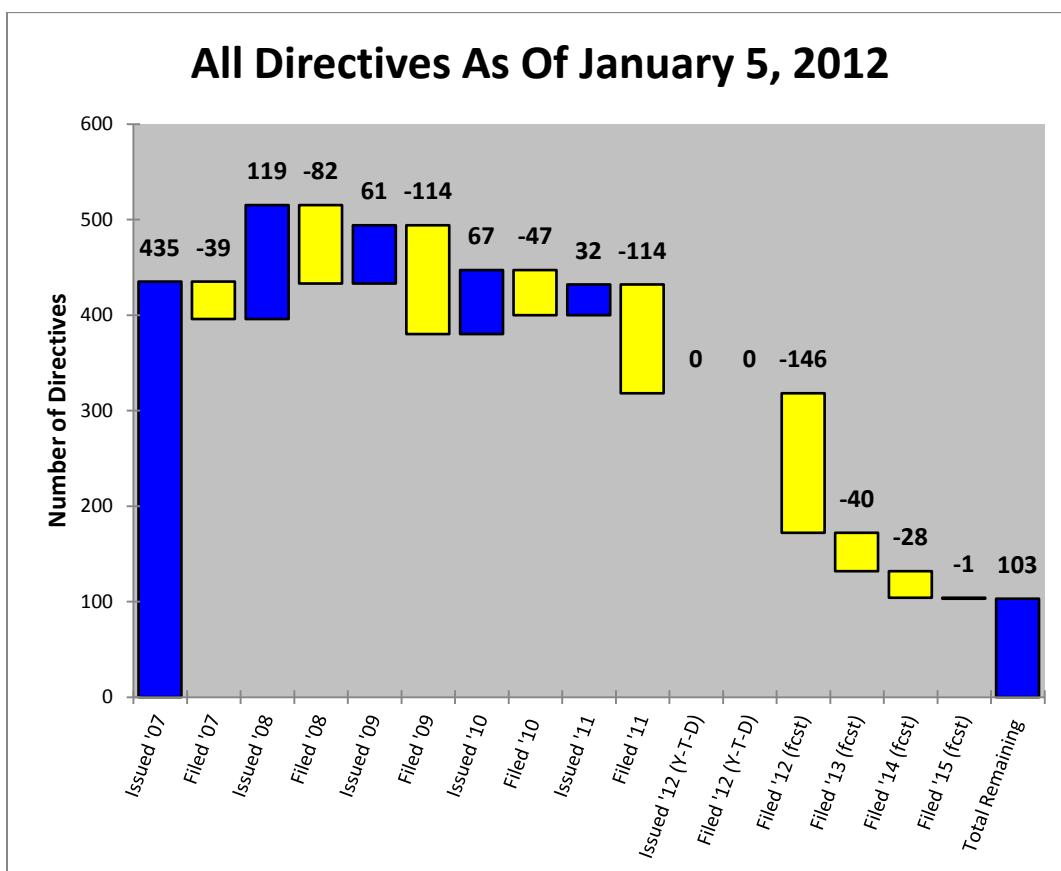
³ Part of this project has been delayed based on a Standards Committee request to schedule a Successive Ballot to mitigate the risk of an unsuccessful Initial Ballot

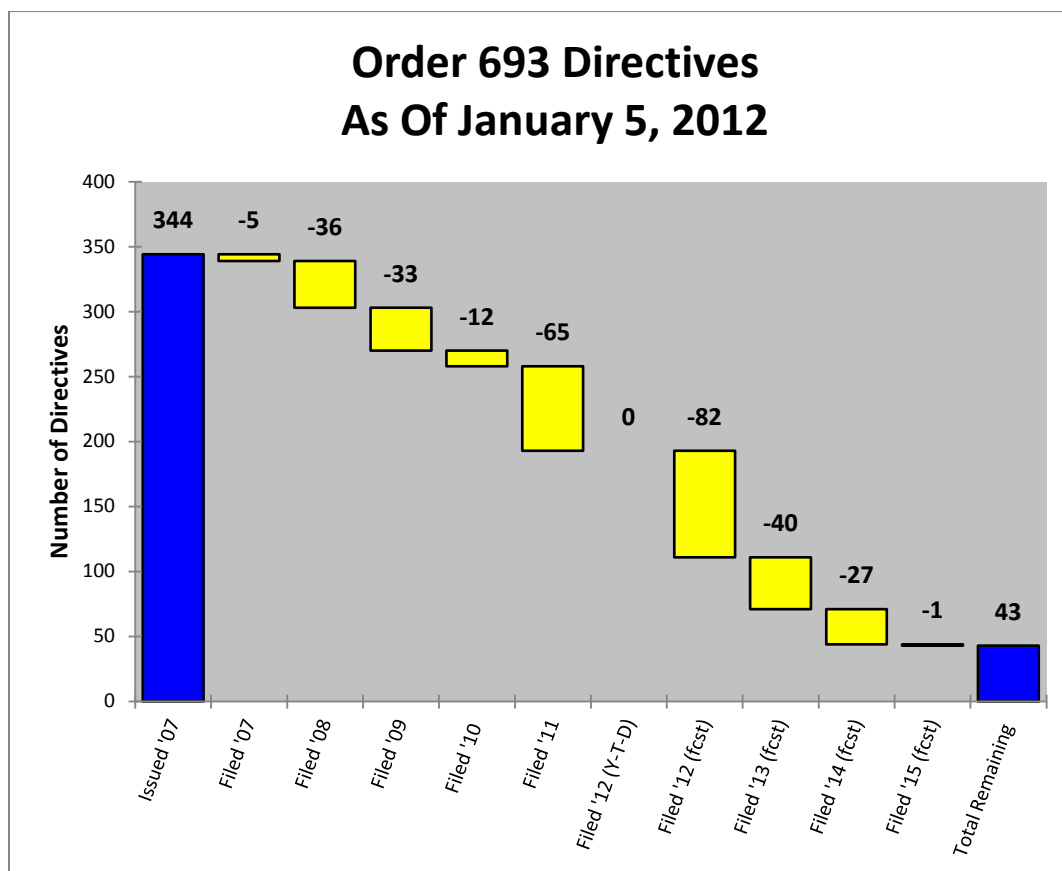
Outstanding Regulatory Directives-Update

Regulatory Directives Update

The Standards staff continues to coordinate with FERC staff on identification of FERC regulatory directives focused on standards development. The last quarter of 2011 focused on the directives associated with cyber security. More work is needed to be completed associated with the NERC-FERC directives coordination effort. The goal is to complete the coordination effort on or before March 31, 2012, so that NERC can submit to FERC the status and timetable for addressing each outstanding directive, consistent with Rule 321 of NERC's Rules of Procedure.

The following charts summarize the progress on responding to standards-related directives to date.





Additional changes to the “directive counts” are expected to continue based on the coordination effort between FERC and NERC staffs until the directives report is prepared in the first quarter of 2012.

Regional Standards Group February 2012 Report

This report highlights the key activities of NERC and the Regions in support of the Regional Standards Group (RSG) charter obligations in the year 2011.

The RSG met on a monthly basis and held 12 meetings this year in-person or by phone.

The regions have worked to perform quality reviews, post regional standards to the NERC website, and file regional standards and variances with FERC. As a result of these efforts we report the following.

Regional Standards –2011

Regional Standards and Variances filed by NERC with FERC:

- PRC-002-NPCC-01 (approved by FERC on October 20, 2011)
- CIP-001-2a (TRE regional variance to CIP-001 – Sabotage Reporting) (approved by FERC on August 2, 2011)
- IRO-006-TRE-01
- PRC-006-SERC-01

Regional Standards and Variances approved by Regional Entity Board (not included above):

- PRC-006-NPCC-01
- MOD-25-RFC-01 (ReliabilityFirst has requested NERC staff to delay filing this standard with FERC until a ReliabilityFirst Board directed evaluation of the need for regional standards is completed)

Regional Standards Activities and Accomplishments-2011

Accomplishments

- Seven of the eight Regional Standards development projects provided milestones for coordination of processing purposes to NERC.
- NERC Regional Standards staff has:
 - Prepared a unified schedule for all regional projects in development (see attached)
 - Processed six regional postings for comment on behalf of the regions
 - Performed 11 quality reviews on Regional Standards and variances
 - Attended 13 Regional Standards Development team meetings (in-person or by phone) for coordination purposes

- Attended 6 Regional Standard Committee meetings on-site for coordination purposes
- Updated the NERC Regional Reliability Standards Under Development webpage
- Prepared a white paper on a comparison of regional standards, regional variances and regional procedures

Other Activities

- NPCC developed a Cost Effectiveness Analysis Procedure (CEAP), which was used in the NPCC Board evaluation of PRC-006-NPCC-01
- SERC revised their Regional Standards Development Procedure – to be presented at the February 2012 Board of Trustees meeting
- RFC proposed revised standard development procedures which were approved for filing with FERC by the Board of Trustees. Subsequent to Board of Trustees approval, RFC requested the filing with FERC be held pending additional changes requested by RFC stakeholders.
- WECC revised their Reliability Standards Development Procedure.

Future Regional Standards 2012 (see table on next page)

ID		Task Name	Duration	Start	Finish	2012												2013				
						Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
1		PRC-002-FRCC-1 (on hold)	0 days	Mon 1/2/12	Mon 1/2/12	◆	1/2															
2		PRC-003-FRCC-1 (on hold)	0 days	Mon 1/2/12	Mon 1/2/12	◆	1/2															
3		PRC-006-FRCC-1 (on hold)	0 days	Mon 1/2/12	Mon 1/2/12	◆	1/2															
4		PRC-024-FRCC-1 (on hold)	0 days	Mon 1/2/12	Mon 1/2/12	◆	1/2															
5		PRC-006-NPCC-1	917 days	Mon 8/25/08	Tue 2/28/12																	
6		Regional standard development	805 days	Mon 8/25/08	Fri 9/23/11																	
7		Posting of Documents for process evaluation at NERC	45 edays	Mon 10/31/11	Thu 12/15/11																	
8		Prepare BOT Material	25 days	Thu 12/15/11	Wed 1/18/12																	
9		Develop Initial Draft of Regulatory Filings	20 days	Wed 2/1/12	Tue 2/28/12																	
10		PRC-012-NPCC-1 (on hold)	0 days	Mon 1/2/12	Mon 1/2/12	◆	1/2															
11		MOD-024-RFC-01 (on hold)	0 days	Mon 1/2/12	Mon 1/2/12	◆	1/2															
12		MOD-025-RFC-01 (on hold)	0 days	Mon 1/2/12	Mon 1/2/12	◆	1/2															
13		PRC-002-RFC-01 (on hold)	0 days	Mon 1/2/12	Mon 1/2/12	◆	1/2															
14		PRC-006-RFC-1 (on hold)	0 days	Mon 1/2/12	Mon 1/2/12	◆	1/2															
15		PRC-012-RFC-1 (on hold)	0 days	Mon 1/2/12	Mon 1/2/12	◆	1/2															
16		PRC-006-SPP-01	1302 days	Thu 11/1/07	Fri 10/26/12																	
17		Regional standard development	1217 days	Thu 11/1/07	Fri 6/29/12																	
18		Posting of Documents for process evaluation at NERC	45 days	Mon 7/2/12	Fri 8/31/12																	
19		Prepare BOT Material	25 days	Tue 9/4/12	Mon 10/8/12																	
20		Develop Initial Draft of Regulatory Filings	20 days	Mon 10/1/12	Fri 10/26/12																	
21		BAL-001-TRE-1	666 days	Fri 9/10/10	Fri 3/29/13																	
22		Regional standard development	38.38 edays	Fri 9/10/10	Mon 7/9/12																	
23		Posting of Documents for process evaluation at NERC	45 edays	Mon 9/10/12	Thu 10/25/12																	
24		Prepare BOT Material	35 days	Mon 12/17/12	Fri 2/1/13																	
25		Develop Initial Draft of Regulatory Filings	40 days	Mon 2/4/13	Fri 3/29/13																	
26		BAL-002-WECC-1	472 days	Fri 12/10/10	Mon 10/1/12																	
27		Regional standard development	298 days	Fri 12/10/10	Tue 1/31/12																	
28		Posting of Documents for process evaluation at NERC	45 edays	Fri 1/6/12	Mon 2/20/12																	
29		Prepare BOT Material	25 days	Mon 7/2/12	Fri 8/3/12																	
30		Develop Initial Draft of Regulatory Filings	20 days	Tue 9/4/12	Mon 10/1/12																	
31		BAL-004-WECC-1	477 days	Fri 12/10/10	Mon 10/8/12																	
32		Regional standard development	298 days	Fri 12/10/10	Tue 1/31/12																	
33		Posting of Documents for process evaluation at NERC	45 edays	Fri 1/27/12	Mon 3/12/12																	
34		Prepare BOT Material	25 days	Mon 7/2/12	Fri 8/3/12																	
35		Develop Initial Draft of Regulatory Filings	20 days	Tue 9/11/12	Mon 10/8/12																	
36		VAR-001-WECC-1	442 days	Thu 10/14/10	Fri 6/22/12																	
37		Regional standard development	180 days	Thu 10/14/10	Wed 6/22/11																	
38		Posting of Documents for process evaluation at NERC	45 edays	Tue 11/1/11	Fri 12/16/11																	
39		Prepare BOT Material	25 days	Mon 3/12/12	Fri 4/13/12																	
40		Develop Initial Draft of Regulatory Filings	25 days	Mon 5/21/12	Fri 6/22/12																	

Project: Unified Regional Project Sche
Date: Thu 1/19/12

Task

Split

Progress

Milestone

Summary

Project Summary

External Tasks

External Milestone

Deadline

Standards Committee Report

Since the last Board of Trustees meeting, the Standards Committee (SC) has met by conference call on November 10 and December 7 and is scheduled to meet in person on January 11-12, 2012. SC meeting agendas and minutes are posted at: <http://www.nerc.com/filez/scmin.html>

This report outlines major ongoing activities and policy issues under consideration by the SC and its subcommittees that may be of interest to the Standards Oversight and Technology Committee.

Key Issues Discussed During Joint meeting with CCC on December 7, 2011:

The SC had a joint meeting with the Compliance and Certification Committee (CCC) on December 7, 2011 and identified the following opportunities for future joint activities:

- Involve drafting teams in the development of reliability standard audit worksheets (RSAWs) with a possibility of eventually eliminating measures from standards
- Commitment to provide the compliance program with support in prioritizing its list of Compliance Application Notices (CANs) proposed for future development
- Continued support of the proposal to replace violation risk factors (VRFs) with an objective scoring system and with the proposal to replace violation severity levels (VSLs) with a set of pro forma VSLs

During the January 11-12, meeting, the SC made forward movement on the following:

- **Revisions to Standard Development Process**
The SC is reviewing the standard development process and identifying ways of shortening the process without losing ANSI accreditation. Potential ideas already identified by staff for SC discussion include:
 - Use technical subject matter experts to serve as panelists to provide technical input on a standard, but have a team of interviewers (legal, technical writer, compliance) capture that information and develop a draft standard. The technical experts then review the standard to determine if it is technically accurate; each requirement achieves its reliability objective; the collection of requirements meets the standard's purpose.
 - Use stakeholder groups to provide preliminary informal feedback on a standard before it is publicly posted – so that the standard is 90 percent correct before its first public comment period.
 - Establish a one-year schedule for projects; five months to develop the initial draft and collect informal feedback to bring the standard to the 90 percent acceptance level; seven months to conduct required balloting and formal consensus building.
 - Replace the Registered Ballot Body (now over 1,000 members) with “delegates” that represent industry segments. Use delegates for collection and organization of comments and balloting. Stakeholders would continue to have the right to submit individual comments during public postings.

- **Triage Process for Determining How to Respond to Lessons Learned/Emerging Issues**
The SC is drafting a process for reviewing information from analyses of events and emerging issues and determining what the ERO enterprise (including the SC and leaders of other committees and stakeholder groups) should do with that information to minimize risk to reliability. In some instances, the information gleaned from an event may lead to an alert, in other instances the response to an emerging issue may result in the development of a standard, guideline, training program, reference document or another product.
- **Rapid Revision Process**
The SC field tested a rapid revision process that provides a revision to a standard as an alternative response to a request for an interpretation of an approved standard. The initial field test resulted in a permanent revision to the standard approved by its ballot pool in less than 90 calendar days from initial posting through completion of the recirculation ballot. The lessons learned from the field test will be used to document the process for future use.