

To: NERC's Board of Trustees, Stakeholders, Regulatory Authorities,
and other interested parties

Date: October 13, 2011

NERC is committed to the development of clear, technically excellent standards for the reliable planning and operation of the North American bulk power system. NERC's industry-based standard development process strives to leverage the knowledge and experience of subject-matter experts to develop stakeholder consensus in support of standards that achieve reliability objectives and are responsive to regulatory directives, balanced against the burdens and costs of compliance imposed upon the more than 1,900 entities that are now subject to these standards. No single standard can ensure this outcome. Rather, NERC strives to develop and enhance a portfolio of performance, risk-mitigation, and competency-based reliability standards that achieve a consistent defense in depth against credible events that may lead to cascading, uncontrolled separation, or instability and ensure prompt system restoration when extreme events occur.

Achieving this balance is intrinsically difficult. Just as the management of the reliability "bar" through enforceable standards is an ongoing and evolving process, the process for developing standards needs to evolve as well, in response to the learning that has occurred in the period since passage of the Energy Policy Act of 2005 and the initial enforcement of NERC standards in June 2007. We would like to use this message to highlight current achievements in the standards arena and our plans for 2012-2014, as well as certain emerging factors and concerns.

NERC's Reliability Standards Development Plan delivered the following results in 2011:

- As of November 1, 2011, 20 new or revised standards have been approved by the Board of Trustees, and are either filed or in the process of being filed with the FERC.
- Results Based Standard development principles were used for all new standards projects.
- The Standards Committee worked with NERC staff to prioritize standards development resources on twelve high priority projects. There has been no specific redirection of this effort relative to the selected priorities by regulatory authorities.
- Stakeholder-driven Quality Review has been integrated into the standards development process to assure the best quality standards from a compliance and implementation perspective.
- NERC undertook a first effort to develop a standard on a Rapid Development basis utilizing the new Standard Processes Manual.

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- To balance the resources committed to the development of new standards versus the interpretation of existing standards, the Standards Committee has limited the number of interpretations under active development to three projects at any one time, while pursuing new procedural options such as “rapid revision” to correct deficiencies in the underlying standard.

The 2012-14 Reliability Standards Development Plan described in this report builds on recent experience by proposing an achievable yet ambitious plan of standards development. The 2012-14 Plan provides for:

- Continuation of ongoing standards projects with sufficient resources to ensure timely completion.
- Project priorities were established using a more comprehensive model with scores and explanatory inputs from the Standards Committee, NERC staff and industry stakeholders.
- Projects have been ranked for development priority along three tracks, based on consideration of Reliability Benefits, Time Sensitivity, and Practicality.
- As ongoing projects are completed, we are scheduling follow-on projects based on the availability of subject-matter experts and the completion of technical input, research, and industry outreach conducted by NERC’s standing committees and subcommittees.
- Finally, the 2012-14 Plan incorporates a more comprehensive integration of the regional standards effort into this process. For the first time a complete project management process is being applied to regional standards development.

This Plan is intended to be a forecast of the standards work expected to be developed in the coming years. However, a wide variety of electric system events and emerging risks to bulk power system reliability may necessitate deviations from this plan. In order to respond to such threats and initiate development of new or revised standards, the actual deployment of resources to staff this plan may shift. Additionally, the estimated times listed for project completion may change as more is learned about a given project.

NERC currently is investigating the following “emerging issues,” each of which may result in the identification of additional standards development work:

- Cold weather preparedness and winterization
- Geomagnetic disturbances
- Right-of-way clearances and maintenance
- System design and planning
- High Impact/Low Frequency events and disaster preparedness

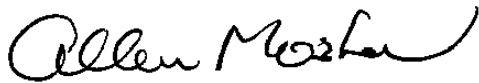
Not every issue is addressable or best addressed through development of a new industry standard; the issues outlined above illustrate that truism. But where a standards related response is indicated, we will be ready to reprioritize and adjust.

The Standards Committee and NERC staff also recognize that major standards process efficiencies are still necessary if we are to make efficient use of NERC and industry resources, while meeting external expectations for the timely development and approval of technically excellent reliability standards. In 2012, we need to ask ourselves once again, “is there a better way to develop reliability standards?”

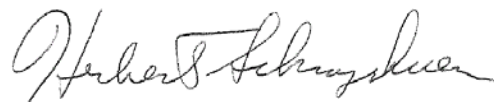
We achieve the past results and plan for the future results only with your support, and greatly appreciate that the industry has accepted the evolving prioritization process. Our efforts to effectively manage and balance the many conflicting demands placed upon both the industry and NERC staff resources has provided this next plan, which we hope you will endorse.

Each of us, day in and day out, is driven to do the “right” thing, and your ERO’s reputation will be enhanced through your active support for completion of NERC’s 2012-14 Reliability Standards Development Plan.

Sincerely,



Allen Mosher
Senior Director of Policy Analysis and Reliability, American Public Power Association
Chair, NERC Standards Committee



Herb Schrayshuen
Vice President of Standards and Training, NERC