

Agenda Member Representatives Committee

August 3, 2011 | 1–5 p.m. PT
Vancouver Marriott Pinnacle
1128 West Hastings Street
Vancouver, BC VE 4R5 Canada
604-684-1128

Introductions and Chairman's Remarks

Antitrust Compliance Guidelines and Public Meeting Notice

Consent Agenda — Approve

1. Minutes

- [July 7, 2011 Conference Call](#)
- [May 10, 2011 Meeting](#)

2. Future Meetings*

Regular Agenda¹

3. Welcome to Vancouver

4. Remarks by Gerry Cauley, NERC President and CEO

5. Report on NERC Board Nominating Committee

6. Compliance Enforcement Improvement Initiatives²

¹ Board Chairman John Q. Anderson has invited input from the committee sector representatives on specific agenda items (see attached).

² This item will be presented initially in the Board Compliance Committee meeting, which precedes the MRC meeting on August 3. MRC members will engage in further discussion of the Compliance Enforcement Improvement Initiatives during the MRC meeting.

- 7. Status of NERC Security Initiatives***
 - a. Critical Infrastructure Protection (CIP) Standards
 - b. Electricity Sector Information Sharing and Analysis Center Authorities and Responsibilities
 - c. Training, Exercises, and Outreach
 - d. Status of Proposed Cybersecurity Legislation in Congress
 - e. Electricity Sub-Sector Coordinating Council (ESCC) Coordinated Action Plan Task Force Activities

- 8. MRC BES/ALR Policy Issues Task Force Report to the Board***
 - a. Bulk Electric System (BES) Definition and Rules of Procedure Standard Drafting Team Reports
 - b. Policy Issues Related to BES Definition
 - c. Policy Issues Related to Adequate Level of Reliability (ALR) Definition

- 9. Compliance Application Notices in the Context of Standards and Interpretations Development***

- 10. Regional Delegation Agreement Metrics Proposal***

- 11. Event Analysis Activities***
 - a. February 2011 Cold Snap Report
 - b. Release of Event Analysis Reports to the Industry

- 12. Case Study on Culture of Reliability Excellence***

- 13. Upcoming MRC Officer Elections and MRC Nominations***

- 14. Proposed Changes to Rules of Procedure***

- 15. [2012 Business Plan and Budget](#)
[2012 Regional Entity Business Plans and Budget](#)**

- 16. Future Agenda Items**

Information Only — No Discussion

- 17. Update on Regulatory Matters***

* Background material 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.

Future Meetings

Action Required

None

Background

The below are the future meetings as approved by the board on May 11, 2011.

2011

November 2-3 Atlanta, GA

2012 Dates

February 8-9 Phoenix, AZ

May 8-9 Baltimore/Washington, DC area

August 15-16 Quebec City, Canada

November 6-7 New Orleans, LA

2013 Dates

February 6-7 San Diego, CA

May 8-9 Philadelphia, PA

August 14-15 Montreal, Canada

November 6-7 Atlanta, GA

2014 Dates

February 5-6 Phoenix, AZ



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July 7, 2011

Mr. William Gallagher, Chairman
NERC Member Representatives Committee
104 Hampton Meadows
Hampton, New Hampshire 03842

Re: Policy Input to NERC Board of Trustees


Dear Bill:

Looking at the agenda for the August 3, 2011 Member Representatives Committee (MRC) meeting, I see three topics on which discussion and policy input will be helpful to the Board. As always, Board members welcome policy input from the committee members on any issue, whether cited here or not.

Compliance Enforcement Improvement Initiatives (MRC 6) — Compliance enforcement efficiency, including the exercise of enforcement discretion and reducing the size of the “violation caseload,” has risen to the top of most everyone’s priority list, including the FERC commissioners. NERC is actively working on several fronts to address this issue and will be sharing their ideas on a possible FERC filing to address this issue. Input from members of the MRC as well as the stakeholder community overall will be helpful to the Board and Board Compliance Committee as the proposed filing is developed.

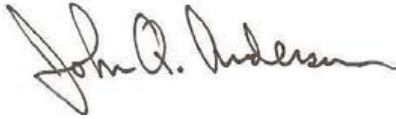
MRC BES/ALR Policy Issues Task Force Report to the Board (MRC 8) — The Board asked the MRC to advise it on any policy issues that might emerge as NERC develops a new definition of Bulk Electric System (BES) in response to FERC Orders 743 and 743-A. I understand that a proposal may be emerging from the BES Standard Drafting Team (SDT) to change the BES threshold criteria for individual generating units from 20 MVA to 75 MVA, which has the potential to become a significant policy issue. Board members will be anxious to hear about the status of the SDT’s efforts and how the proposed new definition is being received.

Compliance Application Notices in the Context of Standards and Interpretations Development (MRC 9) — NERC’s Compliance Application Notices (CANs), designed to help explain what is expected during auditing and compliance monitoring of the Reliability Standards, are being received well by the industry in most cases. Some confusion has arisen, however, regarding the coordination of CANs with development of Standards Interpretations on the same subjects. The Board is interested to hear comments and reactions on this issue from the MRC.



Thank you in advance for providing written comments to Dave Nevius, MRC secretary (dave.nevius@nerc.net) **by July 25, 2011** so they can be packaged and sent to the board members in advance of the meeting.

Thank you,



John Q. Anderson
NERC Board of Trustees Chairman

cc: NERC Board of Trustees
Member Representatives Committee

Status of NERC Security Initiatives

Action Required

None

The Critical Infrastructure Department (CID) has focused its activities and support to industry around four major priorities: (a) Electricity Sector Information Sharing and Analysis Center (ES-ISAC); (b) Critical Infrastructure Protection (CIP) Standards; (c) Training, Exercises, and Outreach; and (d) Electricity Sub-Sector Coordinating Council (ESCC) Strategic Roadmap and related Critical Infrastructure Strategic Initiatives Coordinated Action Plan, all of which are summarized below. Also included below is (e) an Update on the Status of Proposed Cybersecurity Legislation in Congress.

a. Critical Infrastructure Protection (CIP) Standards

The fundamental mission of the NERC CID is supporting the development and maintenance of CIP Standards. Participation on the CIP V4 and CIP V5 Standard Drafting Team is critical to ensuring engagement with industry on the standards development process. In line with the NERC goal of enterprise-wide risk-based management, CID has been actively involved with the National Institute of Standards and Technology (NIST) and the Department of Energy (DOE) in developing comprehensive electricity sector cybersecurity risk management guidelines. The voluntary guidelines will provide industry organizations the framework for applying additional risk-based cybersecurity measures beyond those required by CIP Standards.

b. Electricity Sector Information Sharing and Analysis Center Authorities and Responsibilities

The Information Sharing and Analysis Center (ISAC) concept was initiated by the federal government to encourage all critical infrastructure sectors to gather and share information related to security vulnerabilities, threats, and incidents. Presidential Decision Directive 63 (PDD-63), Homeland Security Presidential Directive 7 (HSPD-7), and National Security Presidential Directive 54/HSPD-23 (the Comprehensive National Cybersecurity Initiative) helped initiate and shape how ISACs function today.

The NERC Rules of Procedure (Section 1003) further direct NERC to, among other things, serve as the ES-ISAC and improve the ES-ISAC's capabilities by working closely with government agencies. To enhance collaboration and information sharing with industry, NERC is developing a formal process that separates the ES-ISAC and communications portal activities from traditional NERC compliance and enforcement. NERC's Critical Infrastructure Department is also enhancing the ES-ISAC portal to provide more information-sharing functionality for industry regarding cybersecurity-related events, incidents, and issues.

c. Training, Exercises, and Outreach

Conducting security training, exercises, and industry outreach are primary missions of NERC's CID because they are key activities that help inform the electricity sector about security measures and implications. Some specific initiatives CID has embarked on include: CIP auditor

training; the Sufficiency Review Program (SRP); the Cyber Risk Preparedness Assessment (CRPA) program; the international NERC-sponsored cybersecurity conference, GridSecCon 2011; the electricity sector-specific exercise, GridEx 2011; and participation in US government exercises including the Department of Homeland Security's Cyber Storm series and the Federal Emergency Management Agency's National Level Exercises (NLE), NLE-11 and NLE-12.

d. Status of Proposed Cybersecurity Legislation in Congress

Congress is currently debating how industry and the government should address cybersecurity issues. Numerous bills have been introduced and several hearings have been held on the topic.

NERC CEO Gerry Cauley has testified four times since February 2011 to four different committees on the topic of cybersecurity. Generally, Congress is discussing whether to establish a comprehensive or single-sector approach to cybersecurity. Some bills identify the Department of Homeland Security as the primary agency to address all cybersecurity matters, while other bills address cybersecurity issues by infrastructure, like energy, and designate either the Department of Energy or the Federal Energy Regulatory Commission as the primary agency responsible for cybersecurity. Topics addressed in these bills include cybersecurity emergencies and vulnerabilities as well as information sharing, defense facilities and electromagnetic pulse (EMP) and geomagnetic disturbances (GMD).

e. Electricity Sub-Sector Coordinating Council (ESCC) Coordinated Action Plan Task Force Activities

Following approval by the NERC Board of Trustees of the joint NERC/Department of Energy "High-Impact, Low-Frequency Event Risk to the North American Bulk Power System" on May 17, 2010, and based upon guidance from the Electricity Sub-Sector Coordinating Council (ESCC), NERC developed the Critical Infrastructure Strategic Roadmap. Subsequently, four task forces were established to address four severe-impact scenarios; the Critical Infrastructure Department is overseeing the activity of these four task forces. The task forces include:

- Cyber Attack Task Force
- Severe Impact Resilience Task Force
- Spare Equipment Database Task Force
- GeoMagnetic Disturbance Task Force

MRC BES/ALR Policy Issues Task Force Report to the Board

Action Required

Discuss the possible policy implications of a change to the BES definition threshold criteria for generators that is being considered by the BES Definition Standard Drafting Team.

Policy Question

Given FERC's statements regarding the purpose of Order 743 to bring elements currently not covered by the definition of BES within the definition and their expectation that the revised BES definition not result in any significant change in the Compliance Registry, what is the likelihood that within the time frame allowed in the order NERC can develop a sufficient technical justification for revising the threshold criteria for individual generating units that may remove from the BES definition and from compliance consideration some number of MWs of generation?

Background

On November 18, 2010 FERC issued [Order 743](#), which directed NERC to revise the definition of Bulk Electric System (BES) so that the definition encompasses all elements and facilities necessary for the reliable operation and planning of the interconnected bulk power system. FERC stated in its order that additional specificity in the definition is needed to reduce ambiguity and establish consistency across all Regions in distinguishing between BES and non-BES elements and facilities. The FERC order stated, "We expect that our decision to direct NERC to develop a uniform modified definition of "bulk-electric system" will eliminate regional discretion and ambiguity. The change will not significantly increase the scope of the present definition, which applies to transmission, generation and interconnection facilities. The proposed exemption process will provide sufficient means for entities that do not believe particular facilities are necessary for operating the interconnected transmission system to apply for an exemption."

In response to several requests for clarification or rehearing of Order 743, on March 17, 2011 FERC issued [Order 743-A](#), which denied rehearing, reaffirmed its determinations in Order 743, and provided clarifications of certain provisions of the Final Rule.

The MRC and Board, at their respective meetings in February 2011, had active discussions on the definitions BES and Adequate Level of Reliability (ALR) and how NERC should go about developing them. Because these definitions are fundamental to the standards NERC develops, registration of entities, and enforcement of compliance, the Board expressed a high level of interest in the direction these efforts are heading.

Following the February meetings, Bill Gallagher, chairman of the MRC, formed a task force to identify the policy issues and questions related to these definitions and to report periodically to

the Board on the status of that work. That task force has had several meetings by conference call on which it has heard status reports from the chairs of the drafting teams working on the BES definition itself as well as the Rules of Procedure changes that will be required. The task force has also developed some policy input related to the ALR definition, which it has shared with a joint task force of NERC's standing technical committees that is working on an enhanced definition of ALR.

Following the initial posting of a draft BES definition, and in consideration of stakeholder comments received, the BES Standard Drafting Team (SDT) is contemplating a change in the BES threshold criteria for individual generating units from 20 MVA to 75 MVA, which has the potential to exclude some generating units in the 20 – 75 MVA range from compliance responsibility. This direction presents a potential policy issue, given the statement in Order 743 that the "... change will not significantly increase the scope of the present definition...".

Cognizant of this concern, the Standard Drafting Team is working to develop technical justifications for this change. In addition, the MRC task force is working to quantify the number of individual generating units that could possibly be excluded from compliance responsibility if this changed definition is adopted.

The MRC will hear reports from the BES Definition and Rules of Procedure Standard Drafting Teams on the status of their efforts.

With respect to the ALR definition, the MRC task force has not identified any major policy issues that need to be brought to the Board's attention at this time.

Compliance Application Notices (CAN) in the Context of Standards and Interpretations Development

Action Required

Review and discuss

Background

At the May 10, 2011 MRC meeting, Chairman Bill Gallagher, requested a discussion of the CAN process at the next MRC meeting in August. In addition, NERC Chairman John Q. Anderson solicited feedback from the industry in his advance letter for the August MRC and Board meetings.

NERC continues to revise the CAN process and continually seeks industry input and perspective. In order to facilitate the discussion at the NERC MRC meeting on August 3, 2011, the following items are provided:

Attachment 1 – A presentation on the CAN process.

Attachment 2 – The current process document.

Attachment 3 – Letter from the Standards Committee to Tom Galloway, NERC Senior VP and Chief Reliability Officer, addressing “the issue of developing Compliance Application Notices and Standard Interpretations on the same specific issue in parallel.”

Attachment 4 – NERC CCC proposal for CAN process involvement.

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Compliance Application Notice (CAN) Process Update and Discussion with NERC MRC

Michael Moon
Director of Compliance Operations
August 3, 2011
Vancouver, British Columbia, Canada

ensure
the reliability of the
bulk power system

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CAN Process Discussion with MRC

- The process continues to mature
- Further refinements are under consideration:
 - Role for the CCC to review and make recommendations
 - Role for the Standards Committee in prioritizing
- Items for MRC discussion:
 - Inter-relationship with standards development
 - Due process
 - Role of SC and CCC

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CAN Process Discussion with MRC

Due Process

- Provide NERC with persuasive technical reasoning to change a CAN
- Request Standards Interpretation
- Request Standards Authorization Request (SAR)
- Contest violation

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CAN Process Discussion with MRC

Changes Under Consideration:

- NERC Compliance and Certification Committee
 - Review CANs as requested
 - Coordination with Standards Committee
- Standards Committee
 - Input for prioritization of CANs

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CAN Process Discussion with MRC

- Continue to solicit feedback from industry in a variety of forums
- Continue to review and assess potential changes
- Continue the Webinars for Industry
- Strive for greater clarity

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CAN Process Discussion with MRC

Discussion

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Compliance Application Notice
Process Update and Discussion
with NERC MRC — Background

to ensure
the reliability of the
bulk power system

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Agenda

- Basis
- Purpose
- Background (history, process to date)
- Status of CANs
- Status of Standards Development
- Benefits of CANs
- Questions from Industry
- Summary

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Basis for CANs

- FERC Order No. 693
 - Commenters argued there were gaps and ambiguities in the standards and requested relief from monetary penalties and compliance
 - Paragraph 274 FERC opined:
As discussed in our standard-by-standard review, **each Reliability Standard that we approve contains Requirements that are sufficiently clear as to be enforceable** and do not create due process concerns.

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Basis for CANs

- FERC Order No. 693
 - Paragraph 277. The Commission agrees with NERC that, even if some clarification of a particular Reliability Standard would be desirable at the outset, **making it mandatory allows the ERO and the Regional Entities to provide that clarification on a going-forward basis while still requiring compliance** with Reliability Standards that have an important reliability goal.

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Basis for CANs

- CANs are consistent with the Commission's statements in Order No. 693 about the ERO's ability to provide information going forward while still requiring compliance with Reliability Standards.
- Therefore, CANs respond to the industry's request for compliance guidance and transparency.
- CANs apply the Reliability Standards; they do not change them or usurp them.
- CANs are provided to the standards group for consideration in standards development projects.

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Purpose

- There are two significant and mutually reinforcing purposes of a CAN:
 1. To *provide transparency* to industry on how an ERO compliance enforcement authority will apply compliance with a NERC Reliability Standard; and
 2. To *establish consistency* in the application of compliance criteria across all compliance enforcement authorities.
- A CAN does not modify a reliability standard and it is not a replacement for an interpretation.

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Industry Requests

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- Industry has requested:
 - Consistent compliance application of the Reliability Standards.
 - Transparency of the ERO's compliance applications.
- Requests documented in:
 - FERC Order No. 693
 - NERC Three Year Performance Assessment Order

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Industry Comments

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- Comment from FERC Order No. 693:
 - "Some commenters argue that certain Reliability Standards require additional specificity or else users, owners and operators will not understand the consequences of a violation."
- Comment from Three Year Performance Assessment Order:
 - NERC "need[s] to provide more information and guidance to registered entities concerning the compliance and enforcement process. This includes providing guidance on what it takes to comply with and demonstrate compliance with Reliability Standards, eliminating the backlog of audit reports and enforcement violations so that more precedents are available to industry and providing more uniformity and consistency in audits between Regional Entities and different audit teams."

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Scope

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- A CAN is not a Reliability Standard or an Interpretation of a Reliability Standard.
 - Registered Entities are subject to compliance with Reliability Standards.
 - A CAN does not necessarily define the exclusive method an entity must use to comply with a particular standard or requirement, nor does it foreclose NERC compliance personnel from accepting a registered entity's demonstration by alternative means that it has complied with the language and intent of the standard or requirement, taking into account the facts and circumstances of a particular registered entity.

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History

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- CAN process began early 2010 / Posted May 2010
- 6 CANs were posted in 2010
 - Most of the early CANs covered VRF corrections and status of the Actively Monitored List (AML)
- Shared with stakeholder committees
 - CCC – March 2010
 - Standards Committee – March 2010
 - Trades Forum – April 2010
- Several process evolutions have been posted

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Changes Made to the Process

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- Changes in response to industry requests:
 - Posting industry comments on website
 - Posting redlined CANs to highlight changes
 - Conducting webinars as new CANs are posted
 - Extended comment period to 3 weeks
 - Requests for extension are accepted
 - Providing announcements to industry of CAN activity
 - Posting CAN comment due dates on NERC calendar
 - In consideration of Standards due dates
 - Providing visibility on NERC website for every CAN

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Due Process

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- Request Standards Interpretation
- Request Standards Authorization Request (SAR)
- Contest violations
- Provide NERC with persuasive technical reasoning to change a CAN

Changes Under Consideration

- NERC Compliance and Certification Committee
 - Review CANs as requested
 - Coordination with Standards Committee
- Standards Committee
 - Input for prioritization of CANs

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**CAN-0008 PRC-005-1 R2:
Pre-June 18, 2007 Evidence**

- Example:
 - 3 year maintenance and testing interval

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**CAN-0016 CIP-001 R2:
Non-BES facilities**

- Standard is about having a procedure for the **recognition** of sabotage events and
- **Making operating personnel aware** of sabotage events

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**CAN-0016 CIP-001 R1:
Non-BES facilities**

- **Facilities are not the focus of the standard and should not be the focus of the procedure**
 - employees should be able to recognize sabotage events that **happen on the registered entity's facilities**;
 - employees should recognize sabotage events that **happen across multiple sites that would affect larger portions or the interconnection**

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**CAN-0016 CIP-001 R1:
Non-BES facilities**

- Industry raised an objection that it is too costly to train all personnel to recognize sabotage procedures
- Footnote was added to the CAN to address concern:
 - A registered entity may establish procedures as necessary to appropriately address the expertise of employees across the company. However, registered entities must have a procedure where, at a minimum, employees that are not experts are trained to spot unusual events that could potentially be sabotage related and obtain the opinion of expert employees.

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Status of CANs

- Identify/Prioritize Issues (14)
 - Standards Committee input
- Research and Development (23)
- NERC (2)
- Regions (5)
- Industry (4)
- FERC/Canadian Regulators (5)

The Draft Process is located at: <http://www.nerc.com/page.php?cid=3|22|354>

Status of CANs

- The most current CAN process and list of CANs are posted at: <http://www.nerc.com/page.php?cid=31221354>



Status of Standards Development

- Standards**
 - 12 ongoing standards development projects
 - 4 projects near completion
 - 19 in queue
- Interpretations**
 - 4 in process
 - 4 under further review by Standards department staff
 - 5 in queue

Benefits of CANs

- Create consistency across auditors and Regions
- Provide transparency for Registered Entities as to how compliance will be applied
- Respond to questions from industry in a timely manner – approximately 3 months to develop
- Used to provide formal feedback to Standards

Questions from Industry

Whether CANs are overreaching the Reliability Standards:

- ERO is obligated to provide compliance consistency across auditors and Regions
- CANs provide timely guidance for compliance applications regarding Reliability Standards
- CANs are retired when a Reliability Standard or an approved Interpretation addresses the subject of a CAN

Questions from Industry

Whether the CAN process circumvents the Reliability Standards process.

- The CAN process and the Standards process serve different purposes
- Standards development process establishes Reliability Standards to which those users, owners and operators of the BPS included on the NERC registry must comply
- CAN process provides compliance guidance to those subject to the Reliability Standards
- NERC must balance the standards development process with the compliance and enforcement responsibilities as the FERC-certified ERO

Questions from Industry

Who writes the CANs?

- CANs are developed utilizing NERC staff and resources to include our technical experts
- These are also shared with the Regions
- We also rely on industry comment

Questions from Industry

Who typically reviews the first NERC draft?

- Senior Vice President and Chief Reliability Officer
- Vice President and Director of Standards
- Vice President and Director of Reliability Assessments
- Vice President and Chief Security Officer
- Associate General Counsel (693)
- Assistant General Counsel (CIP)
- Director of Compliance Operations
- Director of Events Analysis and Investigations
- Director of Situation Awareness and Training
- Director of Compliance Enforcement

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Summary

CANs:

- Fulfill NERC's obligation as the ERO under FERC Order 693.
- Fulfill the request of industry and provide timely compliance guidance to registered entities and auditors.
- Promote consistency and transparency to industry by identifying what auditors may look for in an audit.

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Contact Information

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Compliance Application Notices

Discussion

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Compliance Application Notice (CAN) Process Update

July 8, 2011

to ensure
the reliability of the
bulk power system

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Introduction

Compliance Application Notices (CANs) were created to fulfill ERO obligations to provide compliance guidance per FERC Order 693¹ and provide transparency to industry on how the ERO determines compliance with NERC Reliability Standards in the course of compliance monitoring.² CANs were also issued in response to requests for compliance guidance from industry stakeholders and encourage accountability for both registered entities and compliance enforcement authorities.

ERO Basis and Authority

NERC is the FERC-certified ERO, and is accountable to the Commission and the industry for providing compliance guidance with regard to Reliability Standards. The ERO's implementation of a thorough compliance program and appropriate enforcement actions, and providing continuing education and information campaigns to assist the industry sustain compliance, will enhance reliability of the Bulk Power System (BPS).

In FERC Order No. 693³, several commenters argued there were gaps and ambiguities in the standards and requested relief from monetary penalties and even compliance with the Reliability Standards. FERC opined, "As discussed in our standard-by-standard review, each Reliability Standard that we approve contains Requirements that are sufficiently clear as to be enforceable and do not create due process concerns."⁴

Further, the Commission agreed with NERC that, even if some clarification of a particular Reliability Standard would be desirable at the outset, making it mandatory allows the ERO and the Regional Entities to provide that clarification on a going-forward basis while still requiring compliance with Reliability Standards.⁵

In addition, NERC and industry are accountable for the development of Reliability Standards, as articulated in the 2005 Federal Power Act⁶ and FERC Order 672,⁷ which duly recognizes the

¹ FERC Order 693, Docket No. RM06-16-000.

² CANs "evaluate and implement ways to make registered entities more aware of means currently available to them to obtain guidance on how to comply with reliability standards and how to demonstrate compliance." Appendix A – Progress in Implementing Specific NERC Actions from the Three-Year ERO Performance Assessment – March 16, 2011, p. 19.

³ FERC Order No. 693, Docket No. RM06-16-000.

⁴ *Id.* at Paragraph 274.

⁵ "NERC can maximize consistency and appropriateness of treatment in compliance matters most efficiently if it has the ability to advise or provide direction...at an early stage...." FERC Order on NERC Three Year Assessment, Docket Nos. RR09-7-000 and AD10-14-000, §216.

⁶ Section 215.d.2 located at http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=109_cong_bills&docid=f:h6enr.txt.pdf

⁷ P324 located at http://www.nerc.com/files/final_rule_reliability_Order_672.pdf

requisite collective expertise, experience and judgment of all parties involved to develop and improve standards.

Purpose

There are two significant and mutually reinforcing purposes of a CAN:

1. To provide transparency to industry on how an ERO compliance enforcement authority will apply compliance with a NERC Reliability Standard; and
2. To establish consistency in the application of compliance criteria across all compliance enforcement authorities.

NERC received numerous industry comments requesting detailed compliance clarification of the Reliability Standards. Below is a sampling of comments⁸ that NERC received during the comment periods of the NERC 3-Year Assessment⁹ and the NOPR of FERC Order No. 693. This feedback from industry factored significantly in the decision for NERC to implement CANs.

- NERC “need[s] to provide more information and guidance to registered entities concerning the compliance and enforcement process. This includes providing guidance on what it takes to comply with and demonstrate compliance with Reliability Standards, eliminating the backlog of audit reports and enforcement violations so that more precedents are available to industry and providing more uniformity and consistency in audits between Regional Entities and different audit teams.”¹⁰
- “A clear communication channel is fundamental to the success of the ERO. Connecting the feedback from different program areas, such as compliance monitoring and enforcement, reliability assessments and event analysis will prove valuable.”¹¹
- “Without a designated communication process, the most efficient and effective compliance process is not in place between compliance staff and registered entities. Currently, each company and region struggles with this problem on an inefficient, case-by-case basis. Hence, the [CAN] process NERC is recommending will increase efficiency and use less resources.”¹²

⁸ Commenters included industry trade associations that represent over 70 percent of utility customers in North America.

⁹ NERC Three Year Assessment, Docket No. RR09-7-000, July 20, 2009.

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

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- “Some commenters argue that certain Reliability Standards require additional specificity or else users, owners and operators will not understand the consequences of a violation.”¹³

NERC appreciates interaction from industry during comment periods, and channels of communication remain open at all times if questions or concerns regarding a particular CAN arise.

Scope

A CAN is not a Reliability Standard or an Interpretation of a Reliability Standard. Further, a CAN cannot modify or change an Interpretation or Reliability Standard.

The CAN process includes several cross checks with other NERC programs, including a review by NERC legal staff and the NERC Executive Approval Team¹⁴. Compliance Application Notices provide timely compliance guidance to auditors to ensure consistent application of the Standards. In the event that auditor practices vary, the posted CAN establishes a benchmark that all auditors must adopt. Compliance applications inform registered entities what to expect in an audit and drives consistency across the ERO.

CAN Process

The CAN process is designed to give industry guidance of specific compliance circumstances in an expeditious manner. NERC follows several steps when developing a CAN, including identifying issues that need clarification, prioritizing the issues, researching and developing CANs, providing the Regional Entities and industry time to comment, and submitting the CAN to the Commission for review before posting it as final.

A. Issue Identification

The CAN process is designed to provide a quick solution for perceived ambiguities in Reliability Standards. NERC receives CAN topics through a variety of avenues. Here are a few examples of how NERC receives CAN requests:

1. Industry comments are received from individual registered entities, trade associations, and large corporations that have entities in multiple regions;

¹³ FERC Order No. 693, Docket No. RM06-16-000.

¹⁴ Senior Vice President and Chief Reliability Officer, Vice President and Director of Standards, Vice President and Director of Reliability Assessments, Vice President and Chief Security Officer, Associate General Counsel (693), Assistant General Counsel (CIP), Director of Compliance Operations, Director of Events Analysis and Investigations, Director of Situation Awareness and Training, Director of Compliance Enforcement.

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2. Regional Entities and issues they observe;
 3. NERC in various oversight activities in CMEP and standards development; and
 4. Other regulatory bodies at the National or Provincial level.

CAN issues may relate to specific standards and requirements, cross-cutting issues that cover various standards and requirements or compliance monitoring processes and procedures.

NERC encourages any interested party to submit an issue by sending an email to cancomments@nerc.net. There is a CAN template posted on the NERC website and any interested party may also submit an initial draft for a CAN. NERC does not require any format to submit a CAN request and each issue will be reviewed by NERC staff.

B. Review and Prioritizing

Once an issue is received by NERC, the issue is reviewed for relevance as to whether a CAN will be drafted. In this relevance determination, several factors are analyzed including the number of entities that may be affected, the impact to reliability of the Bulk Power System, whether there are perceived gaps and ambiguities in the Standard, if there are perceived inconsistencies in audit practices among regions, and if there is a need for clarity among industry stakeholders. We will consider all requests for clarification but in order for a CAN to be drafted, the issue must apply to multiple entities, multiple issues, or broad issues that apply to many industry members.

After the CAN issues are reviewed and determined that a CAN should be drafted to address the issue, it is assigned a priority level. There are several CANs being drafted concurrently and the determination of priority is based on the significance of the issue, its impact to reliability, the number of registered entities that are affected, or the level of confusion on the issue. A priority level may be changed based upon need. CANs are developed in the order that will help the most registered entities at the moment.

When a CAN is prioritized, there are three buckets into which the issue can be placed: (1) Priority levels that are based on impact to the BPS, (2) moderate issues, and (3) lower-level administrative issues. CANs with the highest priority will be drafted first, followed by moderate issues, then lower-level administrative issues. Interested parties may submit requests to change the assigned priorities of specific CANs in the queue.

C. Development Process

After an issue is identified and priority is assigned, a CAN begins the development process. Research is conducted on the issue, which includes first and foremost a review of the Reliability Standard in its entirety, reviewing applicable FERC orders, approved standards interpretations, investigating how auditors are currently applying compliance, and other communications and guidance. The research also includes receiving technical information from subject matter specialists, standards drafting teams, auditors, and Regional Entities.

When the research is concluded and a draft is complete, the CAN is presented to the NERC CAN Executive Approval Team, which discusses the issues, checks for accuracy, and approves the draft to move to the Regional Entities and industry comment period.

D. Regional Entity Comment Period

Following NERC approval, the CAN is then sent to the Regional Entities for verification of the compliance application. The Regional Entities are provided review time to verify that the CAN may move forward in the process. In the event that a Regional Entity discovers content in the CAN that is technically incorrect or any other issue that should prevent the CAN from moving forward, the Regional Entity will notify NERC.

In the event that the Regional Entities support the CAN moving forward, the CAN will be posted on the NERC web site for industry comment. The Regional Entities' comment period will continue throughout the industry comment period.

E. Industry Comment Period

The CAN is then posted on the NERC web site for industry comment. The comment period lasts 21 days and extensions of time may be granted with a simple request, preferably by email, although there is no requirement for an email notification. After the comment period, NERC staff analyzes all comments received and evaluates all comments for potential changes to the CAN. Industry comments are especially important when the compliance application varies across auditors or regions, as the CAN will establish a consistent application.

F. Final Review and Posting

The final draft of the CAN is presented to the NERC CAN Executive Approval Team for a review of the final CAN, including any modifications that were made, or were not made, after industry comments. The CAN is sent to FERC staff and Canadian Regulators for review, after which the CAN is posted as final on the NERC web site.

Once the CAN is posted, an email notification is sent to all registered entities and auditors.

G. Webinars and Training

NERC conducts two webinars to provide opportunities for questions on the final CANs. The first is provided to ERO auditors, and the second is an open webinar for industry. The webinar slides and the Q&A from the industry webinars are posted on the NERC website.

NERC also provides training for ERO Auditors and to industry to develop awareness of the CANs and consistency in their use. Recent CANs and the CAN process are presented at trade forums, compliance workshops, and committee meetings.

H. Expiration or Removal of CANs

CANs will be retired when a revised standard or interpretation that addresses the compliance application issue in the CAN is approved by FERC and is enforceable. Further, a CAN may be revoked or revised if additional information is brought forward to demonstrate that the CAN is incorrect.

Benefits of CANs

The advantages of issuing a CAN are significant. Registered entities have visibility into how compliance will be applied, and the compliance application will be consistent across auditors and regions. Additionally, CANs are generated in a relatively short time period compared to a much lengthier formal process.

A. Provide Formal Feedback to Standards

NERC submits CAN issues to the Standards Development Teams and the Standards Issues Database to be considered in ongoing or future standards projects, revisions to existing standards, or the initiation of new standards.

B. Time to Develop

The timeline for CAN development from issue identification to final posting takes approximately three months. This process is designed to be much more responsive than either the formal Standards Interpretation Process or the Standards Development¹⁵ Process, which may take 18 - 36 months, plus FERC approval time.

CAN Issues and Concerns

During the development of the CAN process, NERC has received issues and concerns from industry stakeholders on CANs. This section highlights some of their concerns and provides answers to the questions received.

- *NERC received comments that CANs are overreaching the standards.* In response, standards cannot provide compliance application guidance that covers every scenario and the ERO is obligated to provide compliance consistency across auditors and Regions. CANs will be retired when a Standard or Interpretation that addresses the issue becomes effective.
- *Whether the CAN process is circumventing the standards process.* The CAN process and the Standards processes serve different purposes. The Standards Development Process is a codified process that creates laws. The CAN process provides guidance on how to

¹⁵ See the NERC Rules of Procedure, Appendix 3A, Standards Process Manual, Effective September 3, 2010.

determine compliance with those laws. NERC must balance the long term standards development process with the day to day compliance monitoring and enforcement responsibilities as the FERC-certified ERO.

Due Process

NERC's belief is that transparent, open communication is beneficial and that transparency of compliance applications provides an opportunity to formally address areas of concern. When industry takes issue with an application identified in a CAN, there are several existing processes that continue to be available for formal resolution.

A registered entity may:

1. Request a formal interpretation;¹⁶
2. Submit a Standard Authorization Request (SAR) to modify the standard;
3. Contest a violation;
4. Submit technical evidence to NERC to have a CAN changed or removed.

Summary

Compliance Application Notices fulfill NERC's obligations as the ERO to provide a consistent compliance monitoring program under FERC Order No. 693. CANs provide clarity where there are perceived gaps or ambiguities within a Reliability Standard. CANs carry out the requests of industry and provide timely compliance guidance to registered entities and auditors. CANs promote consistency and transparency, giving registered entities the knowledge of what auditors will look for in an audit.

Version History

Version	Date	Action
0	May 2010	Initial Draft
1	December 10, 2010	Updated CAN Process
2	April 14, 2011	Updated CAN Process with detailed steps
3	July 8, 2011	Updated CAN Process to include specific industry requests

¹⁶ A formal interpretation is conducted through the Standards Development Process. As such, it is formally filed with FERC and will result in an order issued by FERC Commissioners.

June 13, 2011

Tom Galloway
Chief Operating Officer
North American Electric Reliability Corporation

Dear Tom,

The purpose of this memo is to address the issue of developing Compliance Application Notices and Standard Interpretations on the same specific issue in parallel.

At the NERC Standards Committee (SC) meeting on April 13-14, 2011, several members of the SC expressed their concerns to NERC staff regarding the development of CANs and interpretations on the same topic in parallel with each other. Not only is this confusing to stakeholders and an inefficient use of resources, it also creates the potential for conflicting outcomes. At the meeting, the SC accepted staff's recommendations to handle outstanding interpretation requests with the principle that there would be no parallel paths for any one request, i.e. that it would be addressed via either the interpretation process or the CAN process, but NOT both.

It is critical that the formal interpretations process be respected and held at a higher priority since it is part of the FERC approved Standards Process Manual, and the outcomes are mandatory and enforceable. Many stakeholders have long awaited the full development of several interpretations, and for various reasons, they want the results to be mandatory and enforceable. While CANs are very helpful to the industry, they cannot replace formal interpretations.

At the May 12, 2011, Standards Committee meeting, several members of the SC expressed concern that the SC's perspective on the issue, as presented at the April meeting, had not been communicated to the NERC Director of Compliance Operations and that it still appears that the development of CANs is not being coordinated with the development of formal interpretations.

An example of this issue is the formal interpretation request regarding COM-002, R2, specific to the issue of 'directives' and when three-part communication is required, which was originally submitted in October of 2009. This formal request was accepted by the SC, and became Project 2009-22. A draft interpretation was developed by the appointed Standard Drafting Team, and posted for industry comment in November 2010. For a number of reasons, this interpretation was placed on hold until the SC approved the reformation of the SDT at the April 2011 SC meeting. Additionally, the Project 2006-06 Reliability Coordination SDT is currently revising COM-002, which will include an official definition of 'Reliability Directives' and clarifies its applicability to emergency operations. At the same time, NERC Compliance staff is in the process of drafting CAN-0021 on the same subject of 'directives' and when three-part communication is required. Of particular concern in this example is that the current draft from each effort is in opposition.

When attempting to offer guidance to stakeholders on a particular issue, it is our opinion that a formal interpretation should take precedence over a CAN, due to its mandatory and enforceable nature; there should not be parallel efforts between the two processes on the same topic. This is especially true when a formal interpretation is already under development.

We respectfully request that the NERC Director of Compliance Operations consult with the NERC Director of Standards Development when considering the development of a new CAN to ensure a request for formal interpretation has not already been received on the same topic. If a Request for Interpretation (RFI) has already been received, we recommend one of the following actions:

- If the RFI has been accepted, and the requestor does not want a CAN on the topic, then the SC will move forward with the development of the interpretation and a CAN will not be developed.
 - If the RFI has been accepted, and the requestor is comfortable with a CAN in lieu of an interpretation, then NERC Compliance staff will move forward with the development of a CAN and a formal interpretation will not be provided.
 - If the RFI has not yet been accepted, hold any development of a CAN until acceptance has been determined.
1. If the request is accepted and the requestor agrees to a CAN instead of an interpretation, the details of the RFI should be provided to NERC Compliance staff for consideration. It is expected that NERC Compliance Operations will keep the requestor informed of the progress of the CAN; a formal interpretation will not be developed.
 2. If the request is accepted and the requestor would like an interpretation to be developed instead of a CAN, then the SC will move forward with the development of the interpretation, and a CAN will not be developed.

Regarding the specific example cited above, the SC respectfully requests that the NERC Director of Compliance Operations halt work on the draft CAN-0021, allowing the current work on the interpretation to move forward through the Standards Development Process. This will ensure that there is no potential conflict between the two processes, providing the industry with a clear answer on this important issue.

As a future process improvement, the SC will take action to develop and propose a single mechanism by which a stakeholder may request guidance, interpretation, compliance application, etc. This will assist in clear separation of work efforts and increase efficiency. The SC will coordinate these efforts with the NERC Director of Compliance Operations.

Sincerely,



Allen Mosher
Chair, Standards Committee

Cc: Gerald Cauley, NERC
Herb Schrayshuen, NERC
Michael Moon, NERC
NERC Standards Committee
NERC Compliance and Certification Committee
NERC Member Representatives Committee

Compliance and Certification Committee (CCC) Review of NERC CANs

The Compliance and Certification Committee (CCC) recommends to the NERC Board of Trustees (BOT) that the CCC would be beneficial in providing NERC with Industry Stakeholder input concerning the implementation of the Compliance Application Notice (CAN) process. Further, the BOT should also establish a method by which an official published CAN would be reviewed if so requested by an Industry Stakeholder. The CCC believes that by addressing these two items, a perceived gap in Industry Stakeholder involvement will be filled.

The CCC believes that this could be accomplished in the following manner:

1. Once the NERC Executive staff has determined that a CAN should be issued to inform the industry of compliance application expectations and assist the auditors in performing consistent Reliability Standards compliance audits, the Standards Interface Subcommittee (SIS) of the CCC will coordinate a review of the proposed CAN by the SIS members at the same time that the CAN has been issued for Industry Stakeholder comment.
2. The SIS would provide comments to NERC with respect to its review in the same time frame that NERC has asked for Industry Stakeholder comment to be submitted. If necessary, the SIS would discuss its concerns with the NERC Compliance Operations staff and Standards Development staff prior to providing its recommendations. NERC will consider the CCC recommendations.
3. NERC will follow the CANs process as published on the NERC Website and publish an official CAN.

In the event that an Industry Stakeholder makes a request to the NERC Director of Compliance Operations or the Chair of the CCC for a CCC Review of the official published CAN, the SIS will coordinate a review of the CAN by the CCC.

The CCC Review would follow the following steps:

1. NERC would provide to the CCC all the industry comments that were received during the NERC CANs posting process. The SIS will establish a review team to review the industry comments formulate its own comments (if appropriate), and forward a recommendation to NERC concerning the official CAN. If necessary, the CCC would discuss its concerns with the NERC Compliance Operations staff and Standards Development staff prior to providing its recommendation. The CCC would complete its review within (15) fifteen business days of receipt of a request for review.
2. In the event that the CCC recommendations were not accepted by NERC to the satisfaction of the CCC within (15) fifteen business days of the date that the CCC submitted its review, then the CCC would have the right to request a Board of Trustees CANS review of the matter. The BOT Compliance Committee (BOTCC) would hold a review meeting at which time the CCC would present its position on the CAN and NERC staff would present its position.

3. The BOTCC will decide if the CAN is appropriate and if so what the appropriate wording of the CAN should be. The BOTCC will schedule the review no later than its upcoming regularly scheduled BOTCC quarterly meeting on the next one thereafter.

The CCC believes that the NERC CAN process is beneficial to the industry and that the CCC reviews described herein will not significantly slow down the NERC CANS process. Further, the CCC believes that the NERC CANS process should be included in the NERC Rules of Procedure.

Regional Delegation Agreement Metrics Proposal

Action Required

Discuss and provide policy input to the Board on the proposed Regional Delegation Agreement (RDA) Metrics.

Regional Delegation Agreement Metrics

NERC and the Regional Entities have developed the attached set of RDA Metrics as a first step in measuring how NERC and the Regional Entities carry out their respective roles under the RDAs, Rules of Procedure and applicable regulations, and welcome input from the MRC. This final draft (**Attachment 1**) will be presented to the Board for approval at its August 4, 2011 meeting.

The proposed RDA Metrics cover the following functions and responsibilities that appear in the RDAs:

- Compliance Registration
- Compliance Audits
- Enforcement
- Mitigation of Compliance Violations
- Event Analysis
- Reliability Standards/Regional Standards
- Reliability Assessment

Each metric includes at least one measure that relates to one or more of the ERO Enterprise Strategic Goals and Objectives, as presented at the February 2011 meeting.

As NERC and the Regional Entities begin to measure and report on their performance under these RDA Metrics, the metrics and associated measures will continue to be evaluated and refined. Continued review and constructive comments and suggestions from the MRC and Board will be welcomed.

Background

Fundamentally, NERC, the Regional Entities, and registered entities – the entire ERO Enterprise – should be measured by bulk power system reliability and accountability – it's why the ERO exists. But because the two components described above – *system reliability performance* and *organizational effectiveness* – have important correlations, both will be measured as together they will provide the whole context for assessing the success of the ERO Enterprise. The more efficiently and effectively NERC, Regional Entities, and registered entities carry out their respective functions and responsibilities, the more effective will be the use of industry resources and the more system reliability performance should improve.

The Metrics Landscape

The first set of metrics – *system reliability performance* – have been presented and discussed with the MRC and Board on several occasions, most recently at the May 2011 meeting. That presentation covered several bulk power system-level reliability indicators, which comprise multiple dimensions of system-level reliability performance, which will enable industry to identify and understand reliability issues and trends in the areas of system design, planning, operations, and maintenance. A demonstration of NERC's Reliability Dashboard was also given at the May 2011 meeting.

The *system reliability performance* metrics comprise 18 Adequate Level of Reliability (ALR) metrics and three risk-based indices to quantify bulk power system reliability – event-driven risk index (EI), condition-driven reliability index (CI), and standards/statute-driven risk index (SI), which capture the "universe of risk" to bulk power system reliability. Weighted ALR metrics supplement the calculation of CI, actual event data (supported by TADS, GADS, OE-417 and EA Appendix A) support the calculation of EI, and information on violation of NERC Standards with individual respective risk factors make up the information needed to support the calculation of SI.

The second set of metrics covers *organizational effectiveness* and comprises three components: (1) the performance of NERC in carrying its responsibilities under the Regional Delegation Agreements (RDAs), Rules of Procedure, and applicable regulations; (2) the performance of Regional Entities in carrying out their responsibilities; and finally (3) the performance of registered entities in carrying out their responsibilities. The first two of these components are captured in the proposed RDA Metrics, which are being presented for discussion by the MRC at this meeting and approval by the Board on August 4. Metrics for the third component, registered entity performance, which have not yet been fully developed, will cover how registered entities carry out their roles and responsibilities in such areas as: developing and implementing mitigation plans, reporting system events, developing event analysis reports, self-reporting violations, identifying lessons learned, etc. Taken together, these three components will measure the overall ERO Enterprise *organizational effectiveness*.

Capturing all these metrics in an integrated and coordinated manner will allow the ERO to track performance, identify trends, and develop actions for achieving improvements in both reliability performance and organizational effectiveness.

Proposed Regional Delegation Agreement (RDA) Metrics July 13, 2011

The Commission, in paragraph 138 of its September 16, 2010 order regarding NERC's Three-Year ERO Performance Assessment, commended NERC and the Regional Entities on their efforts to resolve delegation issues, and agreed that NERC should develop performance metrics that help to ensure consistent implementation of the compliance enforcement process across the regions.

In its March 16, 2011 informational filing with the Commission, NERC responded that the revised Delegation Agreements that were filed with the Commission for approval on June 9, 2010, and were conditionally approved by the Commission in its October 21, 2010 Order, to be effective January 1, 2011, establish processes for the collaborative development by NERC and the Regional Entities of performance goals, measures and other parameters, and performance reports for the Regional Entities' performance of their delegated functions and other activities, which NERC will use to evaluate the Regional Entity's performance and to identify areas in which performance improvements are needed. These provisions are found in Section 8(a) of the revised Delegation Agreements.

NERC has worked in collaboration with the Regional Entities to develop this initial set of Regional Delegation Agreement performance metrics that measure the effectiveness of all the programs that are the responsibility of the ERO Enterprise, with particular emphasis on the functions delegated to Regional Entities across all program areas.

NERC and the Regional Entities are committed to periodically reviewing and refining these metrics in conjunction with the regular review and updating of the Regional Delegation Agreements.

I. Compliance Registration

I.A Metric:

NERC and the Regional Entities (REs) are administering¹ a process to proactively and routinely review, maintain, and validate registration status in a timely and risk-based manner to ensure that all users, owners, and operators that should be registered are registered for all appropriate functions.

I.A.1 Measure:

Average time to process uncontested entity requests to register or de-register for a function, in accordance with the NERC Rules of Procedure, measured from the time the entity makes the request to

¹ While we are working towards more of a risk-based focus, registration is currently conducted using the Statement of Compliance Registry Criteria contained in the Rules of Procedure that focus on identifying and registering functions. As such, current practice is largely far more mechanical and prescriptive than risk-based.

the time the request is approved by NERC, including intermediate steps; i.e., entity to RE, RE to NERC, NERC approval.²

II. Compliance Audits

II.A Metric:

Effective compliance audits of registered entities for all applicable standards requirements, based on the rules, risk, and past performance.

II.A.1 Measure:

Audit Observation Scorecard completed by NERC staff with sufficient training and credentials to conduct evaluations of RE audits based on objective, standardized evaluation criteria established by NERC and REs.

II.A.2 Measure:

Percent satisfaction with the quality of the audit, professionalism of the auditors, and due process of the audit, as reported by registered entities on a standardized post-audit questionnaire, jointly developed and agreed upon by NERC and the REs, which covers the planning, conduct and reporting of the audit.

III. Enforcement

III.A Metric:

Thorough, accurate, complete, and timely reporting and processing of all required information by RE and NERC, in accordance with expectations in RDAs and Compliance Monitoring and Enforcement Program (CMEP.)

III.A.1 Measure:

Number of active violations divided by six-month rolling average number of violations processed per month by BOTCC, including dismissals and violations filed with FERC through the Administrative Citation Process. [“Caseload Index” measures both the size of the remaining caseload and the average monthly rate at which violations are processed. For example, if the caseload as of January 1, 2011 was 3,000, and the average monthly rate at which violations were processed from July 1, 2010 to December 31, 2010 was 100, the “Caseload Index” would be 30.0. If NERC limits the number of violations accepted from a Regional Entity in a given month, an appropriate adjustment will be made.]

IV. Mitigation of Compliance Violations

IV.A Metric:

Timeliness of NERC and Regional Entity actions related to violation mitigation.

IV.A.1 Measure:

Six-month rolling average time (a) from date of submittal by registered entities for Regional Entities to review, accept, and submit to NERC registered entity Mitigation Plans and (b) from date Regional Entities submit registered entity Mitigation Plans to NERC to the date NERC approves the Mitigation

² NERC and the Regional Entities believe that all entities that need to be registered under the current Statement of Compliance Registry Criteria are registered correctly. Future changes to these criteria may influence this opinion and demonstrate the need for another measure of Regional Entity and NERC performance under this metric.

Plans, with separate measures and trends for violations of different VRF/VSLs and different reliability risk significance.

IV.A.2 Measure:

Six-month rolling average time from the date regional entities certify that Mitigation Plans are complete to when Regional Entities validate completion of those Mitigation Plans, with separate measures and trends for violations of different VRF/VSLs and different reliability risk significance.

IV.A.3 Measure:

Six-month rolling average time to mitigate compliance violations, from date violation was deemed to have occurred to date of violation mitigation as accepted by NERC, with separate measures and trends for violations of different VRF/VSLs and different reliability risk significance. [Note: those cases in which long lead time purchase of equipment, labor contract negotiations, scheduled outages of equipment, etc. affect the time to violation mitigation closure will be excluded from this measure.]³

V. Event Analysis

V.A Metrics:

Pursuant to the NERC Rules of Procedure⁴, registered entities are tasked with conducting comprehensive analyses of events that reflect the severity of the incident. REs coordinate with NERC on event analyses to support the effective and efficient use of the collective industry resources, ensure consistency in event analysis and timely delivery of event analysis reports, and dissemination to the electric industry lessons learned and other information obtained or resulting from event analysis.

V.A.1 Measure:

Number of days: (a) for registered entities to complete Event Analysis reports (by event category/severity)⁵; (b) for Regional Entities and NERC to complete the necessary sufficiency reviews and close out event review; and (c) for NERC to make final Event Analysis reports available to the industry technical community. [Note: Some restrictions on access to these reports may be imposed to protect CEII and confidential information.]

V.A.2 Measure:

Benefit of “Lessons Learned” rated by registered entities (S/U) – % Satisfactory (S) Ratings on (1) positive impact on reliability and (2) cost-effective risk management. [Measures both NERC and RE performance. NERC and REs to develop framework and definitions for rating process.]

VI. Reliability Standards

VI.A Metric:

NERC and Regional Entities fully follow, and coordinate as necessary, their respective standards development processes to establish clear, results-based reliability standards that provide for an adequate level of reliability.

³ This measure may be influenced by NERC and the Regional Entities, but is not totally controlled by them.

⁴ These Rules of Procedure changes are planned to be filed with FERC for approval in November 2011.

⁵ This portion of the measure may be influenced by NERC and the Regional Entities, but is not totally controlled by them.

VI.A.1 Measure:

Percent of NERC Board approved NERC and Regional Reliability Standards that are results-based with requirements providing clearly identified performance expectations and cost-effective reliability benefits.

VII. Reliability Assessment

VII.A Metric:

NERC and RE processes for developing timely, meaningful assessments of the reliability of the Bulk-Power System.

VII.A.1 Measure:

Regional Reliability Assessment Scorecard, jointly developed and agreed to by NERC and REs, and reviewed by industry stakeholders, to include items such as: (1) accuracy of data and information; (2) timeliness and clarity of NERC requests and RE submittals; (3) clarity of NERC requests and thoroughness of RE self-assessments; etc.

February 2011 Cold Snap Report

Action Required

None

Background

The following event summaries by region were taken from the latest version of the FERC/NERC Joint South West Task Force Event Analysis Report: *Summary of Winter Weather Impact by Region*, July 1, 2011

Texas RE - ERCOT

On February 1, 2011, a major cold wave swept across the Electric Reliability Council of Texas, Inc. (ERCOT) Region with extreme low temperatures, wind, ice, and snow. Faced with a possible all-time high winter peak electricity demand and cold-weather-related issues with generators and fuel supplies, ERCOT experienced a generating capacity shortfall as generators went off-line and reserves dwindled.

Starting at approximately 1200 on February 1, 2011, power plants across the state began to experience issues due to the cold weather, including freezing instrumentation, freezing pipes, freezing drain lines, natural gas curtailments, and natural gas pressure reductions due to high usage.

Between February 1, 2011 1200 and February 3, 2011 1800, a total of 225 individual generating units experienced a unit trip, a unit de-rate, or a failure to start during the freezing conditions. These generation issues resulted in a maximum of 14,855 Megawatts (MW) of unplanned unavailable capacity during the period. These generation issues, combined with pre-scheduled generation outages of 12,413 MW, created a significant generating capacity shortfall in the ERCOT Region. Note: The ERCOT Region has a total of approximately 72,500 MW of Existing-Certain generating capacity and 11,633 MW (nameplate) of Existing-Other generating capacity (wind and other renewables).

WECC – Salt River Project

On February 2, 2011 at 0622, the Salt River Project (SRP) Balancing Authority Area (BAA) experienced a loss of 350 MW of generation when Navajo Unit 1 (750 MW rated capacity) tripped. This triggered the decision to shed 300 MW of SRP firm customer load (approximately 65,000 customers) for 32 minutes. The SRP System Operator took this prompt action based on his assessment that it was necessary to maintain the reliability of the Bulk Power System and prevent the problem from burdening neighboring systems.

In the 11 hours prior to this event, SRP experienced the loss of four generating units totaling 1050 MW - Navajo Unit 1 (350 MW), Coronado Unit 2 (389 MW), Four Corners Unit 4 (75 MW) and Santan Unit 6 (236 MW). The loss of Santan Unit 6 occurred 38 minutes prior to the loss of Navajo Unit 2.

During this timeframe, the southwest region was experiencing unusually cold weather conditions that contributed to the loss of some of SRP's generation resources. These same cold weather conditions also caused SRP to experience steep load increases in the hours preceding this event. Weather on the day of the event was as forecasted and the day-ahead load forecast was lower than actual.

In response to this load increase and generating capacity losses, SRP took prompt action to replace these generating resources with gas-fired generation, hydro generation, interruptible loads, reserve sharing group emergency assistance, demand side management programs and energy purchases from the spot energy market. SRP deployed 914 MW of generation and interruptible loads prior to and during the load shed event. This included 641 MW of generation and 273 MW interruptible load.

System frequency dropped from 59.993HZ to 59.914 Hz upon the loss of Navajo Unit 2 (750 MW total output). System frequency had recovered to 59.994 Hz in 4 minutes 41 seconds.

SRP's Area Control Error (ACE) recovered in less than eight minutes after the loss of Navajo Unit 2.

WECC – El Paso Electric (EPE)

During the afternoon and evening of February 1, the weather deteriorated significantly with temperatures dropping to record levels -- much lower than forecasted on January 31 -- and the wind was blowing at average speeds of 10 to 20 mph, with wind gusts at much higher speeds. The severe wind rapidly dissipated heat around key power plant components and accelerated the temperature drop of those components. As the temperature rapidly fell to subfreezing levels, equipment at EPE's generating facilities began to freeze. Not only did critical water lines freeze, but instrumentation which controls the generation froze as well.

Temperatures reached 18 degrees on the evening of February 1, and remained below 18 degrees for the next two and a half days, with a low temperature of 1 degree recorded on February 3, and a low temperature of 3 degrees on February 4. EPE lost most of its local generation over a period of seven hours early Wednesday, February 2. This significantly reduced EPE's load-serving capability.

When EPE lost two of its local generating units, EPE System Controllers called for the curtailment of its interruptible customers on February 1. By 0716 on February 2, EPE lost all of its local generating units except for its Copper unit. EPE initiated controlled rotating load shedding, lasting for about five hours Tuesday morning. Later that day, EPE again initiated controlled rotating load shedding for about three hours. On February 3, between 1730 to 2230 and on February 4 between 0630 to 1200, EPE conducted controlled rotating load shedding to protect

against the risk of an entire system collapse on the loss of a major transmission element. In the afternoon of February 4, EPE was able to return enough local generation to eliminate the need for further load shedding. On February 5, EPE notified its interruptible customers that they could return to interruptible service, with one exception: Border Steel that operates an arc furnace with highly variable load (from 0 to 35 MW). Border Steel was allowed to return to interruptible service on Sunday, February 6.

EPE had approximately 55 MW of local generation running from a single combustion turbine, Copper Unit 1, during the entire time, and during the worst portion of the weather. This generator, combined with purchases from nearby generation resources (owned by different entities) in southern New Mexico provided dynamic reactive voltage support that made it possible for EPE to import power, including the remote generation owned by EPE at Palo Verde in Arizona and Four Corners in New Mexico.

The duration of the record-low maximum temperatures and strong wind gusts were unprecedented for the El Paso area and made load shedding necessary to protect against a blackout of the EPE system, and further protect against the possibility of additional cascading failures extending into other portions of the Western Interconnection. EPE was able to maintain the system and protect it from blackout through a variety of purchases, and by importing EPE's own remote generation.

SPP RE – Oklahoma Gas and Electric (OG&E)

The cold weather conditions caused generator control component freezing at several of OG&E's power plants. Throughout the entire event, OG&E had a total of 1,904 MWs of generation offline, but not simultaneously. Equipment problems included a broken coal belt supplying Muskogee Units 4 and 5; frozen components such as intermediate drum level transmitters and tubing at the Rosebud Plant; and freezing of the feedwater flow transmitter sensing lines at Seminole 1. OG&E moved into EEA-2 status on Tuesday, February 1, 2011 at 1130 CST. Once the units tripped, the situation was exacerbated by the lack of heat previously generated by each unit. This made recovering each unit's capacity more difficult. The power plant crews worked to thaw components and return units to service and OG&E was removed from EEA-2 status on Thursday, Feb 3 at 1513 CST. At no time during the event was OG&E in an EEA-3 status.

SPP RE – Sunflower Electric Power Corporation (SECI)

SECI's experience during the winter weather began with a Control Room Operator entering the wrong set point for Holcomb 1(H1), the largest generating unit in the Balancing Authority (BA). With the trip of H1 at 1758, SECI attempted to bring on two combustion turbines, S4 and CL1, but they failed to start, which created a capacity deficit. When S5 was brought on line, gas limitations in the Garden City area did not allow for both S4 and S5 to remain online for very long before gas pressure began to decay. H1 startup and generating capability was further exacerbated by a faulty speed changer on an induced draft fan which ultimately caused a second trip. Further compounding the situation in SECI was the transmission limitations for

importing generation into the BA. These circumstances resulted in an EEA-3 situation for SECI that lasted from 1931 February 2 to 1512 on February 3, 2011.

SPP RE - Southwestern Public Service Company (SPS)

As extremely cold temperatures and increased loads began occurring across Texas, both ERCOT and El Paso Electric began to implement rolling blackouts. As a result, some natural gas compressor stations and gas processing plants located in the ERCOT and El Paso systems (that supply natural gas to some generating stations in the SPS area) were affected by these rolling blackouts. These blackouts, and issues resulting in restarting the gas compressor and processing facilities after the blackouts, combined with regional supply freeze offs, caused the interstate and intrastate natural gas pipeline transportation suppliers to notify SPS that they might not be able to meet scheduled firm deliveries of natural gas, which in turn could have affected the amount of generation available to serve load in the SPS area.

Due to this notice, SPS made plans for potential re-dispatch to maximize available generation and for potential fuel switching, and began implementing steps of its Emergency Operations Plan. SPS was able to carry all firm loads and the required level of operating reserves. At no time during the event did SPS issue an EEA.

Steps that have been taken since the event

- On February 5, 2011, NERC categorized the February 2 and 3 event as a category 4 event (loss of over 5,000 MW of load or generation).
- On February 7, 2011, NERC announced that it would work with affected Regional Entities on an event analysis to identify the cause of the various generation and transmission issues on the bulk power system (BPS) during the extreme cold weather in early February and review electric and gas interdependencies.
- On February 11, 2011, NERC initiated an Event Analysis to review the performance of the BPS during the extreme weather conditions across portions of the United States between February 2 and February 4, 2011. NERC also requested all Regions to conduct an assessment of the Winter Weather Event impact in their footprints. Based on their findings of the assessment the Regions could determine what applicable registered entities should be issued Data Hold Retention Notices (DHRNs) or issue a blanket notice and release some entities from the obligation after the assessment determined them as not applicable.
- Shortly after, blanket DHRNs were issued in Texas RE and SPP Regions. The WECC Region issued a total of four individual DHRNs to Salt River, El Paso Electric, Tri-State Generation and Transmission Association, and WECC RC.
- Regional Entities FRCC, MRO, NPCC, RFC, and SERC reported no impacts to bulk power system reliability due to the Winter Weather.
- On February 14, 2011, the FERC Commission directed its staff to initiate an inquiry into the electric and natural gas outages and disruptions of service experienced in Texas and

the Southwest during the first week of February 2011. The Commission directed the inquiry to determine the causes of the outages and disruptions and identify any appropriate actions for preventing a recurrence.

- Approximately 10 business days after the event, NERC and the Regional Entities received and reviewed a total of 78 Event Reports from registered entities in the event analysis, 72 from Texas RE, three from WECC, and three from SPP.
- From mid-March thru mid-May, staff from FERC, NERC, Texas RE, and WECC conducted site visits with various entities involved in the outages to tour the facilities and conduct transcribed interviews with operating personnel, compliance personnel and executives. Specifically the taskforce visited: 15 generators in TRE (including coal, natural gas, and wind units); two generators in WECC; one BA/TOP in TRE; two BAs/TOPs in WECC; and four TOPs in TRE. While at the generator site visits the taskforce toured the units, specifically viewing any equipment that led to trips, derates, or failures to start, viewed winterization measures, discussed maintenance and winterization processes, fuel supply and market participation. At visits to BAs/TOPs the taskforce toured control centers and discussed the progression of the events from the BAs' perspective, including specifics on load forecasting, market mechanics, system operations, load shedding and load restoration. Lastly, at visits to TOPs, the taskforce visited transmission and distribution control centers and discussed transmission system winterization and load shedding procedures.
- On May 9, 2011, NERC and FERC staff formally announced that they would combine inquiries and issue a joint report on findings and recommendations.
- NERC has received a total of 55 Lessons Learned (42 from Texas RE, nine from WECC, three from SPP, and one from SERC) from the extreme winter weather event to process and post.
- To date a total of 58 self-assessments concerning compliance were filed by entities in the Texas RE and SPP RE regions. No self-assessments were filed by entities in the WECC region.
- June 23 – July 14 2011 — FERC and NERC have been conducting outreach meetings to various stakeholder groups in the gas and electric industry to share draft findings and recommendations and solicit input. (Eight meetings have been scheduled and four have taken place).
- Final report issuance remains on track for late summer 2011.

Release of Event Analysis Reports to the Industry

Action Required

None

Background

In several different venues, including the May 2011 MRC meeting, stakeholders have requested more timely access to completed detailed events analyses reports (EARs), the assertion being that EARs provide an added valuable element to promote reliability-based learning. The ERO concurs and has been working to address this request while adhering to other related requirements.

Problem Statement

Provide industry stakeholders timely access to completed events analyses reports, or appropriate subparts thereof, while maintaining appropriate protections for confidential information (entity sensitive, CEII, etc.).

General Approach

The basic approach to address the above problem statement has two discrete subparts, each with several individual steps as follows:

1. *Current backlog.* Review existing EAR backlog to identify and resolve barriers to release.
 - Use one high value EAR as a test case to clearly understand barriers to release.
 - i. Contact involved registered entities and regions to obtain concurrence.
 - Reinforce considerations/authority for report markings including “Confidential” and Critical Energy Infrastructure Information (CEII).
 - Implement interim guidance as needed to promote release.
 - Prioritize remaining “backlogged” EARs for release and set target schedules.
2. *Future EARs.* Implement process change to facilitate timely release of future EARs.
 - Segment EAR template to contain discrete sections for confidential, stakeholder release, and public subparts.
 - Implement a technology solution to allow stakeholders scalable access to EARs based on material sensitivity and level of stakeholder access authorization.

Status

1. *Current backlog.*

- NERC staff reviewed the basis for assignment of CEII designation on the test case report. It does not appear that any of the affected entities indicated the contained information represented CEII.
- NERC has contacted involved regions (3) and entities (4) and requested their concurrence to release.
 - i. All three regions support release subject to addressing any specific concerns raised by the entities
 - ii. Two of four entities have concurred with release as of July 12, 2011.
- A related regional compliance investigation has not yet been fully completed (some dismissals require final action). The involved entity indicated they oppose EAR release until the compliance investigation issues are fully resolved.
 - i. NERC is working with the applicable Regional Entity to align resources to support timely processing of those dismissals.
- Work is ongoing to catalogue existing EARs and rank for release based on judged reliability benefit.

2. *Future EARs*

- The EA process document is undergoing a second field trial – expected completion August 2011. Segmenting the EAR template has been captured as an improvement opportunity.
- Vendors have been contacted regarding an IT solution to allow scalable stakeholder access to EARs via a secure FTP site.
- Demonstrations are targeted for completion by October 1, 2011.

Case Study on Culture of Reliability Excellence

Action Required

None

Background

At its November 2010 meeting, the MRC heard a panel presentation and engaged in committee discussion on the “Culture of Reliability Excellence.” At this meeting, Scot Hathaway, vice president of transmission for Dominion Virginia Power will discuss how their efforts to promote a “culture of reliability excellence” helped them in responding to the effects of the tornado that went through the Surry Nuclear Station switchyard.

Upcoming MRC Officer Elections and MRC Nominations

Action

None

Background

Bill Gallagher, committee chairman will explain the upcoming election of MRC officers and the procedure for MRC nominations for those members whose terms expire in February 2012.

The schedule for these elections is shown below.

Attachment 1 – MRC membership terms list

Attachment 2 – Applicable sections of the NERC Bylaws are attached for information.

MRC Officer Elections

August 31 – nomination period opens

September 30 – nomination period closes

November 2 – election of officers for following year by current MRC members

MRC Member Nominations and Elections

September 12 – nomination period opens

November 11 – nomination period closes

December 12 – election begins

December 21 – election ends

Expected Membership of Member Representatives Committee for 2011 – 2013

Sector	Terms expiring February 2012	Terms expiring February 2013
Voting Members		
Chairman	William Gallagher	
Vice Chairman	Scott Helyer	
Investor-Owned Utility	Carol Chinn	Thomas C Burgess
State/Municipal Utility	Timothy J. Arlt	John DiStasio
Cooperative Utility	Michael L. Smith	Eric Baker
Federal/Provincial Utility	Julius Pataky	Anthony Montoya
Federal/Provincial Utility ¹	Lorne Midford	
Federal/Provincial Utility ¹	Carmine Marcello	
Transmission Dependent Utility	John Twitty	Terry Huval
Merchant Electricity Generator	Kathryn Mirr ²	William Taylor III
Electricity Marketer	Roy True	Jack Cashin
Large End-Use Electricity Customer	Michelle D'Antuono	John Anderson
Small End-Use Electricity Customer	Lawrence P. Nordell	Charles Acquard
ISO/RTO	Paul Murphy	Terry Boston
Regional Entity ³	Stacy Dochoda (SPP)	Craven Crowell (Texas RE)
State Government	Thomas Dvorsky	Robin Lunt
Non-Voting Members		
Canadian Provincial	Jean-Paul Théorêt	
Canadian Federal	Amitabha Gangopadhyay	
U.S. – Federal	Pat Hoffman	
U.S. – Federal	Joseph McClelland	
Regional Entity	Gordon Gillette (FRCC)	
Regional Entity	Ed Tymofichuk (MRO)	
Regional Entity	Harvey Reed (NPCC)	
Regional Entity	Susan Ivey (RFC)	
Regional Entity	Maureen Borkowski (SERC)	
Regional Entity	David Areghini (WECC)	
Secretary	Dave Nevius	

¹ Article VIII, Section 4 of the NERC Bylaws state that [i]f the annual selection of members of the [MRC]... does not result in the number of Canadian voting representatives...on the [MRC], then the candidate who received the highest vote total among those candidates who would have qualified as Canadian voting representatives but were not elected to the [MRC] shall be added to the [MRC]. Lorne Midford and Carmine Marcello were added to the MRC under this provision.

² There were two nominations for this sector because one nominee had to fill the remaining year on Scott Helyer's seat because this sector will have a vacancy when Scott Helyer becomes the Vice-Chairman of the Member Representatives Committee.

³ The Sector 11 Members adopted an election protocol where each year the two voting seats rotate among the eight Regional Entity seats at the MRC.

Excerpts from NERC Bylaws

Section 3 — Election of Members of the Member Representatives Committee

- a. Unless a sector adopts an alternative election procedure, the annual election of representatives from each sector to the Member Representatives Committee, and any election to fill a vacancy, shall be conducted in accordance with the following process, which shall be administered by the officers of the Corporation. During the period beginning approximately ninety (90) days and ending approximately thirty (30) days prior to an annual election, or beginning approximately forty-five (45) days and ending approximately fifteen (15) days prior to an election to fill a vacancy, nominations may be submitted for candidates for election to the Member Representatives Committee, provided that for the initial election the period may begin as soon as these bylaws are made effective and may end approximately fifteen (15) days prior to the election. A nominee for election as a sector representative must be a member, or an officer, executive-level employee or agent of a member, in that sector. No more than one nominee who is an officer, executive-level employee or agent of a member or its affiliates may stand for election in any single sector; if more than one officer, employee or agent of a member or its affiliates is nominated for election from a sector, the member shall designate which such nominee shall stand for election. The election of representatives shall be conducted over a period of ten (10) days using an electronic process. Each member in a sector shall have one vote for each representative to be elected from the sector in that election, and may cast no more than one vote for any nominee. The nominee receiving the highest number of votes in each sector shall be elected to the representative position to be filled from that sector; if there is more than one representative position to be filled from a sector, the nominee receiving the second highest number of votes shall also be elected, and so forth. Provided, that to be elected a nominee must receive a number of votes equal to a simple majority of the members in the sector casting votes in the election. If no nominee in a sector receives a simple majority of votes cast in the first ballot, a second ballot shall be conducted which shall be limited to the number of candidates receiving the two (2) highest vote totals on the first ballot (or to the number of candidates receiving the four (4) highest vote totals on the first ballot if two representative positions remain to be filled, and so forth). The nominee or nominees receiving the highest total or totals of votes on the second ballot shall be elected to the representative position or positions remaining to be filled for the sector.

A sector may adopt an alternative procedure to the foregoing to nominate and elect its representatives to the Member Representatives Committee if (i) the alternative procedure is consistent in principle with the procedures specified in the preceding paragraph of this Section 3a, and (ii) the alternative procedure is approved by vote of at least two-thirds of the members in the sector. Any alternative procedure is subject to review and disapproval by the board.

Section 4 — Adequate Representation of Canadian Interests on the Member Representatives Committee — In addition to the requirements for composition of the Member Representatives Committee specified in Section 1 of this Article VIII, the Member Representatives Committee shall contain a number of Canadian voting representatives equal to the percentage of the NEL of Canada to the total NEL of the United States and Canada, times the total number of voting members on the Member Representatives Committee, rounded up to the next whole number. If the annual selection of members of the Member Representatives Committee pursuant to Section 3 of this Article VIII does not result in the number of Canadian

voting representatives provided for herein on the Member Representatives Committee, then the candidate who received the highest fraction of the sector vote among those candidates who would have qualified as Canadian voting representatives but were not elected to the Member Representatives Committee shall be added to the Member Representatives Committee. Additional Canadian voting representatives shall be added to the Member Representatives Committee through this selection process until the Member Representatives Committee includes a number of Canadian voting representatives equal to the percentage of the NEL of Canada to the total NEL of the United States and Canada, times the total number of voting members on the Member Representatives Committee, rounded up to the next whole number. Provided, that no more than one such additional Canadian voting representative shall be selected from a sector, except that if this limitation precludes the addition of the number of additional Canadian voting representatives required by the previous sentence, then no more than two Canadian voting representatives may be selected from the same sector. Such additional Canadian voting representatives shall be representatives of the sectors in which they stood for election, and shall serve terms expiring at the next annual meeting of the Member Representatives Committee pursuant to Section 7 of this Article VIII. For purposes of this Section 4, "Canadian" means one of the following: (a) a company or association incorporated or organized under the laws of Canada or of a province of Canada that is a member of the Corporation, or its designated representative irrespective of nationality; (b) an agency of a federal, provincial, or local government in Canada that is a member of the Corporation, or its designated representative irrespective of nationality; or (c) a person who is a Canadian citizen residing in Canada and is a member of the Corporation.

When the Corporation receives recognition from appropriate governmental authorities in Mexico as the electric reliability organization, this provision will be expanded to provide for adequate representation of Mexican interests on the Member Representatives Committee.

Section 5 — Officers of the Member Representatives Committee — At the initial meeting of the Member Representatives Committee, and annually thereafter prior to the annual election of representatives to the Member Representatives Committee, the Member Representatives Committee shall select a chairman and vice chairman from among its voting members by majority vote of the members of the Member Representatives Committee to serve as chairman and vice chairman of the Member Representatives Committee during the upcoming year; provided, that the incumbent chairman and vice chairman shall not vote or otherwise participate in the selection of the incoming chairman and vice-chairman. The newly selected chairman and vice chairman shall not have been representatives of the same sector. Selection of the chairman and vice chairman shall not be subject to approval of the board. The chairman and vice chairman, upon assuming such positions, shall cease to act as representatives of the sectors that elected them as representatives to the Member Representatives Committee and shall thereafter be responsible for acting in the best interests of the members as a whole.

Proposed Changes to Rules of Procedure

Action Required

None

NERC is proposing changes to its Rules of Procedure Sections 100-1600; Appendix 4B – Sanction Guidelines; and Appendix 4C – Compliance Monitoring and Enforcement Program that reflect clarifications and enhancements to the Rules based on experience gained to date by NERC and the Regional Entities. (Summary attached as **Attachment 1.**) The complete documents are available at: <http://www.nerc.com/page.php?cid=1|8|169>. **Comments are due August 15, 2011, and must be submitted electronically to ROPcomments@nerc.net.**

NERC also intends to post a second set of revisions to the Rules of Procedure and Appendices on or before August 1, 2011 for a 45-day comment. NERC intends to submit both sets of changes (as revised based on consideration of the comments received) to the NERC Board of Trustees (BOT) for approval at its November 3, 2011 meeting. If approved by the NERC Board, these revisions would then be included in one regulatory filing to be submitted to the Federal Energy Regulatory Commission (FERC) for approval.

Although the comment period on the first posting does not close until August 15, 2011, commenters are respectfully requested to submit their comments sooner than August 15, 2011, if possible, in order to provide additional time for NERC staff and the Regional Entities to consider them.

June 30, 2011

**Summary of Principal Proposed Changes to
NERC Rules of Procedure and
Appendices 4B and 4C**

This document provides a summary of the principal substantive proposed revisions to the NERC Rules of Procedure (ROP) Sections 100 – 1600, and Appendices 4B and 4C. This document does not provide a comprehensive listing of every proposed revision, many of which are being made for simplification of the documents, more consistent use of defined terms, moving provisions to different sections where they more logically belong and/or consolidation of material from multiple sections to one place, greater consistency among different documents that address the same topic, conforming cross references, and similar reasons.

Rules of Procedure, Sections 100-1600

With respect to the main body of Rules of Procedure, proposed revisions are included in existing Section 400, plus new Sections 412, 413 and 414; Section 807; Section 808; Section 810; Section 1401; Section 1502.1 and Section 1603. Key highlights are:

- Section 409 is revised to track changes in the NERC uniform Hearing Procedures (Appendix 4C – Compliance Monitoring and Enforcement Program (CMEP), Attachment 2) regarding the Compliance Enforcement Authority’s ability to appeal of a Regional Entity Hearing Body decision.
- New Section 412 sets forth the procedures for certification of certain questions arising in a hearing before a Regional Entity Hearing Body to the NERC Board of Trustees Compliance Committee (BOTCC) for determination, and for the BOTCC to certify such a question to itself for determination prior to completion of the Regional Entity Hearing Body proceeding.
- New Section 413 provides that NERC shall review and process all final decisions of Regional Entity Hearing Bodies concerning an alleged violation, proposed penalty or sanction, or proposed mitigation plan that are not appealed pursuant to Section 409, as though the determination had been made by the Regional Entity compliance program, and may require that the decision be modified by the Regional Entity.
- New Section 414 authorizes and establishes a procedure by which NERC may impose a monetary fine on a bulk power system (BPS) owner, operator or user for filing to submit information in a timely manner or in the form requested pursuant to specified sections of the Rules of Procedure or the CMEP.
- Section 1401 is corrected to conform to the Bylaws regarding the number of NERC members necessary to propose revisions to the Rules of Procedure.
- Corresponding to new Section 414, Sections 401.3, 403.10, 807c, 808.3, 810.4 and 1603 are revised to provide that failure to submit information in a timely manner or in the form requested by NERC or a Regional Entity pursuant to the respective section may result in imposition of a fine to the BPS owner, operator or user in accordance with Section 414.

Appendix 4B – Sanction Guidelines

In general, the revisions to Appendix 4B are for the purpose of conformity with other sections of the Rules of Procedure, to eliminate unnecessary or redundant text, and to simplify and clarify the text of this Appendix. The section of this Appendix on Remedial Action [Directives] is being deleted as it is recognized that a Remedial Action Directive is not a penalty or sanction for a violation of a Reliability Standard, but rather it is an action required to avoid an imminent or current threat to the reliability of the BPS. Additionally, corresponding to a new provision of the CMEP, the Sanction Guidelines is revised to provide that a penalty for violation of a Reliability Standard may be increased based on a Regional Entity Hearing Body's determination that the registered entity engaged in frivolous or dilatory action during the hearing.

Appendix 4C – Compliance Monitoring and Enforcement Program

With respect to the CMEP, the principal revisions include:

- The exception report monitoring method has been eliminated as a separate process, although it is noted in a new provision in Section 3.0 that recognizes some violations are identified outside of the realm of the seven specific compliance monitoring methods.
- The process steps for Compliance Audits are revised to specify that the audit notification and pre-audit questionnaire are to be sent to the registered entity at least 90 days prior to the start of the audit.
- Revisions have been made to clarify the time period in which the registered entity's compliance is to be audited in a Compliance Audit.
- Clarifications have been made regarding the persons who may be present at compliance audits and their respective roles and degrees of participation – audit team members, observers, and attendees.
- Revisions and clarifications have been made with respect to the types of responses that may be made to a Self-Certification request.
- Attachment 1, concerning non-submittal of data, information or other reports, has been simplified (reduced number of escalation steps), and now provides that a registered entity may be subject, among other actions, to the assessment of a fine if the entity fails to produce the data, information or reports that NERC or a Regional Entity requests in the compliance monitoring and enforcement process.
- Sections 3.0 and 5.0 have been revised to more clearly distinguish between the compliance monitoring process and the compliance enforcement process.
- Attachment 2, Hearing Procedures, contains significant revisions. Many of the revisions are based on experience gained and issues encountered in hearings conducted by the Regional Entities to date.
 - The Compliance Enforcement Authority is provided the right to appeal a decision of the Regional Entity Hearing Body to NERC.
 - Questions may be certified to the NERC Board of Trustees Compliance Committee for resolution in accordance with new Section 412 of the NERC Rules of Procedure.
 - A proposed penalty for violation of a Reliability Standard may be increased by the Regional Entity Hearing Body if the registered entity has

engaged in frivolous or dilatory actions during a hearing before the Hearing Body.

- A provision has been added to allow a Regional Entity Hearing Body to allow interventions in a hearing in limited, well-defined circumstances (currently, intervention is allowed only if granted by FERC).
- A number of provisions have been revised and new provisions added to specify in greater detail the procedural steps and related time periods involved in the hearing processes.

Update on Regulatory Matters (As of July 11, 2011)

Action Required

None

Regulatory Matters in Canada

1. Negotiation of the second agreement among NERC, the Régie and NPCC regarding implementation of mandatory standards in Québec has been completed and the agreement is under consideration by the provincial government. The Régie has issued a preliminary decision regarding adoption of mandatory standards for Québec.
2. Adoption of NERC Reliability Standards pending in Nova Scotia.
3. Adoption of NERC Reliability Standards ongoing in Alberta.
4. Implementing regulations being developed in Manitoba.
5. Implementing regulations being developed in British Columbia.

FERC Orders Issued Since the Last Update

1. April 21, 2011 – Notice of Proposed Rulemaking concerning a proposal to require the Electric Reliability Organization to make available to Commission staff, on an ongoing basis, access to complete electronic tagging data used to schedule the transmission of electric power in wholesale markets. *Docket No. RM11-12-000*
2. April 21, 2011 – Notice of Proposed Rulemaking- A NOPR concerning a proposed regulation to facilitate price transparency in markets for the sale and transmission of electric energy in interstate commerce by requiring market participants that are excluded from the Commission's jurisdiction under FPA section 205 and have more than a de minimis market presence to file Electric Quarterly Reports (EQR) with the Commission. *Docket No. RM10-12-000*
3. April 29, 2011 – March 31, 2011 Notices of Penalty. The Commission issued an Order stating that it would not further review, on its own motion, the following Notices of Penalty in Docket Nos. *NP11-134-000* Ft. Pierce Utilities Authority; *NP11-135-000* Public Utility District No. 1 of Snohomish County; *NP11-136-000* Unidentified Registered Entity; *NP11-137-000* Unidentified Registered Entity; *NP11-138-000* El Paso Electric Company; *NP11-139-000* Dynegy Arlington Valley, LLC; *NP11-140-000* Unidentified Registered Entity; *NP11-141-000* City of Anaheim; *NP11-142-000* People's Utility District; *NP11-143-000* Unidentified Registered Entity; *NP11-144-000* City of McMinnville; *NP11-145-000* Unidentified Registered Entity; *NP11-146-000* Unidentified Registered Entity; *NP11-147-000* Public Utility District No. 1 of Snohomish County; *NP11-148-000* Imperial Irrigation District; *NP11-149-000* Unidentified Registered Entity; *NP11-150-000* Unidentified Registered Entity; *NP11-*

151-000 Public Utility District No. 2 of Grant County, Washington; NP11-152-000 Calpine Energy Services; NP11-153-000 Exelon Generation Company, LLC – Exelon Nuclear; NP11-154-000 California Department of Water Resources; NP11-155-000 Unidentified Registered Entity; NP11-156-000 Unidentified Registered Entity; NP11-157-000 Unidentified Registered Entity; NP11-158-000 PSEG Fossil, LLC; NP11-159-000 NextEra Energy Resources, LLC; NP11-160-000 Dartmouth Power Associates, LP; NP11-161-000 Unidentified Registered Entity; and NP11-162-000 Administrative Citation Notice of Penalty.

4. May 6, 2011 – Order Granting Midwest ISO's Recovery of Penalty Cost that was assessed in the December 22, 2009 Settlement Agreement (NP11-59) from Tariff customers under Schedule 34. *Docket No. ER11-2798.*
5. May 16, 2011 – Order Accepting Compliance Filing on Violation Risk Factors and Violation Severity Levels for PRC-023-1. *Docket No. RD10-10-000*
6. May 16, 2011 – Order Accepting the Compliance filing on the entities responsible under Reliability Standard BAL-006-2 required by FERC's January 6 Order requiring a compliance filing to identify the entity or entities that are responsible under Reliability Standard BAL-006-2 for calculating Inadvertent Interchange among the Local Balancing Authority Areas within the Midwest ISO Balancing Authority Area. *Docket No. RD10-4-000*
7. May 17, 2011 – Request for Additional Information Regarding Petition for Approval of Reliability Standards TPL-001-1, TPL-002-1b, TPL-003-1a, and TPL-004-1. *Docket No. RM11-18-000*
8. May 19, 2011 – Order on Compliance Filing and Rehearing accepting NERC's revised, comprehensive approach to the assignment of Violation Risk Factors and Violation Severity Levels ("roll-up approach"). The order also accepts NERC's Guideline 1 Report, which evaluates Violation Severity Level assignments to ensure that they do not have the effect of lowering the current expectation of compliance. In addition, the order approves NERC's revised Violation Severity Level assignments for the 83 Commission-approved Reliability Standards and Reliability Standard NUC-001-2, with the exception of those that are addressed in Docket No. RR08-4-006. Finally, the order grants rehearing of the Order No. 722 directive to change Violation Severity Level assignments for three Reliability Standards requirements, in order to take into account NERC's revised comprehensive approach. *Docket Nos. RR08-4-005 and RM08-11-0001*
9. May 19, 2011 – Order Approving a CIP-006-2 Interpretation and directing FERC Staff to convene a technical conference. *Docket No. RD10-8-000*
10. May 27, 2011 – Order on Notices of Penalty – April 29, 2011 Notices of Penalty. The Commission issued an Order stating that it would not further review, on its own motion, the following Notices of Penalty in Docket Nos. NP11-163-000 PacifiCorp, NP11-164-000 American Electric Power Service Corporation; NP11-165-000 Indianapolis Power & Light

Company; *NP11-166-000* Unidentified Registered Entity; *NP11-167-000* Unidentified Registered Entity; *NP11-168-000* American Municipal Power Inc.; *NP11-169-000* Alabama Power Company; *NP11-170-000* Grays Harbor Energy LLC; *NP11-171-000* Duke Energy Corporation; *NP11-172-000* Braintree Electric Light Department; *NP11-173-000* Safe Harbor Water Power Corporation; *NP11-174-000* Unidentified Registered Entity; *NP11-175-000* Unidentified Registered Entity; *NP11-176-000* Unidentified Registered Entity; *NP11-177-000* Baltimore Gas and Electric Company; *NP11-178-000* Unidentified Registered Entity; *NP11-179-000* Unidentified Registered Entity; *NP11-180-000* Unidentified Registered Entity; *NP11-181-000* Administration Citation Notice of Penalty

11. June 10, 2011 – Order on Petition to Intervene in Regional Entity Enforcement Hearing authorizing FirstEnergy to intervene in ReliabilityFirst Corporation's Hearing being conducted by ReliabilityFirst Corporation and PJM Interconnection, LLC. *Docket No. RC11-3-00*
12. June 16, 2011 – Order Denying Compliance Registry Appeals of Cedar Creek Wind Energy and Milford Wind Corridor Phase I. The Commission also directed NERC to work with the entities to create a list Transmission Owner and Transmission Operator Reliability Standards and Requirements that apply to the entities and file the result within 90 days. *Docket Nos. RC11-1-000* and *RC11-2-000*
13. June 24, 2011 – Data Request regarding the Notice of Penalty filed on May 26, 2011 for an Unidentified Registered Entity. *Docket No. NP11-184-000*
14. June 24, 2011 – Order on Notices of Penalty – May 26, 2011 Notices of Penalty
The Commission issued an Order stating that it would not further review, on its own motion, the following Notices of Penalty in Docket Nos. *NP11-182-000* Unidentified Registered Entity; *NP11-183-000* CPI (CP) LLC; *NP11-185-000* Brazos Wind, LP; *NP11-186-000* Allegheny Energy Supply Company; *NP11-187-000* Edison Mission Marketing & Trading; *NP11-188-000* Unidentified Registered Entity; *NP11-189-000* Unidentified Registered Entity; *NP11-190-000* Hoosier Energy REC, Inc.; *NP11-191-000* UGI Utilities, Inc.; *NP11-192-000* Unidentified Registered Entity; *NP11-193-000* Unidentified Registered Entity; *NP11-194-000* Edison Mission Marketing & Trading; *NP11-195-000* Provo City Corporation; *NP11-196-000* Cordova Energy Company, LLC; *NP11-197-000* Gila River Power, LP; *NP11-198-000* Unidentified Registered Entity; *NP11-199-000* Administrative Citation NOP.
15. June 29, 2011 – Letter Order Approving CIP Version 2 and Version 3 Violation Risk Factors and Violation Severity Levels. *Docket No. RD10-6-001, RD09-7-003*
16. June 30, 2011 – Letter Order Approving the January 6, 2011 Filing Regarding Revised Violation Severity Levels for the approved FAC Reliability Standards. *Docket No. RD11-1-000*.

17. July 7, 2011 – Order Approving Stipulation and Consent Agreement between Office of Enforcement, NERC and Western Electricity Coordinating Council. *Docket No. IN11-1-000*

NERC Filings Since the Last Update

1. April 21, 2011 – Motion to Intervene, Request to Consolidate of Dockets, and Response to the Nebraska Public Power District and Southwest Power Pool Regional Entity Petition for Review of NERC's Denial of Request to Amend Two Delegation Agreements and to Transfer Registration. *Docket Nos. RR11-1-000 and RR11-1-001*
2. April 26, 2011 – Errata to Petition for Approval of Four Transmission Planning System Performance Reliability Standards and Retirement of Four Existing Reliability Standards. *Docket No. RM06-16-009 and RM11-18-000*
3. April 29, 2011 – Petition for Approval of a Personnel Performance, Training, and Qualifications Reliability Standard PER-003-1. *Docket No. RD11-7-000*
4. April 29, 2011 – Notices of Penalty regarding the following entities in *Docket Nos.* NP11-163-000 PacifiCorp, NP11-164-000 American Electric Power Service Corporation; NP11-165-000 Indianapolis Power & Light Company; NP11-166-000 Unidentified Registered Entity; NP11-167-000 Unidentified Registered Entity; NP11-168-000 American Municipal Power Inc.; NP11-169-000 Alabama Power Company; NP11-170-000 Grays Harbor Energy LLC; NP11-171-000 Duke Energy Corporation; NP11-172-000 Braintree Electric Light Department; NP11-173-000 Safe Harbor Water Power Corporation; NP11-174-000 Unidentified Registered Entity; NP11-175-000 Unidentified Registered Entity; NP11-176-000 Unidentified Registered Entity; NP11-177-000 Baltimore Gas and Electric Company; NP11-178-000 Unidentified Registered Entity; NP11-179-000 Unidentified Registered Entity; NP11-180-000 Unidentified Registered Entity; NP11-181-000 Administration Citation Notice of Penalty
5. May 2, 2011 – First Quarter 2011 Analysis of NERC Standards Process Results. *Docket Nos. RR06-1-000 and RR09-7-000.*
6. May 6, 2011 – Comments in Response to Lawrence Berkeley National Laboratory 's Frequency Response Report - Use of Frequency Response Metrics to Assess the Planning and Operating Requirements for Reliable Integration of Variable Renewable Generation and its five supporting papers. *Docket No. AD11-8-000*
7. May 6, 2011 – Request to Withdraw Prior Request to Terminate Quarterly Informational Filing in Order No. 693, Paragraph 629 under *Docket Nos.* RM06-16-000 and RD10-14-000.
8. May 13, 2011 – Supplemental Filing to NERC's April 5, 2011 Informational Filing of the Reliability Standards Development Plan 2011-2013. *Docket Nos. RM05-17-000, RM05-25-000, and RM06-16-000*

9. May 17, 2011 – Supplemental Information Regarding the Meaning of "Necessary" in NERC's December 1, 2010 Compliance Filing in Response to FERC's September 3, 2010 Order Approving Petition and Directing Compliance Filing. Docket No. RR10-12-001
10. May 25, 2011 – Petition for Approval of CMEP Agreement Between Northeast Power Coordinating Council and Western Electricity Coordinating Council and Related Amendment to Delegation Agreements. Docket No. RR11-2-000
11. May 25, 2011 – Petition for Approval of Amendments to Delegation Agreement with NPCC, Inc. Including Amendments to Bylaws and Regional Reliability Standards Development Procedure. Docket No. RR11-3-000
12. May 26, 2011 – Notices of Penalty regarding the following entities in Docket Nos. NP11-182-000 Unidentified Registered Entity; NP11-183-000 CPI (CP) LLC; NP11-185-000 Brazos Wind, LP; NP11-186-000 Allegheny Energy Supply Company; NP11-187-000 Edison Mission Marketing & Trading; NP11-188-000 Unidentified Registered Entity; NP11-189-000 Unidentified Registered Entity; NP11-190-000 Hoosier Energy REC, Inc.; NP11-191-000 UGI Utilities, Inc.; NP11-192-000 Unidentified Registered Entity; NP11-193-000 Unidentified Registered Entity; NP11-194-000 Edison Mission Marketing & Trading; NP11-195-000 Provo City Corporation; NP11-196-000 Cordova Energy Company, LLC; NP11-197-000 Gila River Power, LP; NP11-198-000 Unidentified Registered Entity; NP11-199-000 Administrative Citation NOP.
13. May 27, 2011 – Initial Response to April 12, 2011 CIP Data Request. Docket No. RM11-11-000
14. May 27, 2011 – Doc-Less Motion to Intervene regarding the Joint Petition for Authorization to Intervene in a CEA Hearing, for Expedited Consideration and for Alternative Relief. Docket No. RC11-3-000
15. May 31, 2011 – Report of Comparisons of Budgeted to Actual Costs for 2010 for NERC and the Regional Entities. Docket No. RR11-4-000
16. May 31, 2011 – First Quarter 2011 Compliance Filing in Response to Paragraph 629 of Order No. 693 regarding a quarterly informational filing for the timeframe to restore power to the auxiliary power systems of U.S. nuclear power plants following a blackout as determined during simulations and drills of system restoration plans. Docket No. RM06-16-000
17. May 31, 2011 – Petition for Approval of Proposed NPCC Regional Reliability Standard PRC-002-NPCC-01 – Disturbance Monitoring. Docket No. RD11-8-000
18. June 6, 2011 – Supplemental Information Regarding CIP Version 4 Violation Risk Factors and Violation Severity Levels. Docket No. RM11-11-000

19. June 7, 2011 – Response to FERC's May 17, 2011 Letter Requesting Additional Information Regarding NERC's Request for Approval of Four Transmission Planning System Performance Reliability Standards Docket No. RM11-18-000
20. June 13, 2011 – Petition for Approval of Appendices 3B and 3D to the NERC Rules of Procedure Regarding the Election Procedure for Members of NERC Standards Committee and Registered Ballot Body Criteria. Docket No. RR11-5-000
21. June 15, 2011 – Petition for Approval of Proposed Reliability Standard FAC-008-3 – Facility Ratings. Docket No. RM11-28-000
22. June 20, 2011 – Western Electricity Coordinating Council submitted revised Violation Risk Factors for Requirements R1 and R2 and revised Violation Severity Levels for TOP-007-WECC-1. Docket Nos. RM09-9-000 and RM09-14-000
23. June 21, 2011 – Petition for Approval of Reliability Standard CIP-001-2a – Sabotage Reporting with a Regional Variance for the Texas Reliability Entity. Docket No. RD11-6-000
24. June 24, 2011 – Comments on Notice of Proposed Rulemaking Regarding Interpretation of TOP-001-1. Docket No. RM10-29-000
25. June 27, 2011 – Comments in Response to the Notice of Proposed Rulemaking on the Availability of e-Tag Information to the Commission Staff. Docket No. RM11-12-000
26. June 29, 2011 – Notices of Penalty regarding the following entities in Docket Nos. NP11-200-000 Idaho Power Company; NP11-201-000 Lane Electric Cooperative, Inc.; NP11-202-000 High Desert Power Project, LLC; NP11-203-000 City of Loveland, Colorado; NP11-204-000 Unidentified Registered Entity; NP11-205-000 Unidentified Registered Entity; NP11-206-000 Unidentified Registered Entity; NP11-207-000 Troy Energy, LLC; NP11-208-000 Black Hills/Colorado Electric Utility Company, LP; NP11-209-000 Blachly-Lane Electric Coop/PNGC; NP11-210-000 Indianapolis Power & Light Company; NP11-211-000 Unidentified Registered Entity; NP11-212-000 Unidentified Registered Entity; NP11-213-000 Unidentified Registered Entity; NP11-214-000 T.E.S. Filer City Station Limited Partnership; NP11-215-000 Boise-Kuna Irrigation District; NP11-216-000 Merced Irrigation District; NP11-217-000 High Trail Wind Farm, LLC and Old Trail Wind Farm, LLC; NP11-218-000 Unidentified Registered Entity; NP11-219-000 City of Batavia Municipal Electric Utility; NP11-220-000 Elwood Energy, LLC, Kincaid Generation, LLC, State Line Energy, LLC and Fairless Energy, LLC; NP11-221-000 Columbia Rural Electric Association; NP11-222-000 Luminant Energy Company, LLC; NP11-223-000 Unidentified Registered Entity; NP11-224-000 Alcoa Power Generating Inc.; NP11-225-000 Unidentified Registered Entity; NP11-226-000 Unidentified Registered Entity; NP11-22X-000 Springfield Utility Board.
27. June 30, 2011 - Notices of Penalty regarding the following entities in Docket No. Administrative Citation Notice of Penalty.

28. June 30, 2011 – Final Response to the CIP V4 Data Request for questions 3, 4, 5, 6, 7 and 9. Docket No. RM11-11-000
29. July 8, 2011 – Response of NERC and ReliabilityFirst to the June 24, 2011 Letter Order Requesting Data and Documents regarding the May 26, 2011 Notice of Penalty for an Unidentified Registered Entity. Docket No. NP11-184-000

Anticipated NERC Filings

1. July 2011 – Report by NERC on the Status and Timetable for addressing each outstanding regulatory directive in accordance with Rule 321 to the NERC Rules of Procedure. *Docket No. RR09-6-003*
2. July 18, 2011 – NERC may submit a Request for Clarification, or in the Alternative, Rehearing on June 16, 2011 Order Denying Appeals of ERO Registrations. Docket Nos. RC11-1-000 and RC11-2-000
3. July 31, 2011 – Informational Filing of NERC analysis of NERC Standard Process Results Second Quarter 2011. Docket No. RR06-1-000 and RR09-7-000
4. August 23, 2011 – Request for Approval of the 2012 Business Plans & Budgets of NERC and the eight Regional Entities.
5. August 31, 2011 – First Quarter 2011 Compliance Filing in Response to Paragraph 629 of Order No. 693 regarding a quarterly informational filing for the timeframe to restore power to the auxiliary power systems of U.S. nuclear power plants following a blackout as determined during simulations and drills of system restoration plans. Docket No. RM06-16-000
6. September 14, 2011 – NERC must submit a list of Transmission Owner/Transmission Operator Reliability Standards that apply to Cedar Creek and Milford Wind. Docket Nos. RC11-1-000 and RC11-2-000
7. September 28, 2011 – NERC must submit an annual informational report (the first) regarding the TFE program (see October 1, 2010 Order). The report will provide a wide-area analysis regarding the use of TFEs and the impact on the reliability of the Bulk Electric System. Docket No. RR10-1-001
8. November/December 2011 – NERC will submit proposed changes to the NERC Rules of Procedure.
9. December 2011 – Reliability Standards Development Plan: 2012-2014. NERC is required, pursuant to Rule 310 of the NERC Rules of Procedure, to file an updated annual work plan

for the development of Reliability Standards. Docket Nos. RM05-25-000, RM05-17-000, RM06-16-000.

10. December 31, 2011 – NERC must submit an informational filing regarding the restructured audit program of the Regional Entities. (see December 23, 2010) Docket Nos. RR09-7-000 and RR10-11-000
11. January 25, 2012 – NERC must submit a filing within one year of the January 25, 2011 effective date of the November 18, 2010 Order regarding the Revision to ERO Definition of the Bulk Electric System. NERC's filing will include a proposed change to the definition of "Bulk Electric System" and corresponding changes to the NERC Rules of Procedure. NERC, Order No. 743, Docket No. RM09-18-000
12. May 2012 – NERC must submit a revised BAL-003 Standard (See October 25, 2010 NERC Filing). Docket No. RM06-16-011
13. May 22, 2012 – NERC and WECC will submit a revised Standard that includes the Violation Severity Levels associated with each requirement of the revised BAL-004-WECC-1 Standard (See May 21, 2009 Order) (See November 22, 2010 NERC submittal). Docket No. RM08-12-000
14. August 23, 2012 – NERC must address Order No. 693 Directives to consider if EMS application support personnel should be included in training Reliability Standard. Docket No. RM09-25-000
15. February 17, 2013 – NERC must comply with directives in Order No. 733 for filing the test and the results from a representative sample of utilities in each of the three Interconnections (see February 17, 2011 Order No. 733-A). Docket No. RM08-13-001