



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

May 2, 2011

VIA ELECTRONIC FILING

Ms. Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, D.C. 20426

**Re: NERC Analysis of NERC Standard Process Results First Quarter 2011 in Docket
Nos. RR06-1-000, RR09-7-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (“NERC”) submits its Analysis of NERC Standards Process Results for the First Quarter 2011 (“Ballot Results Filing”). This filing is submitted in response to the Federal Energy Regulatory Commission’s (“FERC” or the “Commission”) January 18, 2007 Order¹ requiring NERC to closely monitor and report to FERC the voting results for NERC Reliability Standards each quarter for three years. In a subsequent order issued on September 16, 2010, the Commission renewed and expanded on its directive for an additional three years.² This is the second Ballot Results Filings in compliance with FERC’s September 16, 2010 directive.

The Ballot Results Filing is included as **Attachment A** to this filing. The Ballot Results Filing addresses ballot results during the January 1, 2011 to March 31, 2011 time frame and includes NERC’s analysis of the voting results, including trends and patterns of stakeholder approval of NERC Reliability Standards. NERC requests that FERC accept this filing as compliant with the renewed directive in the September 16, 2010 Order to submit quarterly reports for an additional three years from the date of the order.

Respectfully submitted,

/s/ Willie L. Phillips
Willie L. Phillips
Attorney for North American Electric
Reliability Corporation

cc: Official service list in Docket Nos. RR06-1-000 and RR09-7-000

¹ Order on Compliance Filing, 118 FERC ¶ 61,030 at P 18 (2007).

² Order on the Electric Reliability Organization’s Three-Year Performance Assessment, 132 FERC ¶ 61,217 at P 85 (September 16, 2010).

The NERC logo consists of the letters "NERC" in a bold, black, sans-serif font. A horizontal blue bar is positioned directly beneath the letters.

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Analysis of NERC Standards Process Results

First Quarter 2011

to ensure
the reliability of the
bulk power system

April 30, 2011

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Introduction

Background: NERC's Revised Processes for Developing Standards

NERC develops Reliability Standards in accordance with Section 300 of its Rules of Procedure and the *NERC Standard Processes Manual*, which is included as Appendix 3A to the NERC Rules of Procedure.¹ The current *Standard Processes Manual* was approved by FERC in September 2010² and incorporates a number of process revisions intended to maintain the openness and inclusiveness of the standards development process, while improving efficiency and the quality of standards and interpretations. A summary of these revisions is included for convenience as Appendix A to this report.

To date, no project that has been initiated under the revised processes in the *Standard Processes Manual* has been completed. All projects discussed in this report and for which ballots were completed in the first quarter 2011 were initiated under the processes of the *Reliability Standards Development Procedure Version 7* and have been or will be completed under the new processes.

This Report

There are two purposes for producing this report. First, this report and future versions will provide NERC, its Board of Trustees, committees, and industry stakeholders information to support future decisions concerning improvements to the standards development process. In addition, this report is responsive to directives from the Federal Energy Regulatory Commission (FERC or Commission) directing NERC to monitor, analyze and report on the results of its standards development processes.³

At the end of each calendar quarter, NERC will update this report by incorporating results from the most recent calendar quarter, to monitor and report progress on improvements to various aspects of the standards development process. The first section of this report provides an overview and analysis of ballots conducted during the first quarter of 2011. The second section compares timelines for the projects balloted in the first quarter 2011 against baselines provided in the report filed on January 31, 2011 on the time to complete each phase of standards development. The comparison to the historical baselines is responsive to the Commission's directive to analyze the time required to complete each phase of the standards development process. NERC staff and the Standards Committee will use this analysis to monitor the success and identify opportunities for improvements.

¹ NERC's Rules of Procedure are available at: <http://www.nerc.com/page.php?cid=1181169>.

² *Order Approving Petition and Directing Compliance Filing*, 132 FERC ¶ FERC 61,200 (September 3, 2010).

³ *See Order on Compliance Filing*, 118 FERC ¶ 61,030 (January 18, 2007). *See also, Order on the Electric Reliability Organization's Three-Year Performance Assessment*, 132 FERC ¶ 61,217 at P 85 (September 16, 2010) ("Three-Year Assessment Order"). Specifically, the Three-Year Assessment Order directed NERC to analyze:

- (i) the time required to complete projects (i.e., excluding urgent action projects);
- (ii) the time required to complete projects initiated in response to NERC's urgent action progress (including whether or not a permanent fix was implemented within the sunset period); and
- (iii) the time required to complete projects in response to Commission directives. The analysis should include data on the time required for each stage of the process. For example, the analysis should document the time required to move a proposed Reliability Standard from a Standards Authorization Request to the NERC Board, and then to the Commission.

Analysis of Q1 2011 Standards Ballot Results

From January 1, 2011 through March 31, 2011, NERC conducted ballots for five separate standards projects. Table 1 summarizes these ballot events. A complete record for each project is available on NERC’s website on the Ballot Results web page.⁴

Table 1

Project Type⁵	Project Number & Name	Q1 Ballot Events	Status
New and Revision	2006-06 Reliability Coordination	Initial Ballot of eight Standards (two new and six revised)	Ongoing
Revision	2007-07 Transmission Vegetation Management	Successive Ballot of one Standard	Ongoing
Revision	2010-10 FAC Order 729	Initial and Recirculation Ballots of one Standard	Adopted by NERC BOT 1/24/2011 and filed with FERC 1/28/2011
Revision	2010-11 TPL Table 1 Order	Recirculation Ballot of Table referenced in four Standards	Adopted by NERC BOT 2/17/2011 and filed with FERC 3/31/2011
Expedited	2010-13 Relay Loadability Order	Initial and Recirculation Ballots of one Standard	Adopted by NERC BOT 3/10/2011 and filed with FERC 3/18/2011

Three of these projects, all addressing regulatory directives with deadlines, reached the final step of the ballot process and were approved by their respective ballot pools. These projects are 2010-10 FAC Order 729; 2010-11 TPL Table 1 Order; and 2010-13 Relay Loadability Order 733. Each of these projects formed large ballot pools of more than 300 members, continuing the active stakeholder participation trend reported in NERC’s *Fourth Quarter 2011 Analysis of NERC Standards Process Results*.

For two of the three projects, Project 2010-10 FAC Order 729 and Project 2010-13 Relay Loadability Order 733, the ballot pools for the recirculation ballots approved the ballot by a narrow margin above the required two-thirds majority (approximately 69 percent in both cases). Both projects moved from initial ballot to recirculation ballot in approximately four months, which is significantly shorter than the

⁴ The Ballot Results webpage is available at: <https://standards.nerc.net/Ballots.aspx>.

⁵ Appendix A to this report provides a brief description of each type of standards project.

average time for industry technical input and consensus building. Neither of the standards in these projects was approved by the ballot pool in the initial ballot, or, in the case of Project 2010-10, in the first successive ballot. NERC recognizes that this approval rating is low and will continue to closely monitor projects that have such low approval ratings for lessons that can be learned.

The third project addressing a regulatory directive with a specific deadline, Project 2010-11 TPL Table 1 Order, had a strong approval rating from the ballot pool, with a final weighted segment approval rating of 86.54 percent and a quorum of 93.61 percent.

Ballots were conducted during the first quarter 2011 for two additional projects to revise existing standards. The first, Project 2006-06 Reliability Coordination, is a complex project involving revisions to 10 'Version 0' standards. The drafting team has posted multiple drafts of the revised standards for stakeholder comment, and conducted an initial ballot of the revised standards in the first quarter 2011. Consistent with the trend toward larger ballot pools, this project formed a large ballot pool of nearly 350 Registered Ballot Body members. The initial ballot achieved a high quorum (87.10%) and an approval of just under 50 percent. Many ballot pool participants who submitted negative ballots also provided comments to assist the drafting team with revising its work.

The second project balloted in the first quarter 2011 that has not been completed is Project 2007-07 Transmission Vegetation Management. Although the successive ballot achieved ballot pool approval by a significant margin above the required two-thirds majority, several negative ballots were accompanied by comments.

The drafting teams for both Project 2006-06 and Project 2007-07 are still considering comments received in the most recent ballots. When negative ballots are accompanied by comments, drafting teams must review the comments and determine if changes should be made to address the concerns raised in the comments. When a drafting team makes substantive changes that alter the performance required by the standard, the entities to which the standard applies, or the conditions under which the applicable entities must perform the required action, the revised standard must be posted again for a successive ballot. These drafting team deliberations are expected whether a standard has achieved an affirmative vote or not.

In the future, as drafting teams take on the challenge of drafting new requirements that expand on previously required performance or address activities that were not embodied in the first set of mandatory Reliability Standards, NERC expects that it will take time to achieve a high degree of consensus as to the value of new requirements and the best approach for achieving a particular reliability objective. A key to developing technically sound Reliability Standards is active participation by industry technical experts. Large ballot pools help ensure the broad review needed to develop technically sound standards that will, over time, be refined and receive greater acceptance if the reliability benefits are demonstrated.

Q1 2011 Ballots and Comparison to Baseline Data

In the previous version of this report, NERC provided baselines for each phase of standards projects. These baselines were established by grouping all NERC standards projects from 2006 through 2010 into four categories (new standards, revisions to existing standards, expedited projects, and interpretations) and then averaging the times for each phase of development within each group.

Beginning with this report, NERC will compare the projects balloted each quarter against these baselines. These comparisons may highlight anomalies initially, but over time the comparison will help to identify trends in the time required for various phases of standards development.

During the first quarter of 2011, ballots were conducted for five standards projects. All but one of the standards projects balloted in the first quarter will be categorized as “revisions to existing standards” for the purposes of comparing to baselines. Chart 1 compares the development phases for each of the four revision projects in this quarter to the baseline. A discussion of the development phases for these projects is included below. Additional information on these projects is also included in this report.

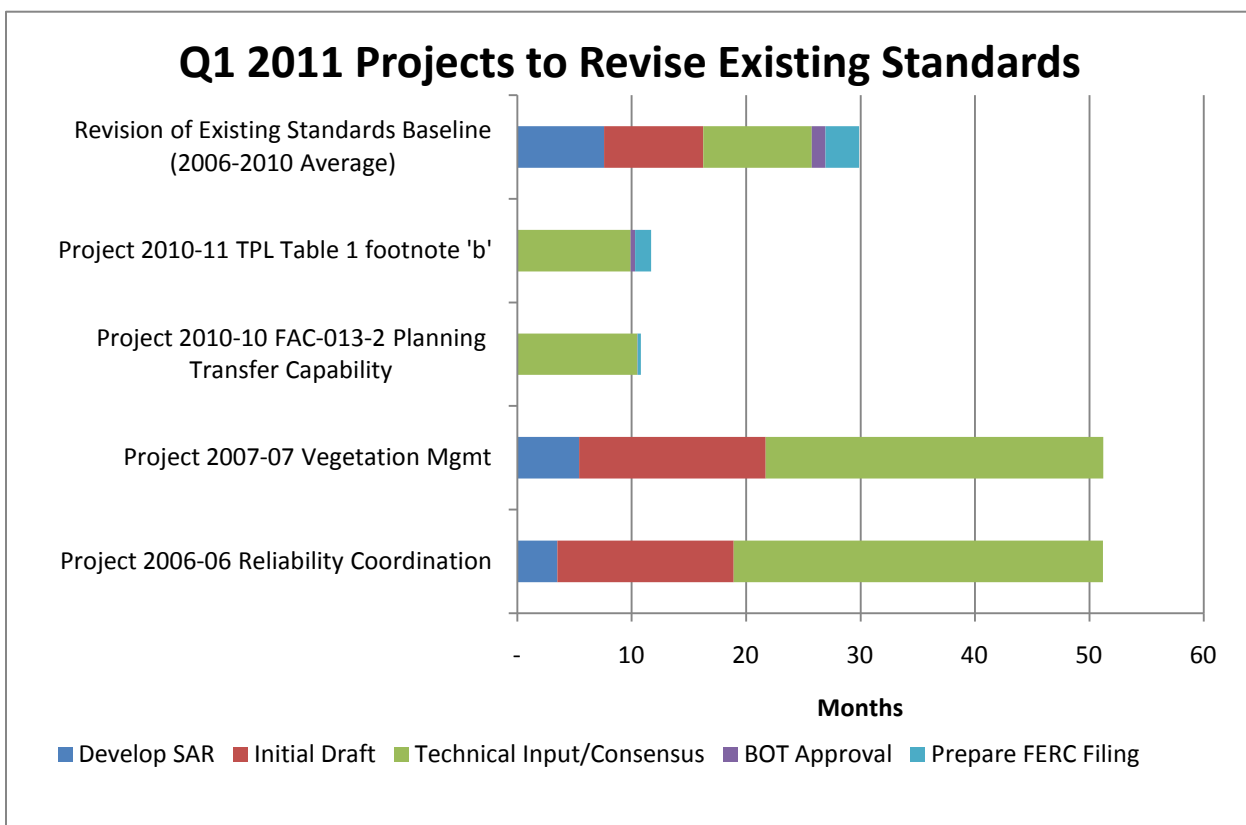


Chart 1

One expedited project, Project 2010-13 Relay Loadability Order, was balloted during the first quarter. For this project, the time elapsed from the initiation of the project with a Standard Authorization Request (SAR) through the Industry Technical Input phase was a total of 6.7 months. This is slightly longer than the average of 5.26 months total duration for the same phases for all projects that have followed either the Urgent Action process or the Expedited process (under the *Standard Processes Manual*) since NERC became the electric reliability organization (ERO). Chart 2 compares the development phases for the expedited project to the average baseline for projects that have followed the Urgent Action or expedited processes. As the chart shows, there is no time allotted to SAR development of initial drafting because the SAR and initial draft of the standard were posted concurrently at the initiation of the project. The entire time from posting of these documents to ballot pool approval was 6.7 months.

No ballots were conducted during the first quarter 2011 of interpretations or projects initiated to develop new standards.

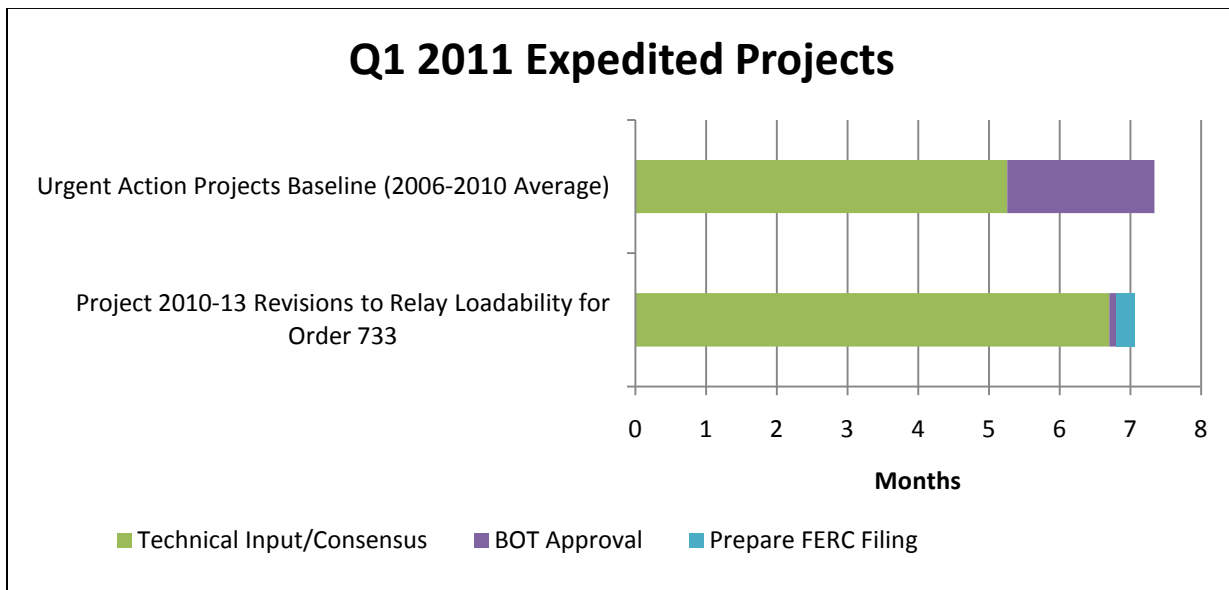


Chart 2

SAR Development Phase. For most projects balloted in the first quarter of 2011, the SAR development phase was completed in less than six months. From 2006 to 2010, SAR development times averaged eight months for a project to revise one or more existing standards. The SAR development period for projects balloted in the first quarter of 2011 were shorter because several of the projects addressed specific regulatory directives and a draft standard was submitted with the SAR and the Standards Committee authorized posting both at the same time. The SAR development time for Project 2007-07 was just a few days over six months; all other SARs addressed in this report were finalized in less than six months.

Initial Draft Phase. For the two projects balloted in the first quarter 2011 that were not initiated to address regulatory directives, Project 2006-06 Reliability Coordination and Project 2007-07

Transmission Vegetation Management, the time required to develop the initial draft standards for posting for industry review averaged just under 16 months.

Technical Input Phase. Technical input from the industry is received through the formal and informal posting periods. Between each posting, the drafting team reviews the feedback received from stakeholders and makes revisions to the standard or standards. For a formal posting, drafting teams are also required to respond to each stakeholder comment. Thus the technical input phase is made up of periods of time when standards and associated documents are posted for industry review – typically either for 30 or 45 days – alternating with periods of time during which the drafting team is reviewing the input provided, revising the standards and associated documents, and preparing responses to the comments received. The technical input phase is essentially a highly-organized dialogue between the drafting team and other industry stakeholders.

For the projects balloted during the first quarter of 2011, this phase took, on average, nine months. This is consistent with the baseline for all projects revising existing standards from 2006 to 2010, where the average duration of the technical input phase was nine and a half months.

Board of Trustee Adoption. The period of time between ballot pool approval of a standard and Board of Trustee adoption of the standard varies depending on the number of other items that require action by the board. (The board has a fixed schedule of face-to-face meetings, and supplements its face-to-face meetings, as needed, to ensure prompt action when necessary to meet ERO obligations.) In the first quarter of 2011, the average period between ballot pool approval and action by the Board of Trustees was less than a week for the three projects that had regulatory deadlines. In each case, a special meeting of the Board of Trustees was scheduled to meet the filing deadline.

Filing with Regulatory Authorities. During the first quarter of 2011, NERC submitted 10 filings to FERC for standards projects that required board approval. Three of these filings were petitions to approve standards that were balloted and approved during the first quarter of 2011, and the average time between action by the Board of Trustees and filing with FERC was less than a week. In addition, NERC submitted filings on several standards projects that were balloted in prior quarters, including four petitions that were delayed in order to prepare filings for other projects with regulatory deadlines. Once the Board of Trustees approves a standards project, NERC staff routinely prepares a draft filing, which is then circulated internally for comment. If substantive edits are required in response to comments received, then additional drafts may be circulated. After a consensus is reached on the draft, NERC finalizes the filing and compiles any supporting exhibits to be submitted to FERC. The average time between board approval and filing with FERC for the first quarter, including filings without regulatory deadlines, was just over two months.

Responsiveness to FERC Directives. In the Three-Year Assessment Order, FERC directed NERC to include in these quarterly reports a separate analysis of the time required to complete projects in response to Commission directives.⁶

⁶ Three-Year Assessment Order at P 85.

In its response to the Commission's order, NERC committed to file a status report annually on ERO responsiveness to directives issued by the Commission.⁷ NERC is working with the Commission to reach a common understanding of the directives the Commission has issued, which of those have been addressed, and which remain outstanding. In its initial status report filing later this year, NERC will provide an analysis of the time required to complete projects in response to Commission directives, consistent with the Three-Year Assessment Order.

Conclusion

NERC continues to see increasing stakeholder interest in the development of NERC Reliability Standards. In the first quarter of 2011 ballots achieved high quorums, and the first ballot pool formed in 2011 contains nearly half of the Registered Ballot Body members.

⁷ See *Order Directing NERC to Propose Modification of Electric Reliability Organization Rules of Procedure*, 130 FERC ¶ 61,203 (March 18, 2010). See also, *Compliance Filing of the North American Electric Reliability Corporation in Response to March 18, 2010 Commission Order Directing Revisions to Standards Development Procedure*, filed in Docket No. RR09-6-000 (December 23, 2010).

Appendix A

Summary of Process Revisions in NERC Standards Processes Manual

NERC's *Standards Processes Manual* was developed to replace *Reliability Standards Development Procedure Version 7* as Appendix 3A of the NERC Rules of Procedure. The *Standards Processes Manual* was approved by FERC in September 2010.

One of the significant modifications in the new *Standard Processes Manual* is the method used to achieve consensus – through parallel comment and ballot periods, which are conducted early in the process and continue until consensus is achieved. This change appears to be increasing the quality and quantity of feedback that the standards drafting teams are receiving on proposed standards. Because drafting teams are encouraged to make significant changes to the standards between successive ballots without a pre-ballot review period, this modification gives drafting teams the flexibility to revise the standards to take account of the comments received and immediately re-ballot without the separate, successive formal comment and pre-ballot review periods that were required in the *Reliability Standards Development Procedure Version 7*.

This added efficiency means drafting teams begin ballot periods earlier in the development process. While initial ballot results may receive lower approval ratings in the initial stages, as approval increases, the successive ballot process provides a clear indication of the move toward industry consensus.

Just as in the *Reliability Standards Development Plan Version 7*, an entity or individual that desires to vote on proposed reliability standards must be a member of the Registered Ballot Body. The Registered Ballot Body includes all entities or individuals that qualify for one of ten stakeholder segments and have registered with NERC as potential voting participants. Each member of the Registered Ballot Body is eligible to participate in the voting process and ballot pool for each standard action. The ten stakeholder segments are:

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

Each standard ballot action has its own ballot pool, populated by interested members of the Registered Ballot Body, including those with specific technical expertise of the subject matter. The individuals that join a ballot pool respond to a pre-ballot e-mail announcement associated with each reliability standard ballot action. The ballot pool size varies, and is based on the standard and the topic. The ballot pool votes to approve or reject each standard action. Specifically, the ballot pool votes determine: (1) the

need for and technical merits of a proposed standard action; and (2) that appropriate consideration was given to views and objections received during the development process.

The Reliability Standards Development Process may include three types of ballots: an initial ballot, a successive ballot, and a recirculation ballot. An initial ballot is conducted during the last 10 days of a 45-day comment period; successive ballots are conducted during the last 10 days of a 30-day comment period. Following an initial or successive ballot, the drafting team is obligated to respond to each stakeholder comment. The drafting team must consider the issues raised in stakeholder comments to determine whether revisions to the standard and its associated implementation plan should be made.

If the comments submitted during the initial comment period and ballot indicate a need for significant changes, then the drafting team will produce a new draft standard, even if the weighted segment approval is 66.66% or greater. When a drafting team makes significant revisions to the standard, the next ballot held is a successive ballot conducted during the last 10 days of a parallel 30-day comment period. Votes cast by the ballot pool in the initial ballot are not counted in a successive ballot. Each ballot pool member must cast a new vote.

If needed, the *Standard Processes Manual* allows for multiple, successive ballots to obtain the two-thirds majority on a proposed standard. Once the comments from a successive ballot are addressed by the drafting team without significant changes to the standard, the standard proceeds to a recirculation ballot.

A recirculation ballot does not have a comment period, and votes cast in the most recent successive ballot are carried forward. If a member of the ballot pool chooses to vote in the recirculation ballot, the vote cast by that member in the successive ballot is updated.

Approval of a standard action requires that both:

- A quorum is established. This requirement is met when at least 75% of the members of the ballot pool for the standard action submit a response with an affirmative vote, a negative vote, or an abstention; and
- A two-thirds majority of the weighted segment votes cast are affirmative. The number of votes cast is the sum of affirmative and negative votes, excluding abstentions and non-responses.

The following process is used to determine whether there are sufficient affirmative votes.

- The number of affirmative votes cast in each segment is divided by the sum of affirmative and negative votes cast to determine the fractional affirmative vote for each segment. Abstentions and non-responses are not counted for the purposes of determining the fractional affirmative vote for a segment.
- If there are less than ten entities that vote in a segment, the vote weight of that segment is proportionally reduced. Each voter within that segment voting affirmative or negative receives a weight of 10% of the segment vote. For segments with ten or more voters, the regular voting procedures are followed.

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- The sum of the fractional affirmative votes from all segments divided by the number of segments voting is used to determine if a two-thirds majority affirmative vote has been achieved. (A segment is considered as “voting” if any member of the segment in the ballot pool casts either an affirmative or a negative vote.)¹
 - A standard is approved if the sum of fractional affirmative votes from all segments divided by the number of voting segments is equal to or greater than two thirds.

On March 17, 2011,² the Commission approved a modification to NERC’s Rules of Procedure, Rule 321, that was developed to respond to FERC’s March 18, 2010 Order directing NERC to propose modifications to NERC’s Rules of Procedure was approved by the Commission. Rule 321 lays out specific processes to be used if stakeholders are unable to achieve consensus through the processes in the *Standards Processes Manual* to present the NERC Board of Trustees with a standard that is responsive to a specific Commission directive.

¹ When less than ten entities vote in a segment, the total weight for that segment is determined as one tenth per entity voting.

² See *Order on Compliance Filing*, 134 FERC ¶ 61,216 (2011).

Appendix B

Types of Standards Projects

For the purpose of analyzing results of its standards processes, NERC has identified four broad categories of standards projects.

The first category of projects is **Revisions to Existing Standards**. Revisions to existing standards are a significant and ongoing part of NERC's standards development work, as NERC and industry work to address regulatory directives from FERC, modify standards to address changing technologies and operating conditions, and review standards in compliance with the five-year interval required to maintain ANSI accreditation. Between 2006 and 2010, the average time to complete revisions to existing standards was 30 months.

The second category is **New Standards**. There have been, and will continue to be, occasions where an entirely new standard or group of standards may be needed to address bulk power system reliability. The data collected from 2006 through 2010 show that these projects take longer, on average, than projects to revise existing standards. Between 2006 and 2010, the average time to complete projects to draft new standards was 42 months.

The third category is **Urgent Action/Expedited Projects**.³ Urgent Action or Expedited Projects are shortened by reducing the time for certain process steps, or by allowing steps that would normally proceed serially to be conducted in parallel. By definition, these projects are expected to have a shorter development time, on average, than most standards projects. On average, the development time for Urgent Action and Expedited Projects from 2006 through 2010 was a little more than 7 months.

The final category is **Interpretations**. Entities that must comply with a reliability standard have the right to request a formal interpretation of a requirement included in a standard. Interpretation projects generally are narrower in scope than other standards projects, but like standards, interpretations are drafted by a drafting team and posted for industry review and ballot. From 2006 to 2010, NERC received a number of requests for interpretation that were absorbed into other projects because drafting teams could not prepare the interpretations without expanding the requirements of the approved standard. For those interpretation requests that were processed, the average time to complete interpretations and file them with regulatory authorities was about 10 months.

³ Prior to September 2010, the NERC *Reliability Standards Development Procedure* incorporated a process used for developing a standard more quickly than the normal standard development process, which was referred to as the Urgent Action Process. FERC's approval of the *Standard Processes Manual* in September 2010 replaced the Urgent Action process with the Expedited Standards Development Process.

Appendix C Phases in Standard Projects

NERC has identified five phases in the development of a Reliability Standard. Table 2 identifies those phases.

Table 2

Phases in NERC Reliability Standards Development Projects	
Phase	Description
1. SAR Development	from initial draft SAR to SC acceptance of a SAR for posting, including industry ballot of SAR if required
2. Initial Draft Development	from acceptance of SAR to posting of initial draft
3. Industry Technical Input/Consensus Building	from posting of initial draft(s) through ballot pool approval of a recirculation ballot
4. Board of Trustee (BOT) Approval	from ballot pool approval to BOT approval
5. Filing with Regulatory Authorities	from BOT approval to filing