

July 31, 2012

VIA ELECTRONIC FILING

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

**Re: Analysis of NERC Standard Process Results Second Quarter 2012
Docket Nos. RR06-1-000, RR09-7-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (“NERC”) hereby submits its Analysis of NERC Standards Process Results for the Second Quarter 2012 (“Ballot Results Analysis”). 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 the voting results for NERC Reliability Standards each quarter for three years and the Commission’s subsequent order issued on September 16, 2010, whereby the Commission renewed and expanded on its directive for an additional three years.²

The Ballot Results Analysis is included as an attachment to this filing. The Ballot Results Analysis addresses ballot results during the April 1, 2012, through June 30, 2012, 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 the Commission accept this filing as compliant with the 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 No. RR06-1-000; 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).

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Analysis of NERC Standards Process Results

Second Quarter 2012

July 31, 2012

RELIABILITY | ACCOUNTABILITY



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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* (SPM) was approved by FERC in September 2010² and amended in August 2011.³ NERC continues to work on enhancements to its standard development processes, and will continue to use the experience gained through implementing the SPM and earlier versions of NERC's standard development processes to foster the success of any such changes.

Many of the standards projects currently in development either were initiated under the predecessor processes and continued under the SPM, or were initiated under the SPM but have not yet been completed.

This Report

This report is responsive to directives from the Federal Energy Regulatory Commission ("FERC" or the "Commission") directing NERC to monitor, analyze and report on the results of its standards development processes.⁴

At the end of each calendar quarter, NERC updates 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 second quarter of 2012. The second section compares timelines for the projects balloted in the second quarter 2012 against baselines provided in the report filed on January 31, 2011, based 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 use this analysis to monitor successes and to identify opportunities for improvements.

¹ NERC's Rules of Procedure are available at: <http://www.nerc.com/page.php?cid=1|8|169>.

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

³ *Letter Order Approving Standard Processes Compliance Filing* (August 25, 2011)

⁴ 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 (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 Q2 2012 Standards Ballot Results

From April 1, 2012, through June 30, 2012, NERC conducted ballots of 31 standards for 10 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 webpage.⁵

Table 1

Project Type ⁶	Project Number & Name	Q2 Ballot Events	Status
New	2007-02 Operating Personnel Communications Protocols	Initial ballot of one standard	Ongoing
Revision	2007-03 Real-Time Transmission Operations	Successive and recirculation ballots of three standards, and non-binding polls of two standards.	Adopted by NERC BOT ⁷ 05/2012
New/Revision	2007-09 Generator Verification	Initial ballots and non-binding polls of three standards	Ongoing
Revision	2007-17 Protection System Maintenance & Testing	Successive ballot and non-binding poll of one standard	Ongoing
Revision	2008-06 Cyber Security Order 706 Version 5 CIP Standards	Successive ballots of 10 standards, the implementation plan for those standards, and a set of associated NERC Glossary Terms	Ongoing
Revision	2009-01 Disturbance and Sabotage Reporting	Successive ballot and non-binding poll of one standard	Ongoing
Interpretation	2009-26 Interpretation of CIP-	Recirculation ballot	Adopted by NERC BOT

⁵ The Ballot Results webpage is available at: <https://standards.nerc.net/Ballots.aspx>.

⁶ Appendix B to this report provides a brief description of each type of standards project.

⁷ A conforming change to a fourth standard was balloted as part of the implementation plan for one of the standards.

Project Type ⁶	Project Number & Name	Q2 Ballot Events	Status
	004-1	of one interpretation	5/2012
Interpretation	2010-INT-05 Interpretation of CIP-002-1	Recirculation ballot of one interpretation	Adopted by NERC BOT 5/2012
Revision	2010-07 Generator Requirements at the Transmission Interface	Initial ballot of one standard, successive ballots of two versions of one standard, and recirculation ballots of three standards	Adopted by NERC BOT 05/2012
Revision	2011-INT-02 Interpretation of VAR-002	Successive ballot of one interpretation	Ongoing

Seven projects balloted during the second quarter 2012 were ongoing at the end of the quarter. Four projects, involving five standards and two interpretations, were adopted by the NERC Board of Trustees (“BOT” or “Board”) in May 2012 and will be filed with commission in July and August.

The 10 projects are summarized above in Table 1, and additional details are provided below. For each project involving multiple standards, separate ballots were conducted for each standard. NERC has adopted the practice of balloting each standard individually because this approach provides drafting teams with more specific information about which standards require additional development work to reach consensus.

Ballots were conducted in the second quarter 2012 for the following projects:

- **Project 2007-02 Operating Personnel Communications Protocols:** This project proposes to remove Requirement R4 from COM-001-1 and Requirement R2 from COM-002-3 for inclusion in a new standard, COM-003-1, to address part of Blackout Recommendation No. 26 and issues in FERC Order 693. An initial ballot of the standard achieved a high quorum of 84 percent; the weighted segment approval was 21 percent. Work to revise the standard in response to stakeholder feedback provided during the formal comment period and initial ballot is ongoing.
- **Project 2007-03 Real-time Transmission Operations:** This project merges multiple requirements from 10 standards addressing real-time operations and capability-related requirements for Transmission Operators and Balancing Authorities into a set of three standards. A recirculation ballot for the three standards concluded on May 6, 2012. Each of the standards achieved a high quorum between 79 and 82 percent and average

weighted segment approvals of almost 80 percent. NERC BOT approved the three standards on May 9, 2012, and the standards are pending regulatory filing.

- **Project 2007-09 Generator Verification:** This project involves developing five standards focused on generator modeling and capabilities. Three of the five standards in Project 2007-09 were posted for initial ballots during the second quarter 2012. Each of the three ballots achieved over 88 percent quorum. Stakeholder feedback indicated that additional development was needed to improve the clarity and consistency of these standards, and approval ratings averaged 42 percent.
- **Project 2007-17 Protection System Maintenance and Testing:** This project merges requirements from four protection system maintenance standards into a single standard, PRC-005-2. A successive ballot and non-binding poll of PRC-005-2 concluded on June 27, 2012. The standard achieved a high quorum of 84 percent and ballot approval of 79 percent. The drafting team is reviewing all comments received and considering its next steps.
- **Project 2008-06 Cyber Security Order 706 Version 5 CIP Standards:** This project, collectively referred to as the 'Version 5 CIP Standards', includes 10 standards and a set of NERC Glossary Terms. Twelve successive ballots (one each for the 10 standards, one for the implementation plan, and one for the set of glossary terms) concluded May 21, 2012. All 12 ballots received a high quorum of 84-86 percent; the weighted segment approvals ranged from 37 percent to 67 percent, with one standard achieving a two-thirds weighted segment approval and several others achieving weighted segment approvals above 60 percent. The drafting team is reviewing comments received and plans to conduct another successive ballot.
- **Project 2009-01 Disturbance and Sabotage Reporting:** This project consolidates requirements from CIP-001-2a Sabotage Report and EOP-004-1 Disturbance Reporting into a single revised version of EOP-004-2. A successive ballot of the standard achieved a high quorum of 84 percent; the weighted segment approval was 46 percent. Work to revise the standard in response to stakeholder feedback provided during the formal comment period and successive ballot is ongoing.
- **Project 2010-07 Generator Requirements at the Transmission Interface:** This project reviewed dozens of standards and requirements and proposed changes in four standards to close a reliability gap with respect to what is commonly known as the generator interconnection Facility. A recirculation ballot of one standard and two versions of another standard concluded on May 3, 2012. Each standard achieved a high quorum of nearly 82 percent and the average weighted segment approval achieved was approximately 89 percent. The NERC BOT approved two of those standards on May 9, 2012 (one version of one of the standards was only balloted, and not presented to the BOT, in order to offer a contingency plan if the other version is not approved by FERC). Two other standards that were part of Project 2010-07 were approved in February, and the full set of standards was filed with FERC on July 30, 2012.
- **Project 2011-INT-02 Rapid Revision of VAR-002 in Response to Constellation Request for Interpretation:** This project was a revision to one standard to address an issue identified in a request for interpretation. The Standards Committee authorized addressing the requested clarification through a narrow revision to the standard, using the normal standard development process, but waiving the initial 30-day comment

period, because the scope of the revision is limited to an issue that had already been vetted in the initial development of the standard. The successive ballot for this standard received an 85 percent quorum and weighted segment approval of approximately 68 percent. The standard was posted for a recirculation ballot on July 18, 2012, which closed July 27, 2012. The standard will be presented to the BOT for adoption at the August 16, 2012 meeting.

- **Project 2010-INT-05 Interpretation CIP-002-X for Duke Energy:** This project was balloted in the second quarter of 2012. A recirculation ballot of the interpretation concluded on April 30, 2012. The interpretation achieved a high quorum and ballot approval of over 92 percent. The NERC BOT approved the two interpretations on May 9, 2012. The interpretations will be filed with FERC for regulatory approval.
- **Project 2009-26 Interpretation CIP-004-X for WECC:** This project was balloted in the second quarter of 2012. A recirculation ballot of the interpretation concluded on April 30, 2012. The interpretation achieved a high quorum of 91 percent and ballot approval of 80 percent. The NERC BOT approved the interpretation on May 9, 2012. The interpretation will be filed with FERC for regulatory approval.

Q2 2012 Ballots and Comparison to Baseline Data

In the version of this report filed on January 31, 2011, NERC provided baselines for each phase of development for 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. Averages were developed “by project” without consideration of the number of standards associated with each project.

In this section of the report, NERC compares the projects balloted each quarter against these baselines to identify trends in the time required for various phases of standards development.

As noted above, during the second quarter of 2012, ballots were conducted for 10 standards projects. One of the standards projects balloted this quarter, Project 2007-02 Operating Communications Protocols, is developing a new standard. Seven of the standards projects balloted this quarter are developing revisions to existing standards. For purposes of comparing baselines, this group includes one project, Project 2007-09 Generator Verification, which is developing one new standard as well as revising two other standards. The remaining two projects are interpretations.

Chart 1 compares the development phases for each of the seven revision projects balloted in the second quarter to the baseline of all such projects balloted between 2006 and 2010. Only standards projects balloted during the second quarter 2012 are included in the chart. All of the standards presented to the NERC BOT for adoption in the second quarter completed balloting in the second quarter of 2012. Similarly, all standards that were filed with FERC for approval in the second quarter 2012 completed balloting and were approved by stakeholders in earlier quarters, and are not included in this chart.

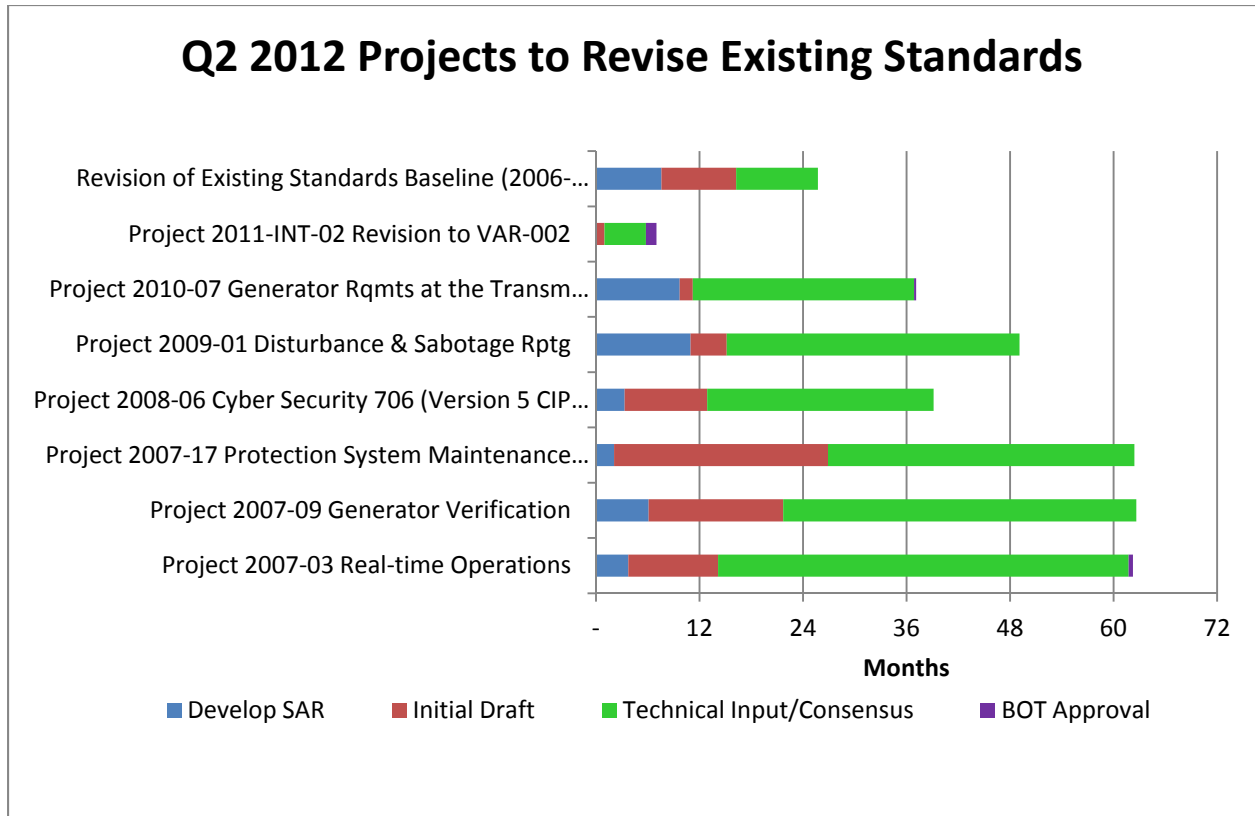


Chart 1

Chart 2 compares the development phases of the two interpretation projects balloted in the second quarter to the baseline of all interpretations balloted between 2006 and 2010.

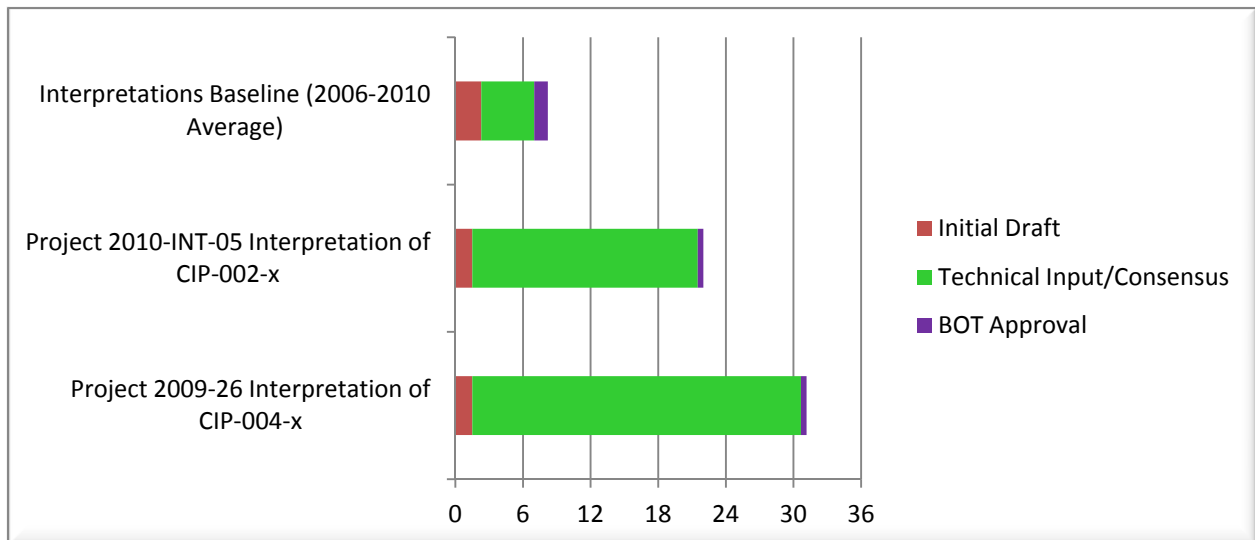


Chart 2

Chart 3 compares the development phases on the active project to develop a new standard to the baseline.

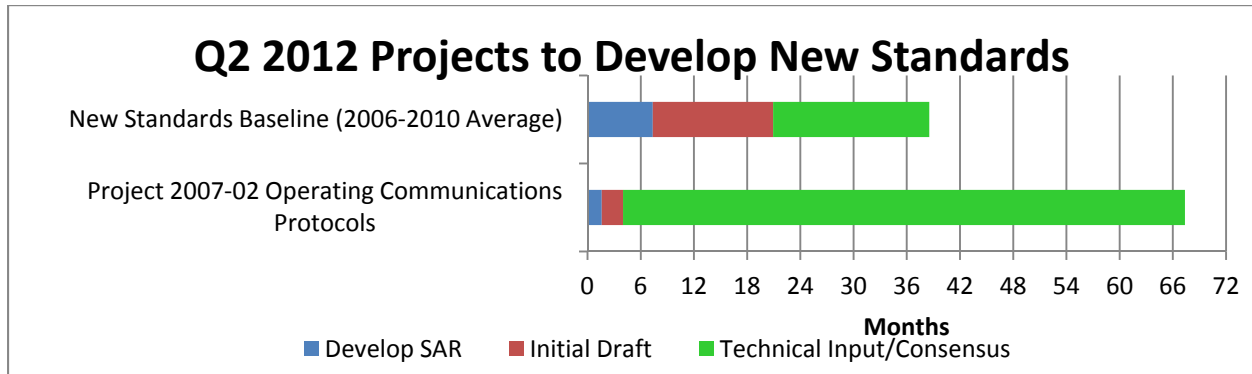


Chart 3

SAR Development Phase. For most standards projects balloted in the second quarter of 2012, the SAR was finalized quickly after being posted for industry review. From 2006 to 2010, SAR development times averaged eight months for a project to revise one or more existing standards. The SAR development periods for four of the seven standards revision projects balloted during the second quarter of 2012 (excluding the seventh project, a “rapid revision” project developed to respond to a request for interpretation) and the project to develop a new standard were six months or less. The other three standards revision projects were at or slightly longer than the baseline. The trend toward shorter SAR development phases is expected to continue in the future, since consensus on the scope of a project, as well as much of the technical analysis, is expected to be completed prior to the initiation of work on the project.

Initial Draft Phase. Many of the projects balloted in the second quarter 2012 required a shorter period of time to develop an initial draft than the baseline for the comparable type of project. Three of the seven standards revision projects required five or fewer months to develop an initial draft, compared to the baseline data of about nine months to develop an initial draft. The two interpretation projects required less time than the baseline two months to develop an initial draft, and the project to develop a new standard took just over two months for an initial draft, far fewer months than the baseline of nearly 14 months. Because the *Standard Processes Manual* now requires a more exhaustive technical analysis to be conducted during the SAR phase, new drafting teams are in a better position to develop a first draft of a standard quickly.

Four of the seven standard revision projects balloted in the second quarter of 2012 – Project 2008-06 Cyber Security 706 (CIP Version 5), Project 2007-17 Protection System Maintenance and Testing, Project 2007-09 Generator Verification, and Project 2007-03 Real-time Operations – required a longer period of time to develop an initial draft than the baseline. Because the baseline data for projects developed from 2006 to 2010 was developed without consideration for the number of standards included in a project, making comparisons to project durations for projects involving development of multiple standards can be misleading and does not always allow for a useful direct comparison. In some cases, the longer period to develop an initial draft encompasses work by the drafting team to develop the necessary technical basis for the

standard or standards. For example, the Project 2007-09 Generator Verification project required 16 months to develop an initial draft. And although Project 2008-06, which addresses the Version 5 CIP Standards, required nine months to develop initial drafts of revisions to eight standards, much of that time was devoted to developing a set of concepts for industry review. This concepts paper was intended to expedite drafting by getting industry input at an early stage before draft standards were posted.

Two factors should contribute to a reduction in the length of time required to develop an initial draft in the future. As mentioned with reference to the initial drafts that were completed quickly, projects initiated under the revised *Standard Processes Manual* must have the technical justification or basis for the standard developed prior to project initiation, which is likely to reduce delays caused by the development and analysis of a technical basis for requirements. Second, under the project prioritization initiative developed by the Standards Committee, projects are being prioritized to manage the number of standards and standards projects being worked in parallel. This ongoing management initiative is expected to produce efficiency gains as fewer projects are delayed because of throughput and capacity issues, both at NERC and within the industry.

Technical Input Phase. Drafting teams seek technical input from the industry 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 includes 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 both individual and summary responses to the comments received. The technical input phase is essentially a highly-organized dialogue between the drafting team and other industry stakeholders.

For three of seven standard revision projects balloted in the second quarter of 2012 (including the rapid revision project), the project's standards have been adopted by the NERC BOT and the technical input phase has concluded. Additionally, the BOT has adopted both interpretations that were balloted in second quarter of 2012, and the technical input phases of those projects have ended. Four projects – three standards revision projects and one new standard project – are still in the technical input phase.

The average 2006-2010 baseline for the technical input phase was nine and a half months for revision projects; however, many of the projects in that baseline were addressing a single standard, while all but one of the projects balloted in the second quarter of 2012 involve multiple standards (either revisions to multiple standards or consolidation of multiple standards into a single standard). As such, the average length of the technical input phase for the projects balloted in the second quarter was 35 months. The lone rapid revision project addressing a single standard, Project 2011-INT-02, required less than five months to achieve consensus based on technical input.

The technical input phase for both of the interpretations balloted in the second quarter 2012 was substantially longer than the 2006-2010 baseline of five months for interpretation projects. Both of the interpretations are CIP interpretations, and in both cases, the interpretation was initiated and then work was delayed, in part because of the ongoing work on revisions to the CIP standards to respond to FERC Order No. 706 was given a higher priority and those revisions drew on the same technical experts required for drafting CIP interpretations. In addition, following the November 2009 NERC BOT meeting, when the Board issued guidance on further processing of interpretations, there was a delay in processing all interpretations as the Standards Committee developed procedures to implement the Board guidance. In May of 2011, the Standards Committee appointed a standing CIP interpretation drafting team, separate from the drafting team that is assigned to revise the CIP standards, and there was a brief delay as the newly appointed drafting team reviewed the interpretations previously drafted and the substantial record of FERC Orders on CIP standards since the original interpretation was drafted. These delays resulted in the technical input phase taking, for one interpretation, just over 19 months and for the second, about 29 months to complete, although active work in both cases was less than six of those months.

Technical input for the new standard project, Project 2007-02 Operating Communication Protocols, has been ongoing for over 63 months, and the technical input phase will continue. While this technical input phase is much longer than the average 17.5 months for the 2006-2010 baseline projects, the project was delayed for almost a year in late 2010 and early 2011 as the Standards Committee reprioritized the entire standards workload. Moreover, the standard being developed, COM-003-1 Operating Personnel Communications Protocols, has been the subject of much industry debate over requirements for three-part communication, a topic that was also addressed in COM-002-3 Communication and Coordination, which was approved by the industry in July 2012. The drafting teams for both projects have been working together to ensure that the standards are complementary and to communicate the differences between the projects to stakeholders, but the discussion has required extensive technical debate and the Project 2007-02 draft team, in particular, is working carefully to ensure that all industry viewpoints are considered as it continues to revise COM-003-1.

The technical input phase often requires the longest time for development. From intentional project delays as NERC and the Standards Committee work to manage the number of substantive projects posted for stakeholder review concurrently, to the complicated issues inherent in highly technical projects, there are many reasons for the length of this phase. NERC recognizes that in many cases, there may be opportunities to improve its standards process without sacrificing the technical excellence that can only result from a thorough technical input phase. Thus, NERC is supporting a stakeholder-led initiative to improve the timing of this work by considering ideas to speed up the development process while ensuring that technical consensus is developed and technical excellence achieved; reducing drafting team time spent on activities that don't directly support reliability, and encouraging stakeholders to always submit clear, technically-focused comments to assist the drafting teams as they work on revisions. NERC anticipates that if these changes are implemented, the length of the technical input phase will begin to decrease.

Board of Trustee Adoption. The period of time between ballot pool approval of a standard and BOT 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 second quarter of 2012, five standards and four interpretations were presented to the BOT for adoption. All of these completed balloting and were approved by stakeholders in the first quarter of 2012. The time between stakeholder approval and BOT adoption was less than one month for all but one of the standards revision processes, which took just over one month for the BOT to approve.

Filing with Regulatory Authorities. During the second quarter of 2012, NERC submitted two filings to FERC for Standards projects that required NERC BOT approval. Once the BOT 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 supporting exhibits for submittal to FERC.

Conclusion

NERC continued using the “Rapid Revision” approach to address a request for standard clarifications this quarter, with one project that completed its successive ballot with a quorum of 85 percent and stakeholder approval reaching the required two-thirds weighted segment approval. Lessons learned from this project have been discussed with the Standards Committee to continue to improve efficiency.

The standing CIP Interpretation Drafting Team continued to prove effective for efficiently processing interpretations, as two additional CIP interpretations were successfully balloted and were presented to the NERC BOT for approval in May 2012.

Although the analysis of project durations balloted in the second quarter of 2012 were longer than the average baseline development times, each successive iteration of each standard in the projects has made substantial improvements in clarity, and several of the projects are at or near completion. The development record for these standards suggests several lessons learned for the definition and scoping of future projects: Projects must have a clearly defined scope that is independent of other projects that are being developed concurrently; and to the maximum extent practical, that scope should include only one standard or at most a small number of standards.

NERC and the Standards Committee are committed to leveraging these lessons and continuing to explore opportunities for improving the efficiency and effectiveness of NERC’s standards development processes.

Appendix A

Summary of Process Revisions in NERC Standard Processes Manual

NERC's *Standard Processes Manual* was developed to replace *Reliability Standards Development Procedure Version 7 (RSDP7)* as Appendix 3A of the NERC Rules of Procedure. The *Standard Processes Manual* was approved by FERC in September 2010. The order also directed certain modifications to clarify which sections of a standard are enforceable, and those modifications were approved by FERC in December 2010.⁸

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 *RSDP7*.

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 *RSDP7*, 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 10 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 10 stakeholder segments are:

- Transmission Owners
- Regional Transmission Organizations and Independent System Operators
- Load-Serving Entities
- Transmission Dependent Utilities
- Electric Generators
- Electricity Brokers, Aggregators, and Marketers
- Large Electricity End Users
- Small Electricity Users

⁸ *Order Approving Petition and Directing Compliance Filing*, 132 FERC ¶ FERC 61,200 (September 3, 2010).

- 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 who join a ballot pool respond to a pre-ballot email 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 10 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 10 or more voters, the regular voting procedures are followed.
- 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.)⁹
- 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, 2011¹⁰ the Commission approved a modification to NERC’s Rules of Procedure, Rule 321, which 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.¹¹ Rule 321 lays out specific processes to be used if stakeholders are unable to achieve consensus through the processes in the Standard Processes Manual to present the NERC BOT with a standard that is responsive to a specific Commission directive.

⁹ When fewer than 10 entities vote in a segment, the total weight for that segment is determined as one tenth per entity voting.

¹⁰ See *Order Directing NERC to Propose Modification of Electric Reliability Organization Rules of Procedure*, 130 FERC ¶161,203 (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. RR08-6-000 (December 23, 2010).

¹¹ *Order on Compliance Filing*, 134 FERC ¶ FERC 61,216 (March 17, 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 an 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**.¹² 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.

¹² 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