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May 25, 2011

VIA ELECTRONIC FILING

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

**Re: North American Electric Reliability Corporation
Docket No. RR11-__ -000
Petition for Approval of Amendments to Delegation Agreement with
Northeast Power Coordinating Council, Inc. Including Amendments to
NPCC's Bylaws and Regional Reliability Standards Development Procedure**

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby submits the "Petition of the North American Electric Reliability Corporation for Approval of Amendments to Delegation Agreement with Northeast Power Coordinating Council, Inc. Including Amendments to NPCC's Bylaws and Regional Reliability Standards Development Procedure." This Petition seeks approval of proposed amendments to NERC's Delegation Agreement with the Northeast Power Coordinating Council, Inc. (NPCC) and approval of amendments to NPCC's Bylaws and Regional Reliability Standards Development Procedure (included in Exhibits B and C to the Delegation Agreement) as "Regional Entity Rules."

This filing consists of: (1) this transmittal letter, (2) the narrative text of the Petition, which follows this transmittal letter, and (3) Attachments 1, 2 and 3 to the Petition. All of these documents are transmitted in a single pdf file.

Please contact the undersigned if you have any questions concerning this filing.

Respectfully submitted,

/s/ Owen E. MacBride
Owen E. MacBride

Attorney for North American Electric
Reliability Corporation

UNITED STATES OF AMERICA
Before the
FEDERAL ENERGY REGULATORY COMMISSION

NORTH AMERICAN ELECTRIC)
RELIABILITY CORPORATION) **Docket No. RR11-__-000**

PETITION OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
FOR APPROVAL OF AMENDMENTS TO DELEGATION AGREEMENT
WITH NORTHEAST POWER COORDINATING COUNCIL, INC.
INCLUDING AMENDMENTS TO NPCC'S BYLAWS AND
REGIONAL RELIABILITY STANDARDS DEVELOPMENT PROCEDURE

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May 25, 2011

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ATTACHMENTS

Attachment 1: Amended Delegation Agreement Between North American Electric Reliability Corporation and Northeast Power Coordinating Council, Inc. – Clean version

Attachment 2: Amended Delegation Agreement Between North American Electric Reliability Corporation and Northeast Power Coordinating Council, Inc. – Redlined version

Attachment 3: Resolution of the NERC Board of Trustees approving the amendments to the NPCC Bylaws, the NPCC Regional Reliability Standards Development Procedure and Exhibit D to the NPCC Delegation Agreement

I. INTRODUCTION

In accordance with §215(e)(4) of the Federal Power Act¹ (“FPA”) and 18 C.F.R. §39.8 and §39.10, the North American Electric Reliability Corporation (“NERC”) requests the Commission’s approval of amendments to the Amended and Restated Delegation Agreement between NERC and Northeast Power Coordinating Council, Inc. (“NPCC”), one of the NERC Regional Entities (the “NPCC RDA”). The proposed amendments include amendments to NPCC’s Bylaws and Regional Reliability Standards Development Procedure (“RSDP”), which are included in Exhibits C and D, respectively, to the NPCC RSDP. The NPCC Bylaws and RSDP are “Regional Entity Rules” as defined in 18 C.F.R. §39.1 and therefore, in accordance with 18 C.F.R. §39.10, the amendments require Commission approval. The proposed amendments also include amendments to Exhibit D to the NPCC RDA.

The principal purposes of the proposed amendments to the NPCC Bylaws are to (1) establish a hybrid Board of Directors comprised of stakeholder directors and, for the first time, independent directors; (2) to reduce the total number of stakeholder directors; (3) to reduce the number of stakeholder membership sectors by combining two existing sectors; (4) to establish procedures for electing the stakeholder directors and the independent directors; and (5) to revise the composition of the NPCC Hearing Body for compliance matters. The proposed amendments to the NPCC RSDP are conforming changes in light of the Bylaws amendments. The proposed amendments to Exhibit D to the NPCC RDA reflect the revised composition of the NPCC Hearing Body for compliance matters, as defined in the amended Bylaws. **Attachments 1 and 2** to this Petition are clean and redlined versions, respectively, of the proposed amended NPCC RDA. **Attachment 2** shows the proposed amendments to the NPCC Bylaws (included in Exhibit

¹ 16 U.S.C. §824o (2005).

B of the NPCC RDA), the NPCC RSDP (included in Exhibit C of the NPCC RDA), and Exhibit D to the NPCC RDA, with the proposed amendments shown in legislative style. **Attachment 3** is the resolution of the NERC Board of Trustees approving the proposed amendments to the NPCC RDA, including the amendments to the NPCC Bylaws and the NPCC RSDP.

NERC requests that the Commission approve the proposed amendments to the NPCC RDA, to be effective January 1, 2012, so that the governance change in the amended Bylaws can be implemented at the start of the calendar year. In this connection, NERC also requests that the Commission issue its order in this matter by no later than on or about October 20, 2011, so that NPCC has sufficient time to take several actions (described in §V below) in preparation for the new governance structure.

II. NOTICES AND COMMUNICATIONS

Notices and communications with respect to this filing may be addressed to:

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Commission's official service list²

² NERC requests inclusion of the indicated representatives of NERC and NPCC on the official service list.

III. PROPOSED AMENDMENTS TO NPCC DELEGATION AGREEMENT

Sections A, B and C below describe the proposed amendments to, respectively, the NPCC Bylaws (included in Exhibit B to the NPCC RDA), the NPCC RSDP (included in Exhibit C to the NPCC RDA), and Exhibit D to the NPCC RDA. All of the proposed amendments are shown in legislative style in **Attachment 2**.³

Contemporaneously with this Petition, NERC is also filing a separate petition for approval of (i) a proposed agreement between NPCC and the Western Electricity Coordinating Council (“WECC”), another NERC Regional Entity, pursuant to which NPCC will act as the Compliance Enforcement Authority for the reliability functions for which WECC is a registered entity, and (ii) among other things, related amendments to §6, Exhibit A, and Exhibit E of the NPCC RDA. Those proposed amendments to the NPCC RDA are not the subject of the instant Petition (and are not reflected in **Attachments 1** and **2** hereto), but are fully described in the separate petition.

A. Amendments to NPCC Bylaws

The following discussion provides an Article-by-Article description of the proposed amendments to the NPCC Bylaws. In addition, there are amendments throughout the Bylaws for the following purposes: (1) The amendments adopt a new organizational scheme with major topical sections captioned as “Articles” I, II, etc; and sections within each Article numbered

³ **Attachments 1** and **2** are based on the NPCC RDA filed with the Commission on February 18, 2011 as Attachments 4A and 4B to the *Compliance Filing of the North American Electric Reliability Corporation in Response to October 21, 2010 Commission Order* (Docket No. RR10-11-003), with the additional amendments proposed in this Petition. In that compliance filing, amendments are proposed to §8 (specifically, the addition of a new §8(g)) and to §8 of Exhibit E, of the NPCC RDA that became effective on January 1, 2011. These two proposed amendments are shown in **Attachments 1** and **2** to the instant Petition as accepted; however, as of the date this Petition is filed, the Commission has not yet acted on the February 18, 2011 compliance filing.

using the format X.1, X.2, X.3 etc. (replacing the former convention of A, B, C. etc.). (2) Defined terms are now capitalized; as a result, there are numerous amendments throughout the Bylaws to capitalized terms that are now defined terms. (3) Correspondingly, there are amendments to change terms that are not defined terms from capitalized to lower case.

Article I - Definitions provides definitions of terms that are used in the remainder of the Bylaws. Former Article III, Terms, which contained a more limited set of defined terms, has been deleted. The defined terms, which are capitalized, are in turn used throughout the amended Bylaws. The new definitions include the following definitions of “Hearing Body,” “Independent Director” and “Stakeholder Director”:

“*Hearing Body*” means a group comprising the Hearing Officer and two (2) Independent Directors (excluding the Board Chair) which has been authorized by NPCC to conduct and render decisions in a formal compliance hearing of any entity registered in the NERC compliance registry who is the subject of a notice of alleged violation, proposed penalty or sanction, contested mitigation plan or contested remedial action directive.

“*Independent Director*” means a director who satisfies the “independence” criteria in Section 6.7(b) and serves in Sector 8 (*Independent Directors*) of the Board.

“*Stakeholder Director*” means a director who serves in one of the seven (7) stakeholder sectors of the Board described in Section 4.4.

In addition, §1.2, Additional Defined Terms, provides that:

Terms not defined in these Bylaws shall have the definitions set forth in the Federal Power Act, Part 39 of the regulations of the FERC, as further clarified in FERC’s April 19, 2007 Order 119 FERC ¶ 61,060, and if not defined in any of those sources, shall be defined in accordance with their commonly understood and used technical meanings in the electric power industry, including applicable codes and standards.

The last clause of §1.2 is consistent with §201 of the NERC Rules of Procedure.

Article II - Offices establishes that the principal office of NPCC shall be located in New York County, State of New York.

In **Article III - Purpose**, new §3.1 specifies that NPCC is operated as a New York not-for-profit corporation organized pursuant to the New York Not-for-Profit Corporation Law. Section 3.2, which states the purpose of NPCC, has been amended principally to incorporate the use of defined terms.

In **Article IV - Membership**, §4.2, Eligibility, modifies the criteria for the categories of “General Membership” and “Full Membership.” The amendments to §4.2(1) provide that General Members that are also registered entities within the NPCC Region are subject to compliance with reliability standards, consistent with their registration, and are also entitled to receive additional services from the Regional Entity division of NPCC. The amendments to §4.2(2) provide that Full Members are subject to compliance with regionally-specific “more stringent reliability criteria for their generation and transmission facilities on which faults or disturbances can have a significant adverse impact outside of the local area and which are identified utilizing a reliability impact-based methodology.” Additionally, the amendments specify that Full Members are also subject to compliance with reliability standards and are entitled to receive additional services from the Criteria Services division of NPCC.

In §4.3, Application as a Member, subsection (a) is amended to change a cross-reference consistent with the new numbering organization of the amended Bylaws, and to reorganize a sentence with no substantive change in meaning. Subsection (b) is amended to specify that NPCC will send written notice to a Member of its removal from the roster of Members.

Section 4.4, Voting, has been amended to reduce the number of stakeholder voting sectors from eight to seven. Specifically, the “Customers” voting sector has been eliminated, and the voting sector formerly comprised of Sub-Regional Reliability Councils, Regional Entities and Interested Entities has been expanded to include the entities formerly included in the

“Customers” sector. (The expanded sector is now referred to as “Sub-Regional Reliability Councils, Customers, Other Regional Entities and Interested Entities.”)

Section 4.5, Assignment to Voting Sectors, which provides the procedures for assigning an applicant for membership in NPCC to a sector, has been amended to replace the term “Voting Sector” with “stakeholder voting sector.” Consistent with the purpose of this section, the term “Member” has been changed to “applicant” in several places. The section has also been amended to clarify that multiple memberships of the separate business functions of an entity are permitted, with each business function assigned to the appropriate sector; and to specify that while each such business function may designate its own representative and alternate, “no representative and alternate can represent more than one business function of an entity in a stakeholder voting sector.” Finally, this section has been amended to specify that an entity may “request” (rather than “elect”) to change its stakeholder voting designation, during an Annual Meeting of Members of NPCC and subject to Board approval.

Section 4.6, Term of Membership, is amended to correct a grammatical error.

In **Article V - Organization of NPCC**, §5.1, Member Representatives (formerly §V.A), is amended to specify that each Member shall designate a senior executive level representative. Former §V.B, which provided for a Chair, two Vice Chairs, and other officers of the Board is deleted, and provisions concerning these positions are distributed to other sections.

New §5.2, Board of Directors, specifies that the business and affairs of NPCC shall be managed under the direction of the Board.

Sections 5.3, Officers and 5.4, President and CEO (formerly §V.C and V.D) are amended to reflect the change of the title of the position of President to President and Chief Executive

Officer (CEO). In addition, the following sentence is added in §5.4: “The authority and responsibilities of the President and CEO shall be defined by the Board.”

Section 5.5, Vacancies, has been amended to change references to the “Chair” to “Board Chair” and to change references to “Voting Sector” to “stakeholder voting sector.” (These revisions also appear elsewhere throughout the amended Bylaws.) The section has also been amended to provide that in the event of vacancies in the Board or in the offices of Co-Vice Chair, Secretary or Treasurer occurring between Annual Meetings of Members, the Board Chair may designate a person from the same stakeholder voting sector to fill the vacancy, with the approval of a majority vote of the Directors (rather than a majority vote of Members from the applicable Sector), or, “in the case of a vacancy in the office of the Secretary or Treasurer, from outside of NPCC to fill such vacancy with the approval of a majority vote of the Directors.” Finally, this section has been amended to provide that the authority and responsibilities of the Board Chair, which are defined by the Board, shall be “set forth in a separate agreement approved by the Board.”

Former §V.G has been deleted and its subject matter included in new §5.6, NPCC Activities, which states: “NPCC engages in (i) Regional Entity activities which are conducted by its Regional Entity division, and (ii) Criteria Services activities which are conducted by its Criteria Services division.”

In **Article VI - Board of Directors**, former §VI.A has been deleted and its subject matter included in new §6.1, Hybrid Board. Section 6.1 states the composition of the Board:

6.1 Hybrid Board.

- (a) The Board shall consist of fourteen (14) Stakeholder Directors, two (2) Independent Directors, an independent Board Chair and the President and CEO.

(b) While serving on the Board, the President and CEO shall not be entitled to vote on any Board matters.

(c) Two (2) Co-Vice Chairs from different voting sectors on the Board shall be selected by the Directors and approved by a vote of the entire membership. In the temporary absence of the Board Chair, a Vice Chair designated by a two-thirds (2/3) vote of the Directors shall perform the duties of the Board Chair. The Co-Vice Chairs shall retain the voting rights that they otherwise held by virtue of serving as a Director.

In §6.2, Term and Compensation (formerly §VI.B), amendments have been adopted to distinguish between the Stakeholder Directors and the new Independent Directors. Stakeholder Directors will serve terms of two years (formerly three years). The initial terms of Stakeholder Directors will be staggered so that these Board members serve initial terms of one or two years (formerly one, two or three years). Independent Directors will serve terms of office of two years. There is no limit on the number of terms a Stakeholder Director may serve, while an Independent Director may serve up to three terms for a maximum of six years. Stakeholder Directors will receive no compensation, while Independent Directors “shall be entitled to receive compensation as the Board may from time to time determine in its sole discretion.” Additionally, subsection (c) specifies that the term of the office of the Board Chair shall be two years with no limit on the number of terms, and that compensation arrangements of the Board Chair shall be contained in a separate written agreement approved by the Board.

Section 6.3, Powers and Duties (formerly §VI.C) has been amended to incorporate revised terminology used in the amended Bylaws, and to correct grammatical errors. This section has been amended to state explicitly that the Board shall approve any amendments to the Regional Delegation Agreement. A reference to the “NPCC Compliance Enforcement Program” has been changed to “NPCC Compliance Monitoring and Enforcement Program.” This section has also been amended to state that the Board will “oversee” (rather than “approve”) the

assessment and enforcement of mandatory compliance with Reliability Standards. Further, references to “regionally-specific reliability criteria” have been changed to “regionally-specific more stringent reliability criteria.”

Section 6.4, Board Composition (formerly §VI.D) has been amended to set forth the modified composition of the Board of Directors. The NPCC Board shall consist of an independent Board Chair, the President and CEO, such officers as shall from time to time be determined by the Board, and Directors in seven stakeholder sectors and one independent sector. The seven stakeholder sectors shall each be comprised of a maximum of two members (formerly three members); additionally, the two Directors from the Transmission Owners sector must come from different Balancing Authority Areas. The new Independent Directors sector shall also have a maximum of two Directors. As a result of these amendments, the NPCC Board will consist of 16 Directors plus the independent Board Chair and the President and CEO. Under the current Bylaws, the NPCC Board has a total of up to 24 stakeholder Directors (maximum of three Directors from each of eight sectors).

Section 6.5, Quorum and Voting Requirements for the Board (formerly §VI.E), has been amended to reflect the revised composition of the Board. A quorum shall consist of attendance, in person or by proxy, of at least one-half of the Stakeholder Directors in at least sixty percent of the stakeholders sectors, plus at least one Independent Director. Except as otherwise provided in NPCC’s Certificate of Incorporation, the Bylaws or applicable law, actions by the Board shall be approved upon receipt of two-thirds affirmative majority of the weighted sector votes, with each Director casting one vote within his or her sector, at a meeting at which a quorum is present. (The procedure for determining the number of affirmative votes has not been changed, although the text has been amended to incorporate revised terminology used in the amended Bylaws.) In

addition, §6.5 has been amended to provide that the Board Chair shall be entitled to cast one vote, during any meeting at which a quorum is present, to prevent a deadlock. (Under the current Bylaws, the Board Chair does not have a vote.)

Section 6.6, Board Action Without Meeting (formerly §VI.F) has not been substantively amended.

In §6.7, Election and Removal of Directors (formerly §VI.G), subsection (a) has been amended to incorporate revised terminology used in the amended Bylaws. Subsection (a) addresses the election of Stakeholder Directors, and provides that no stakeholder sector shall elect more than two Stakeholder Directors, with no Member or Affiliate of a Member allowed to designate more than one Stakeholder Director to represent it. Subsection (a) also refers to Schedule B to the Bylaws, which sets forth the procedure for selection of Stakeholder Directors (described below).

Subsections 6.7(b) and (c), which are new provisions in the NPCC Bylaws, address the qualifications for nomination of Independent Directors:

(b) Individual Members may nominate an Independent Director candidate by petition. Each petition shall present only one Independent Director candidate who has met requirements in the Rules of Procedure set forth in Schedule B. Petitions shall be received by the Corporate Governance and Nominating Committee on a date set by the committee. The names on the petition shall reflect at least ten percent (10%) of the Members of NPCC as of January 1 of the year in which the election is to be held. Upon receipt of a valid petition, the Corporate Governance and Nominating Committee shall add the petitioned candidate's name to the slate of director nominees to be presented to the Members for approval at the Annual Meeting of Members.

(c) Independent Directors shall be nominated in accordance with the Rules of Procedures set forth in Schedule B and recommended by the Board to the Members for consideration and approval. In order to contribute to the effective functioning of the Board and NPCC, Independent Directors will be drawn from diverse backgrounds and will possess a broad range of industry expertise, perspectives, experiences, skill sets and knowledge. An individual is eligible to serve as an Independent Director if such individual (i) is not an officer, director or

employee of a Member, (ii) is not an officer or employee of NPCC, (iii) is not an officer, director or employee of any entity that would reasonably be perceived as having a direct financial interest in the outcome of Board decisions, and (iv) does not have a relationship that would interfere with the exercise of independent judgment in performing the responsibilities of a director. Independent Directors shall be elected by an affirmative vote of the majority of the Members present at a meeting where a quorum exists.

The “independence” qualifications for an Independent Director candidate are similar to the “independence” requirements for members of the NERC Board of Trustees, as specified in Article III, section 3 of the NERC Bylaws.

Subsections 6.7(d), (e) and (f) contain provisions for the removal of Stakeholder Directors and Independent Directors for cause. Subsection 6.7(d) provides that a Stakeholder Director may be removed for cause by two-thirds vote of the Members in that sector at a regular or special meeting at which a quorum of that sector’s Members are present, based on recommendation of the Directors made at a meeting at which a quorum is present. Stakeholder Directors may not be removed by action of the Directors. Subsection 6.7(e) provides that an Independent Director may be removed for cause by affirmative vote of at least two-thirds of the Directors present at a meeting called for that purpose at which there is a quorum of not less than ten Directors present. Subsection 6.7(f) specifies the grounds for removal for cause:

(f) For purposes of Section 6.7(d) and (e), grounds for removal “for cause” include, but are not limited to, failure to adequately perform Board duties and committee responsibilities, a felony conviction, misappropriation of funds, mental incapacity, and misconduct. In accordance with the N-PCL, an action to procure a judgment removing any Director for cause may also be brought by the Attorney-General of the State of New York.⁴

Sections 6.8, Indemnification, and 6.9, Limitation on Indemnification, have been amended to incorporate revised terminology and cross-references used in the amended Bylaws, with no substantive changes to these provisions.

⁴ “N-PCL” refers to the Not-for-Profit Corporation Law of the State of New York.

Article VII - Committees and Hearing Body has been amended to create sections, add acronyms for committee names, and change the name of the Finance Committee to Finance and Audit Committee. Subsection 7.2 has been amended to specify that the Finance and Audit Committee shall include one Director who shall be designated a finance and audit financial expert by the Board. Section 7.4, Hearing Body, is a new provision stating that “The Hearing Body shall conduct all compliance proceedings in accordance with the hearing procedures set forth in the NERC Hearing Procedure.”

Article VIII - Members’ Voting Rights has not been substantively amended, with one exception. The one exception is the addition of the following sentence to §8.5, Electronic Voting: “In the event that quorum has not been achieved for purposes of an electronic vote, NPCC may continue to solicit electronic ballots, including abstentions, to obtain quorum and resolve the matter.” Other amendments have been made to Article VIII to incorporate revised terminology and numbering used in the amended Bylaws.

Article IX - Members’ Rights and Obligations, and Organizational Process has been amended to incorporate revised terminology and numbering used in the amended Bylaws. In addition, a number of substantive amendments have been made, as described below.

In subsection 9.1(1)(e), a reference to NPCC regionally-specific reliability criteria has been changed to “NPCC’s regionally-specific more stringent reliability criteria.” A similar amendment has been made in subsection 9.1(2)(d)(iii).

Subsection 9.1(2)(b) has been amended to state that

Each Member acknowledges that it has the responsibility to plan and design its bulk power system and conduct its operations, consistent with its registration, in compliance with ERO Reliability Standards, Regional Reliability Standards and Regional Variances consistent with applicable laws, regulations, permits and licenses.

In subsection 9.1(2)(d)(i), text has been added to specify that each Full Member shall plan and design its ~~bulk power system in compliance with Criteria, Guides, and Procedures~~ generation and transmission facilities on which faults or disturbances can have a significant adverse impact outside of the local area, as identified utilizing a reliability impact-based methodology, in compliance with criteria, guides and procedures established by NPCC and applicable ERO Standards.”

In subsection 9.1(2)(d)(v), text has been added to specify that each Full Member shall promptly notify NPCC and all other Members in writing or electronically if its ~~bulk power system is~~ generation and transmission facilities on which faults or disturbances can have a significant adverse impact outside of the local area, as identified utilizing a reliability impact-based methodology, are not being designed or operated, or its operations are not being conducted, in compliance with criteria, guides, and procedures established by NPCC, stating its reasons, and providing its plan and schedule to achieve compliance.

In Section 9.3, Procedures for Enforcing Compliance with Reliability Standards (formerly §IX.C), provisions relating to the determination of violations of reliability standards have been amended:

Where regulatory approval has been obtained or governmental authority has been provided, upon the determination of ~~the NPCC Board~~ NPCC compliance staff and verification by the President and CEO that a user, owner or operator of the ~~bulk power system~~ Bulk Power System has violated a reliability standard, NPCC shall enforce compliance for such ~~violations~~ violation, pursuant to procedures and processes that shall be specified in the ~~NPCC~~ NERC Compliance Monitoring and Enforcement Program.

In addition, in this section two references to Canadian regulatory and/or governmental authorities have been changed to “Canadian Provincial regulatory and/or governmental authorities.”

In **Article X - Full Members: Enforcement of Mandatory Compliance with Regionally-Specific Criteria**, non-substantive amendments have been made for clarity and to incorporate revised terminology used in the amended Bylaws.

In **Article XI - Meetings**, §11.1 and §11.2 have been amended for clarity and to incorporate revised terminology used in the amended Bylaws. In addition, a reference has been

added to §19.1, Amendment of Bylaws, as an exception to the general notice of meetings provisions in §11.1. Finally, a new provision on Action by Remote Communication has been added as §11.3:

A meeting among the Members or the Board by means of a communication through which the participants may simultaneously hear each other during the conference shall constitute a meeting of the Members or the Board, as the case may be, if the same notice is given of the conference as would be required for a meeting and if the number of persons participating in such conference constitute a quorum. Participation in any meeting by this means shall constitute personal presence at such meeting.

Article XII - Budget has been amended to incorporate numbering and revised terminology used in the amended Bylaws, to add section titles, and to correct a scrivener's error in the current NPCC Bylaws.

Article XIII - Funding has been amended to incorporate revised terminology used in the amended Bylaws.

Article XIV - Termination of Membership and Cessation of Criteria Services Division Reliability Activities has been amended to incorporate numbering and revised terminology used in the amended Bylaws. In addition, §14.2 (formerly §XIV.B), which currently states that the Full Members of NPCC may elect by majority vote to cease non-statutory criteria services, has been amended to provide that "The Full Members of NPCC may elect by a majority vote to cease Criteria Services division reliability activities."

Article XV - Conflicts of Interest has been amended to incorporate revised terminology used in the amended Bylaws. In addition, the title of §15.1 has been changed from "Conflicts of Interest" to "Conflicts of Interest Policy."

Article XVI - General has been amended to incorporate section numbering used in the amended Bylaws, to add section titles, and to change the date of the Bylaws to the effective date of the amended Bylaws.

Article XVII - Contracts, Checks, Deposits is a new Article that adds to the NPCC Bylaws typical corporate bylaws provisions on authority to enter into contracts; checks, drafts or orders for the payment of money; and bank deposits.

Article XVIII – Dissolution is a new Article that provides that, upon dissolution of the corporation, its remaining assets shall be distributed as determined by the Board, with the proviso that no part of the assets shall be distributed to any Director, and the distribution of assets shall be consistent with the requirements of §501(c)(6) of the Internal Revenue Code. These provisions are relevant to preservation of NPCC’s status as a tax-exempt organization for federal income tax purposes.

Article XIX – Amendment of Bylaws is a new Article which specifies the procedure for amendment of the Bylaws:

These Bylaws may be modified, amended or repealed by an affirmative vote of two-thirds (2/3) of the Members entitled to vote at a meeting at which quorum is present, or by electronic voting in accordance with Section 8.5. Written notice of the subject matter of the proposed changes to the Bylaws shall be provided, as appropriate, to the Members no less than fourteen (14) nor more than sixty (60) days prior to the date of the meeting of the Members at which the vote is to be taken. Any modification, amendment or repeal of these Bylaws shall be subject to any applicable requirements for filing with or approval by NERC and FERC and other applicable governmental authority.

Article XX – Effective Date is a new Article which states the effective date of the amended Bylaws.

Schedule A to the Bylaws will list the current Members of NPCC as of the effective date of the amended Bylaws.

Schedule B – Rules of Procedure (Selection of NPCC Directors) sets forth procedures concerning the identification of candidates for, and selection of, Stakeholder Directors and Independent Directors. Section 1, Selection of Director Candidates specifies that the NPCC Corporate Governance and Nominating Committee (“CGNC”) is responsible for screening director candidates, establishing criteria for nominees, and recommending a slate of nominees to the Board for consideration, with the slate of nominees to be presented to the Members for approval at the Annual Meeting of Members. This section also lists the desired characteristics of Director candidates.

Section 2, Criteria for Board Service, states that the CGNC will consider and recruit candidates for Director nominees based on recommendations from Members, current directors, NPCC management, outside consultants or search firms retained for this purpose, and other sources. This section also sets forth criteria on which candidates will be evaluated for nomination. Stakeholder Directors must reflect the geographic diversity of the NPCC Region and must be officers or senior-level executives of NPCC Members. An Independent Director must not be an officer or employee of NPCC, an officer, director or employee of a NPCC Member, or an officer, director or employee of any entity that would reasonably be perceived as having a direct financial interest in the outcome of Board decisions, and must not have any relationship that would interfere with the exercise of independent judgment in performing the responsibilities of a Director. All Directors must possess corporate and business experience at the senior executive level or equivalent. Finally, Directors must have no actual or potential conflicts of interest that would or could interfere with diligent performance of the responsibilities of a Board member in the best interests of NPCC.

B. Amendments to NPCC Regional Reliability Standards Development Procedure

Three amendments are proposed to the NPCC RSDP, which is included in Exhibit C to the NPCC RDA. Two of the amendments are conforming changes in light of the Bylaws amendments, while the third amendment corrects a scrivener's error in the current Bylaws. Specifically, in (i) §II(1), Characteristics Attributes, of the RSDP, in the statement of the "Balanced" attribute, and (ii) §II(4), Procedure Description, in the description of Steps 12, 13 and 14, references to "eight" sectors have been changed to "seven" sectors, as specified in the amended NPCC Bylaws, to be consistent with the number of stakeholder sectors provided for in the amended Bylaws. Additionally, in §II(3), Terms and Functions, in the description of the Regional Standards Committee, the word "Inc." has been deleted from "NPCC Inc. Bylaws."

C. Amendments to Exhibit D to NPCC Delegation Agreement

Section 2.0, Regional Hearing of Compliance Matters, of Exhibit D to the NPCC RDA has been amended to implement a revision to the composition of the NPCC Hearing Body for compliance matters. Currently, §2.0 specifies that the Hearing Body will consist of five voting members of the NPCC Compliance Committee plus two alternatives, with all members of the Hearing Body to be from different voting sectors. With the proposed amendments to §2.0, the Hearing Body will be comprised of an independent Hearing Officer and two Independent Directors. As a result of the amendments, the Hearing Body will always be comprised of independent members and will not have stakeholder members. The specific proposed amendments to §2.0 of Exhibit D are as follows:

NPCC shall establish and maintain a hearing body with authority to render decisions in compliance hearings in which a Registered Entity may contest a finding of alleged violation, proposed penalty or sanction, or a proposed mitigation plan. The NPCC Compliance Committee, reporting to the NPCC Board, will be responsible for impaneling a Hearing Body, when required. The Hearing Body will consist of ~~five voting members of the NPCC Compliance~~

~~Committee plus two alternates and business will always be conducted by five voting members as described in the *NPCC Hearing Procedures* (each member of the Hearing Body will be from a different voting sector) an independent Hearing Officer and two (2) Independent Directors. ~~An independent~~ The Hearing Officer, who is not a member of the Compliance Committee, the NPCC Board, or NPCC Staff, will conduct the hearing. ~~Committee members who represent the Registered Entity involved in the Hearing cannot participate on the Hearing Body.~~ The Hearing Body will utilize a simple majority vote to resolve issues. This voting rule, along with the structure of the Hearing Body, fully supports the requirement that no two stakeholder sectors may control, and no single stakeholder sector may veto, a matter before the Hearing Body.~~

IV. NPCC AND NERC APPROVALS

On March 15, 2011, the NPCC Board of Directors unanimously recommended to the NPCC Membership adoption of the proposed Amended and Restated Bylaws. The proposed Amended and Restated Bylaws and a summary of the revisions were presented to the NPCC Members via Webinar and teleconference on March 23, 2011. On April 12, 2011, the NPCC Members approved the Amended and restated Bylaws by electronic voting.

Additionally, on May 3, 2011, the NPCC Board of Directors approved the amendments to the NPCC RSDP and to Exhibit D to the NPCC RDA. NPCC membership approval of these amendments was not required.

At its meeting held on May 11, 2011, the NERC Board of Trustees approved the proposed amendments to the NPCC RDA, including the amended NPCC Bylaws, the amended NPCC RSDP, and the amendments to Exhibit D to the NPCC RDA. In reviewing the proposed amended NPCC Bylaws, NERC determined that the amended Bylaws (in conjunction with the NPCC RSDP) would continue to satisfy the five Governance criteria specified in Exhibit B to the NPCC RDA. In addition, with the minor amendments to the NPCC RSDP (described in §III.B above), the RSDP continues to satisfy the 34 common attributes of an acceptable regional reliability standards development procedure specified in Exhibit C to the NPCC RDA.

Attachment 3 to this Petition is a copy of the resolution of the NERC Board approving the amendments to the NPCC Bylaws, the NERC RSDP and Exhibit D to the NPCC RDA.

V. REQUESTED ORDER DATE AND EFFECTIVE DATE

NERC and NPCC request that the Commission approve the amendments to the NPCC RDA, including the amended NPCC Bylaws and the amended NPCC RSDP, with an effective date of January 1, 2012, so that the amended provisions can go into effect at the beginning of the calendar year.

In addition, NERC and NPCC respectfully request that the Commission issue its order on this Petition by no later than on or about October 20, 2011, in order to give NPCC approximately two months to take necessary actions in preparation for the amended Bylaws going into effect on January 1, 2012. Among other things, NPCC must identify candidates for the Independent Director positions, and candidates for the Stakeholder Director positions from the seven sectors must be identified, to populate the reconstituted NPCC Board. NPCC's Annual Meeting of Members is presently scheduled for November 30, 2011, at which time NPCC would expect (assuming the Commission approves the Amended and Restated Bylaws) to conduct the Membership vote to elect the proposed slate of Independent Directors and Stakeholder Directors for the reconstituted Board to serve beginning January 1, 2012. Prior to the November 30 Annual Meeting, in early to mid-November, the NPCC Board would make the Director nominees known to the NPCC Members for their consideration. Accordingly, receipt of a Commission order by no later than on or about October 20, 2011, would enable NPCC to take these necessary actions in order to have the new Board, including the Independent Directors, in place on January 1, 2012.

VI. CONCLUSION

The North American Electric Reliability Corporation respectfully requests that the Commission approve the proposed amendments to its Delegation Agreement with Northeast Power Coordinating Council, Inc., shown in **Attachment 2** to this Petition, including approving the amended NPCC Bylaws (included in Exhibit B to the NPCC RDA) and the amendments to the NPCC RSDP (included in Exhibit C to the NPCC RDA) as Regional Entity Rules. In addition, NERC requests that the Commission specify an effective date of January 1, 2012 for the amendments, and that the Commission issue its order in this matter by no later than on or about October 20, 2011.

Respectfully submitted,

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NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

PETITION FOR APPROVAL OF

**AMENDMENTS TO DELEGATION AGREEMENT WITH
NORTHEAST POWER COORDINATING COUNCIL, INC.**

ATTACHMENT 1

AMENDED DELEGATION AGREEMENT BETWEEN

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

AND NORTHEAST POWER COORDINATING COUNCIL, INC.

CLEAN VERSION

**AMENDED AND RESTATED DELEGATION AGREEMENT BETWEEN
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
AND NORTHEAST POWER COORDINATING COUNCIL, INC.**

AMENDED AND RESTATED DELEGATION AGREEMENT (“Agreement”) made as of January 1, 2011, between the North American Electric Reliability Corporation (“NERC”), an organization certified by the Federal Energy Regulatory Commission (“Commission”) pursuant to Section 215(c) of the Federal Power Act to establish and enforce Reliability Standards for the Bulk-Power System, and Northeast Power Coordinating Council, Inc. (“NPCC”), an organization established to develop and enforce Reliability Standards within the geographic boundaries identified on **Exhibit A** to this Agreement, and for other purposes. NERC and NPCC may be individually referred to herein as “Party” or collectively as “Parties.”

WITNESSETH

WHEREAS, Subtitle A of the Electricity Modernization Act of 2005 added Section 215 to the Federal Power Act (16 U.S.C. § 824n) (hereafter “the Act”), which, among other things, provides for the establishment of an electric reliability organization (“ERO”) to develop and enforce Reliability Standards applicable to all owners, operators, and users of the Bulk-Power System;

WHEREAS, the Commission has adopted regulations for the implementation of the Act, which are set forth at Chapter I, Title 18, Code of Federal Regulations, Part 39 (the “ERO Regulations”);

WHEREAS, the Commission has certified NERC as the ERO that will, in accordance with the Act, establish and enforce Reliability Standards for the Bulk-Power System, subject to certain delegation provisions described below;

WHEREAS, the Act recognizes the international interdependency of electric reliability within North America and envisions the ERO and such applicable Regional Entities as international organizations;

WHEREAS, the Act and Section 39.8 of the ERO Regulations provide for the delegation by the ERO of authority to propose and enforce Reliability Standards to regional entities (“Regional Entities”) such as NPCC provided that:

(A) The Regional Entity is governed by —

- (i) an independent board;
- (ii) a balanced stakeholder board; or
- (iii) a combination independent and balanced stakeholder board.

(B) The Regional Entity otherwise satisfies the provisions of Section 215(c)(1) and (2) of the Act; and

(C) The agreement promotes effective and efficient administration of Bulk-Power System reliability;

WHEREAS, certain Regional Entities are organized on an Interconnection-wide basis and are therefore entitled to the presumption set forth in the Act that: “[t]he ERO and the Commission shall rebuttably presume that a proposal for delegation to a Regional Entity organized on an Interconnection-wide basis promotes effective and efficient administration of bulk power system reliability and should be approved”;

WHEREAS, the Act further provides that the ERO shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Reliability Standard or modification to a Reliability Standard to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest;

WHEREAS, NPCC is not organized on an Interconnection-wide basis and therefore is not entitled to the rebuttable presumptions accorded such an entity;

WHEREAS, NERC will work through NPCC to carry out certain of its activities in furtherance of its responsibilities as the ERO under the Act;

WHEREAS, NERC has concluded that NPCC meets all requirements of the Act, the ERO Regulations, and the NERC Rules of Procedure as approved by the Commission (“NERC Rules of Procedure”) necessary to qualify for delegation; and

WHEREAS, NERC and NPCC having operated under a predecessor agreement to this Agreement, have negotiated this amended and restated Agreement so as to incorporate the benefits of their mutual experience and lessons learned while operating under the predecessor agreement and thereby provide for the more efficient and effective execution of their respective responsibilities in a transparent manner that is pursuant to Section 215 of the Act and the ERO Regulations;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, NERC and NPCC agree as follows:

1. Definitions. The capitalized terms used in this Agreement shall be defined as set forth in the Act, the ERO Regulations, the NERC Rules of Procedure, or the NERC Glossary of Terms Used in Reliability Standards, or, if not so defined, shall be defined as set forth in this Section 1 or elsewhere in the text of this Agreement:

(a) Breach means (i) the failure of a Party to perform or observe any material term, condition or covenant of the Agreement or (ii) a representation in Section 2 of the Agreement shall have become materially untrue.

(b) Cross-Border Regional Entity means a Regional Entity that encompasses a part of the United States and a part of Canada or Mexico.

(c) Delegated Authority means the authority delegated by NERC to NPCC to propose and enforce Reliability Standards pursuant to the Act and to undertake related activities set forth in this Agreement in furtherance of these delegated functions in accordance with the Act, the ERO Regulations and this Agreement.

2. Representations.

(a) For purposes of its Delegated Authority, NPCC hereby represents and warrants to NERC that:

(i) NPCC is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder. NPCC is governed in accordance with its bylaws by a combination independent and balanced stakeholder board. Pursuant to these bylaws, no two industry sectors can control any NPCC decision and no single industry sector can veto any NPCC decision. The relevant portions of such bylaws are attached hereto in **Exhibit B**¹, and as so attached are in full force and effect. No other such corporate governance documents are binding upon NPCC.

(ii) As set forth in **Exhibit C** hereto², NPCC has developed a standards development procedure, which provides the process that NPCC may use to develop Regional Reliability Standards [and Regional Variances, if the regional entity is organized on an Interconnection-wide basis] that are proposed to NERC for adoption.

(iii) As set forth in **Exhibit D** hereto, NPCC has adopted the NERC Compliance Monitoring and Enforcement Program, Appendix 4C to the NERC Rules of Procedure, which provides for the enforcement of Reliability Standards within NPCC geographic boundaries as shown on **Exhibit A**.

(b) NERC hereby represents and warrants to NPCC that:

(i) NERC is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder; and

(ii) NERC has been certified as the ERO by the Commission pursuant to the Act.

¹ The **Exhibit B** from NPCC shall meet the requirements contained in **Exhibit B** to this Agreement.

² The **Exhibit C** from NPCC shall meet the requirements contained in **Exhibit C** to this Agreement.

3. Covenants.

(a) During the term of this Agreement, NPCC shall maintain and preserve its qualifications for delegation pursuant to the Act and shall not amend its Regional Entity Rules without NERC's approval, which shall not be unreasonably withheld or delayed and which shall, in the case of a Regional Entity organized on an Interconnection-wide basis, be governed by the presumptions provided for in Section 215(d)(2) and (e)(4)(C) of the Act, and be subject to any required Commission approval.

(b) During the term of this Agreement, NERC shall maintain its qualification and status as the ERO pursuant to the Act and, subject to the provisions of Sections 17 and 18 of this Agreement, NERC shall not adopt amendments to the NERC Rules of Procedure that conflict with the rights, obligations or programs of NPCC under this Agreement without first obtaining the consent of NPCC, which consent shall not be unreasonably withheld or delayed.

(c) During the term of this Agreement, NERC and NPCC shall adhere to and require that all participants in their respective activities under this Agreement follow and comply with the NERC Antitrust Compliance Guidelines.

4. Delegation of Authority.

(a) Based upon the representations, warranties and covenants of NPCC in Sections 2 and 3 above, the corporate governance documents set forth in **Exhibit B**, the standards development process set forth in **Exhibit C**, and the compliance monitoring and enforcement program set forth in **Exhibit D**, NERC hereby delegates authority, pursuant to Section 215(e)(4) of the Act, to NPCC for the purpose of proposing Reliability Standards to NERC, as set forth in Section 5 of this Agreement, and enforcing Reliability Standards, as set forth in Section 6 of this Agreement, within the geographic boundaries and such other scope set forth on **Exhibit A**, *provided*, that NPCC shall not monitor and enforce compliance with Reliability Standards for NPCC or an affiliated entity with respect to reliability functions for which NPCC or an affiliate is a Registered Entity. Any exclusions from this delegation of authority to NPCC within, or additions to this delegation of authority to NPCC beyond, the geographic boundaries set forth on **Exhibit A** are stated on **Exhibit A**.

(b) In circumstances where NPCC or an affiliated entity is a Registered Entity, NPCC shall enter into an agreement with another Regional Entity or NERC for the other

Regional Entity or NERC to monitor and enforce NPCC or affiliate's compliance with Reliability Standards. Such agreements are subject to NERC and Commission approval.

(c) Nothing in this Agreement shall prohibit NPCC from entering into an arrangement between one or more other Regional Entities to perform compliance monitoring and enforcement activities outside of its region, on behalf of NERC and/or other Regional Entities, for Registered Entities that have registered functions monitored by more than one Regional Entity, subject to approval by NERC.

(d) For Cross-Border Regional Entities, the authority delegated by this Agreement shall extend only to the portion of the region identified on **Exhibit A** that is within the United States. Any delegation of authority by ERO Governmental Authorities in Canada or Mexico shall be governed by a separate agreement and is outside the scope of this Agreement; provided, however, that both NPCC and NERC shall endeavor to ensure that this Agreement and such separate agreements are compatible.

(e) As a condition to this delegation of authority and subject to the provisions of Section 17 of this Agreement, NPCC shall comply with the applicable provisions of NERC's Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards, as from time to time adopted, approved, or amended.

5. Development and Proposal of Reliability Standards.

- (a) In connection with its Delegated Authority, NPCC shall be entitled to:
- (i) propose Reliability Standards, Regional Variances, or modifications thereof to NERC, which shall be considered by NERC through an open and inclusive process for proposing and adopting Reliability Standards that affords NPCC reasonable notice and opportunity to be heard; and
 - (ii) develop Regional Reliability Standards [and Regional Variances, if Regional Entity is organized on an Interconnection-wide basis] through NPCC process as set forth in **Exhibit C**. Proposals approved through NPCC process shall be reviewed by the NERC Board after NERC provides notice and an opportunity for interested persons to comment. In the case of a proposal from a Regional Entity organized on an Interconnection-wide basis, comments shall be limited to the factors identified in NERC Rule of Procedure 312.3 as it may be amended from time to time. The NERC Board shall promptly thereafter consider such

proposed Regional Reliability Standard or Regional Variance, applying the rebuttable presumption described in subsection 5(b) of this Agreement if the proposed Regional Reliability Standard or Regional Variance is from a Regional Entity organized on an Interconnection-wide basis, and either approve the proposed Regional Reliability Standard or Regional Variance and submit it to the Commission for approval, or disapprove it in writing setting forth its reasons. NPCC may appeal any disapproval of a proposed Regional Reliability Standard or Regional Variance to the Commission.

(b) Pursuant to Section 215(d)(3) of the Act, NERC shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Regional Reliability Standard or Regional Variance or modification thereof to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest. Any person challenging such proposal from the Regional Entity organized on an Interconnection-wide basis shall have the burden of proof. NERC shall not find that this presumption has been rebutted except based upon substantial evidence that has been disclosed to, and been subject to comment by, the Interconnection-wide Regional Entity during NERC's review of the proposal.

6. Enforcement of Compliance with Reliability Standards.

(a) In connection with its delegated authority pursuant to this Agreement, NPCC shall enforce Reliability Standards (including Regional Reliability Standards and Regional Variances) within the geographic boundaries set forth, or as otherwise specified, in **Exhibit A** through the compliance monitoring and enforcement program set forth in **Exhibit D**. NERC and NPCC agree that this compliance monitoring and enforcement program meets all applicable requirements of the Act, Order No. 672 of the Commission, and the ERO Regulations, including, *inter alia*, the requirement for an audit program pursuant to Section 39.7(a) of the ERO Regulations, the assessment of penalties pursuant to Section 39.7(c) through 39.7(g) of the ERO Regulations and the requirements for due process. NPCC may not change its compliance monitoring and enforcement program set forth in **Exhibit D** absent NERC's approval, which shall not be unreasonably withheld or delayed, and the approval of the Commission. Subject to the rights and limitations specified in Sections 17 and 18 of this Agreement, NPCC agrees to comply with the NERC Rules of Procedure, with any directives issued pursuant to Section 8(c)

of this Agreement, and with any guidance and directions issued by the NERC Board or a Board committee pursuant to Section 8(d) of this Agreement, in implementing this program.

(b) NPCC shall report promptly to NERC any Possible Violation, Alleged Violation, or Confirmed Violation of a Reliability Standard, and its eventual disposition by NPCC. Such report shall include the owner's, operator's, or user's name, which Reliability Standard or Reliability Standards were the subject of the Possible Violation, Alleged Violation, or Confirmed Violation, when the Possible Violation, Alleged Violation, or Confirmed Violation occurred, other pertinent facts including circumstances surrounding the Possible Violation, Alleged Violation, or Confirmed Violation with any known risk to the Bulk-Power System, when the Possible Violation, Alleged Violation, or Confirmed Violation was or will be mitigated, the name of a person knowledgeable about the Possible Violation, Alleged Violation, or Confirmed Violation to serve as a point of contact with the Commission, and any other information required by NERC compliance program procedures. NERC shall promptly forward such report to the Commission. NERC and NPCC shall cooperate in filing such periodic summary reports as the Commission shall from time to time direct on Possible Violations, Alleged Violations, and Confirmed Violations of Reliability Standards and summary analyses of such Possible Violations, Alleged Violations, and Confirmed Violations.

(c) Each Possible Violation, Alleged Violation, or Confirmed Violation shall be treated as nonpublic unless the matter is filed with the Commission as a Notice of Penalty, or, if disclosure is required, dismissed. The disposition of each Possible Violation, Alleged Violation, or Confirmed Violation that relates to a Cybersecurity Incident or that would jeopardize the security of the Bulk-Power System if publicly disclosed shall remain nonpublic unless the Commission directs otherwise.

(d) All dispositions by NPCC of Possible Violations, Alleged Violations, and Confirmed Violations of Reliability Standards shall be reported to NERC for review and, in the case of Confirmed Violations, penalties or sanctions, and settlements, for approval. Following approval of a disposition by NERC, NERC shall file the disposition with the Commission, if required by, and in accordance with, Section 215(e) of the Act and Section 39.7 of the ERO Regulations. NERC shall review NPCC dispositions based on the following criteria:

(i) whether the disposition is supported by a sufficient record compiled by NPCC in accordance with the NERC Rules of Procedure, NERC directives and

Commission requirements, taking into account the nature of the Possible Violation, Alleged Violation, or Confirmed Violation,

(ii) whether the disposition is consistent with any applicable directives issued pursuant to Section 8(c) of this Agreement, any applicable directions or guidance issued by the NERC Board or a Board committee pursuant to Section 8(d) of this Agreement, or other applicable NERC guidance, concerning the Reliability Standards to which the Possible Violation, Alleged Violation, or Confirmed Violation relates,

(iii) if the disposition is a Confirmed Violation or settlement, whether it provides for a penalty or sanction, or a determination of no penalty or sanction, determined in accordance with the NERC Sanction Guidelines, Appendix 4B to the NERC Rules of Procedure, and

(iv) whether the disposition is reasonably consistent with other dispositions by NPCC and by other Regional Entities of Possible Violations, Alleged Violations, and Confirmed Violations involving the same or similar facts and circumstances.

NERC may reject any disposition, with an explanation of why NERC believes the disposition does not meet the above criteria. NPCC may submit a disposition requiring NERC approval that has been rejected by NERC, or a revised disposition following a rejection, directly to the NERC Board Compliance Committee for approval without revising the disposition to address all the grounds on which NERC originally rejected the disposition. The final approval of NPCC disposition of a Possible Violation, Alleged Violation, or Confirmed Violation shall be made by the NERC Board Compliance Committee, provided, that the NERC Board or NERC Board Compliance Committee may, by appropriate resolution, delegate authority for final approval of dispositions of specified categories of Possible Violations, Alleged Violations, or Confirmed Violations to the NERC President.

(e) All appeals of penalties imposed by NPCC as a result of a decision by NPCC Hearing Body shall be filed with, heard by and disposed of by, NERC in accordance with the NERC Rules of Procedure.

(f) NPCC shall maintain the capability to conduct investigations of Possible Violations and Alleged Violations of Reliability Standards and to conduct such investigations in a confidential manner.

(g) NPCC shall maintain a program of proactive monitoring and enforcement of compliance with Reliability Standards, in accordance with the NERC Compliance Monitoring and Enforcement Program and the annual NERC Compliance Monitoring and Enforcement Program Implementation Plan.

(h) As part of its compliance monitoring and enforcement program, NPCC shall maintain a conflict of interest policy that assures the integrity and independence of such program, including the integrity and independence of the persons or decision-making bodies making final determinations in compliance enforcement actions under Section 5.0 of the NERC Compliance Monitoring and Enforcement Program. NPCC may have stakeholders lead or participate in its board compliance committee so long as integrity and independence are assured through reasonable and appropriate recusal procedures.

(i) As often as NERC deems necessary, but no less than every five years, NERC shall review NPCC compliance monitoring and enforcement program to determine that: (i) the program meets all applicable legal requirements; (ii) actual practices reflect the requirements; and (iii) the program administered pursuant to the Delegated Authority promotes consistent interpretations across North America of Reliability Standards and comparable levels of sanctions and penalties for violations of Reliability Standards constituting comparable levels of threat to reliability of the Bulk-Power System.

7. Delegation-Related Activities.

NERC will engage NPCC on its behalf to carry out certain of its activities that are in furtherance of Bulk-Power System reliability and NERC's responsibilities as the ERO under the Act or in support of the Delegated Authority, as specified in the NERC Rules of Procedure and listed on **Exhibit E**. These delegation-related activities shall include, but are not limited to, those described in subsections (a) through (f), each of which shall be considered a statutory activity:

(a) Certification of Bulk-Power System Entities. The NERC Board shall set criteria for certification in accordance with the NERC Rules of Procedure. NPCC shall issue certifications in accordance with the NERC Rules of Procedure.

(b) Registration of owners, operators, and users of the Bulk-Power System as responsible for compliance with requirements of Reliability Standards.

(i) The NERC Board shall develop criteria for registration of owners, operators, and users of the Bulk-Power System as Registered Entities and shall apply the registration criteria to register owners, operators and users of the Bulk-Power System as Registered Entities.

(ii) NERC shall maintain a registration database of Registered Entities, based on data and information provided by NPCC and other Regional Entities. NPCC shall provide timely and accurate information relating to registrations to NERC, on at least a monthly basis, to enable NERC to maintain a registration database that is accurate and up-to-date.

(iii) The NERC Board Compliance Committee shall hear and decide appeals from owners, operators and users of the Bulk-Power System contesting registration, in accordance with the NERC Rules of Procedure. If the NERC Board Compliance Committee upholds the decision to register an owner, operator, or user, NERC shall defend the decision in any subsequent appeal of the decision by the Registered Entity to the Commission.

(c) Reliability Assessment and Performance Analysis. NPCC shall develop assessments of the reliability of the Bulk-Power System, or ensure that data and information are collected, analyzed and provided to NERC in support of the development of reliability assessments, in accordance with the NERC Rules of Procedure. NPCC shall also develop and maintain, and collect data in support of the development and maintenance of, reliability performance metrics and assessments of risks to the Reliable Operation of the Bulk-Power System, in accordance with the NERC Rules of Procedure and NERC directives. NERC shall develop data-gathering quality control procedures, forms and reporting mechanisms, which shall be used by NPCC and other Regional Entities in carrying out their responsibilities under this subsection (c).

(d) Event Analysis and Reliability Improvement. NPCC shall conduct event analysis pursuant to the NERC Rules of Procedure and applicable governmental regulations. NERC and NPCC shall coordinate event analysis to support the effective and efficient use of their collective resources, consistency in event analysis, and timely delivery of event analysis reports. In collaboration with NERC, NPCC shall disseminate to the electric industry lessons learned and other information obtained or resulting from event analysis.

(e) Training and Education. NPCC may provide training and education to Registered Entities, as it deems necessary, in support of its performance of delegated functions and related

activities under this Agreement. NERC may also provide training and education programs to Registered Entities on topics relating to NERC's responsibilities as the ERO.

(f) Situation Awareness and Infrastructure Security.

(i) NPCC shall gather and assess situation awareness information provided by Registered Entities pursuant to the NERC Rules of Procedure and applicable governmental regulations, and shall provide other data, information and assistance to NERC in support of NERC's activities in monitoring present conditions, and responding to events, on the Bulk-Power System

(ii) NPCC shall collaborate with NERC in its efforts to coordinate electric industry activities to promote critical infrastructure protection of the Bulk-Power System in North America.

8. Oversight of Performance of Delegated Functions and Related Activities.

This Section 8 sets forth processes and procedures which the Parties intend shall be used in NERC's oversight of NPCC performance of its Delegated Authority and related activities pursuant to this Agreement. It is the intent of NERC and NPCC that matters relating to NERC's oversight of NPCC performance of its Delegated Authority and related activities shall be established or resolved by collaboration between NERC and NPCC and, where applicable, other Regional Entities, to the maximum extent possible, consistent with the construct that NERC and the Regional Entities are operating together in a collaborative manner to carry out the responsibilities of the ERO under Section 215 of the Act and the ERO Regulations.

(a) (i) NERC shall develop, in collaboration with NPCC and other Regional Entities, performance goals, measures and other parameters (including, without limiting the scope of such goals, measures and parameters, financial performance goals, measures and parameters), and performance reports, which shall be used to measure NERC's and NPCC performance of their respective functions and related activities. The performance goals, measures and parameters and the form of performance reports shall be approved by the NERC President and shall be made public. NPCC shall provide data, information and reports to NERC, in accordance with established schedules, to enable NERC to calculate NPCC performance to the agreed-upon goals, measures and parameters.

(ii) NERC shall use the performance goals, measures and parameters and performance reports to evaluate NPCC performance of its delegated functions and related

activities and to provide advice and direction to NPCC on performance improvements. The performance goals, measures and other parameters and the values of such goals, measures and parameters, shall be reviewed by NERC, NPCC and the other Regional Entities, revised if appropriate, and made public, on the same timeline as the annual business planning and budgeting process described in Section 9 of this Agreement.

(iii) At the request of the President of NERC, NPCC shall be required to develop, submit for NERC approval, and implement action plans to address areas of its performance that are reasonably determined by NERC, based on analysis of NPCC performance against the performance goals, measures and parameters, or performance of specific activities, to be unsatisfactory, *provided*, that prior to requiring NPCC to adopt and implement an action plan or other remedial action, NERC shall issue a notice to NPCC of the need and basis for an action plan or other remedial action and provide an opportunity for NPCC to submit a written response contesting NERC's evaluation of NPCC performance and the need for an action plan. NPCC may request that the President of NERC reconsider the request, and thereafter may request that the NERC Board review and reconsider the request. NERC and NPCC shall work collaboratively as needed in the development and implementation of NPCC action plan. A final action plan submitted by NPCC to NERC shall be made public unless the President of NERC makes a written determination that the action plan or specific portions of the plan should be maintained as non-public.

(b) NERC shall make available to NPCC standardized training and education programs, which shall be designed taking into account input from NPCC and other Regional Entities, for NPCC personnel on topics relating to the delegated functions and related activities.

(c) (i) NERC may issue directives to NPCC concerning the manner in which NPCC shall perform its delegated functions and related activities under this Agreement. The NERC Rules of Procedure, or any other ERO Rule requiring approval of the Commission, shall not be considered "directives." NERC shall initiate the development of a directive through a collaborative process with NPCC and, if applicable, other Regional Entities to which the directive will apply. Any directive developed through the collaborative process shall be approved by, and issued under the signature of, the NERC President.

(ii) If after a period of time that is reasonable under the circumstances, NERC and NPCC and, if applicable, other Regional Entities are unable to reach agreement on the

contents of the directive, NERC may issue the directive with the approval of and under the signature of the NERC President; *provided*, that before the NERC President issues a directive pursuant to this paragraph (ii), NPCC and, if applicable, other Regional Entities, shall be given a reasonable opportunity to present their positions on, and a suggested alternative version or versions of, the proposed directive to the NERC President.

(iii) Upon issuance of a directive by the NERC President, it shall be binding upon, and shall be complied with by, NPCC subject to reasonable time periods for adoption, implementation, and funding of any necessary resources. Upon request by NPCC the NERC Board (or a committee of the Board to which the Board delegates appropriate authority) shall review and shall confirm, revise or revoke any directive that was issued by the NERC President without NPCC agreement, *provided*, that NPCC shall request such review within thirty (30) days following issuance of the directive by the NERC President unless good cause can be shown for a later request.

(iv) NERC and NPCC and, if applicable, other Regional Entities, shall collaborate in deciding whether a directive (whether issued pursuant to paragraph (ii) or paragraph (iii)) shall be made public. If no agreement is reached by the date of issuance as to whether the directive shall be made public, the NERC President shall decide whether the directive will be made public, *provided*, that is the intent of the Parties that the NERC President shall apply a presumption that directives should be made public, unless the NERC President makes a written determination stating a specific reason for maintaining a particular directive as non-public.

(d) In addition to the issuance of directives pursuant to subsection (c), the NERC Board (or a Board committee to which the Board has delegated authority) may issue guidance or directions as to the manner in which NPCC and, if applicable, other Regional Entities, shall perform delegated functions and related activities. The Board or Board committee shall also establish reasonable time periods for the implementation of any such guidance or directions, taking into account the impact on the reliability of the Bulk-Power System and the need for funding of additional resources. Any such guidance or directions shall be stated in writing and shall be public, unless the Board or Board committee makes a written determination stating a specific reason for maintaining particular guidance or directions as non-public. NPCC either

individually or in conjunction with other Regional Entities, may request that the NERC Board or Board committee reconsider or revise the guidance or direction.

(e) NERC shall conduct collaborative reviews with NPCC either individually or in conjunction with one or more other Regional Entities, that provide for the exchange of information on practices, experiences, and lessons learned in the implementation of the delegated functions.

(f) Any audits of NPCC performed by NERC shall be limited to an examination of NPCC compliance with this Agreement, NERC's Rules of Procedure, the Compliance Monitoring and Enforcement Program, Commission requirements, and directives that are in effect pursuant to Section 8(c).

(g) The Commission and the Commission staff shall have full access to action plans and remedial actions, directives, and directions and guidance issued pursuant to subsections (a)(iii), (c)(iv) and (d), respectively, that are maintained as non-public.

9. Funding. NPCC and NERC shall ensure, subject to Commission approval in accordance with the ERO Regulations, that the delegated functions and related activities described in Sections 5, 6 and 7 and listed on **Exhibit E** have reasonable and adequate funding and resources by undertaking the following:

(a) NPCC shall develop, through a collaborative process with NERC, and propose, an annual business plan and budget, in accordance with ERO Regulations, Commission orders and NERC business planning and budgeting policies and instructions. NPCC proposed business plan and budget shall describe the activities necessary for, and provide a budget with adequate resources for, NPCC to carry out its Delegated Authority under this Agreement, including the functions and activities described in Sections 5, 6 and 7 and listed on **Exhibit E**. NPCC business plan and budget shall show the funding sources and amounts to fund the proposed budget, including as applicable assessments to end users, penalty monies, and other sources of funds.

(b) NPCC and NERC agree that the portion of NPCC approved budget for the functions and activities described in Sections 5, 6 and 7 and listed on **Exhibit E** that is to be funded by assessments, will be equitably allocated among end users within the geographic

boundaries described in **Exhibit A** and recovered through a formula based on Net Energy for Load, or through such other formula as is proposed by NPCC and approved by NERC and the Commission. If NPCC proposes to use a formula other than Net Energy for Load beginning in the following year, NPCC shall submit the proposed formula to NERC in sufficient time that NERC may review and approve the proposed formula and file it with the Commission by May 15 for approval, and the proposed formula shall be effective for the following year if approved by the Commission on or before the date the Commission approves the annual business plan and budget submitted by NERC and NPCC to the Commission pursuant to the ERO Regulations for such year.

(c) NERC shall determine that the assessments to fund the costs for its statutory functions in its Commission-approved budget are first allocated fairly among the Interconnections and regions according to the applicability of this work to those Interconnections and regions, and then equitably among the end users of the applicable interconnections and regions as appropriate. Allocation on a Net Energy for Load basis will be presumed to satisfy this equitability requirement.

(d) NERC shall provide NPCC with the form or forms for business plan and budget submittal, and any accompanying instructions, in accordance with the schedule for preparation of the business plan and budget developed by NERC and the Regional Entities.

(e) NPCC shall submit its proposed annual business plan and budget for carrying out its Delegated Authority functions and related activities described in Sections 5, 6 and 7 and listed on Exhibit E, as well as for all other activities of NPCC to NERC for review and approval in accordance with the annual schedule for the preparation of business plans and budgets which shall be developed collaboratively by NERC and the Regional Entities, as more fully described in **Exhibit E**.

(f) NERC shall fund NPCC performance of its Delegated Authority and related activities in accordance with NPCC Commission-approved business plan and budget, in the amount of NPCC assessments to end users approved by the Commission. **Exhibit E** sets forth the procedures and timing for billing and collecting NPCC approved assessments from end users and other entities and payment of the approved assessment amount to NPCC unless otherwise modified and approved by NERC and the Commission. NERC shall not impose any material obligation or requirement regarding the Delegated Authority upon NPCC that has not

been provided for in an approved business plan and budget or an approved amended or supplemental business plan and budget, without NPCC consent.

(g) NERC shall develop, in consultation with the Regional Entities, a reasonable and consistent system of accounts, with a level of detail and record keeping comparable to the Commission's Uniform System of Accounts and sufficient to allow the Commission to compare each Commission-approved NERC and NPCC fiscal year budget with the actual results at the NERC and Regional Entity levels. NPCC shall follow NERC's prescribed system of accounts except to the extent that NERC permits a departure from the prescribed system of accounts. NERC shall make an informational filing with the Commission describing any such waiver it permits and providing an explanation supporting the permitted departure.

(h) NPCC shall submit unaudited quarterly interim financial statements in form provided by NERC no later than 20 days after the end of the fiscal quarter (March 31, June 30, September 30, and December 31).

(i) NPCC shall submit audited financial statements annually, including supporting materials, in a form provided by NERC no later than May 1 of the following year.

(j) **Exhibit E** to this Agreement sets forth the mechanism through which NPCC shall offset penalty monies it receives (other than penalty monies received from an operational function or division or affiliated entity of NPCC) against its next year's annual budget for carrying out functions under this Agreement, and the mechanism by which NPCC shall transmit to NERC any penalty monies received from an operational function or division or affiliated entity of NPCC. *Provided*, that, subject to approval by NERC and the Commission, NPCC may propose and implement an alternative use of penalty monies to that set forth in **Exhibit E**.

10. Assignment. This Agreement may be assigned by either Party only with the prior written consent of the other, which consent shall be granted or withheld in such non-assigning Party's sole discretion, subject to approval by the Commission. Any assignment under this Agreement shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. NPCC may not delegate in whole or in part its Delegated Authority to any other entity without NERC's express consent; provided, however, that nothing in this provision shall prohibit NPCC from contracting with other entities to assist it

in carrying out its Delegated Authority, provided NPCC retains control and responsibility for such Delegated Authority.

11. Default and Cure. Upon a Breach, the non-breaching Party shall give written notice of such Breach to the breaching Party (the “Default Notice”). Subject to a suspension of the following deadlines as specified below, the breaching Party shall have thirty (30) calendar days from receipt of the Default Notice within which to cure such Breach; *provided however*, that if such Breach is not capable of cure within thirty (30) calendar days, the breaching Party shall commence such cure within thirty (30) calendar days after notice and continuously and diligently complete such cure within ninety (90) calendar days from receipt of the Default Notice; and, if cured within such time, the Breach specified in such notice shall cease to exist. Subject to the limitation specified in the following sentence, if a Breach is not cured as provided in this Section 11, or if a Breach is not capable of being cured within the period provided for herein, the nonbreaching Party shall have the right to declare a default and terminate this Agreement by written notice at any time until cure occurs, and be relieved of any further obligation hereunder. The deadlines for cure and the right to declare a default and terminate this Agreement shall be suspended during the pendency of any efforts or proceedings in accordance with Section 18 of this Agreement to resolve a dispute as to whether a Breach has occurred or been cured. The provisions of this Section 11 will survive termination of this Agreement.

12. Term and Termination.

(a) This Agreement shall become effective on January 1, 2011 (the “Effective Date”).

(b) The term of the Agreement shall be five (5) years from the Effective Date, prior to which time NERC shall conduct an audit pursuant to subsection 6(i) to ensure that NPCC continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. If NPCC meets such requirements, this Agreement may be renewed for another five (5) year term. This Agreement may be renewed for successive additional five (5) year renewal terms provided that prior to the end of each renewal term, NERC shall conduct an audit pursuant to subsection 6(i) to ensure that NPCC continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation.

Provided, that either Party may terminate this Agreement as of the end of a term by giving written notice to terminate at least one (1) year prior to the end of the term. If this Agreement is not renewed or becomes subject to termination for any reason, the Parties shall work to provide for a transition of NPCC Delegated Authority to NERC or to another eligible entity and to provide for the resolution of any wind-up costs associated with termination of this Agreement. The termination of this Agreement shall not take effect until such transition has been effected, unless the transition period exceeds one year, at which time NPCC may unilaterally terminate.

(c) If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by a regulatory authority exercising jurisdiction over this Agreement, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification or condition. If either Party finds such holding, modification or condition unacceptable and the Parties are unable to renegotiate a mutually acceptable resolution, either Party may unilaterally terminate this Agreement. Such termination shall be effective one year following written notice by either Party to the other Party and to the Commission, or at such other time as may be mutually agreed by NPCC and NERC.

(d) Notwithstanding any termination of this Agreement, provisions contained in Limitation of Liability (Section 13), No Third Party Beneficiaries (Section 14) and Confidentiality (Section 15) shall survive this Agreement in accordance with their terms until sixty (60) days following the expiration of any applicable statute of limitations.

13. Limitation of Liability. NPCC and NERC agree not to sue each other or their directors, officers, employees, and persons serving on their committees and subgroups based on any act or omission of any of the foregoing in the performance of duties pursuant to this Agreement or in conducting activities under the authority of Section 215 of the Act, other than seeking a review of such action or inaction by the Commission. NERC and NPCC shall not be liable to one another for any damages whatsoever, including without limitation, direct, indirect, incidental, special, multiple, consequential (including attorneys' fees and litigation costs), exemplary, or punitive damages arising out of or resulting from any act or omission associated with the

performance of the NPCC or NERC's responsibilities under this Agreement or in conducting activities under the authority of Section 215 of the Act, except to the extent that the NPCC or NERC is found liable for gross negligence or intentional misconduct, in which case NPCC or NERC shall not be liable for any indirect, incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

14. No Third Party Beneficiaries. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to, any third party.

15. Confidentiality. During the course of the Parties' performance under this Agreement, a Party may receive Confidential Information, as defined in Section 1500 of NERC's Rules of Procedure. Except as set forth herein, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the issuing Party, unless disclosure is required by subpoena, law, or other directive of a court, administrative agency, or arbitration panel, in which event the recipient hereby agrees to provide the Party that provided the Confidential Information with prompt notice of such request or requirement in order to enable such issuing Party to (a) seek an appropriate protective order or other remedy, (b) consult with the recipient with respect to taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section. In the event a protective order or other remedy is not obtained or the issuing Party waives compliance with the provisions, the recipient agrees to furnish only that portion of the Confidential Information which the recipient's counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information. In addition, each Party shall ensure that its officers, trustees, directors, employees, subcontractors and subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those contained herein. This confidentiality provision does not prohibit reporting and disclosure as directed by NERC, as set forth in Section 6 of this Agreement.

16. Amendment. Neither this Agreement nor any of the terms hereof, may be amended unless such amendment is made in writing, signed by the Parties, and filed with and approved by the Commission.

17. Amendments to the NERC Rules of Procedure. NERC shall not adopt amendments to the NERC Rules of Procedure that conflict with the rights, obligations, or programs of NPCC under this Agreement without first obtaining the consent of NPCC which consent shall not be unreasonably withheld or delayed. To the extent NPCC does not consent, NERC shall have the right to invoke the dispute resolution provisions of Section 18 and, if such effort fails to resolve the dispute, to petition the Commission to adopt the amendment to the NERC Rules of Procedure. To the extent that the Commission issues an order amending or materially affecting the rights or obligations of NPCC under this Agreement, NPCC shall have the option, exercisable no later than 60 days after issuance of such order, to terminate this Agreement. Such termination shall be effective one year following written notice by NPCC to NERC and the Commission, or at such other time as may be mutually agreed by NPCC and NERC.

18. Dispute Resolution. In the event a dispute arises under this Agreement between NERC and NPCC (including disputes relating to NERC's performance of its obligations under this Agreement and/or disputes relating to NPCC's performance of its obligations under this Agreement) which cannot be resolved through discussions between representatives of the Parties in the normal course of operations, the Parties shall use the following procedures ("Dispute Resolution") to attempt to resolve the dispute. NPCC shall not suspend performance of any delegated function, and the Parties shall continue to make reasonable, good faith efforts to comply with their obligations under this Agreement, during the pendency of Dispute Resolution. All notices required to be sent pursuant to this Dispute Resolution procedure shall be sent in accordance with Section 19 of this Agreement. This Dispute Resolution procedure is separate from and in addition to all other processes provided for in this Agreement.

(a) The Party invoking Dispute Resolution shall send a notice to the other Party describing the dispute, stating the invoking Party's position with respect to the dispute, stating that the Party is invoking Dispute Resolution, and naming the Party's designated representative

for negotiating a resolution of the dispute. The designated representative shall have authority to resolve the dispute on behalf of the invoking Party.

(b) Within three (3) business days after receipt of the notice invoking Dispute Resolution, the receiving Party shall send a notice to the invoking Party acknowledging receipt of the notice invoking Dispute Resolution, stating the receiving Party's position with respect to the dispute, and naming the Party's designated representative for negotiating a resolution of the dispute. The designated representative shall have authority to resolve the dispute on behalf of the receiving Party.

(c) During the period commencing three (3) business days and ending twenty (20) business days after the date of the receiving Party's notice, the designated representatives shall engage in good faith negotiations to attempt to resolve the dispute, *provided*, that the designated representatives may agree prior to the end of such twenty (20) business day period that the process should move to the next step of Dispute Resolution.

(d) If the designated representatives are unable to arrive at a resolution of the dispute by the end of the time period described in subsection (c), they shall notify the chief executive officers of their respective Parties. The chief executive officers of the Parties shall thereafter engage in good faith negotiations to attempt to resolve the dispute during the period of twenty (20) business days immediately following the time period described in subsection (c), *provided*, that the chief executive officers may agree prior to the end of such twenty (20) business day period that negotiations are at impasse and the process may move to the next step as described in subsection (f). Upon mutual agreement of the Parties, the twenty (20) business day period may be extended to pursue ongoing good faith negotiations.

(e) If a resolution of the dispute is achieved by the Parties, it shall be memorialized in a writing that is acceptable in form and substance to each party and is signed by the designated representative or chief executive officer on behalf of each Party.

(f) If the Parties are unable to resolve the dispute pursuant to the process described in subsections (a) through (e), then either Party may invoke any other available dispute resolution mechanism, including, without limitation, filing a complaint or petition with the Commission requesting resolution of the dispute by the Commission, or filing a complaint for relief in a court having jurisdiction over Parties and the subject matter of the dispute in accordance with Section 20. *Provided, however*, that: (i) it is the intent of the Parties that unresolved disputes shall be

presented to and resolved by the Commission if the Commission has and accepts jurisdiction over the subject matter of the dispute, (ii) the Parties may, by mutual agreement, attempt to resolve the dispute through arbitration, mediation, or other process involving resort to an impartial neutral, and (iii) it is the intent of the Parties that resolution of disputes through Commission proceedings, arbitration, mediation, or other use of an impartial neutral, is preferred over resort to judicial proceedings.

(g) This Section 18 shall not apply to compliance enforcement actions against individual Registered Entities.

19. Notice. Whether expressly so stated or not, all notices, demands, requests, and other communications required or permitted by or provided for in this Agreement shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall designate for itself in writing in accordance with this Section, and shall be delivered by hand or reputable overnight courier:

If to NERC:

North American Electric
Reliability Corporation
116-390 Village Blvd.
Princeton, NJ 08540-5721
Attn: General Counsel
Facsimile: (609) 452-9550

If to NPCC:

Northeast Power
Coordinating Council, Inc.
1040 Avenue of the Americas – 10th Floor
New York, New York 10018 -3703
Attn: Edward Schwerdt
Facsimile: 212-302-2782

20. Governing Law. When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of New Jersey without giving effect to the conflict of law principles thereof. The Parties recognize and agree not to contest the exclusive or primary jurisdiction of the Commission to interpret and apply this Agreement; provided however that if the Commission declines to exercise or is precluded from exercising jurisdiction of any action arising out of or concerning this Agreement, such action shall be brought in any state or federal court of competent jurisdiction in New Jersey. All Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in New Jersey for the purpose of hearing and determining any action not heard and determined by the Commission.

21. **Headings.** The headings and captions in this Agreement are for convenience of reference only and shall not define, limit, or otherwise affect any of the terms or provisions hereof.
22. **Savings Clause.** Nothing in this Agreement shall be construed to preempt or limit any authority that NPCC may have to adopt reliability requirements or take other actions to maintain reliability of the Bulk-Power System within the geographic boundaries described in **Exhibit A** that are outside the Delegated Authority, as long as such reliability requirements and actions are not inconsistent with Reliability Standards applicable to the region described in **Exhibit A** and do not result in a lessening of reliability outside the region described in **Exhibit A**.
23. **Entire Agreement.** This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement.
24. **Execution of Counterparts.** This Agreement may be executed in counterparts and each shall have the same force and effect as the original.

April 22, 2011

NOW THEREFORE, the parties have caused this Agreement to be executed by its duly authorized representatives, effective as of the Effective Date.

NORTH AMERICAN
ELECTRIC RELIABILITY CORPORATION

NORTHEAST POWER
COORDINATING COUNCIL, INC.

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____



Northeast Power Coordinating Council, Inc. (NPCC) Exhibit A – Geographic Area

The geographic area covered by NPCC includes New York state, the six New England states, and Ontario, Quebec, and the Maritime Provinces in Canada. The total population served is approximately 56 million. The area covered is approximately 1 million square miles.

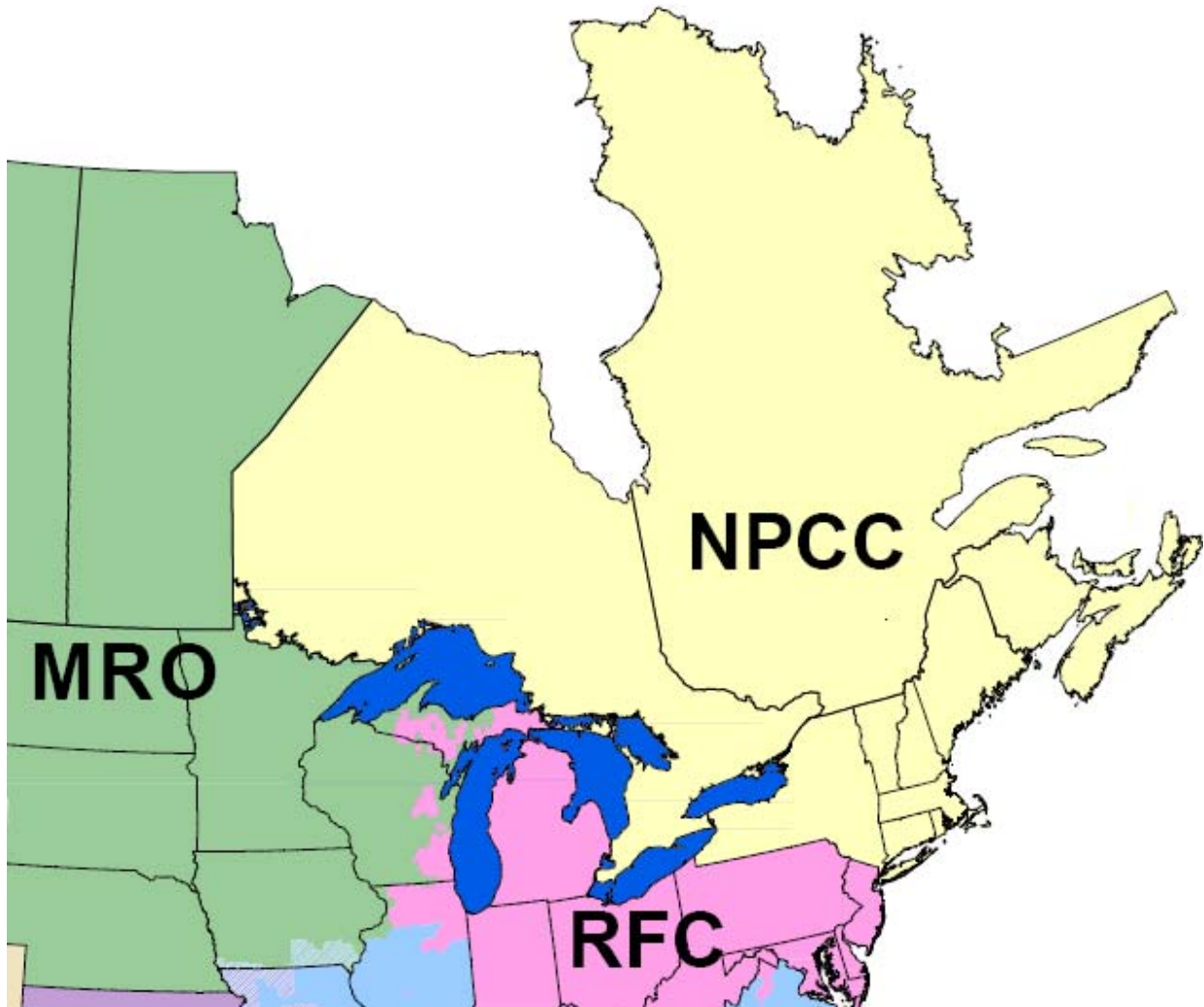


Exhibit B – Governance

Exhibit B shall set forth the Regional Entity’s bylaws, which NERC agrees demonstrate that the Regional Entity meets the following criteria:

CRITERION 1: The Regional Entity shall be governed by an independent board, a balanced stakeholder board, or a combination independent and balanced stakeholder board. (Federal Power Act § 215(e)(4)(A), 18 C.F.R. § 39.8(c)(1), Order No. 672 at ¶ 727.)

CRITERION 2: The Regional Entity has established rules that assure its independence of the users and owners and operators of the bulk power system, while assuring fair stakeholder representation in the selection of its directors. Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶¶ 699, 700.)

CRITERION 3: If the Regional Entity has members, the Regional Entity has established rules that assure that its membership is open, that it charges no more than a nominal membership fee and agrees to waive the fee for good cause shown, and that membership is not a condition for participating in the development of or voting on proposed Regional Reliability Standards. (Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶¶ 170-173.)

CRITERION 4: The Regional Entity has established rules that assure balance in its decision-making committees and subordinate organizational structures and assure no two industry sectors can control any action and no one industry sector can veto any action. (Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶ 728.)

CRITERION 5: The Regional Entity has established rules that provide reasonable notice and opportunity for public comment, due process, openness, and balance of interests in exercising its duties. (Federal Power Act § 215(c)(2)(D) and (e)(4), 18 C.F.R. § 39.8(c)(2).)



**AMENDED AND RESTATED BYLAWS
OF
NORTHEAST POWER COORDINATING COUNCIL, INC.**
(a New York not-for-profit corporation)

Adopted on May 18, 2006

Amended on July 24, 2007

and April 15, 2011

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AMENDED AND RESTATED BYLAWS

OF

NORTHEAST POWER COORDINATING COUNCIL, INC.

(a New York not-for-profit corporation)

ARTICLE I - DEFINITIONS

1.1 Definitions. As used herein, the following terms have the respective meanings set forth below:

“*Affiliate*” means, with respect to any entity, any other entity that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such entity, as determined in the sole discretion of the Board. For this purpose, “control” may be presumed by the direct or indirect ownership of ten percent (10%) or more of the outstanding voting capital stock or other equity interests having ordinary voting power. Notwithstanding the foregoing, “Affiliate” excludes any entity wholly-owned or controlled by a Canadian Provincial government.

“*Board*” means the Board of Directors of NPCC.

“*Board Chair*” means the independent non-executive chairman of the Board who is retained by NPCC pursuant to a separate Board-approved agreement.

“*Bulk Power System*” shall have the meaning in the United States set forth in Section 215 of the Federal Power Act, as amended (16 U.S.C. § 824 et seq.), and such meaning in Canada as is consistent with applicable Provincial regulatory and/or governmental authority determinations.

“*Bylaws*” means these Amended and Restated Bylaws of NPCC, as approved by the Members of NPCC on [_____], 2011 and effective as of [_____], 2011.

“*Certificate of Incorporation*” means the Certificate of Incorporation of NPCC filed with the Secretary of State of the State of New York, as may be amended from time to time.

“*FERC*” means the Federal Energy Regulatory Commission.

“*Hearing Body*” means a group comprising the Hearing Officer and two (2) Independent Directors (excluding the Board Chair) which has been authorized by NPCC to conduct and render decisions in a formal compliance hearing of any entity registered in the NERC compliance registry who is the subject of a notice of alleged violation, proposed penalty or sanction, contested mitigation plan or contested remedial action directive.

“*Hearing Officer*” means an individual employed or contracted by NPCC and designated by NPCC to preside over formal compliance hearings.

“*Independent Director*” means a director who satisfies the “independence” criteria in Section 6.7(b) and serves in Sector 8 (*Independent Directors*) of the Board.

“*NERC*” means the North American Electric Reliability Corporation, or any successor entity, which has been certified by FERC as the ERO pursuant to Section 215 of the Federal Power Act, as amended (16 U.S.C. § 824 et seq.).

“*Northeastern North America*” means the geographical area within the perimeter border enclosing the State of New York, the six New England States of the United States, and the Canadian Provinces of Ontario, Québec, New Brunswick and Nova Scotia, including any radial load or generation connecting to these systems.

“*NPCC*” means Northeast Power Coordinating Council, Inc., or any successor entity.

“*Stakeholder Director*” means a director who serves in one of the seven (7) stakeholder sectors of the Board described in Section 4.4.

1.2 Additional Defined Terms. Terms not defined in these Bylaws shall have the definitions set forth in the Federal Power Act, Part 39 of the regulations of the FERC, as further clarified in FERC’s April 19, 2007 Order 119 FERC ¶ 61,060, and if not defined in any of those sources, shall be defined in accordance with their commonly understood and used technical meanings in the electric power industry, including applicable codes and standards.

ARTICLE II - OFFICES

2.1 Principal Office. The principal office of NPCC shall be located in New York County, State of New York.

ARTICLE III - PURPOSE

3.1 Not-for-Profit Corporation. NPCC is operated as a New York not-for-profit corporation and is organized pursuant to the Not-for-Profit Corporation Law of the State of New York (“*N-PCL*”).

3.2 Purpose. The purpose of NPCC is to promote and enhance the reliable and efficient operation of the international, interconnected Bulk Power System in Northeastern North America through (i) the development of Regional Reliability Standards and compliance assessment and enforcement of continent-wide and Regional Reliability Standards, coordination of system planning, design and operations, and assessment of reliability, pursuant to an agreement with the Electric Reliability Organization (“*ERO*”) which designates NPCC as a Regional Entity and delegates authority from FERC, and by Memoranda of Understanding with applicable Canadian Provincial regulatory and/or governmental authorities (collectively, “*Regional Entity activities*”), and (ii) the establishment of regionally-specific reliability criteria, and the monitoring and enforcement of compliance with such criteria (collectively, “*Criteria Services activities*”). In the development of regionally-specific reliability criteria, NPCC, to the extent possible, facilitates the attainment of fair, effective and efficient competitive electric markets.

ARTICLE IV - MEMBERSHIP

4.1 List of Members. The Members of NPCC are listed on Schedule A attached hereto.

4.2 Eligibility. Upon suitable application describing the nature and activities of the applicant, additional entities shall be accepted by the Board as Members in the appropriate categories, defined as follows:

- (1) **General Membership** is voluntary and is open to any person or entity, including any entity participating in the Registered Ballot Body of the ERO that has an interest in the reliable operation of the Northeastern North American Bulk Power System. General Members that are also registered entities within the NPCC Region are subject to compliance with reliability standards, consistent with their registration, and are also entitled to receive additional services from the Regional Entity division of NPCC.
- (2) **Full Membership** shall be available to entities which are General Members that also participate in electricity markets in the international, interconnected bulk power system in Northeastern North America. Independent system operators (“*ISOs*”), regional transmission organizations (“*RTOs*”), Transcos and other organizations or entities that perform the Balancing Authority function operating in Northeastern North America are expected to be Full Members of NPCC. The New York State Reliability Council and any other sub-regional reliability councils which may be formed are also expected to be Full Members. Full Members are subject to compliance with regionally-specific more stringent reliability criteria for their generation and transmission facilities on which faults or disturbances can have a significant adverse impact outside of the local area and which are identified utilizing a reliability impact-based methodology. Full Members are also subject to compliance with reliability standards, and are entitled to receive additional services from the Criteria Services division of NPCC.

4.3 Application as a Member.

(a) Any person or entity that is eligible to become a Member of NPCC in accordance with Section 4.2 may become either a General Member or a Full Member by completing and submitting to NPCC a membership application on a form prescribed by the Board. Any person or entity that applies to NPCC as a Member shall comply with the conditions and obligations of membership specified in these Bylaws. As an additional condition of membership in NPCC, each person or entity registering as a Member shall execute an agreement with NPCC, in a form to be specified by the Board, that such person or entity will hold harmless all Directors, officers, employees and agents of NPCC, as well as volunteers participating in good faith in the activities of NPCC, to the extent permitted by U.S. Federal or Canadian Provincial laws, rules and regulations, for any injury or damage caused by any act or omission of any Director, officer, employee, agent or volunteer in the course of performance of his or her

duties on behalf of NPCC, other than for acts of gross negligence, intentional misconduct or a breach of confidentiality.

(b) If not a natural person, the Member shall designate a representative and an alternate representative with authority to receive notices, cast votes, execute waivers and consents, and enter into binding agreements on behalf of the Member. NPCC shall maintain a current roster of the Members of NPCC, including each Member's designated representative and alternate representative. From time to time, the Board may establish a date by which Members shall submit their application renewals. All Members shall confirm their applications within thirty (30) calendar days of the date of receipt of request by NPCC, using an application renewal form prescribed by the Board. Any Member that has not submitted an application renewal within thirty (30) calendar days following the date established by the Board shall be removed from the NPCC roster. NPCC shall notify any Member that is removed from the roster of Members of such removal, by written notice sent to such former Member's last known address on the records of NPCC.

4.4 Voting. Members are eligible to vote in one of the seven (7) stakeholder voting sectors described below:

Sector (1). Transmission Owners: This voting sector shall consist of any entity within Northeastern North America that owns at least 200 circuit miles of integrated transmission facilities, or has an Open Access Transmission Tariff or equivalent on file with the FERC or the appropriate regulatory or governmental authority. This sector includes transmission owners that have placed their transmission under the operational control of an ISO/RTO, independent transmission companies and merchant transmission owners/developers.

Sector (2). Reliability Coordinators: This voting sector shall consist of any entity within Northeastern North America certified as a Reliability Coordinator.

Sector (3). Transmission Dependent Utilities (“TDUs”); Distribution Companies and Load-Serving Entities (“LSEs”). This voting sector shall consist of entities within Northeastern North America that are:

- (a) Entities with a regulatory contract, or other legal obligation to serve wholesale aggregators or end-use customers, and that depend primarily on the transmission systems of third parties to provide this service;
- (b) Agents or associates that represent groups of TDUs;
- (c) Electric distribution companies;
- (d) Entities serving end-use customers under a regulated tariff, a contract governed by a regulatory tariff, or other legal obligation to serve; or

- (e) Members of a generation and transmission (“G&T”) cooperative or a joint-action agency permitted to designate the G&T or joint action agency to represent such entities in this sector.

Sector (4). Generator Owners: This voting sector shall consist of entities within Northeastern North America that are affiliated and/or independent generators.

Sector (5). Marketers, Brokers and Aggregators: This voting sector shall consist of entities within Northeastern North America that are:

- (a) Entities providing energy to end-use customers under a power marketing agreement or other authorization not classified as a regulated tariff;
- (b) Entities that buy, sell, or broker energy and related services for resale in wholesale or retail markets, whether a non-jurisdictional entity operating within its charter or an entity licensed by a jurisdictional regulator; or
- (c) Generation and transmission cooperatives and joint-action agencies that perform an electricity broker, aggregator, or marketer function.

Sector (6). State and Provincial Regulatory and/or Governmental Authorities. This voting sector shall consist of State and Provincial regulatory or governmental authorities within Northeastern North America.

Sector (7). Sub-Regional Reliability Councils, Customers, Other Regional Entities and Interested Entities: This voting sector shall consist of:

- (a) Any entity within Northeastern North America authorized by an appropriate regulatory and/or governmental authority to be a Sub-Regional Reliability Council;
- (b) Entities or customers that take delivery of energy that is not purchased for resale within Northeastern North America;
- (c) Agents or associations representing groups of large end users within Northeastern North America;
- (d) Agents, state consumer advocates, or other advocate groups representing groups of small customers within Northeastern North America;
- (e) Any other delegated Regional Entity; or
- (f) Any person or entity, including any entity participating in the Registered Ballot Body of the ERO, that has an interest in the

reliable operation of the bulk power system in Northeastern North America.

4.5 Assignment to Voting Sector. A new applicant for membership shall request to be assigned to a stakeholder voting sector, subject to Board approval. An applicant may request to be assigned to any stakeholder voting sector so long as membership in that stakeholder voting sector is consistent with the applicant's business or other activities within the NPCC region. Multiple memberships of separate business functions of an entity are permitted, with each business function assigned to the appropriate separate sector. Each such business function may designate its own representative and alternate, however, no representative and alternate can represent more than one business function of an entity in a stakeholder voting sector. A consultant, attorney, agent, vendor, trade or industry association, state, provincial or local consumer advocate organization that provides services to or otherwise represents the interests of the Members of one or more stakeholder voting sectors may elect to be assigned to one such stakeholder voting sector subject to Board approval. Entities may request to change their stakeholder voting sector designation during an Annual Meeting of Members of NPCC, subject to Board approval.

4.6 Term of Membership. Membership in NPCC shall be retained so long as a Member meets its respective qualifications, obligations, and conditions of membership as set forth in this Article IV.

ARTICLE V - ORGANIZATION OF NPCC

5.1 Member Representatives. Each Member shall designate a senior executive level representative and an alternate representative with full authority to act on its behalf in carrying out the work of NPCC.

5.2 Board of Directors. The business and affairs of NPCC shall be managed under the direction of the Board.

5.3 Officers. The officers of NPCC shall consist of a President and Chief Executive Officer (CEO), a Secretary and a Treasurer, with assistants as appropriate, and such additional officers as may be approved by the Members. Officers, except for the President and CEO, shall hold office for one (1) year or until the next Annual Meeting of Members of NPCC and until their successors are duly elected and qualified.

5.4 President and CEO. NPCC shall employ a President and CEO and staff, as required, to carry out NPCC's mission and to perform the functions of NPCC. The President and CEO shall be appointed by the Board and shall serve at the Board's discretion. In the event of a vacancy in the presidency, the Board shall appoint an interim President and CEO who shall serve until such time as the Board appoints a new President and CEO. The authority and responsibilities of the President and CEO shall be defined by the Board.

5.5 Vacancies.

(a) In the event a vacancy occurs in the Board, or in the office of Co-Vice Chair, Secretary, or Treasurer in the interim between Annual Meetings of Members of NPCC,

the Board Chair may designate (i) a person from the same stakeholder voting sector to fill such vacancy with the approval of a majority vote of the Directors, or (ii) in the case of a vacancy in the office of the Secretary or Treasurer, from outside of NPCC to fill such vacancy with the approval of a majority vote of the Directors.

(b) In the event a vacancy occurs in the office of Board Chair in the period between Annual Meetings of Members of NPCC, the Board may fill such vacancy by a two-thirds (2/3) affirmative majority of the weighted sector votes, with each Director casting one (1) vote within the applicable sector, at a meeting of the Board at which a quorum is present. The term of office of the persons designated to fill any such vacancy shall expire on the date of the next subsequent Annual Meeting of Members of NPCC. The authority and responsibilities of the Board Chair shall be defined by the Board and set forth in a separate agreement approved by the Board.

5.6 NPCC Activities. NPCC engages in (i) Regional Entity activities which are conducted by its Regional Entity division, and (ii) Criteria Services activities which are conducted by its Criteria Services division.

ARTICLE VI - BOARD OF DIRECTORS

6.1 Hybrid Board.

(a) The Board shall consist of fourteen (14) Stakeholder Directors, two (2) Independent Directors, an independent Board Chair and the President and CEO.

(b) While serving on the Board, the President and CEO shall not be entitled to vote on any Board matters.

(c) Two (2) Co-Vice Chairs from different voting sectors on the Board shall be selected by the Directors and approved by a vote of the entire membership. In the temporary absence of the Board Chair, a Vice Chair designated by a two-thirds (2/3) vote of the Directors shall perform the duties of the Board Chair. The Co-Vice Chairs shall retain the voting rights that they otherwise held by virtue of serving as a Director.

6.2 Term and Compensation.

(a) The term of office of each Stakeholder Director shall be two (2) years. Initial terms of Stakeholder Directors shall be staggered by the Board so that these Board members serve initial terms of one (1) or two (2) years. There shall be no limit on the number of terms which may be served by any Stakeholder Director. Stakeholder Directors shall serve without compensation, including when performing duties of a Co-Vice Chair.

(b) The term of office of each Independent Director shall be two (2) years. Independent Directors may serve up to three (3) terms for a maximum of six (6) years. Each Independent Director shall be entitled to receive compensation as the Board may from time to time determine in its sole discretion.

(c) The term of office of the Board Chair shall be two (2) years, with no limitations on the number of terms that may be served. Compensation arrangements of the Board Chair shall be contained in a separate written agreement approved by the Board.

6.3 Powers and Duties.

(a) The Board shall develop NPCC policies, direct the activities of NPCC, accept additional entities as Members, review and approve or modify Member voting sector assignment, and make assignments to the committees of NPCC. The Board shall (i) approve a Regional Delegation Agreement, and any amendments thereto, with the ERO that delegates authority from FERC and any additional agreements with appropriate Canadian Provincial regulatory and/or governmental authorities, (ii) approve and oversee NPCC's Regional Reliability Standards Development Process and submit Regional Standards to the ERO for adoption by FERC and appropriate Canadian Provincial regulatory and/or governmental authorities, (iii) approve the NPCC Compliance Monitoring and Enforcement Program and oversee the assessment and enforcement of mandatory compliance with Reliability Standards consistent with the Regional Delegation Agreement and agreements with Canadian Provincial regulatory and/or governmental authorities, and (iv) oversee NPCC's assessment and enforcement of mandatory compliance with regionally-specific more stringent reliability criteria through administration of the NPCC Reliability Compliance and Enforcement Program. The duties of the Board shall also include consideration and resolution of budgetary matters, including the levying of any special assessments and the determination of any annual membership fee for Full Members. Notwithstanding the foregoing, the Board may not amend these Bylaws or establish, modify or eliminate any of NPCC's Regional Reliability Standards or regionally-specific more stringent reliability criteria; nor may the Board add, modify, or eliminate voting sectors established pursuant to these Bylaws.

(b) To carry out the purposes of NPCC, the Board, acting through the President and CEO and NPCC staff, shall enlist such personnel from Members as may be necessary; and, within the limits of the annual budget, may employ such personnel, incur such administrative expenses, and retain such independent professional consulting services for NPCC and the committees of NPCC as it may deem desirable.

6.4 Board Composition. The Board shall consist of an independent Board Chair, the President and CEO, such officers as shall from time to time be determined by the Board, and Directors in eight (8) voting sectors comprising seven (7) stakeholder sectors and one (1) independent sector, as described below:

Sector (1). Transmission Owners (Maximum of 2, with no more than 1 per Balancing Authority Area)

Sector (2). Reliability Coordinators (Maximum of 2)

Sector (3). Transmission Dependent Utilities (“*TDU*s”); Distribution Companies and Load-Serving Entities (“*LSE*s”) (Maximum of 2)

Sector (4). Generator Owners (Maximum of 2)

Sector (5). Marketers, Brokers and Aggregators (Maximum of 2)

Sector (6). Regulators (Maximum of 2)

Sector (7). Sub-Regional Reliability Councils, Customers, Other Regional Entities and Interested Entities (Maximum of 2)

Sector (8). Independent Directors (Maximum of 2)

6.5 Quorum and Voting Requirements for the Board.

(a) At any meeting of the Board, attendance in person or by proxy by at least one-half (1/2) of the Stakeholder Directors in each of at least sixty percent (60%) of the stakeholders sectors and at least one (1) Independent Director shall constitute a quorum. Except as otherwise expressly provided in NPCC's Certificate of Incorporation, these Bylaws or applicable law, actions by the Board shall be approved upon receipt of a two-thirds (2/3) affirmative majority of the weighted sector votes, with each Director casting one (1) vote within the applicable sector, at a meeting of the Board at which a quorum is present. The Board Chair shall also be entitled to cast one (1) vote during any meeting of the Board at which a quorum is present to prevent any deadlock. The following process shall be used to determine if there are sufficient affirmative votes:

- The number of votes cast is the sum of affirmative and negative votes, excluding abstentions.
- The number of affirmative votes cast in each voting sector will be divided by the sum of affirmative and negative votes cast in that voting sector to determine the fractional affirmative vote for each voting sector. Abstentions will not be counted for the purposes of determining the fractional affirmative vote for a voting sector.
- The sum of the fractional affirmative votes from all sectors divided by the number of sectors voting will be used to determine if a two-thirds (2/3) affirmative majority has been achieved. A sector will be considered as "voting" if any Director of the sector casts either an affirmative or a negative vote.

(b) An action of the Board will be approved if the sum of fractional affirmative votes from all sectors divided by the number of voting sectors is at least two-thirds (2/3).

6.6 Board Action Without Meeting. Any action required, or permitted to be taken at a meeting of the Board, may be taken without a meeting if the action is taken by all members of the Board. The action must be evidenced by one or more written consents (which may be in electronic form) describing the action taken, signed by each Director, and included in the minute book of NPCC. Any action taken under this Section 6.6 shall be deemed effective when the last Director signs the consent, unless the consent specifies a different effective date.

6.7 Election and Removal of Directors.

(a) The Initial Board shall be the persons named in the Certificate of Incorporation and shall serve until the first Annual Meeting of the Members. The Initial Board shall nominate a list of Stakeholder Directors consistent with the Board composition requirements set forth in Bylaws at such time. At the first meeting of the Members, the Members from each sector shall vote to elect the Stakeholder Directors in their respective sector. Stakeholder Directors shall be elected by a vote of the majority of the Members in the respective stakeholder sector. No stakeholder sector shall elect more than two Stakeholder Directors in such sector. No Member or any Affiliate of a Member may designate more than one (1) Stakeholder Director to represent such Member or Affiliate. Stakeholder Director candidates will be selected in accordance with the Rules of Procedure set forth in Schedule B.

(b) Individual Members may nominate an Independent Director candidate by petition. Each petition shall present only one Independent Director candidate who has met requirements in the Rules of Procedure set forth in Schedule B. Petitions shall be received by the Corporate Governance and Nominating Committee on a date set by the committee. The names on the petition shall reflect at least ten percent (10%) of the Members of NPCC as of January 1 of the year in which the election is to be held. Upon receipt of a valid petition, the Corporate Governance and Nominating Committee shall add the petitioned candidate's name to the slate of director nominees to be presented to the Members for approval at the Annual Meeting of Members.

(c) Independent Directors shall be nominated in accordance with the Rules of Procedure set forth in Schedule B and recommended by the Board to the Members for consideration and approval. In order to contribute to the effective functioning of the Board and NPCC, Independent Directors will be drawn from diverse backgrounds and will possess a broad range of industry expertise, perspectives, experiences, skill sets and knowledge. An individual is eligible to serve as an Independent Director if such individual (i) is not an officer or employee of NPCC, (ii) is not an officer, director or employee of a Member, (iii) is not an officer, director or employee of any entity that would reasonably be perceived as having a direct financial interest in the outcome of Board decisions, and (iv) does not have a relationship that would interfere with the exercise of independent judgment in performing the responsibilities of a director. Independent Directors shall be elected by an affirmative vote of the majority of the Members present at a meeting where a quorum exists.

(d) A Stakeholder Director may be removed for cause by at least two-thirds (2/3) of the Members in their respective sector at a regular meeting of the Members or at a special meeting called for that purpose; *provided* that there is a quorum of that sector's Members present at that meeting; and *provided, further*, that there is a quorum of not less than a majority present at the meeting of Directors at which such action is recommended.

(e) An Independent Director may be removed for cause by the affirmative vote of at least two-thirds (2/3) of the Directors present at a meeting called for that purpose; *provided* that there is a quorum of not less than ten (10) Directors present at the meeting of Directors at which such action is taken.

(f) For purposes of Section 6.7(d) and (e), grounds for removal “for cause” include, but are not limited to, failure to adequately perform Board duties and committee responsibilities, a felony conviction, misappropriation of funds, mental incapacity, and misconduct. In accordance with the N-PCL, an action to procure a judgment removing any Director for cause may also be brought by the Attorney-General of the State of New York.

6.8 Indemnification. Subject to the limitation set forth in Section 6.9 below, NPCC shall indemnify its Directors, officers, employees and other corporate agents, including volunteers participating in good faith in the activities of NPCC and persons serving on duly constituted committees of NPCC (collectively, “NPCC Indemnitees”), in each case, to the full extent from time to time permitted by the N-PCL and other applicable law. Such right of indemnification shall inure to the benefit of the legal representative of any NPCC Indemnitee. The foregoing right of indemnification shall be in addition to, and not in restriction or limitation of, any right such NPCC Indemnitee may have under applicable law (including the N-PCL).

6.9 Limitation on Indemnification. The maximum amount of losses (*i.e.*, damages, judgments, fines, penalties, liability, costs and expenses, including reasonable attorneys’ fees and expenses) for which NPCC will be obligated to indemnify the NPCC Indemnitees under Section 6.8 will be the policy limit of directors and officers’ (“D&O”) liability insurance set forth in the D&O insurance policy maintained by NPCC.

ARTICLE VII - COMMITTEES AND HEARING BODY

7.1 Number of Committees. NPCC shall have such committees, subcommittees, task forces and other groups as the Board may deem appropriate, including a Regional Standards Committee (RSC), a Compliance Committee (CC), a Reliability Coordinating Committee (RCC), NPCC’s principal technical committee), a Public Information Committee (PIC) and a Finance and Audit Committee (FAC).

7.2 Finance and Audit Committee. The Finance and Audit Committee shall be comprised of at least three (3) members of the Board and shall include one (1) Director which shall be designated a finance and audit committee financial expert by the Board. A chairperson of the Finance and Audit Committee shall be designated by the Board from among the members of the committee.

7.3 Committee Structure. Committee members shall be nominated and approved by the Board in accordance with guidelines established by the Board. Quorum and voting rules applicable to the Board shall also apply to voting on any such NPCC decision making committees, unless otherwise determined by the Board. Each committee shall establish a charter or scope of work, which shall be presented to the Board for approval.

7.4 Hearing Body. The Hearing Body shall conduct all compliance proceedings in accordance with the hearing procedures set forth in the NERC Hearing Procedure.

ARTICLE VIII - MEMBERS’ VOTING RIGHTS

8.1 Quorum and Voting Requirements for Meetings of Members.

(a) At any meeting of the Members of NPCC, attendance in person or by proxy by one-half (1/2) of the Members in each of at least sixty percent (60%) of the stakeholder voting sectors on the roster of Members maintained by NPCC shall constitute a quorum. Except as otherwise expressly provided in NPCC's Certificate of Incorporation, these Bylaws or applicable law, actions by the Members of NPCC shall be approved upon receipt of a two-thirds (2/3) affirmative majority vote of the sectors at a meeting of the Members of NPCC at which a quorum is present, where (i) each Member shall have one (1) vote within a sector, except that if less than one-half (1/2) of the Members in a sector are present, in person or by proxy, at the meeting, the vote of that sector shall be weighted by a percentage equal to the number of Members of the sector present in person or by proxy at the meeting divided by one-half (1/2) of the Members in the sector; (ii) the vote of each sector of NPCC shall be allocated for and against the proposed action based on the respective percentages of votes cast for and against the proposed action by the Members in that sector voting in person or by proxy; and (iii) the proportions of the votes of each sector allocated for and against the proposed action shall be summed to determine the total number of votes for and against the proposed action.

(b) The following process shall be used to determine if there are sufficient affirmative votes:

- The number of votes cast will be the sum of affirmative and negative votes, excluding abstentions.
- The number of affirmative votes cast in each sector will be divided by the sum of affirmative and negative votes cast to determine the fractional affirmative vote for each sector. Abstentions will not be counted for the purposes of determining the fractional affirmative vote for a sector.
- The sum of the fractional affirmative votes from all sectors divided by the number of sectors voting will be used to determine if a two-thirds (2/3) affirmative majority has been achieved. (A sector will be considered as "voting" if any Member of the sector casts either an affirmative or a negative vote.)

8.2 Waivers of Notice of Meetings of Members; Member Meeting Adjournments. Notice of a Meeting of Members need not be given to any Member who signs a waiver of notice, in person or by proxy, whether before or after the meeting. The attendance of any Member at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice of the meeting by such Member. When any Meeting of Members is adjourned to another time or place, it shall not be necessary to give notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken, and if at the adjourned meeting only such business is transacted as might have been transacted at the original meeting.

8.3 Actions Without a Meeting of Members. Any action, required or permitted to be taken at a Meeting of Members, may be taken without a meeting if the action is consented to in writing by the minimum number of Members that would be required to approve the action at a Meeting of Members at which all Members were present. The call for action without a Meeting

of Members may be initiated by the Board Chair or by a number of Members constituting at least ten percent (10%) of the Members on the roster of Members maintained by NPCC, which number shall include Members in at least four (4) of the voting sectors. Notice of the proposal for action without a meeting shall be provided to all Members on the roster of Members maintained by NPCC at least seven (7) days prior to the date established for the tabulation of consents. The Members shall receive written notice of the results within fourteen (14) days of the action vote, and all written responses of the Members shall be filed with the minutes of proceedings of Members.

8.4 Meeting of Members to be Open. Notice to the public of the dates, places, and times of Meetings of Members, and all non-confidential material provided to the Members, shall be posted on NPCC's web site at approximately the same time that notice is given to the Members. Meetings of Members shall be open to the public, subject to reasonable limitations due to the availability and size of meeting facilities; *provided* that the meeting may be held in or adjourn to closed session to discuss matters of a confidential nature, including, but not limited to, personnel matters, compliance and enforcement matters, litigation, or commercially sensitive or critical energy infrastructure information of any entity.

8.5 Electronic Voting. Upon completion of applicable processes that permit parties to comment on the subject issue(s), electronic voting on matters before the Members, Board or any committee is permitted. A quorum will be determined to exist for purposes of conducting an electronic vote when NPCC receives completed ballots from two-thirds (2/3) of the total number of outstanding ballots. In the event that a quorum exists for purposes of an electronic vote but the matter has not been resolved, NPCC may continue to solicit additional responses in order to resolve the matter by electronic voting. In the event that quorum has not been achieved for purposes of an electronic vote, NPCC may continue to solicit electronic ballots, including abstentions, to obtain quorum and resolve the matter.

ARTICLE IX - MEMBERS' RIGHTS AND OBLIGATIONS, AND ORGANIZATIONAL PROCESS

9.1 Members' Rights and Obligations. All General and Full Members shall have the following rights and obligations:

- (1) Rights:
 - (a) Attendance at all meetings of the general membership of NPCC; and, subject to procedures established by the committees and to the terms of applicable confidentiality agreements, attendance at meetings of NPCC's committees, task forces and any other such NPCC groups.
 - (b) Access to minutes of each committee, subcommittee, task force or any other NPCC group, subject to procedures established by the committees and to the terms of applicable confidentiality agreements.
 - (c) Vote to amend these Bylaws in accordance with Section 19.1.

- (d) Vote to establish, modify or eliminate NPCC Regional Reliability Standards and programs.
 - (e) For Full Members only: Vote to establish, modify or eliminate NPCC's regionally-specific more stringent reliability criteria.
- (2) Obligations:
- (a) Each Member shall agree, in writing, to accept the responsibility to promote, support, and comply with the purposes and policies of NPCC as set forth in its Certificate of Incorporation and Bylaws as from time to time adopted, approved or amended.
 - (b) Each Member acknowledges that it has the responsibility to plan and design its bulk power system and conduct its operations, consistent with its registration, in compliance with ERO Reliability Standards, Regional Reliability Standards and Regional Variances consistent with applicable laws, regulations, permits and licenses.
 - (c) Each Member agrees to submit such data and reports as required by NPCC in order to perform compliance enforcement obligations delegated to it by the ERO, subject to established procedures and to the terms of applicable confidentiality agreements.
 - (d) In addition, each Full Member shall:
 - (i) plan and design its generation and transmission facilities on which faults or disturbances can have a significant adverse impact outside of the local area, as identified utilizing a reliability impact-based methodology, in compliance with criteria, guides and procedures established by NPCC and applicable ERO Standards;
 - (ii) conduct its operations in compliance with criteria, guides and procedures established by NPCC and applicable ERO Standards, and consistent with applicable laws, regulations, permits and licenses;
 - (iii) assure that, whenever it enters into arrangements with non-members which could have an impact on the reliability of the international, interconnected Bulk Power System in Northeastern North America, the arrangements will not adversely impact the ability of the Full Members to comply with regionally-specific more stringent reliability criteria established by NPCC, ERO Standards, or the criteria of regional reliability organizations established in areas in which the facilities used for such arrangements are located;

- (iv) notify NPCC of its existing facilities and operating procedures and of its plans for major additions or modifications affecting the operation of the interconnected systems; and shall report to NPCC any decision as to significant alterations or changes proposed for their respective electric systems, whether in generation, transmission, inter-system communication or control and protective equipment, or in operating procedures; such report to be submitted promptly and, except in cases of emergency, before final commitments are undertaken or changes in operating procedures become effective;
- (v) promptly notify NPCC and all other Members in writing or electronically if its generation and transmission facilities on which faults or disturbances can have a significant adverse impact outside of the local area, as identified utilizing a reliability impact-based methodology, are not being designed or operated, or its operations are not being conducted, in compliance with criteria, guides, and procedures established by NPCC, stating its reasons, and providing its plan and schedule to achieve compliance;
- (vi) submit such data and reports as required by the Reliability Compliance and Enforcement Program and to abide by the compliance assessments and sanctions prescribed by NPCC's enforcement procedures, subject to Alternative Dispute Resolution; and
- (vii) undertake and perform the administrative and financial obligations described in Article XIII of these Bylaws.

9.2 Standards Development Procedure. NPCC shall develop a Regional Reliability Standards Development Procedure that provides the design-basis approach to a consensus building process by which NPCC may develop Regional Reliability Standards and Regional Variances to be proposed to the ERO for adoption, under delegated authority by the FERC and the Canadian Provincial regulatory and/or governmental authorities.

9.3 Procedures for Enforcing Compliance with Reliability Standards. Where regulatory approval has been obtained or governmental authority has been provided, upon the determination of NPCC compliance staff and verification by the President and CEO that a user, owner or operator of the Bulk Power System has violated a reliability standard, NPCC shall enforce compliance for such violation, pursuant to procedures and processes that shall be specified in the NERC Compliance Monitoring and Enforcement Program. Such procedures and processes shall provide for reasonable notice and opportunity for hearing. Any sanction imposed for a violation of a Reliability Standard shall bear a reasonable relation to the seriousness of the violation and shall take into consideration circumstances surrounding the violation and efforts of the owner, operator, or user of the Bulk Power System to remedy the violation in a timely

manner. Subject to any necessary action by any applicable governmental authorities, no sanction imposed for a violation of a reliability standard shall take effect (i) until the thirty-first (31st) day after NPCC, where authorized by law or agreement, files with the FERC or other applicable Canadian Provincial regulatory and/or governmental authorities notice of the sanction and the record of the proceedings in which the violation and sanction were determined, or (ii) such other date as ordered by the FERC or other applicable Canadian Provincial regulatory and/or governmental authorities or as prescribed by applicable law.

ARTICLE X - FULL MEMBERS: ENFORCEMENT OF MANDATORY COMPLIANCE WITH REGIONALLY-SPECIFIC CRITERIA

10.1 Compliance Enforcement. Subject to approval of the Full Members, NPCC shall establish an NPCC Reliability Criteria Compliance and Enforcement Program, including matrices for measuring compliance, levying non-monetary sanctions, and developing procedures for Alternative Dispute Resolution. Such program shall be administered by the Board. The Reliability Coordinating Committee, with the full cooperation of each Member, shall expeditiously evaluate, as appropriate, alterations or measures designed to correct any assessed non-compliance and shall report such studies to the Board.

ARTICLE XI - MEETINGS

11.1 Meetings. Meetings of NPCC may be held on such dates as the Board may from time to time determine and shall be held in such places as the Board may from time to time designate. Special meetings may be called from time to time by the Board Chair, the Board or by a number of Members constituting at least ten percent (10%) of the Members on the roster of Members maintained by NPCC, which number shall include Members in at least four (4) of the voting sectors. Except as provided in Section 19.1, notice of all meetings, stating the time and place, shall be given by NPCC in writing to each Member by issuing the notice at least one (1) week prior to the date of the meeting. The Secretary, Assistant Secretary, or, in their absence, a secretary *pro tempore* designated by the Board Chair or the President and CEO, shall keep the records of NPCC meetings.

11.2 Proxies. When appropriate, Members, Directors and committee members may appoint a proxy, consistent with NPCC proxy procedures, to vote or otherwise act for such Member, Director or committee member at any meeting. Such participation by proxy shall constitute attendance for purposes of quorum requirements.

11.3 Action by Remote Communication. A meeting among the Members or the Board by means of a communication through which the participants may simultaneously hear each other during the conference shall constitute a meeting of the Members or the Board, as the case may be, if the same notice is given of the conference as would be required for a meeting and if the number of persons participating in such conference constitute a quorum. Participation in any meeting by this means shall constitute personal presence at such meeting.

ARTICLE XII - BUDGET

12.1 Annual Budget. The Board shall prepare or cause to be prepared an annual budget for the administrative and other expenses of NPCC, including the expenditures for the

fiscal year for any material special projects undertaken by NPCC and reasonable and proper reserves and provisions for contingencies, an accompanying business plan for NPCC, and a funding mechanism including any supplemental funding mechanism, for each fiscal year. The annual budget, business plan, and funding mechanism of NPCC shall be developed in the form and format and on the schedule stipulated by the ERO for a fiscal year commencing on January 1 and ending on December 31. Each annual budget, business plan, and funding mechanism shall be approved by the Board at a regular meeting or a special meeting of the Board duly called for that purpose. The Board shall approve each annual budget, business plan, and funding mechanism on or before the date stipulated by the ERO during the year prior to the start of the fiscal year in order to allow for timely submittal of the approved annual budget, business plan, and funding mechanism to the FERC and the applicable Canadian Provincial regulatory and/or governmental authorities.

12.2 Budget Remands. If the ERO or a regulatory and/or governmental authority by order remands an annual budget, business plan, or annual, modified, or supplemental funding mechanism, the Board shall promptly address such order through appropriate follow-up measures with the Members and regulatory and/or governmental authorities.

12.3 Criteria Services Budget. Each Full Member shall be notified of the annual administrative expense budget for the Criteria Services division, on or about December 1 of the preceding year.

ARTICLE XIII - FUNDING

13.1 Funding Sources. NPCC's annual administrative expenses, including any special assessments approved by the Board, shall be apportioned and funded as follows:

- A. Funding of NPCC General Member Regional Entity division activities shall be through mechanisms established by the ERO, FERC and applicable Canadian Provincial regulatory and/or governmental authorities.
- B. General Members shall not be assessed an annual membership fee.
- C. Full Members, other than Full Members that perform the Balancing Authority function, shall not be assessed an annual membership fee.
- D. Full Members that perform the Balancing Authority function shall be assessed and pay a proportional share of the expenses for criteria services in proportion to the ratio of the second previous year's Net Energy for Load within the Balancing Authority Area to the aggregate Net Energy for Load within all Balancing Authority Areas in Northeastern North America. NPCC will directly assign Criteria Services division costs to a Balancing Authority Area or entity where significant costs are incurred by NPCC for such Balance Authority Area or entity.
- E. No Full Member shall, without its consent, be responsible for expenses of NPCC in any one calendar year in excess of its assessed portion of the

amount budgeted for the Criteria Services division for that year; *provided, however*, that special assessments may be separately budgeted and their cost allocated by the Board to the Full Members that perform the Balancing Authority function.

ARTICLE XIV - TERMINATION OF MEMBERSHIP AND CESSATION OF CRITERIA SERVICES DIVISION RELIABILITY ACTIVITIES

14.1 Termination. All General Members and Full Members, other than Full Members that perform the Balancing Authority function, may terminate their membership in NPCC at any time upon fifteen (15) days' written or electronic notice without liability to NPCC. A Full Member that performs the Balancing Authority function may terminate its rights and obligations under these Bylaws (other than its obligation to pay its proportionate share of the Criteria Services division expenses of NPCC, including special assessments, if applicable, for the full calendar year within which such termination is effective) at any time upon one (1) year's written notice to the President and CEO; whereupon, it shall cease to be a Full Member of NPCC as of the date such termination is effective. The President and CEO shall promptly inform all Members of receipt of any such notices.

14.2 Cessation of Criteria Services Division Reliability Activities. The Full Members of NPCC may elect by a majority vote to cease Criteria Services division reliability activities.

ARTICLE XV - CONFLICTS OF INTEREST

15.1 Conflicts of Interest Policy. NPCC has developed a Code of Conduct that sets forth NPCC policies with respect to, among other things, conflicts of interest. On an annual basis, Directors shall evidence their compliance with NPCC conflict of interest principles by either: (i) signing an Individual Participant Implementation Agreement and thereby agreeing to comply with NPCC's Code of Conduct to the best of his/her ability; or (ii) agreeing that the execution of a Member Entity Implementation Agreement by the employer of such Director evidences the Director's agreement to be bound by its employer's Code of Conduct when performing NPCC activities. The Board shall establish similar Code of Conduct compliance requirements for NPCC staff and membership personnel participating on committees, task forces, and working groups as appropriate.

ARTICLE XVI - GENERAL

16.1 Member Liability. No Member shall be liable for the failure of any other Member to perform its obligations hereunder.

16.2 No Personal Liability. No NPCC officer, member of the Board or member of any other NPCC committee or group, or employee of NPCC shall be personally liable to NPCC or any member thereof, for damages for breach of any duty owed to NPCC or any member thereof, except for liabilities arising from breach of any duty based upon an act or omission (i) in breach of the duty of loyalty owed to NPCC or any individual member, (ii) not in good faith or involving a knowing violation of law, or (iii) resulting in receipt of an improper personal benefit by such NPCC officer, member of the Board or member of any other NPCC committee or group, or employee of NPCC. Neither the amendment nor repeal of this paragraph, nor the adoption of

any provision of these Bylaws inconsistent with this paragraph, shall eliminate or reduce the protection offered by this paragraph to an NPCC officer, member of the Board or member of any other such NPCC committee or group, or employee of NPCC in respect of any matter which occurred, or any cause of action, suit or claim which, but for this paragraph, would have accrued or arisen, prior to such amendment, repeal, or adoption.

16.3 Binding Nature. Those entities listed as Members on Schedule A and subsequent applicants granted membership in NPCC shall be deemed to have accepted and to be bound by all the terms and conditions of these Bylaws, as adopted on [_____], 2011.

ARTICLE XVII - CONTRACTS, CHECKS, DEPOSITS

17.1 Contracts. The Board may authorize, by resolution, any officer or officers, agent or agents of NPCC, in addition to the officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of NPCC, and such authority may be general or confined to specific instances.

17.2 Checks, Drafts or Orders. All checks, drafts or orders for the payment of money, notes or other evidences of indebtedness issued in the name of NPCC shall be signed by such officer or officers, or agent or agents of NPCC and in such manner as shall from time to time be determined by resolution of the Board. In the absence of such determination by the Board, such instruments shall be signed by the President and CEO.

17.3 Deposits. All funds of NPCC shall be deposited from time to time to the credit of NPCC in such banks, trust companies or other depositories as the Board may select.

ARTICLE XVIII - DISSOLUTION

18.1 Distribution of Assets. Upon dissolution of NPCC, in accordance with paragraph EIGHTH of the Certificate of Incorporation, the remaining assets of NPCC after payment of debts shall be distributed in the manner determined by the Board, provided that (i) no part of the assets shall be distributed to any Director, and (ii) the distribution of assets shall be consistent with the requirements of Section 501(c)(6) of the United States Internal Revenue Code of 1986, as amended.

ARTICLE XIX - AMENDMENT OF BYLAWS

19.1 Amendment of Bylaws. These Bylaws may be modified, amended or repealed by an affirmative vote of two-thirds (2/3) of the Members entitled to vote at a meeting at which quorum is present, or by electronic voting in accordance with Section 8.5. Written notice of the subject matter of the proposed changes to the Bylaws shall be provided, as appropriate, to the Members no less than fourteen (14) nor more than sixty (60) days prior to the date of the meeting of the Members at which the vote is to be taken. Any modification, amendment or repeal of these Bylaws shall be subject to any applicable requirements for filing with or approval by NERC and FERC and other applicable governmental authority.

ARTICLE XX - EFFECTIVE DATE

20.1 Effective Date. These Bylaws shall take effect on [_____], 2011.

SCHEDULE A – MEMBERS OF NPCC

[to be attached]

SCHEDULE B – RULES OF PROCEDURE (SELECTION OF NPCC DIRECTORS)

1. Selection of Director Candidates

In selecting candidates to serve as Stakeholder Directors and Independent Directors on the NPCC Board of Directors ("*Board*"), NPCC's Corporate Governance and Nominating Committee ("*CGNC*") will endeavor to find individuals of high integrity who have a solid record of accomplishment in their chosen fields and who display the independence of mind and strength of character to effectively represent the best interests of NPCC. Candidates will be selected for their ability to exercise good judgment, and to provide practical insights and diverse perspectives. Consistent with its charter, the CGNC is responsible for screening director candidates, establishing criteria for nominees, and recommending a slate of nominees to the Board for consideration. The slate of director nominees will be presented to the Members for approval at the Annual Meeting of Members.

2. Criteria for Board Service

The CGNC will consider and recruit candidates for director nominees based upon recommendations from Members, current directors, NPCC management, outside consultants or search firms engaged for the purpose, and any other source recommended by the Board. All candidates recommended will be evaluated for nomination based on the criteria set forth below:

- (a) Stakeholder Directors must reflect the geographic diversity of the NPCC Region, which comprises the State of New York, the six New England States of the United States, and the Canadian Provinces of Ontario, Québec, New Brunswick and Nova Scotia.
- (b) Directors must possess corporate and business experience at the senior-executive level, or the equivalent thereof.
- (c) Each Stakeholder Director must be an officer or senior executive-level employee of a Member of NPCC.
- (d) Each Independent Director must be an individual who:
 - (i) is not an officer or employee of NPCC;
 - (ii) is not an officer, director or employee of a Member;
 - (iii) is not an officer, director or employee of any entity that would reasonably be perceived as having a direct financial interest in the outcome of Board decisions; and
 - (iv) does not have a relationship that would interfere with the exercise of independent judgment in performing the responsibilities of a director of NPCC.
- (e) Directors must have no actual or potential conflicts of interests that would or could interfere with the diligent performance of the responsibilities of a Board member in the best interests of NPCC.

Exhibit C – Regional Standard Development Procedure

Exhibit C shall set forth the Regional Entity’s standards development procedure, which NERC agrees meets the following common attributes:

COMMON ATTRIBUTE 1

Proposed regional reliability standards shall be subject to approval by NERC, as the electric reliability organization, and by FERC before becoming mandatory and enforceable under Section 215 of the FPA and any applicable authorities in Canada. No regional reliability standard shall be effective within the NPCC area unless filed by NERC with FERC and applicable authorities in Canada and approved by FERC and applicable authorities in Canada.

COMMON ATTRIBUTE 2

NPCC regional reliability standards shall provide for as much uniformity as possible with reliability standards across the interconnected bulk power system of the North American continent. A NPCC reliability standard shall be more stringent than a continent-wide reliability standard, including a regional difference that addresses matters that the continent-wide reliability standard does not, or shall be a regional difference necessitated by a physical difference in the bulk power system. A regional reliability standard that satisfies the statutory and regulatory criteria for approval of proposed North American reliability standards, and that is more stringent than a continent-wide reliability standard, would generally be acceptable.

COMMON ATTRIBUTE 3

NPCC regional reliability standards, when approved by FERC and applicable authorities in Canada, shall be made part of the body of NERC reliability standards and shall be enforced upon all applicable bulk power system owners, operators, and users within the NPCC area, regardless of membership in the region.

COMMON ATTRIBUTE 4

Requester — The requester is the sponsor of the regional reliability standard request and may assist in the development of the standard. Any member of NPCC or group within NPCC shall be allowed to request that a regional reliability standard be developed, modified, or withdrawn. Additionally, any entity (person, organization, company, government agency, individual, etc.) that is directly and materially affected by the reliability of the bulk power system in the NPCC area shall be allowed to request a regional reliability standard be developed, modified, or withdrawn.

COMMON ATTRIBUTE 5

Regional Standards Committee — The NPCC Regional Standards Committee manages the standards development process. The NPCC Regional Standards Committee will consider which requests for new or revised standards shall be assigned for development (or existing standards considered for deletion). The NPCC Regional Standards Committee will advise the NPCC board on standards presented for adoption.

COMMON ATTRIBUTE 6

Registered ballot body — The registered ballot body comprises all entities or individuals that qualify for one of the stakeholder segments; are registered with NPCC as potential ballot participants in the voting on standards; and are current with any designated fees. Each member of the registered ballot body is eligible to vote on standards. [Each standard action has its own ballot pool formed of interested members of the registered ballot body. Each ballot pool comprises those members of the registered ballot body that respond to a pre-ballot survey for that particular standard action indicating their desire to participate in such a ballot pool.] The representation model of the registered ballot body is provided in Appendix A.]

COMMON ATTRIBUTE 7

NPCC will coordinate with NERC such that the acknowledgement of receipt of a standard request identified in step 1, notice of comment posting period identified in step 4, and notice for vote identified in step 5 below are concurrently posted on both the NPCC and NERC websites.

COMMON ATTRIBUTE 8

An acceptable standard request shall contain a description of the proposed regional reliability standard subject matter containing sufficiently descriptive detail to clearly define the purpose, scope, impacted parties, and other relevant information of the proposed standard.

COMMON ATTRIBUTE 9

Within [no greater than 60] days of receipt of a completed standard request, the NPCC Regional Standards Committee shall determine the disposition of the standard request.

COMMON ATTRIBUTE 10

The NPCC Regional Standards Committee may take one of the following actions:

- Accept the standard request as a candidate for development of a new standard, revision of an existing standard, or deletion of an existing standard. The NPCC Regional Standards Committee may, at its discretion, expand or narrow the scope of the standard request under consideration. The NPCC Regional Standards Committee shall prioritize the development of standard in relation to other proposed standards, as may be required based on the volume of requests and resources.
- Reject the standard request. If the NPCC Regional Standards Committee rejects a standard request, a written explanation for rejection will be delivered to the requester within [no greater than 30] days of the decision.
- Remand the standard request back to the requester for additional work. The standards process manager will make reasonable efforts to assist the requester in addressing the deficiencies identified by the NPCC Regional Standards Committee. The requester may then resubmit the modified standard request using the process above. The requester may choose to withdraw the standard request from further consideration prior to acceptance by the NPCC Regional Standards Committee.

COMMON ATTRIBUTE 11

Any standard request that is accepted by the NPCC Regional Standards Committee for development of a standard (or modification or deletion of an existing standard) shall be posted for public viewing on the NPCC website within [no greater than 30] days of acceptance by the committee.

COMMON ATTRIBUTE 12

The standards process manager shall submit the proposed members of the drafting team to the NPCC Regional Standards Committee. The NPCC Regional Standards Committee shall approve the drafting team membership within 60 days of accepting a standard request for development, modifying the recommendations of the standards process manager as the committee deems appropriate, and assign development of the proposed standard to the drafting team.

COMMON ATTRIBUTE 13

At the direction from the NPCC Regional Standards Committee, the standards process manager shall facilitate the posting of the draft standard on the NPCC website, along with a draft implementation plan and supporting documents, for a no less than a [30]-day comment period. The standards process manager shall provide notice to NPCC stakeholders and other potentially interested entities, both within and outside of the NPCC area, of the posting using communication procedures then currently in effect or by other means as deemed appropriate.

COMMON ATTRIBUTE 14

The drafting team shall prepare a summary of the comments received and the changes made to the proposed standard as a result of these comments. The drafting team shall summarize comments that were rejected by the drafting team and the reason(s) that these comments were rejected, in part or whole. The summary, along with a response to each comment received will be posted on the NPCC website no later than the next posting of the proposed standard.

COMMON ATTRIBUTE 15

Upon recommendation of the drafting team, and if the NPCC Regional Standards Committee concurs that all of the requirements for development of the standard have been met, the standards process manager shall post the proposed standard and implementation plan for ballot and shall announce the vote to approve the standard, including when the vote will be conducted and the method for voting. Once the notice for a vote has been issued, no substantive modifications may be made to the proposed standard unless the revisions are posted and a new notice of the vote is issued.

COMMON ATTRIBUTE 16

The standards process manager shall schedule a vote by the NPCC registered ballot body. The vote shall commence no sooner than [15] days and no later than [30] days following the issuance of the notice for the vote.

COMMON ATTRIBUTE 17

The NPCC registered ballot body shall be able to vote on the proposed standard during period of not less than 10 days.

COMMON ATTRIBUTE 18

All members of NPCC are eligible to participate in voting on proposed new standards, standard revisions or standard deletions. [Alternatively: Each standard action requires formation of a ballot pool of interested members of the registered ballot body.]

COMMON ATTRIBUTE 19

Approval of the proposed regional reliability standard shall require a [two thirds] majority in the affirmative (affirmative votes divided by the sum of affirmative and negative votes). Abstentions and non-responses shall not count toward the results, except that abstentions may be used in the determination of a quorum. A quorum shall mean [XX%] of the members of the [registered ballot body/ballot pool] submitted a ballot.

COMMON ATTRIBUTE 20

Under no circumstances may the board substantively modify the proposed regional reliability standard.

COMMON ATTRIBUTE 21

Once a regional reliability standard is approved by the NPCC board, the standard will be submitted to NERC for approval and filing with FERC and applicable authorities in Canada.

COMMON ATTRIBUTE 22

- **Open** - Participation in the development of a regional reliability standard shall be open to all organizations that are directly and materially affected by the NPCC bulk power system reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in NPCC, and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements. Meetings of drafting teams shall be open to the NPCC members and others.

COMMON ATTRIBUTE 23

- **Balanced** - The NPCC standards development process strives to have an appropriate balance of interests and shall not be dominated by any two interest categories and no single interest category shall be able to defeat a matter.

COMMON ATTRIBUTE 24

- **Inclusive** — Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the bulk power system in the NPCC area shall have a right to participate by: a) expressing a position and its basis, b) having that position considered, and c) having the right to appeal.

COMMON ATTRIBUTE 25

- **Fair due process** — The regional reliability standards development procedure shall provide for reasonable notice and opportunity for public comment. At a minimum, the procedure shall include public notice of the intent to develop a standard, a public comment period on the proposed standard, due consideration of those public comments, and a ballot of interested stakeholders.

COMMON ATTRIBUTE 26

- **Transparent** — All actions material to the development of regional reliability standards shall be transparent. All standards development meetings shall be open and publicly noticed on the NPCC Web site.

COMMON ATTRIBUTE 27

- Does not unnecessarily delay development of the proposed reliability standard.

COMMON ATTRIBUTE 28

Each standard shall enable or support one or more of the reliability principles, thereby ensuring that each standard serves a purpose in support of the reliability of the regional bulk power system. Each standard shall also be consistent with all of the reliability principles, thereby ensuring that no standard undermines reliability through an unintended consequence.

COMMON ATTRIBUTE 29

While reliability standards are intended to promote reliability, they must at the same time accommodate competitive electricity markets. Reliability is a necessity for electricity markets, and robust electricity markets can support reliability. Recognizing that bulk power system reliability and electricity markets are inseparable and mutually interdependent, all regional reliability standards shall be consistent with NERC’s market interface principles. Consideration of the market interface principles is intended to ensure that standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.

COMMON ATTRIBUTE 30

To ensure uniformity of regional reliability standards, a regional reliability standard shall consist of the elements identified in this section of the procedure. These elements are intended to apply a systematic discipline in the development and revision of standards. This discipline is necessary to achieving standards that are measurable, enforceable, and consistent.

COMMON ATTRIBUTE 31

All mandatory requirements of a regional reliability standard shall be within the standard. Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself.

COMMON ATTRIBUTE 32

Applicability	Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions. If not applicable to the entire NPCC area, then a clear identification of the portion of the bulk power system to which the standard applies. Any limitation on the applicability of the standard based on electric facility requirements should be described.
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COMMON ATTRIBUTE 33

Measure(s)	Each requirement shall be addressed by one or more measures. Measures are used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measure will identify to whom the measure applies and the expected level of performance or outcomes required demonstrating compliance. Each measure shall be tangible, practical, and as objective as is practical. It is important to realize that measures are proxies to assess required performance or outcomes. Achieving the measure should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.
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COMMON ATTRIBUTE 34

Compliance Monitoring Process	Defines for each measure: <ul style="list-style-type: none">• The specific data or information that is required to measure performance or outcomes.• The entity that is responsible for providing the data or information for measuring performance or outcomes.• The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes.• The entity that is responsible for evaluating data or information to assess performance or outcomes.• The time period in which performance or outcomes is measured, evaluated, and then reset.• Measurement data retention requirements and assignment of responsibility for data archiving.
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NORTHEAST POWER COORDINATING COUNCIL, INC.
1040 AVE OF THE AMERICAS, NEW YORK, NY 10018 TELEPHONE (212) 840-1070 FAX (212) 302-2782

Exhibit C

Northeast Power Coordinating Council, Inc.

Regional Reliability Standards Development Procedure



Approved by NPCC Board of Directors
May 3, 2011
Effective January 1, 2012

NPCC

REGIONAL RELIABILITY STANDARDS DEVELOPMENT PROCEDURE

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I. EXECUTIVE SUMMARY

The purpose of the Northeast Power Coordinating Council, Inc. ("NPCC"), is to enhance the reliability of the international, interconnected bulk power system in Northeastern North America through the development of more stringent and specific regional reliability standards and compliance assessment and enforcement of continent-wide and regional reliability standards pursuant to the execution and implementation of a Regional Delegation Agreement with the Electric Reliability Organization ("ERO") and applicable Canadian Memoranda of Understanding that are backstopped by the Federal Energy Regulatory Commission ("FERC") and Canadian Provincial authorities. In the development and enforcement of Regional Reliability Standards, NPCC, to the extent possible, facilitates attainment of fair, effective, efficient, and competitive electric markets.

General Membership in NPCC is voluntary and is open to any person or entity, including any entity participating in the Registered Ballot Body of the ERO that has an interest in the reliable operation of the Northeastern North American bulk power system.

The NPCC Regional Reliability Standards Development Procedure describes the procedures, policies and practices implemented to ensure an "open, fair, and inclusive" process for the transparent initiation, development, implementation and revision of NPCC Regional Reliability Standards necessary for the reliable operation of the international and interconnected bulk power system in Northeast North America. These Standards will, in all cases, not be inconsistent with or less stringent than any requirements of the North American Electric Reliability Council/Electric Reliability Organization (NERC/ERO) Reliability Standards. The procedure will not unnecessarily delay the development of the proposed reliability standards. Each regional reliability standard shall enable or support one or more of the reliability principles, thereby ensuring that each standard serves a purpose in support of the reliability of the regional bulk power system. Each standard shall also be consistent with all of pertinent reliability principles and criteria, thereby ensuring that no standard undermines reliability through an unintended consequence.

II. REGIONAL RELIABILITY STANDARD DEVELOPMENT PROCEDURE

1. CHARACTERISTIC ATTRIBUTES

The NPCC Regional Reliability Standards Development Procedure is:

- **Open** — The NPCC Regional Reliability Standards Development Procedure provides any person the ability to participate in the development of a standard. Any entity that is directly and materially affected by the reliability of the NPCC's bulk power system has the ability to participate in the development and approval of reliability standards. There are no undue financial barriers to participation. Participation in the open comment process is not conditional upon membership in the ERO, NPCC or any organization, and participation is not unreasonably restricted on the basis of technical qualifications or other such requirements. NPCC utilizes a website to accomplish this. Online posting and review of standards and the real time sharing of comments uploaded to the website allow complete transparency.

- **Inclusive** — The NPCC Regional Reliability Standards Development Procedure provides any person with a direct and material interest the right to participate by expressing an opinion and its basis, have that position considered, and appealed through an established appeals process if adversely affected.
- **Balanced** — The NPCC Regional Reliability Standards Development Procedure has a balance of interests and all those entities that are directly and materially affected by the reliability of the NPCC’s bulk power system are welcome to participate and shall not be dominated by any two interest categories and no single interest category shall be able to defeat a matter. This will be accomplished through the NPCC Bylaws defining seven sectors (categories) for voting.
- **Fair Due Process** — The NPCC Regional Reliability Standards Development Procedure provides for reasonable notice and opportunity for public comment. The procedure includes public notice of the intent to develop a standard, a 45 calendar day public comment period on the proposed standard request, or standard with due consideration of those public comments, and responses to those comments will be posted on the NPCC website. A final draft will be posted for a 30 calendar day pre-balloting period, and then a ballot of NPCC Members will be conducted. Upon approval by the NPCC Members, the NPCC Board then votes to approve submittal of the Regional Standard to NERC.
- **Transparent** — All actions material to the development of Regional Reliability Standards are transparent and information regarding the progress is posted on the NPCC website as well as through extensive email lists.

In as much as NPCC is one of several regional entities within the Eastern Interconnection of North America, there will be **no presumption of validity** by the ERO for any NPCC Regional Reliability Standard. In order to receive the approval of the ERO, the NPCC Reliability Standards Development Process must also achieve the following objectives:

- **No Adverse Impact on Reliability of the Interconnection** — An NPCC Regional Reliability Standard provides a level of bulk power system reliability that is necessary and adequate to protect public health, safety, welfare, and North American security and will not have an adverse impact on the reliability of the Interconnection or other Regions within the Interconnection.
- **Justifiable Difference** — An NPCC Regional Reliability Standard is based on justifiable differences between Regions, such as different electrical systems or facilities, sensitivity of load to disruptions, sensitivity of generation to disruptions, frequency and voltage sensitivity, system operating limit development and facilities ratings process, electrical system interactions, etc.
- **Uniformity**- NPCC Regional Reliability Standards shall provide for as much uniformity as possible with reliability standards across the interconnected bulk power system of the North American continent. A NPCC Reliability Standard shall be more stringent than a continent-wide reliability standard, may include a regional variation that addresses matters that the continent-wide reliability standard does not, or shall be a regional difference necessitated by a physical difference in the northeast’s bulk power system, where the interpretation of the phrase “physical difference” will be consistent with FERC’s Order, issued September 22, 2004, Granting Request For Clarification

regarding Docket No. PL04-5-000, Policy Statement on Matters Related to Bulk Power System Reliability.

- **No Undue Adverse Impact on Commerce** — An NPCC Regional Reliability Standard will not cause any undue adverse impact on business activities that are not necessary for reliability of the Region and its interconnected Regions. All regional reliability standards shall be consistent with NERC's market principles.

Other Attributes of the NPCC Regional Reliability Standards Development Procedure include;

- **Maintenance of Regional Reliability Standards**-NPCC Regional Standards will be reviewed for possible revision at least every three years and follow the same process as a new standard. The old standard will remain in place until such time as the revised version has passed through the entire process, at which point the old standard will be retired in accordance with any applicable new implementation plan associated with the approved revised standard. The review process shall be conducted by soliciting comments from the stakeholders and through open posting on the NPCC website. If no changes are warranted, Regional Standards Committee (RSC) shall recommend to the NPCC Board that the standard be reaffirmed. If the review indicates a need to revise or withdraw a standard, a regional standard authorization request shall be prepared by the RSC and submitted in accordance with the standards development process contained in this procedure.
- **Maintenance of Regional Reliability Standards Development Procedure**-This NPCC Regional Reliability Standards Development Procedure will be reviewed for possible revision at least once every five years or more frequently if needed and subject to the same procedure as that of the development of a standard. All such revisions shall be subject to approval by the NPCC Board, NERC, FERC, and could be subject to approval, if required, by applicable authorities in Canada. The NPCC RSC has the authority to make non-substantive changes to this procedure and subsequently notify the NPCC Board for their concurrence at their next scheduled meeting.
- **Interpretation of Standards**- All persons who are directly and materially affected by the NPCC's bulk power system reliability shall be permitted to request an interpretation of a standard. The person requesting an interpretation will send an email request to the Regional Standards Process Manager (RSPM), as noted on the NPCC website, explaining the specific circumstances surrounding the request and what clarifications are required as applied to those circumstances. The request should indicate the material impact to the requesting party or others caused by the lack of clarity or a possibly incorrect interpretation of the standard. The RSPM along with guidance from the RSC will forward the request to the originating Task Force which acted as the drafting team for that regional reliability standard. The Task Force will address, through a written response, the request for clarification as soon as practical, but not more than 45 business days from its receipt by the Task Force. This written interpretation will be posted along with the final approved and adopted standard and will stand until such time as the standard is revised through the normal RSAR process, at which time the standard will be modified to incorporate the clarifications provided by the interpretation.

2. ELEMENTS OF A RELIABILITY STANDARD

- **Elements of a Regional Reliability Standard**
To ensure uniformity of regional reliability standards, a regional reliability standard shall consist of the elements identified in this section of the procedure. These elements are intended to apply a systematic discipline in the development and revision of standards. This discipline is necessary to achieving standards that are measurable, enforceable, and consistent.

All mandatory requirements of a regional reliability standard shall be within the standard document. Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself.

The most current version of the approved NERC Reliability Standard template and its associated elements as or if applicable, will be used at the time of the development of the NPCC Regional Reliability Standard to ensure all essential elements are contained therein to achieve consistency and uniformity and meet all statutory requirements. A sample of the elements contained in the standard appears in Table 1 below, however the latest ERO Board approved Standard template, that may be found on the NERC website, will supersede the list below at the time the regional standard is developed.

Table 1- Elements of a Regional Reliability Standard

Identification Number	A unique identification number assigned in accordance with an administrative classification system to facilitate tracking and reference. (i.e. “NPCC- BAL-002-0-Date” which refers to NPCC Regional Standard, referencing NERC BAL-002 Version 0, with NPCC Effective Date-final adoption by all Regional Authorities)
Title	A brief, descriptive phrase identifying the topic of the standard.
Applicability	Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions. The standard will be applicable to the Bulk Power System unless otherwise noted.
Effective Date and Status	The effective date of the standard or, prior to approval of the standard, the proposed effective date.
Purpose	The purpose of the standard. The purpose shall explicitly state what outcome will be achieved or is expected by this standard.
Requirement(s)	Explicitly stated technical, performance, and preparedness requirements. Each requirement identifies what entity is responsible and what action is to be performed or what outcome is to be achieved. Each statement in the requirements section shall be a statement for which compliance is mandatory.
Risk Factor(s)	The potential reliability significance of each requirement, designated as a High, Medium, or Lower Risk Factor in accordance with the criteria listed below: A High Risk Factor requirement (a) is one that, if violated, could directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures; or (b) is a requirement in a planning timeframe that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to a normal condition. A Medium Risk Factor requirement (a) is a requirement that, if violated, could directly affect the electrical state or the capability of the bulk power system, or the ability to effectively monitor and control the bulk power system, but is unlikely to lead to bulk power system instability, separation, or cascading failures; or (b) is a requirement in a planning timeframe that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system, but is unlikely, under emergency, abnormal, or restoration conditions anticipated by the preparations, to lead to bulk power system instability, separation, or cascading failures, nor to hinder restoration to a normal

	<p>condition.</p> <p>A Lower Risk Factor requirement is administrative in nature and (a) is a requirement that, if violated, would not be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor and control the bulk power system; or (b) is a requirement in a planning time frame that, if violated, would not, under the emergency, abnormal, or restorative conditions anticipated by the preparations, be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system.</p>
Measure(s)	<p>Each requirement shall be addressed by one or more measures. Measures are used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measure will identify to whom the measure applies and the expected level of performance or outcomes required demonstrating compliance. Each measure shall be tangible, practical, and as objective as is practical. It is important to realize that measures are proxies to assess required performance or outcomes. Achieving the measure should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.</p>

Table 2 — Compliance Elements of a Regional Reliability Standard

Compliance Monitoring Process	<p>Defines for each measure:</p> <ul style="list-style-type: none"> • The specific data or information that is required to measure performance or outcomes. • The entity that is responsible for providing the data or information for measuring performance or outcomes. • The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes. • The entity that is responsible for evaluating data or information to assess performance or outcomes. • The time period in which performance or outcomes is measured, evaluated, and then reset. • Measurement data retention requirements and assignment of responsibility for data archiving. • Violation severity levels.
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Supporting Information Elements

Interpretation	<p>Any interpretation of regional reliability standard that is developed and approved in accordance with the “Interpretation of Standards” section of Appendix A of this procedure, to expound on the application of the standard for unusual or unique situations or to provide clarifications.</p>
Implementation Plan	<p>Each regional reliability standard shall have an associated implementation plan describing the effective date of the standard or effective dates if there is a phased implementation. The implementation plan may also describe the implementation of the standard in the compliance program and other considerations in the initial use of the standard, such as necessary tools, training, etc. The implementation plan must be posted for at least one public</p>

	comment period and is approved as part of the ballot of the standard.
Supporting References	<p>This section references related documents that support reasons for, or otherwise provide additional information related to the regional reliability standard. Examples include, but are not limited to:</p> <ul style="list-style-type: none"> • Glossary of terms • Developmental history of the standard and prior versions • Notes pertaining to implementation or compliance • Standard references • Standard supplements • Procedures • Practices • Training references • Technical references • White papers • Internet links to related information

3. TERMS AND FUNCTIONS

- **Regional Standards Committee (RSC)**—An NPCC committee charged with management of the NPCC Standards Procedure under a sector based voting structure as described in the NPCC Bylaws. The NPCC RSC will consider requests for new or revised standards and be available for advisement to the NPCC Board on the standards.

The RSC may not itself modify the standard without issuing a new notice to stakeholders regarding a vote of the modified standard. Any RSC action will only be activated in the event of a minor correction of a standard such as errata.

The RSC is an open and balanced stakeholder committee inclusive of all stakeholder interests that provide for or are materially impacted by the reliability of the bulk power system.

The RSC disposition regarding the regional standard authorization request, which will in all cases be within 60 calendar days of receipt of a completed standard request, shall include:

- Accept the standard request as a candidate for development of a new standard, revision of an existing standard, or deletion of an existing standard. The RSC may, at its discretion, expand or narrow the scope of the standard request under consideration. The RSC shall prioritize the development of standards in relation to other proposed standards, as may be required based on the volume of requests and resources.
- Reject the standard request. If the RSC rejects a standard request, a written explanation for rejection will be delivered to the requester within 30 calendar days of the decision.
- Remand the standard request back to the requester for additional work. The standards process manager will make reasonable efforts to assist the requester in addressing the deficiencies identified by the RSC. The requester may then resubmit the modified standard request using the process above. The requester may choose to withdraw the standard request from further consideration prior to acceptance by the RSC.

The NPCC Standard Process responsibilities of the RSC will include:

- Review of NPCC Draft Standards for such factors as completeness, sufficient detail, rational result, and compatibility with existing standards; clarifying standard development issues not specified in this procedure. Under no circumstance will the RSC change the substance of a draft standard.
 - Due consideration to the work of the drafting team as well as the comments of stakeholders and minority objections, in approving a proposed regional reliability standard to go to ballot.
 - Approve standards for pre-ballot posting under a sector based voting structure as described later in the NPCC Bylaws or
 - Remand the standard back to the Task Force acting as the drafting team for further work or recommend a change in those participating in the drafting team (i.e. a new drafting team).
- **Regional Standards Process Manager (RSPM)** - The Regional Reliability Standards Procedure shall be administered by a NPCC staff Regional Standards Process Manager. The RSPM is responsible for ensuring that the development and revision of standards is in accordance with this manual. The RSPM works to ensure the integrity of the process, format, consistency of quality, and completeness of the reliability standards. The RSPM facilitates all steps in the process.
 - **Reliability Coordinating Committee (RCC)** —The RCC, will support the standards development process through the assignment of NPCC Task Forces. They will also provide a technical advisory role in the Regional Reliability Standards development procedure through recommendations.
 - **Requester**— A Requester is any individual or an entity (organization, company, government authority, etc.) that submits a complete request for development, revision, or withdrawal of a standard. Any person or an entity that is directly and materially affected by an existing standard or the need for a new standard may submit a request for a new standard or revision to a standard. The Requester is assisted by the RSAR drafting team (if one is appointed by the RSC) to respond to comments and to decide if and when the RSAR is forwarded to the RSC with a request to draft a standard. The Requester is responsible for the RSAR, assisted by the RSAR drafting team and Regional Standards Process Manager, until such time the RSC authorizes development of the standard. The Requester has the option at any time to allow the RSAR drafting team to assume full responsibility for the RSAR. The Requester may chose to participate in subsequent standard drafting efforts related to the RSAR.
 - **Task Forces and Working Groups**,—The committees, task forces and working groups within NPCC , serve an active role in the standards process:
 - Identify the need for new or modified regional standards.
 - Initiate NPCC Standards actions by developing Regional Standard Authorization Requests (RSARs).
 - Develop comments (views and objections) to standards actions.
 - Participate in NPCC Standard drafting.
 - Provide technical oversight in response to changing industry conditions and ERO Requirements.
 - Conduct Field Tests as required

4. PROCEDURE DESCRIPTION

STEPS 1 AND 2: REQUEST TO DEVELOP A NEW REGIONAL STANDARD

Requests to develop a new Regional Reliability Standard shall be submitted to the RSPM by completing a **Regional Standard Authorization Request (RSAR)** (*see Appendix A*). The RSAR is a description of the new or revised standard in sufficient detail to clearly define the

scope, purpose, and importance of the Regional Standard, impacted parties or other relevant information. A “needs” statement will provide the justification for the development of the standard, including an assessment of the reliability and market interface impacts of implementing or not implementing the standard. The RSPM shall maintain the RSAR form and make it available electronically on the NPCC website.

Any person or entity (“Requester”) directly or materially affected by an existing standard or the need for a new or revised standard may initiate a RSAR.

The Requester will submit the RSAR to the RSPM electronically and the RSPM will acknowledge receipt of the RSAR immediately, through electronic receipt. The RSAR, as a minimum, needs to contain the following information in order to be qualified for consideration. The NPCC RSPM will assist the Requester to ensure all the following information is submitted (on the RSAR) in a form appearing in Appendix A:

1. Proposed Title and Date of New RSAR
2. Requester’s Name and Contact Information
3. Purpose of the Regional Standard
4. Description of Industry Need
5. Provide a Brief Description of the Standard
6. Identification of the Entities in the Functional Model as being responsible to adhere to the standard.
7. Necessary information to assist the drafting the team, to the extent feasible, to allow them to draft the standard.
8. A cross references to existing NPCC or NERC documents

The RSPM shall forward all properly completed RSARs to the RSC. The RSC shall meet at established intervals to review all pending RSARs. The frequency of this review process will depend on workload, but in no case shall a properly completed RSAR wait for RSC action more than 60 calendar days from the date of receipt. The RSC may take one of the following actions:

- Remand the RSAR back to the RSPM for additional work. In this case, the RSPM may request additional information or clarification for the RSAR from the Requester.
- Accept the RSAR as a candidate for a new or revised standard. In this case, the RSC will forward the RSAR to the RCC to assign a NPCC Task Force to provide technical support and analysis of comments for that RSAR, and assist the Requester and the RSPM in the remaining steps of the process. The RSPM shall post notification of intent to develop a standard on both NPCC and ERO websites within 30 calendar days of acceptance.
- Reject the RSAR. In this case, the RSC will provide a written explanation for rejection to the Requester within 30 calendar days of the rejection decision.

STEPS 3, 4, AND 5: RSC ACCEPTS RSAR AND RCC ASSIGNS TF TO DRAFT NEW OR REVISED STANDARD

A RSAR that is accepted by the RSC will be submitted to the RCC. Within 60 calendar days the RCC shall assign the development of the standard to a Task Force Drafting Team. The RSPM shall solicit and recommend a list of additional candidates for appointment to the team and shall submit the list to the RSC. This list shall include the Requester. The RSC may select other individuals to serve, with the Task Force to draft the Standard. This team shall consist of a small group of people who collectively have the necessary technical expertise and work process skills.

The RSPM shall assign NPCC staff personnel to assist in the drafting of the standard including compliance measure, process and elements. The drafting of measures and compliance administration aspects of the standard will be coordinated with the Compliance Program.

STEP 6: SOLICIT PUBLIC COMMENTS ON DRAFT STANDARD

Once a draft standard has been verified by the RSC to be within the scope and purpose of the RSAR, the RSPM will post the draft standard for the purpose of soliciting public comments. The posting of the draft standard will be linked to the RSAR for reference. In addition to the standard, an implementation plan shall be posted to provide additional details to the public and aid in their commenting and decision process. Comments on the draft standard will be accepted for a 45 calendar day period from the public notice of posting. Comments will be accepted on-line using the NPCC Open Process web-based application.

Final draft standards will be concurrently posted on the ERO website for comments.

STEPS 7, 8, AND 9: OPEN PROCESS POSTING AND ANALYSIS OF THE COMMENTS

The RSPM will assemble the comments on the new draft standard and distribute those comments to the Task Force acting as the standard drafting team. The Task Force shall give prompt consideration to the written views and comments of all participants. An effort to address all expressed comments shall be made, and each commenter shall be advised of the disposition of the comment and the reasons therefore, in addition to public posting of the responses.

The Task Force acting as the Standard Drafting Team shall take one of the following actions:

- Submit the draft standard for RCC endorsement as it stands, along with the comments received and responses to the comments. Based on the comments received, the Task Force acting as the standard drafting team may include revisions that are not substantive. A substantive change is one that directly and materially affects the application of the standard, including, for example: changing “shall” to “should,” changing “should” to “shall”; adding, deleting, or revising requirements; or adding, deleting, or revising measures for which compliance is mandatory.
- Make substantive revisions to the draft standard and reposts it for further open review and comment.
- Task Force recommends Field Test if necessary to RSC.

Requester also may withdraw the request for a standard.

RCC submits proposed RRS to the RSC along with its recommendation based on comments, Task Force statements and any field test results.

STEPS 10 AND 11: RSC APPROVES OF THE NEW OR REVISED STANDARD FOR POSTING

If the RSC, acting with consideration of any recommendations by the RCC and utilizing the composite sector voting structure, as outlined in the NPCC, votes to post the draft standard for approval, the draft standard, all comments received, and the responses to those comments shall be posted electronically for the NPCC Members, by the RSPM and made public through the NPCC Website (www.npcc.org) for a 30 calendar day “pre-ballot review” and request for balloting. If the RSC decides more work is needed, the draft standard will be remanded back to

the drafting Task Force. All actions of the RCC, Task Forces acting as drafting teams and the Regional Standards Committee will be recorded in regular minutes of the group(s) and posted on the NPCC website. Once the notice for a ballot has been issued, no substantive modifications may be made to the proposed standard unless the revisions are posted and a new notice of the vote is issued

STEPS 12, 13 AND 14: BALLOT OF STANDARD

Upon notification of a ballot, the Members of NPCC's registered ballot body will cast their vote consistent with the NPCC Bylaws. This ballot shall commence no sooner than 15 calendar days and no later than 30 calendar days following the notification of ballot. All members of the NPCC are eligible to participate in the voting on proposed, standard revisions or deletions of regional standards. The ballot period will typically begin immediately following the 30 calendar day pre-ballot posting and will last at least 10 business days.

The NPCC registered ballot body comprises all entities or individuals that qualify for one of the seven NPCC stakeholder sectors and are registered with NPCC as potential ballot participants in the voting on standards. Each member of the NPCC registered ballot body is eligible to vote on standards.

In order for a NPCC Regional Standard to be approved;

- A quorum must be established by at least 50% of the NPCC Members of at least 60% of the Voting Sectors on the roster of Members maintained by NPCC.
- A two-thirds majority of the total weighted sector votes cast must be affirmative. The number of votes cast is the sum of affirmative and negative votes, excluding abstentions, and non-responses. Weighted sector vote will be calculated as follows;
 - Affirmative votes cast in each sector will be divided by the sum of affirmative and negative votes cast, in that same sector, to determine the fractional affirmative vote for each sector. Abstentions and non-responses will not be counted for the purposes of determining the fractional affirmative vote for a sector.
 - The sum of the fractional affirmative votes from all sectors divided by the number of sectors voting will be used to determine if a two-thirds majority has been achieved. (A sector will be considered as "voting" if any member of the sector in the ballot pool casts either an affirmative or a negative vote.)
 - A standard will be approved if the sum of fractional affirmative votes from all sectors divided by the number of voting sectors is at least 2/3.

Ballots will be cast electronically and alternatives are as follows;

- Affirmative
- Affirmative with Comments
- Negative
- Negative with Comments
- Abstain

The RSPM shall post the final outcome of the ballot process. If the standard is rejected, it may be withdrawn by either the RCC or the original Requester, or the standard may be remanded by the RSC back to the Task Force acting as the drafting team to address the issues. All comments submitted during the process will be posted and archived for consideration when redrafting the standard upon review.

The standard, once approved by ballot, and a recommendation will be forwarded to the NPCC Board for final Regional approval. The Board may not make substantive modifications to the standard. If the Board does not approve the standard for transmittal to NERC it will be remanded back to the RSC.

If the standard is approved, the standard will be submitted to the NERC/ERO Board of Trustees for approval.

STEPS 15, 16 AND 17: IMPLEMENTATION OF THE NPCC REGIONAL STANDARD

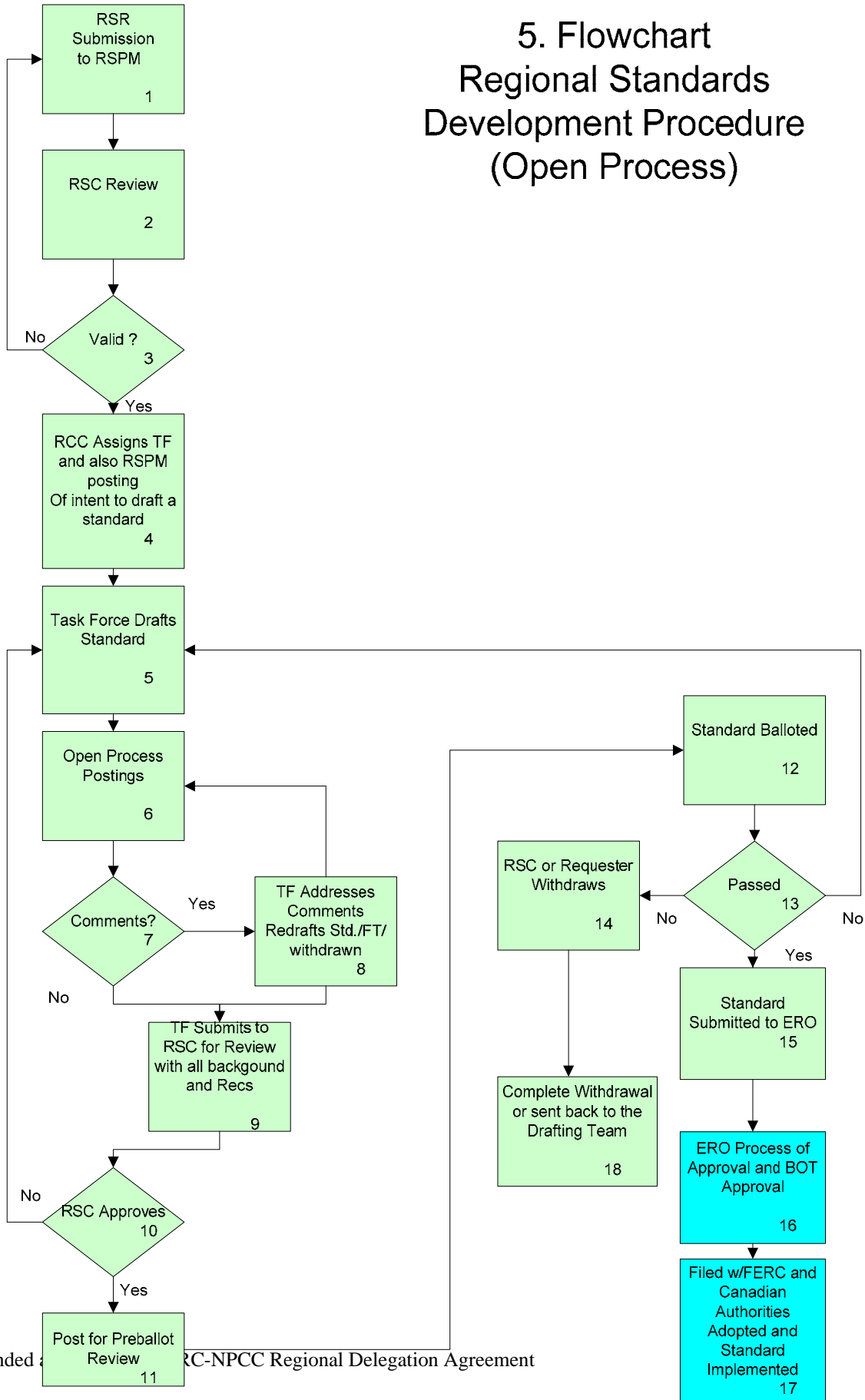
Upon approval within the NPCC , the standard will be submitted to the NERC/ERO for approval(s) and filing with FERC and applicable Canadian Governmental and/or Regulatory Authorities for adoption.

Once a reliability standard is adopted and made effective, all users, owners, planners, and operators of the Bulk Power System in the NPCC geographic area of the Northeast are required to comply with the standard. The NERC/ERO Board of Trustees has established a separate compliance program, also administered in the Northeast by NPCC , to measure compliance with the standards and administer sanctions as appropriate. After adoption of a NPCC Regional Standard, the standard will be forwarded to the compliance program for compliance monitoring and enforcement.

STEP 18: WITHDRAWAL OF STANDARD

Upon rejection of a proposed standard, the RCC or the requester may withdraw the standard completely or remand it back to the Task Force acting as the standard drafting team for further work.

5. Flowchart Regional Standards Development Procedure (Open Process)



6. ERO and Regulatory Process and Approvals

- **NERC/ERO Comment Period** —NERC/ERO shall publicly notice and request comment on the NPCC Regional Reliability Standard, allowing a minimum of 45 calendar days for comment on NERC’s website and actively notify all adjoining Regions. Concurrent with this regional posting, final drafts will be forwarded to NERC for posting on the NERC website to ensure full industry awareness of the standard and expedite and coordinate all commenting. All comments will be responded to electronically through a posted response on the NPCC website or a link on the NERC website. NPCC shall have an opportunity to resolve any objections identified in the comments and may choose to withdraw the request, revise the NPCC Regional Reliability Standard and request another posting for comment, or submit the NPCC Regional Reliability Standard along with a response to any objections received, for approval by NERC.
- **NERC/ERO Approval of NPCC Regional Reliability Standards** —Proposed regional reliability standards shall be subject to approval by the NERC/ERO who shall have a process to evaluate and recommend whether a proposed non-Interconnection-wide NPCC Regional Reliability Standard has been developed in accordance with all applicable procedural requirements and whether NPCC has considered and addressed stakeholder objections. NPCC Board, having been notified of the results of the regional ballot concerning a NPCC Regional Reliability Standard, shall vote to submit the Standard to the NERC/ERO Board for approval as a NERC Reliability Standard. The NERC/ERO Board shall consider NPCC’s request, the scope and implications of the Standard, the recommendation for action on the Standard, any unresolved stakeholder comments, and NPCC’s consideration of comments and unresolved issues if any, in determining whether to approve the NPCC Regional Reliability Standard as a NERC Reliability Standard.
- **Regulatory Authority Approval** — An NPCC Regional Reliability Standard that has been approved by the NERC/ERO board shall be filed with FERC and applicable Canadian Governmental and/or Regulatory Authorities for approval and shall become effective and enforceable within the U.S., per Section 215 of the Federal Power Act, only when adopted by FERC, and within Canada, only when adopted by applicable Canadian Governmental and/or Regulatory Authorities. The regional reliability standard, once adopted will be made part of the body of NERC reliability standards and shall be mandatory and enforceable on all applicable bulk power system owners, operators, and users within the NPCC Region, regardless of membership status.

7. Appeals

- Persons who have directly and materially affected interests and who have been or will be adversely affected by any substantive or procedural action or inaction related to the development, approval, revision, reaffirmation, or withdrawal of a regional reliability standard shall have the right to appeal. This appeals process applies only to the standards process as defined in this procedure.

The burden of proof to show adverse effect shall be on the appellant. Appeals shall be made within 30 calendar days of the date of the action purported to cause the adverse effect, except appeals for inaction, which may be made at any time. In all cases, the request for appeal must be made prior to the next step in the process.

The final decisions of any appeal shall be documented in writing and made public.

The appeals process provides two levels, with the goal of expeditiously resolving the issue to the satisfaction of the participants:

- Level 1 Appeal

Level 1 is the required first step in the appeals process. The appellant submits a complaint in writing to the RSPM that describes the substantive or procedural action or inaction associated with a reliability standard or the standards process. The appellant describes in the complaint the actual or potential adverse impact to the appellant. Assisted by any necessary staff and committee resources, the RSPM shall prepare a written response addressed to the appellant as soon as practical, but not more than 45 calendar days after receipt of the complaint. If the appellant accepts the response as a satisfactory resolution of the issue, both the complaint and response will be made a part of the public record associated with the standard and posted with the standard.

- Level 2 Appeal

If after the Level 1 Appeal the appellant remains unsatisfied with the resolution, as indicated by the appellant in writing to the regional standards process manager, the RSPM shall convene a Level 2 Appeals Panel. This panel shall consist of five members total appointed by the NPCC's board.

In all cases, Level 2 Appeals Panel members shall have no direct affiliation with the participants in the appeal.

The RSPM shall post the complaint and other relevant materials and provide at least 30 calendar days notice of the meeting of the Level 2 Appeals Panel. In addition to the appellant, any person that is directly and materially affected by the substantive or procedural action or inaction referenced in the complaint shall be heard by the panel. The panel shall not consider any expansion of the scope of the appeal that was not presented in the Level 1 Appeal. The panel may in its decision find for the appellant and remand the issue to the RSC with a statement of the issues and facts in regard to which fair and equitable action was not taken. The panel may find against the appellant with a specific statement of the facts that demonstrate fair and equitable treatment of the appellant and the appellant's objections. The panel may not, however, revise, approve, disapprove, or adopt a reliability standard. The actions of the Level 2 Appeals Panel shall be publicly posted.

In addition to the foregoing, a procedural objection that has not been resolved may be submitted to the NPCC Board for consideration at the time the board decides whether to adopt a particular reliability standard. The objection must be in writing, signed by an officer of the objecting entity, and contain a concise statement of the relief requested and a clear demonstration of the facts that justify that relief. The objection must be filed no later than 30 calendar days after the announcement of the vote on the standard in question.

APPENDIX A

Information in a Regional Standard Authorization Request (RSAR)

The tables below identify information to be submitted in a Regional Standard Authorization Request to the NPCC Regional Standards Process Manager, NPCCstandard@npcc.org. The NPCC Regional Standards Process Manager shall be responsible for implementing and maintaining this form as needed to support the information requirements of the standards process.

Regional Standard Authorization Request Form

Title of Proposed Standard:
Request Date:

RSAR Requester Information

<i>Name:</i>	RSAR Type (Check box for one of these selections.)
Company:	<input type="checkbox"/> New Standard
Telephone:	<input type="checkbox"/> Revision to Existing Standard
Fax:	<input type="checkbox"/> Withdrawal of Existing Standard
Email:	<input type="checkbox"/> Urgent Action

Purpose (Describe the purpose of the proposed standard – what the standard will achieve in support of reliability.)
Industry Need (Provide a detailed statement justifying the need for the proposed standard, along with any supporting documentation.)
Brief Description (Describe the proposed standard in sufficient detail to clearly define the scope in a manner that can be easily understood by others.)

Reliability Functions

The Standard will Apply to the Following Functions (Check all applicable boxes.)		
<input type="checkbox"/>	Reliability Coordinator	The entity that is the highest level of authority who is responsible for the reliable operation of the Bulk Electric System, has the Wide Area view of the Bulk Electric System, and has the operating tools, processes and procedures, including the authority to prevent or mitigate emergency operating situations in both next-day analysis and real-time operations. The Reliability Coordinator has the purview that is broad enough to enable the calculation of Interconnection Reliability Operating Limits, which may be based on the operating parameters of transmission systems beyond any Transmission Operator’s vision.
<input type="checkbox"/>	Balancing Authority	The responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports Interconnection frequency in real time.
<input type="checkbox"/>	Interchange Authority	Authorizes valid and balanced Interchange Schedules.
<input type="checkbox"/>	Planning Authority	The responsible entity that coordinates and integrates transmission facility and service plans, resource plans, and protection systems.
<input type="checkbox"/>	Transmission Service Provider	The entity that administers the transmission tariff and provides Transmission Service to Transmission Customers under applicable transmission service agreements.
<input type="checkbox"/>	Transmission Owner	The entity that owns and maintains transmission facilities.
<input type="checkbox"/>	Transmission Operator	The entity responsible for the reliability of its “local” transmission system, and that operates or directs the operations of the transmission facilities.

<input type="checkbox"/>	Transmission Planner	The entity that develops a long-term (generally one year and beyond) plan for the reliability (adequacy) of the interconnected bulk electric transmission systems within its portion of the Planning Authority Area.
<input type="checkbox"/>	Resource Planner	The entity that develops a long-term (generally one year and beyond) plan for the resource adequacy of specific loads (customer demand and energy requirements) within a Planning Authority Area.
<input type="checkbox"/>	Generator Operator	The entity that operates generating unit(s) and performs the functions of supplying energy and Interconnected Operations Services.
<input type="checkbox"/>	Generator Owner	Entity that owns and maintains generating units.
<input type="checkbox"/>	Purchasing-Selling Entity	The entity that purchases or sells, and takes title to, energy, capacity, and Interconnected Operations Services. Purchasing-Selling Entities may be affiliated or unaffiliated merchants and may or may not own generating facilities.
<input type="checkbox"/>	Distribution Provider	Provides and operates the “wires” between the transmission system and the customer.
<input type="checkbox"/>	Load-Serving Entity	Secures energy and transmission service (and related Interconnected Operations Services) to serve the electrical demand and energy requirements of its end-use customers.

Reliability and Market Interface Principles

Applicable Reliability Principles <i>(Check all boxes that apply.)</i>	
<input type="checkbox"/>	1. Interconnected bulk power systems shall be planned and operated in a coordinated manner to perform reliably under normal and abnormal conditions as defined in the NERC Standards.
<input type="checkbox"/>	2. The frequency and voltage of interconnected bulk power systems shall be controlled within defined limits through the balancing of real and reactive power supply and demand.
<input type="checkbox"/>	3. Information necessary for the planning and operation of interconnected bulk power systems shall be made available to those entities responsible for planning and operating the systems reliably.
<input type="checkbox"/>	4. Plans for emergency operation and system restoration of interconnected bulk power systems shall be developed, coordinated, maintained, and implemented.
<input type="checkbox"/>	5. Facilities for communication, monitoring, and control shall be provided, used, and maintained for the reliability of interconnected bulk power systems.
<input type="checkbox"/>	6. Personnel responsible for planning and operating interconnected bulk power systems shall be trained, qualified, and have the responsibility and authority to implement actions.
<input type="checkbox"/>	7. The security of the interconnected bulk power systems shall be assessed, monitored, and maintained on a wide-area basis.

<p>Does the proposed Standard comply with all of the following Market Interface Principles? <i>(Select 'yes' or 'no' from the drop-down box.)</i></p>
<p>Recognizing that reliability is an Common Attribute of a robust North American economy:</p>
<p>1. A reliability standard shall not give any market participant an unfair competitive advantage. Yes</p>
<p>2. A reliability standard shall neither mandate nor prohibit any specific market structure. Yes</p>
<p>3. A reliability standard shall not preclude market solutions to achieving compliance with that standard. Yes</p>
<p>4. A reliability standard shall not require the public disclosure of commercially sensitive information. All market participants shall have equal opportunity to access commercially non-sensitive information that is required for compliance with reliability standards. Yes</p>

<p>Detailed Description (Provide enough detail so that an independent entity familiar with the industry could draft a standard based on this description.)</p>

Related Standards

Standard No.	Explanation

-t

Related SARs or RSARs

SAR ID	Explanation



Northeast Power Coordinating Council, Inc.

Exhibit D – Compliance Monitoring and Enforcement Program

1.0 Regional Compliance Monitoring and Enforcement Program

1.1 Obligations of NPCC

NPCC will implement the NERC Compliance Monitoring and Enforcement Program, Appendix 4C to the NERC Rules of Procedure (which for purposes of this section 1.0 shall not include Attachment 2, Hearing Procedures), to monitor and enforce compliance with Reliability Standards by the owners, operators, and users within the U.S. portion of NPCC’s geographic or electrical boundaries, and such other scope, set forth on **Exhibit A** of this Agreement, subject to any deviations from the NERC Compliance Monitoring and Enforcement Program described in Section 1.2 below (the “Compliance Program”).

1.2 Deviations from the NERC Compliance Monitoring and Enforcement Program

Compliance monitoring and enforcement programs will be implemented within the Canadian portion of NPCC’s geographic area, consistent with individual Canadian Provincial Memoranda of Understanding (MOU) or Agreements and Canadian laws. All executed MOU’s and Agreements will be provided to NERC as allowable under Canadian law.

2.0 REGIONAL HEARING OF COMPLIANCE MATTERS

NPCC shall establish and maintain a hearing body with authority to render decisions in compliance hearings in which a Registered Entity may contest a finding of alleged violation, proposed penalty or sanction, or a proposed mitigation plan. The NPCC Compliance Committee, reporting to the NPCC Board, will be responsible for impaneling a Hearing Body, when required. The Hearing Body will consist of an independent Hearing Officer and two (2) Independent Directors. The Hearing Officer, who is not a member of the Compliance Committee, the NPCC Board, or NPCC Staff, will conduct the hearing. The Hearing Body will utilize a simple majority vote to resolve issues. This voting rule, along with the structure of the Hearing Body, fully supports the requirement that no two stakeholder sectors may control, and no single stakeholder sector may veto, a matter before the Hearing Body.

NPCC shall conduct all compliance hearings in which a Registered Entity may contest a finding of alleged violation, proposed penalty or sanction, proposed Mitigation Plan, or a proposed Remedial Action Directive, in accordance with Attachment 2, Hearing Procedures, to the NERC

Compliance Monitoring and Enforcement Program, subject to the following deviations, if any:
None

3.0 OTHER DECISION-MAKING BODIES

NPCC Compliance Staff will be the sole decision making body to review and make final determinations on compliance submittals from Registered Entities related to Self-Certification; Self-Reporting; Exception Reporting; and Periodic Data Submittals. NPCC Compliance Staff will initially review all submittals received to assure that the information forwarded is accurate and complete. This process will be conducted by the staff members and may require contact via e-mail or phone to confirm information. If after, initially receiving a compliance submittal, the Compliance Staff identifies an instance of non-compliance, a Notice of Possible Violation (NOPV), without penalty, is issued to the registered entity and NERC while the Compliance Staff continues its more detailed and comprehensive review of the submittal. It is during this review that the Compliance Staff confirms the violation, calculates an appropriate penalty or sanction and issues a Notice of Confirmed Violation (NOCV).

Exhibit E — Funding

1. Scope of activities funded through the ERO funding mechanism

NPCC shall include in its annual budget submission to NERC amounts for costs it will incur in performing its delegated functions and related activities as described in Sections 5, 6 and 7 of the Agreement. These activities shall include:

- Reliability Standard Development
- Compliance Monitoring and Enforcement
- Organization Registration and Certification
- Reliability Assessment and Performance Analysis (including necessary data gathering activities)
- Event Analysis and Reliability Improvement
- Training and Education
- Situation Awareness
- Infrastructure Security

2. Preparation of Annual Business Plan and Budget

(a) NERC and NPCC in conjunction with the other Regional Entities shall collaboratively develop an annual schedule for the development, submission, review and approval of NPCC's business plan and budget. The annual schedule for the preparation of business plans and budgets shall require NPCC (i) to submit to NERC draft(s) of NPCC's proposed business plan and budget and other preliminary documents and information, and (ii) to submit a final proposed business plan and budget that has been approved by NPCC Board of Directors to NERC by July 1 or such other agreed date as provides sufficient time for NERC's review, approval and submission of NPCC's business plan and budget to the Commission 130 days in advance of the beginning of each fiscal year. The NPCC business plan and budget submission shall include supporting materials, including NPCC's complete business plan and organization chart, explaining the proposed collection of all assessments, dues, fees and charges, and the proposed expenditure of the funds to be collected in sufficient detail to justify the requested budgeted expenditures and assessments. NPCC's business plan and budget and proposed assessments shall provide for reasonable reserve mechanisms for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted accounting principles.

(b) NERC shall review and approve NPCC's proposed business plan and budget and proposed assessments for performing the delegated functions and related activities described in Sections 5, 6 and 7 of this Agreement and listed above in Section 1 of this **Exhibit E**, or shall direct NPCC to make such revisions as NERC deems appropriate prior to approval. NERC shall submit NPCC's approved business plan and budget and proposed assessments to the Commission for approval as part of NERC's overall business plan and budget submission, in accordance with the ERO Regulations.

3. Allocation of Costs

Assessments to fund the costs of NPCC delegated functions and related activities pursuant to the Agreement shall be allocated among all load-serving entities on the basis of Net Energy for Load, unless a different method(s) of allocating and calculating such assessments has been submitted to and approved by NERC and the Commission in accordance with Section 9(b) of the Agreement. NPCC shall submit to NERC annually at the same time it submits its budget request a list of the load-serving entities or designees within its geographic boundaries that shall be responsible for paying NPCC's assessment and the load-serving entities' proportionate Net Energy for Load, and such other data and information as is necessary to allocate and calculate the allocation of NPCC's assessment to the load-serving entities or designees under the method(s) of allocation and calculation that will be used.

4. Collection of Funding

(a) NERC shall submit invoices to the load-serving entities or designees identified by NPCC covering the NERC and NPCC assessments approved for collection.

(b) NERC shall pursue any non-payments of assessment amounts and shall request assistance from ERO Governmental Authorities as necessary to secure collection. To the extent reasonably practicable, NPCC shall assist NERC in pursuing and collecting any non-payments. Notwithstanding the foregoing, NPCC is not responsible and does not assume any liability for recovering non-payments or underpayments of assessment amounts. NERC shall retain sole responsibility for recovering non-payments or underpayments of assessment amounts. NERC shall add the amount of any non-payments by end-users or designees within NPCC region, that are reasonably determined to be uncollectible, to NERC's assessments for a subsequent year with the amount of such non-payments to be allocated to end-users within NPCC region.

(c) Upon approval by ERO Governmental Authorities of NPCC annual assessment to fund the costs of its delegated functions and related activities, NERC shall pay NPCC's annual assessment to NPCC in four equal quarterly payments on January 15, April 15, July 15 and October 15 of the budget year.

5. Application of Penalties

Except as otherwise approved by the Commission, all penalty monies received by NPCC other than penalty monies received from an operational function or division or affiliated entity of NPCC shall be applied as a general offset to NPCC budget requirements for U.S.-related activities under this Agreement for the subsequent fiscal year. Funds from financial penalties shall not be directly applied to any program maintained by the investigating entity. Except as otherwise approved by the Commission, any penalty monies received from an operational function or division or affiliated entity of NPCC shall be transmitted to or retained by NERC and shall be used by NERC as a general offset to NERC's budget for its activities as the ERO under the Act for the following year.

6. Budget and Funding for NPCC's Non-Statutory Activities

In addition to its delegated functions and related activities, as specified in Sections 5, 6 and 7 of the Agreement and in Section 1 of this **Exhibit E** (such delegated functions and activities referred to in this Section 6 as "statutory activities"), NPCC's Criteria Services division performs the following other functions and activities (such other functions and activities being referred to in this Section 5 as "non-statutory activities"):

NPCC List of Criteria Services Division Functions (Non-Statutory Activities)

1. Regionally-specific Criteria
 - NPCC develops and maintains regionally-specific more stringent criteria
 - NPCC develops and maintains criteria establishing resource adequacy requirements within the Region
2. Criteria Compliance Program
 - NPCC monitors and assesses compliance with its more stringent regional criteria
 - NPCC conducts a Reliability Compliance and Enforcement Program (RCEP) utilizing non-monetary sanctions

NPCC shall employ the following methods and procedures to (i) keep its funding mechanisms for its regional entity division (statutory activities) separate from its funding mechanisms for its criteria services division (non-statutory activities), and (ii) record the costs it incurs in the performance of its non-statutory functions separately from the costs it incurs in the performance of its statutory functions:

1. Funding of NPCC Criteria Services Division (non-statutory activities).- A separate membership based funding mechanism is utilized for non-statutory activities.
2. NPCC procedures for separating funding and expenditures for regional entity division (statutory activities) and criteria services division (non-statutory activities)

NPCC utilizes the NERC System of Accounts (NSOA) to provide consistency for account codes, divisional separation codes and activity codes. In August of 2007, NPCC CBRE (which prior to the merger performed statutory activities) merged into and with Northeast Power Coordinating Council, Inc. (referred to as NPCC) (which prior to the merger performed non-statutory activities) with the merged corporation having divisional separation for Regional Entity and Criteria Services. As recommended by NERC, NPCC uses the not-for-profit MIP Fund Accounting program by Sage Software to accurately account for income, time and labor. Effective January 1, 2008, with corporate restructuring of NPCC completed in later 2007, 2008 actual program costs are being charged to appropriate program areas.

NPCC does not conduct resource or transmission planning, is not an Independent System Operator (ISO), nor does it perform the functions of a Reliability Coordinator (RC). As such, while at this time, there is a breakout for Criteria related activities, all functions performed by

NPCC are in the furtherance of NERC’s statutory mission and reliability of the international bulk power system in Northeastern North America.

Methodology

NPCC’s revenue and expenditure classification methodology identifies appropriate methods of accounting for income, time and costs to ensure that U.S. Federal/statutory and Canadian provincial and/or governmental authorities’ agreed upon revenue and expenses are accounted for separately from NPCC’s regionally-specific Criteria development and Criteria compliance (non-statutory) income, time and expense.

Division Codes

There are two division codes that are used by NPCC in accounting for revenues and expenses. The codes are as follows:

Division ID	Division Name
RE	Regional Entity – U.S. Statutory and Canadian Regulatory and/or Governmental Authority authorized
CSD	Criteria Services - Non-Statutory

The two division codes allow NPCC to separate Regional Entity statutory activity revenues and expenses from Criteria Services non-statutory activity revenues and expenses. These categories were developed to ensure that non-statutory related revenues and expenses are segregated and accounted for separately from statutory-related revenues and expenses.

Program Codes

As required by NERC, NPCC adopted a financial accounting system consistent with NERC’s functional categories. At NPCC, functional categories are referred to as Program Codes.

There are twelve program codes that are used by NPCC in accounting for expenses. The codes are as follows:

Program ID	Program Name
300	Reliability Standards
400	Compliance Enforcement and Organization Registration and Certification
800	Reliability Assessment and Performance Analysis
700	Reliability Readiness Evaluation and Improvement

	900	Training and Education
	1000	Situational Awareness and Infrastructure Security
	ADMIN	General Administration
	FINANCE	Accounting and Finance
	HR	Human Resources
	IT	Information Technology
	LEGAL	Legal and Regulatory
	MEMBERS	Members Forum

Program codes are used to further delineate expenses into functional groupings that are assigned to program heads. NPCC staff utilize their assigned program codes (the program where they reside for payroll purposes) when coding expenses, unless otherwise authorized by management.

When time is spent in support of both statutory activities and non-statutory activities (applicable to a limited number of employees in the Administrative Services functions of General Administration, Accounting and Finance, Human resources, Information Technology, Legal and Regulatory and Members Forms), staff members develop accurate timesheet allocations between division codes.

Divisional separation with regard to statutory activities (Regional Entity division) and non-statutory activities (Criteria Services division) is reflected in the NPCC balance sheet and general ledger through the MIP Fund Accounting software programs.

NPCC shall provide its budget for such non-statutory activities to NERC at the same time that NPCC submits its annual budget request to NERC pursuant to Section 1. NPCC's budget for non-statutory activities that is provided to NERC shall contain a detailed list of NPCC's non-statutory activities and a description of the funding sources for the non-statutory activities. NPCC agrees that no costs of non-statutory activities are to be included in the calculation of NPCC's charges for its activities pursuant to this Agreement.

7. Amended or Supplemental Business Plans and Budgets

During the course of the fiscal year, if NPCC determines it does not or will not have sufficient funds to carry out its delegated functions and related activities, NPCC shall submit to NERC one or more proposed amended or supplemental business plans and budgets and requests for approval of supplemental assessments, reflecting costs, cost increases or funding shortfalls not provided for in NPCC's approved business plan and budget for the fiscal year.

NERC shall review and approve the proposed amended or supplemental business plan and budget and proposed supplemental assessment, or shall direct NPCC to make such revisions as NERC deems appropriate prior to approval. NERC shall submit NPCC's approved amended or supplemental business plan and budget and proposed supplemental assessment to the Commission for approval.

8. NERC Review of NPCC Financial Records

Upon a request made to NPCC with reasonable notice, NERC shall have access to and may review all financial records of NPCC, including records used to prepare NPCC's financial statements. NERC shall conduct reviews of the quarterly and annual financial statements submitted by NPCC pursuant to Section 9(h) and (i) of the Agreement. NPCC shall provide supporting documentation for the quarterly and annual financial statements as reasonably requested by NERC.

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

PETITION FOR APPROVAL OF

**AMENDMENTS TO DELEGATION AGREEMENT WITH
NORTHEAST POWER COORDINATING COUNCIL, INC.**

ATTACHMENT 2

AMENDED DELEGATION AGREEMENT BETWEEN

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

AND NORTHEAST POWER COORDINATING COUNCIL, INC.

REDLINED VERSION

**AMENDED AND RESTATED DELEGATION AGREEMENT BETWEEN
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
AND NORTHEAST POWER COORDINATING COUNCIL, INC.**

AMENDED AND RESTATED DELEGATION AGREEMENT (“Agreement”) made as of January 1, 2011, between the North American Electric Reliability Corporation (“NERC”), an organization certified by the Federal Energy Regulatory Commission (“Commission”) pursuant to Section 215(c) of the Federal Power Act to establish and enforce Reliability Standards for the Bulk-Power System, and Northeast Power Coordinating Council, Inc. (“NPCC”), an organization established to develop and enforce Reliability Standards within the geographic boundaries identified on **Exhibit A** to this Agreement, and for other purposes. NERC and NPCC may be individually referred to herein as “Party” or collectively as “Parties.”

WITNESSETH

WHEREAS, Subtitle A of the Electricity Modernization Act of 2005 added Section 215 to the Federal Power Act (16 U.S.C. § 824n) (hereafter “the Act”), which, among other things, provides for the establishment of an electric reliability organization (“ERO”) to develop and enforce Reliability Standards applicable to all owners, operators, and users of the Bulk-Power System;

WHEREAS, the Commission has adopted regulations for the implementation of the Act, which are set forth at Chapter I, Title 18, Code of Federal Regulations, Part 39 (the “ERO Regulations”);

WHEREAS, the Commission has certified NERC as the ERO that will, in accordance with the Act, establish and enforce Reliability Standards for the Bulk-Power System, subject to certain delegation provisions described below;

WHEREAS, the Act recognizes the international interdependency of electric reliability within North America and envisions the ERO and such applicable Regional Entities as international organizations;

WHEREAS, the Act and Section 39.8 of the ERO Regulations provide for the delegation by the ERO of authority to propose and enforce Reliability Standards to regional entities (“Regional Entities”) such as NPCC provided that:

(A) The Regional Entity is governed by —

- (i) an independent board;
- (ii) a balanced stakeholder board; or
- (iii) a combination independent and balanced stakeholder board.

(B) The Regional Entity otherwise satisfies the provisions of Section 215(c)(1) and (2) of the Act; and

(C) The agreement promotes effective and efficient administration of Bulk-Power System reliability;

WHEREAS, certain Regional Entities are organized on an Interconnection-wide basis and are therefore entitled to the presumption set forth in the Act that: “[t]he ERO and the Commission shall rebuttably presume that a proposal for delegation to a Regional Entity organized on an Interconnection-wide basis promotes effective and efficient administration of bulk power system reliability and should be approved”;

WHEREAS, the Act further provides that the ERO shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Reliability Standard or modification to a Reliability Standard to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest;

WHEREAS, NPCC is not organized on an Interconnection-wide basis and therefore is not entitled to the rebuttable presumptions accorded such an entity;

WHEREAS, NERC will work through NPCC to carry out certain of its activities in furtherance of its responsibilities as the ERO under the Act;

WHEREAS, NERC has concluded that NPCC meets all requirements of the Act, the ERO Regulations, and the NERC Rules of Procedure as approved by the Commission (“NERC Rules of Procedure”) necessary to qualify for delegation; and

WHEREAS, NERC and NPCC having operated under a predecessor agreement to this Agreement, have negotiated this amended and restated Agreement so as to incorporate the benefits of their mutual experience and lessons learned while operating under the predecessor agreement and thereby provide for the more efficient and effective execution of their respective responsibilities in a transparent manner that is pursuant to Section 215 of the Act and the ERO Regulations;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, NERC and NPCC agree as follows:

1. Definitions. The capitalized terms used in this Agreement shall be defined as set forth in the Act, the ERO Regulations, the NERC Rules of Procedure, or the NERC Glossary of Terms Used in Reliability Standards, or, if not so defined, shall be defined as set forth in this Section 1 or elsewhere in the text of this Agreement:

(a) Breach means (i) the failure of a Party to perform or observe any material term, condition or covenant of the Agreement or (ii) a representation in Section 2 of the Agreement shall have become materially untrue.

(b) Cross-Border Regional Entity means a Regional Entity that encompasses a part of the United States and a part of Canada or Mexico.

(c) Delegated Authority means the authority delegated by NERC to NPCC to propose and enforce Reliability Standards pursuant to the Act and to undertake related activities set forth in this Agreement in furtherance of these delegated functions in accordance with the Act, the ERO Regulations and this Agreement.

2. Representations.

(a) For purposes of its Delegated Authority, NPCC hereby represents and warrants to NERC that:

(i) NPCC is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder. NPCC is governed in accordance with its bylaws by a combination independent and balanced stakeholder board. Pursuant to these bylaws, no two industry sectors can control any NPCC decision and no single industry sector can veto any NPCC decision. The relevant portions of such bylaws are attached hereto in **Exhibit B**¹, and as so attached are in full force and effect. No other such corporate governance documents are binding upon NPCC.

(ii) As set forth in **Exhibit C** hereto², NPCC has developed a standards development procedure, which provides the process that NPCC may use to develop Regional Reliability Standards [and Regional Variances, if the regional entity is organized on an Interconnection-wide basis] that are proposed to NERC for adoption.

(iii) As set forth in **Exhibit D** hereto, NPCC has adopted the NERC Compliance Monitoring and Enforcement Program, Appendix 4C to the NERC Rules of Procedure, which provides for the enforcement of Reliability Standards within NPCC geographic boundaries as shown on **Exhibit A**.

(b) NERC hereby represents and warrants to NPCC that:

(i) NERC is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder; and

(ii) NERC has been certified as the ERO by the Commission pursuant to the Act.

¹ The **Exhibit B** from NPCC shall meet the requirements contained in **Exhibit B** to this Agreement.

² The **Exhibit C** from NPCC shall meet the requirements contained in **Exhibit C** to this Agreement.

3. Covenants.

(a) During the term of this Agreement, NPCC shall maintain and preserve its qualifications for delegation pursuant to the Act and shall not amend its Regional Entity Rules without NERC's approval, which shall not be unreasonably withheld or delayed and which shall, in the case of a Regional Entity organized on an Interconnection-wide basis, be governed by the presumptions provided for in Section 215(d)(2) and (e)(4)(C) of the Act, and be subject to any required Commission approval.

(b) During the term of this Agreement, NERC shall maintain its qualification and status as the ERO pursuant to the Act and, subject to the provisions of Sections 17 and 18 of this Agreement, NERC shall not adopt amendments to the NERC Rules of Procedure that conflict with the rights, obligations or programs of NPCC under this Agreement without first obtaining the consent of NPCC, which consent shall not be unreasonably withheld or delayed.

(c) During the term of this Agreement, NERC and NPCC shall adhere to and require that all participants in their respective activities under this Agreement follow and comply with the NERC Antitrust Compliance Guidelines.

4. Delegation of Authority.

(a) Based upon the representations, warranties and covenants of NPCC in Sections 2 and 3 above, the corporate governance documents set forth in **Exhibit B**, the standards development process set forth in **Exhibit C**, and the compliance monitoring and enforcement program set forth in **Exhibit D**, NERC hereby delegates authority, pursuant to Section 215(e)(4) of the Act, to NPCC for the purpose of proposing Reliability Standards to NERC, as set forth in Section 5 of this Agreement, and enforcing Reliability Standards, as set forth in Section 6 of this Agreement, within the geographic boundaries and such other scope set forth on **Exhibit A**, *provided*, that NPCC shall not monitor and enforce compliance with Reliability Standards for NPCC or an affiliated entity with respect to reliability functions for which NPCC or an affiliate is a Registered Entity. Any exclusions from this delegation of authority to NPCC within, or additions to this delegation of authority to NPCC beyond, the geographic boundaries set forth on **Exhibit A** are stated on **Exhibit A**.

(b) In circumstances where NPCC or an affiliated entity is a Registered Entity, NPCC shall enter into an agreement with another Regional Entity or NERC for the other

Regional Entity or NERC to monitor and enforce NPCC or affiliate's compliance with Reliability Standards. Such agreements are subject to NERC and Commission approval.

(c) Nothing in this Agreement shall prohibit NPCC from entering into an arrangement between one or more other Regional Entities to perform compliance monitoring and enforcement activities outside of its region, on behalf of NERC and/or other Regional Entities, for Registered Entities that have registered functions monitored by more than one Regional Entity, subject to approval by NERC.

(d) For Cross-Border Regional Entities, the authority delegated by this Agreement shall extend only to the portion of the region identified on **Exhibit A** that is within the United States. Any delegation of authority by ERO Governmental Authorities in Canada or Mexico shall be governed by a separate agreement and is outside the scope of this Agreement; provided, however, that both NPCC and NERC shall endeavor to ensure that this Agreement and such separate agreements are compatible.

(e) As a condition to this delegation of authority and subject to the provisions of Section 17 of this Agreement, NPCC shall comply with the applicable provisions of NERC's Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards, as from time to time adopted, approved, or amended.

5. Development and Proposal of Reliability Standards.

- (a) In connection with its Delegated Authority, NPCC shall be entitled to:
- (i) propose Reliability Standards, Regional Variances, or modifications thereof to NERC, which shall be considered by NERC through an open and inclusive process for proposing and adopting Reliability Standards that affords NPCC reasonable notice and opportunity to be heard; and
 - (ii) develop Regional Reliability Standards [and Regional Variances, if Regional Entity is organized on an Interconnection-wide basis] through NPCC process as set forth in **Exhibit C**. Proposals approved through NPCC process shall be reviewed by the NERC Board after NERC provides notice and an opportunity for interested persons to comment. In the case of a proposal from a Regional Entity organized on an Interconnection-wide basis, comments shall be limited to the factors identified in NERC Rule of Procedure 312.3 as it may be amended from time to time. The NERC Board shall promptly thereafter consider such

proposed Regional Reliability Standard or Regional Variance, applying the rebuttable presumption described in subsection 5(b) of this Agreement if the proposed Regional Reliability Standard or Regional Variance is from a Regional Entity organized on an Interconnection-wide basis, and either approve the proposed Regional Reliability Standard or Regional Variance and submit it to the Commission for approval, or disapprove it in writing setting forth its reasons. NPCC may appeal any disapproval of a proposed Regional Reliability Standard or Regional Variance to the Commission.

(b) Pursuant to Section 215(d)(3) of the Act, NERC shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Regional Reliability Standard or Regional Variance or modification thereof to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest. Any person challenging such proposal from the Regional Entity organized on an Interconnection-wide basis shall have the burden of proof. NERC shall not find that this presumption has been rebutted except based upon substantial evidence that has been disclosed to, and been subject to comment by, the Interconnection-wide Regional Entity during NERC's review of the proposal.

6. Enforcement of Compliance with Reliability Standards.

(a) In connection with its delegated authority pursuant to this Agreement, NPCC shall enforce Reliability Standards (including Regional Reliability Standards and Regional Variances) within the geographic boundaries set forth, or as otherwise specified, in **Exhibit A** through the compliance monitoring and enforcement program set forth in **Exhibit D**. NERC and NPCC agree that this compliance monitoring and enforcement program meets all applicable requirements of the Act, Order No. 672 of the Commission, and the ERO Regulations, including, *inter alia*, the requirement for an audit program pursuant to Section 39.7(a) of the ERO Regulations, the assessment of penalties pursuant to Section 39.7(c) through 39.7(g) of the ERO Regulations and the requirements for due process. NPCC may not change its compliance monitoring and enforcement program set forth in **Exhibit D** absent NERC's approval, which shall not be unreasonably withheld or delayed, and the approval of the Commission. Subject to the rights and limitations specified in Sections 17 and 18 of this Agreement, NPCC agrees to comply with the NERC Rules of Procedure, with any directives issued pursuant to Section 8(c)

of this Agreement, and with any guidance and directions issued by the NERC Board or a Board committee pursuant to Section 8(d) of this Agreement, in implementing this program.

(b) NPCC shall report promptly to NERC any Possible Violation, Alleged Violation, or Confirmed Violation of a Reliability Standard, and its eventual disposition by NPCC. Such report shall include the owner's, operator's, or user's name, which Reliability Standard or Reliability Standards were the subject of the Possible Violation, Alleged Violation, or Confirmed Violation, when the Possible Violation, Alleged Violation, or Confirmed Violation occurred, other pertinent facts including circumstances surrounding the Possible Violation, Alleged Violation, or Confirmed Violation with any known risk to the Bulk-Power System, when the Possible Violation, Alleged Violation, or Confirmed Violation was or will be mitigated, the name of a person knowledgeable about the Possible Violation, Alleged Violation, or Confirmed Violation to serve as a point of contact with the Commission, and any other information required by NERC compliance program procedures. NERC shall promptly forward such report to the Commission. NERC and NPCC shall cooperate in filing such periodic summary reports as the Commission shall from time to time direct on Possible Violations, Alleged Violations, and Confirmed Violations of Reliability Standards and summary analyses of such Possible Violations, Alleged Violations, and Confirmed Violations.

(c) Each Possible Violation, Alleged Violation, or Confirmed Violation shall be treated as nonpublic unless the matter is filed with the Commission as a Notice of Penalty, or, if disclosure is required, dismissed. The disposition of each Possible Violation, Alleged Violation, or Confirmed Violation that relates to a Cybersecurity Incident or that would jeopardize the security of the Bulk-Power System if publicly disclosed shall remain nonpublic unless the Commission directs otherwise.

(d) All dispositions by NPCC of Possible Violations, Alleged Violations, and Confirmed Violations of Reliability Standards shall be reported to NERC for review and, in the case of Confirmed Violations, penalties or sanctions, and settlements, for approval. Following approval of a disposition by NERC, NERC shall file the disposition with the Commission, if required by, and in accordance with, Section 215(e) of the Act and Section 39.7 of the ERO Regulations. NERC shall review NPCC dispositions based on the following criteria:

(i) whether the disposition is supported by a sufficient record compiled by NPCC in accordance with the NERC Rules of Procedure, NERC directives and

Commission requirements, taking into account the nature of the Possible Violation, Alleged Violation, or Confirmed Violation,

(ii) whether the disposition is consistent with any applicable directives issued pursuant to Section 8(c) of this Agreement, any applicable directions or guidance issued by the NERC Board or a Board committee pursuant to Section 8(d) of this Agreement, or other applicable NERC guidance, concerning the Reliability Standards to which the Possible Violation, Alleged Violation, or Confirmed Violation relates,

(iii) if the disposition is a Confirmed Violation or settlement, whether it provides for a penalty or sanction, or a determination of no penalty or sanction, determined in accordance with the NERC Sanction Guidelines, Appendix 4B to the NERC Rules of Procedure, and

(iv) whether the disposition is reasonably consistent with other dispositions by NPCC and by other Regional Entities of Possible Violations, Alleged Violations, and Confirmed Violations involving the same or similar facts and circumstances.

NERC may reject any disposition, with an explanation of why NERC believes the disposition does not meet the above criteria. NPCC may submit a disposition requiring NERC approval that has been rejected by NERC, or a revised disposition following a rejection, directly to the NERC Board Compliance Committee for approval without revising the disposition to address all the grounds on which NERC originally rejected the disposition. The final approval of NPCC disposition of a Possible Violation, Alleged Violation, or Confirmed Violation shall be made by the NERC Board Compliance Committee, provided, that the NERC Board or NERC Board Compliance Committee may, by appropriate resolution, delegate authority for final approval of dispositions of specified categories of Possible Violations, Alleged Violations, or Confirmed Violations to the NERC President.

(e) All appeals of penalties imposed by NPCC as a result of a decision by NPCC Hearing Body shall be filed with, heard by and disposed of by, NERC in accordance with the NERC Rules of Procedure.

(f) NPCC shall maintain the capability to conduct investigations of Possible Violations and Alleged Violations of Reliability Standards and to conduct such investigations in a confidential manner.

(g) NPCC shall maintain a program of proactive monitoring and enforcement of compliance with Reliability Standards, in accordance with the NERC Compliance Monitoring and Enforcement Program and the annual NERC Compliance Monitoring and Enforcement Program Implementation Plan.

(h) As part of its compliance monitoring and enforcement program, NPCC shall maintain a conflict of interest policy that assures the integrity and independence of such program, including the integrity and independence of the persons or decision-making bodies making final determinations in compliance enforcement actions under Section 5.0 of the NERC Compliance Monitoring and Enforcement Program. NPCC may have stakeholders lead or participate in its board compliance committee so long as integrity and independence are assured through reasonable and appropriate recusal procedures.

(i) As often as NERC deems necessary, but no less than every five years, NERC shall review NPCC compliance monitoring and enforcement program to determine that: (i) the program meets all applicable legal requirements; (ii) actual practices reflect the requirements; and (iii) the program administered pursuant to the Delegated Authority promotes consistent interpretations across North America of Reliability Standards and comparable levels of sanctions and penalties for violations of Reliability Standards constituting comparable levels of threat to reliability of the Bulk-Power System.

7. Delegation-Related Activities.

NERC will engage NPCC on its behalf to carry out certain of its activities that are in furtherance of Bulk-Power System reliability and NERC's responsibilities as the ERO under the Act or in support of the Delegated Authority, as specified in the NERC Rules of Procedure and listed on **Exhibit E**. These delegation-related activities shall include, but are not limited to, those described in subsections (a) through (f), each of which shall be considered a statutory activity:

(a) Certification of Bulk-Power System Entities. The NERC Board shall set criteria for certification in accordance with the NERC Rules of Procedure. NPCC shall issue certifications in accordance with the NERC Rules of Procedure.

(b) Registration of owners, operators, and users of the Bulk-Power System as responsible for compliance with requirements of Reliability Standards.

(i) The NERC Board shall develop criteria for registration of owners, operators, and users of the Bulk-Power System as Registered Entities and shall apply the registration criteria to register owners, operators and users of the Bulk-Power System as Registered Entities.

(ii) NERC shall maintain a registration database of Registered Entities, based on data and information provided by NPCC and other Regional Entities. NPCC shall provide timely and accurate information relating to registrations to NERC, on at least a monthly basis, to enable NERC to maintain a registration database that is accurate and up-to-date.

(iii) The NERC Board Compliance Committee shall hear and decide appeals from owners, operators and users of the Bulk-Power System contesting registration, in accordance with the NERC Rules of Procedure. If the NERC Board Compliance Committee upholds the decision to register an owner, operator, or user, NERC shall defend the decision in any subsequent appeal of the decision by the Registered Entity to the Commission.

(c) Reliability Assessment and Performance Analysis. NPCC shall develop assessments of the reliability of the Bulk-Power System, or ensure that data and information are collected, analyzed and provided to NERC in support of the development of reliability assessments, in accordance with the NERC Rules of Procedure. NPCC shall also develop and maintain, and collect data in support of the development and maintenance of, reliability performance metrics and assessments of risks to the Reliable Operation of the Bulk-Power System, in accordance with the NERC Rules of Procedure and NERC directives. NERC shall develop data-gathering quality control procedures, forms and reporting mechanisms, which shall be used by NPCC and other Regional Entities in carrying out their responsibilities under this subsection (c).

(d) Event Analysis and Reliability Improvement. NPCC shall conduct event analysis pursuant to the NERC Rules of Procedure and applicable governmental regulations. NERC and NPCC shall coordinate event analysis to support the effective and efficient use of their collective resources, consistency in event analysis, and timely delivery of event analysis reports. In collaboration with NERC, NPCC shall disseminate to the electric industry lessons learned and other information obtained or resulting from event analysis.

(e) Training and Education. NPCC may provide training and education to Registered Entities, as it deems necessary, in support of its performance of delegated functions and related

activities under this Agreement. NERC may also provide training and education programs to Registered Entities on topics relating to NERC's responsibilities as the ERO.

(f) Situation Awareness and Infrastructure Security.

(i) NPCC shall gather and assess situation awareness information provided by Registered Entities pursuant to the NERC Rules of Procedure and applicable governmental regulations, and shall provide other data, information and assistance to NERC in support of NERC's activities in monitoring present conditions, and responding to events, on the Bulk-Power System

(ii) NPCC shall collaborate with NERC in its efforts to coordinate electric industry activities to promote critical infrastructure protection of the Bulk-Power System in North America.

8. Oversight of Performance of Delegated Functions and Related Activities.

This Section 8 sets forth processes and procedures which the Parties intend shall be used in NERC's oversight of NPCC performance of its Delegated Authority and related activities pursuant to this Agreement. It is the intent of NERC and NPCC that matters relating to NERC's oversight of NPCC performance of its Delegated Authority and related activities shall be established or resolved by collaboration between NERC and NPCC and, where applicable, other Regional Entities, to the maximum extent possible, consistent with the construct that NERC and the Regional Entities are operating together in a collaborative manner to carry out the responsibilities of the ERO under Section 215 of the Act and the ERO Regulations.

(a) (i) NERC shall develop, in collaboration with NPCC and other Regional Entities, performance goals, measures and other parameters (including, without limiting the scope of such goals, measures and parameters, financial performance goals, measures and parameters), and performance reports, which shall be used to measure NERC's and NPCC performance of their respective functions and related activities. The performance goals, measures and parameters and the form of performance reports shall be approved by the NERC President and shall be made public. NPCC shall provide data, information and reports to NERC, in accordance with established schedules, to enable NERC to calculate NPCC performance to the agreed-upon goals, measures and parameters.

(ii) NERC shall use the performance goals, measures and parameters and performance reports to evaluate NPCC performance of its delegated functions and related

activities and to provide advice and direction to NPCC on performance improvements. The performance goals, measures and other parameters and the values of such goals, measures and parameters, shall be reviewed by NERC, NPCC and the other Regional Entities, revised if appropriate, and made public, on the same timeline as the annual business planning and budgeting process described in Section 9 of this Agreement.

(iii) At the request of the President of NERC, NPCC shall be required to develop, submit for NERC approval, and implement action plans to address areas of its performance that are reasonably determined by NERC, based on analysis of NPCC performance against the performance goals, measures and parameters, or performance of specific activities, to be unsatisfactory, *provided*, that prior to requiring NPCC to adopt and implement an action plan or other remedial action, NERC shall issue a notice to NPCC of the need and basis for an action plan or other remedial action and provide an opportunity for NPCC to submit a written response contesting NERC's evaluation of NPCC performance and the need for an action plan. NPCC may request that the President of NERC reconsider the request, and thereafter may request that the NERC Board review and reconsider the request. NERC and NPCC shall work collaboratively as needed in the development and implementation of NPCC action plan. A final action plan submitted by NPCC to NERC shall be made public unless the President of NERC makes a written determination that the action plan or specific portions of the plan should be maintained as non-public.

(b) NERC shall make available to NPCC standardized training and education programs, which shall be designed taking into account input from NPCC and other Regional Entities, for NPCC personnel on topics relating to the delegated functions and related activities.

(c) (i) NERC may issue directives to NPCC concerning the manner in which NPCC shall perform its delegated functions and related activities under this Agreement. The NERC Rules of Procedure, or any other ERO Rule requiring approval of the Commission, shall not be considered "directives." NERC shall initiate the development of a directive through a collaborative process with NPCC and, if applicable, other Regional Entities to which the directive will apply. Any directive developed through the collaborative process shall be approved by, and issued under the signature of, the NERC President.

(ii) If after a period of time that is reasonable under the circumstances, NERC and NPCC and, if applicable, other Regional Entities are unable to reach agreement on the

contents of the directive, NERC may issue the directive with the approval of and under the signature of the NERC President; *provided*, that before the NERC President issues a directive pursuant to this paragraph (ii), NPCC and, if applicable, other Regional Entities, shall be given a reasonable opportunity to present their positions on, and a suggested alternative version or versions of, the proposed directive to the NERC President.

(iii) Upon issuance of a directive by the NERC President, it shall be binding upon, and shall be complied with by, NPCC subject to reasonable time periods for adoption, implementation, and funding of any necessary resources. Upon request by NPCC the NERC Board (or a committee of the Board to which the Board delegates appropriate authority) shall review and shall confirm, revise or revoke any directive that was issued by the NERC President without NPCC agreement, *provided*, that NPCC shall request such review within thirty (30) days following issuance of the directive by the NERC President unless good cause can be shown for a later request.

(iv) NERC and NPCC and, if applicable, other Regional Entities, shall collaborate in deciding whether a directive (whether issued pursuant to paragraph (ii) or paragraph (iii)) shall be made public. If no agreement is reached by the date of issuance as to whether the directive shall be made public, the NERC President shall decide whether the directive will be made public, *provided*, that is the intent of the Parties that the NERC President shall apply a presumption that directives should be made public, unless the NERC President makes a written determination stating a specific reason for maintaining a particular directive as non-public.

(d) In addition to the issuance of directives pursuant to subsection (c), the NERC Board (or a Board committee to which the Board has delegated authority) may issue guidance or directions as to the manner in which NPCC and, if applicable, other Regional Entities, shall perform delegated functions and related activities. The Board or Board committee shall also establish reasonable time periods for the implementation of any such guidance or directions, taking into account the impact on the reliability of the Bulk-Power System and the need for funding of additional resources. Any such guidance or directions shall be stated in writing and shall be public, unless the Board or Board committee makes a written determination stating a specific reason for maintaining particular guidance or directions as non-public. NPCC either

individually or in conjunction with other Regional Entities, may request that the NERC Board or Board committee reconsider or revise the guidance or direction.

(e) NERC shall conduct collaborative reviews with NPCC either individually or in conjunction with one or more other Regional Entities, that provide for the exchange of information on practices, experiences, and lessons learned in the implementation of the delegated functions.

(f) Any audits of NPCC performed by NERC shall be limited to an examination of NPCC compliance with this Agreement, NERC's Rules of Procedure, the Compliance Monitoring and Enforcement Program, Commission requirements, and directives that are in effect pursuant to Section 8(c).

(g) The Commission and the Commission staff shall have full access to action plans and remedial actions, directives, and directions and guidance issued pursuant to subsections (a)(iii), (c)(iv) and (d), respectively, that are maintained as non-public.

9. Funding. NPCC and NERC shall ensure, subject to Commission approval in accordance with the ERO Regulations, that the delegated functions and related activities described in Sections 5, 6 and 7 and listed on **Exhibit E** have reasonable and adequate funding and resources by undertaking the following:

(a) NPCC shall develop, through a collaborative process with NERC, and propose, an annual business plan and budget, in accordance with ERO Regulations, Commission orders and NERC business planning and budgeting policies and instructions. NPCC proposed business plan and budget shall describe the activities necessary for, and provide a budget with adequate resources for, NPCC to carry out its Delegated Authority under this Agreement, including the functions and activities described in Sections 5, 6 and 7 and listed on **Exhibit E**. NPCC business plan and budget shall show the funding sources and amounts to fund the proposed budget, including as applicable assessments to end users, penalty monies, and other sources of funds.

(b) NPCC and NERC agree that the portion of NPCC approved budget for the functions and activities described in Sections 5, 6 and 7 and listed on **Exhibit E** that is to be funded by assessments, will be equitably allocated among end users within the geographic

boundaries described in **Exhibit A** and recovered through a formula based on Net Energy for Load, or through such other formula as is proposed by NPCC and approved by NERC and the Commission. If NPCC proposes to use a formula other than Net Energy for Load beginning in the following year, NPCC shall submit the proposed formula to NERC in sufficient time that NERC may review and approve the proposed formula and file it with the Commission by May 15 for approval, and the proposed formula shall be effective for the following year if approved by the Commission on or before the date the Commission approves the annual business plan and budget submitted by NERC and NPCC to the Commission pursuant to the ERO Regulations for such year.

(c) NERC shall determine that the assessments to fund the costs for its statutory functions in its Commission-approved budget are first allocated fairly among the Interconnections and regions according to the applicability of this work to those Interconnections and regions, and then equitably among the end users of the applicable interconnections and regions as appropriate. Allocation on a Net Energy for Load basis will be presumed to satisfy this equitability requirement.

(d) NERC shall provide NPCC with the form or forms for business plan and budget submittal, and any accompanying instructions, in accordance with the schedule for preparation of the business plan and budget developed by NERC and the Regional Entities.

(e) NPCC shall submit its proposed annual business plan and budget for carrying out its Delegated Authority functions and related activities described in Sections 5, 6 and 7 and listed on Exhibit E, as well as for all other activities of NPCC to NERC for review and approval in accordance with the annual schedule for the preparation of business plans and budgets which shall be developed collaboratively by NERC and the Regional Entities, as more fully described in **Exhibit E**.

(f) NERC shall fund NPCC performance of its Delegated Authority and related activities in accordance with NPCC Commission-approved business plan and budget, in the amount of NPCC assessments to end users approved by the Commission. **Exhibit E** sets forth the procedures and timing for billing and collecting NPCC approved assessments from end users and other entities and payment of the approved assessment amount to NPCC unless otherwise modified and approved by NERC and the Commission. NERC shall not impose any material obligation or requirement regarding the Delegated Authority upon NPCC that has not

been provided for in an approved business plan and budget or an approved amended or supplemental business plan and budget, without NPCC consent.

(g) NERC shall develop, in consultation with the Regional Entities, a reasonable and consistent system of accounts, with a level of detail and record keeping comparable to the Commission's Uniform System of Accounts and sufficient to allow the Commission to compare each Commission-approved NERC and NPCC fiscal year budget with the actual results at the NERC and Regional Entity levels. NPCC shall follow NERC's prescribed system of accounts except to the extent that NERC permits a departure from the prescribed system of accounts. NERC shall make an informational filing with the Commission describing any such waiver it permits and providing an explanation supporting the permitted departure.

(h) NPCC shall submit unaudited quarterly interim financial statements in form provided by NERC no later than 20 days after the end of the fiscal quarter (March 31, June 30, September 30, and December 31).

(i) NPCC shall submit audited financial statements annually, including supporting materials, in a form provided by NERC no later than May 1 of the following year.

(j) **Exhibit E** to this Agreement sets forth the mechanism through which NPCC shall offset penalty monies it receives (other than penalty monies received from an operational function or division or affiliated entity of NPCC) against its next year's annual budget for carrying out functions under this Agreement, and the mechanism by which NPCC shall transmit to NERC any penalty monies received from an operational function or division or affiliated entity of NPCC. *Provided*, that, subject to approval by NERC and the Commission, NPCC may propose and implement an alternative use of penalty monies to that set forth in **Exhibit E**.

10. Assignment. This Agreement may be assigned by either Party only with the prior written consent of the other, which consent shall be granted or withheld in such non-assigning Party's sole discretion, subject to approval by the Commission. Any assignment under this Agreement shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. NPCC may not delegate in whole or in part its Delegated Authority to any other entity without NERC's express consent; provided, however, that nothing in this provision shall prohibit NPCC from contracting with other entities to assist it

in carrying out its Delegated Authority, provided NPCC retains control and responsibility for such Delegated Authority.

11. Default and Cure. Upon a Breach, the non-breaching Party shall give written notice of such Breach to the breaching Party (the “Default Notice”). Subject to a suspension of the following deadlines as specified below, the breaching Party shall have thirty (30) calendar days from receipt of the Default Notice within which to cure such Breach; *provided however*, that if such Breach is not capable of cure within thirty (30) calendar days, the breaching Party shall commence such cure within thirty (30) calendar days after notice and continuously and diligently complete such cure within ninety (90) calendar days from receipt of the Default Notice; and, if cured within such time, the Breach specified in such notice shall cease to exist. Subject to the limitation specified in the following sentence, if a Breach is not cured as provided in this Section 11, or if a Breach is not capable of being cured within the period provided for herein, the nonbreaching Party shall have the right to declare a default and terminate this Agreement by written notice at any time until cure occurs, and be relieved of any further obligation hereunder. The deadlines for cure and the right to declare a default and terminate this Agreement shall be suspended during the pendency of any efforts or proceedings in accordance with Section 18 of this Agreement to resolve a dispute as to whether a Breach has occurred or been cured. The provisions of this Section 11 will survive termination of this Agreement.

12. Term and Termination.

(a) This Agreement shall become effective on January 1, 2011 (the “Effective Date”).

(b) The term of the Agreement shall be five (5) years from the Effective Date, prior to which time NERC shall conduct an audit pursuant to subsection 6(i) to ensure that NPCC continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. If NPCC meets such requirements, this Agreement may be renewed for another five (5) year term. This Agreement may be renewed for successive additional five (5) year renewal terms provided that prior to the end of each renewal term, NERC shall conduct an audit pursuant to subsection 6(i) to ensure that NPCC continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation.

Provided, that either Party may terminate this Agreement as of the end of a term by giving written notice to terminate at least one (1) year prior to the end of the term. If this Agreement is not renewed or becomes subject to termination for any reason, the Parties shall work to provide for a transition of NPCC Delegated Authority to NERC or to another eligible entity and to provide for the resolution of any wind-up costs associated with termination of this Agreement. The termination of this Agreement shall not take effect until such transition has been effected, unless the transition period exceeds one year, at which time NPCC may unilaterally terminate.

(c) If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by a regulatory authority exercising jurisdiction over this Agreement, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification or condition. If either Party finds such holding, modification or condition unacceptable and the Parties are unable to renegotiate a mutually acceptable resolution, either Party may unilaterally terminate this Agreement. Such termination shall be effective one year following written notice by either Party to the other Party and to the Commission, or at such other time as may be mutually agreed by NPCC and NERC.

(d) Notwithstanding any termination of this Agreement, provisions contained in Limitation of Liability (Section 13), No Third Party Beneficiaries (Section 14) and Confidentiality (Section 15) shall survive this Agreement in accordance with their terms until sixty (60) days following the expiration of any applicable statute of limitations.

13. Limitation of Liability. NPCC and NERC agree not to sue each other or their directors, officers, employees, and persons serving on their committees and subgroups based on any act or omission of any of the foregoing in the performance of duties pursuant to this Agreement or in conducting activities under the authority of Section 215 of the Act, other than seeking a review of such action or inaction by the Commission. NERC and NPCC shall not be liable to one another for any damages whatsoever, including without limitation, direct, indirect, incidental, special, multiple, consequential (including attorneys' fees and litigation costs), exemplary, or punitive damages arising out of or resulting from any act or omission associated with the

performance of the NPCC or NERC's responsibilities under this Agreement or in conducting activities under the authority of Section 215 of the Act, except to the extent that the NPCC or NERC is found liable for gross negligence or intentional misconduct, in which case NPCC or NERC shall not be liable for any indirect, incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

14. No Third Party Beneficiaries. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to, any third party.

15. Confidentiality. During the course of the Parties' performance under this Agreement, a Party may receive Confidential Information, as defined in Section 1500 of NERC's Rules of Procedure. Except as set forth herein, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the issuing Party, unless disclosure is required by subpoena, law, or other directive of a court, administrative agency, or arbitration panel, in which event the recipient hereby agrees to provide the Party that provided the Confidential Information with prompt notice of such request or requirement in order to enable such issuing Party to (a) seek an appropriate protective order or other remedy, (b) consult with the recipient with respect to taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section. In the event a protective order or other remedy is not obtained or the issuing Party waives compliance with the provisions, the recipient agrees to furnish only that portion of the Confidential Information which the recipient's counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information. In addition, each Party shall ensure that its officers, trustees, directors, employees, subcontractors and subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those contained herein. This confidentiality provision does not prohibit reporting and disclosure as directed by NERC, as set forth in Section 6 of this Agreement.

16. **Amendment.** Neither this Agreement nor any of the terms hereof, may be amended unless such amendment is made in writing, signed by the Parties, and filed with and approved by the Commission.

17. **Amendments to the NERC Rules of Procedure.** NERC shall not adopt amendments to the NERC Rules of Procedure that conflict with the rights, obligations, or programs of NPCC under this Agreement without first obtaining the consent of NPCC which consent shall not be unreasonably withheld or delayed. To the extent NPCC does not consent, NERC shall have the right to invoke the dispute resolution provisions of Section 18 and, if such effort fails to resolve the dispute, to petition the Commission to adopt the amendment to the NERC Rules of Procedure. To the extent that the Commission issues an order amending or materially affecting the rights or obligations of NPCC under this Agreement, NPCC shall have the option, exercisable no later than 60 days after issuance of such order, to terminate this Agreement. Such termination shall be effective one year following written notice by NPCC to NERC and the Commission, or at such other time as may be mutually agreed by NPCC and NERC.

18. **Dispute Resolution.** In the event a dispute arises under this Agreement between NERC and NPCC (including disputes relating to NERC's performance of its obligations under this Agreement and/or disputes relating to NPCC's performance of its obligations under this Agreement) which cannot be resolved through discussions between representatives of the Parties in the normal course of operations, the Parties shall use the following procedures ("Dispute Resolution") to attempt to resolve the dispute. NPCC shall not suspend performance of any delegated function, and the Parties shall continue to make reasonable, good faith efforts to comply with their obligations under this Agreement, during the pendency of Dispute Resolution. All notices required to be sent pursuant to this Dispute Resolution procedure shall be sent in accordance with Section 19 of this Agreement. This Dispute Resolution procedure is separate from and in addition to all other processes provided for in this Agreement.

(a) The Party invoking Dispute Resolution shall send a notice to the other Party describing the dispute, stating the invoking Party's position with respect to the dispute, stating that the Party is invoking Dispute Resolution, and naming the Party's designated representative

for negotiating a resolution of the dispute. The designated representative shall have authority to resolve the dispute on behalf of the invoking Party.

(b) Within three (3) business days after receipt of the notice invoking Dispute Resolution, the receiving Party shall send a notice to the invoking Party acknowledging receipt of the notice invoking Dispute Resolution, stating the receiving Party's position with respect to the dispute, and naming the Party's designated representative for negotiating a resolution of the dispute. The designated representative shall have authority to resolve the dispute on behalf of the receiving Party.

(c) During the period commencing three (3) business days and ending twenty (20) business days after the date of the receiving Party's notice, the designated representatives shall engage in good faith negotiations to attempt to resolve the dispute, *provided*, that the designated representatives may agree prior to the end of such twenty (20) business day period that the process should move to the next step of Dispute Resolution.

(d) If the designated representatives are unable to arrive at a resolution of the dispute by the end of the time period described in subsection (c), they shall notify the chief executive officers of their respective Parties. The chief executive officers of the Parties shall thereafter engage in good faith negotiations to attempt to resolve the dispute during the period of twenty (20) business days immediately following the time period described in subsection (c), *provided*, that the chief executive officers may agree prior to the end of such twenty (20) business day period that negotiations are at impasse and the process may move to the next step as described in subsection (f). Upon mutual agreement of the Parties, the twenty (20) business day period may be extended to pursue ongoing good faith negotiations.

(e) If a resolution of the dispute is achieved by the Parties, it shall be memorialized in a writing that is acceptable in form and substance to each party and is signed by the designated representative or chief executive officer on behalf of each Party.

(f) If the Parties are unable to resolve the dispute pursuant to the process described in subsections (a) through (e), then either Party may invoke any other available dispute resolution mechanism, including, without limitation, filing a complaint or petition with the Commission requesting resolution of the dispute by the Commission, or filing a complaint for relief in a court having jurisdiction over Parties and the subject matter of the dispute in accordance with Section 20. *Provided, however*, that: (i) it is the intent of the Parties that unresolved disputes shall be

presented to and resolved by the Commission if the Commission has and accepts jurisdiction over the subject matter of the dispute, (ii) the Parties may, by mutual agreement, attempt to resolve the dispute through arbitration, mediation, or other process involving resort to an impartial neutral, and (iii) it is the intent of the Parties that resolution of disputes through Commission proceedings, arbitration, mediation, or other use of an impartial neutral, is preferred over resort to judicial proceedings.

(g) This Section 18 shall not apply to compliance enforcement actions against individual Registered Entities.

19. Notice. Whether expressly so stated or not, all notices, demands, requests, and other communications required or permitted by or provided for in this Agreement shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall designate for itself in writing in accordance with this Section, and shall be delivered by hand or reputable overnight courier:

If to NERC:

North American Electric
Reliability Corporation
116-390 Village Blvd.
Princeton, NJ 08540-5721
Attn: General Counsel
Facsimile: (609) 452-9550

If to NPCC:

Northeast Power
Coordinating Council, Inc.
1040 Avenue of the Americas – 10th Floor
New York, New York 10018 -3703
Attn: Edward Schwerdt
Facsimile: 212-302-2782

20. Governing Law. When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of New Jersey without giving effect to the conflict of law principles thereof. The Parties recognize and agree not to contest the exclusive or primary jurisdiction of the Commission to interpret and apply this Agreement; provided however that if the Commission declines to exercise or is precluded from exercising jurisdiction of any action arising out of or concerning this Agreement, such action shall be brought in any state or federal court of competent jurisdiction in New Jersey. All Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in New Jersey for the purpose of hearing and determining any action not heard and determined by the Commission.

21. **Headings.** The headings and captions in this Agreement are for convenience of reference only and shall not define, limit, or otherwise affect any of the terms or provisions hereof.
22. **Savings Clause.** Nothing in this Agreement shall be construed to preempt or limit any authority that NPCC may have to adopt reliability requirements or take other actions to maintain reliability of the Bulk-Power System within the geographic boundaries described in **Exhibit A** that are outside the Delegated Authority, as long as such reliability requirements and actions are not inconsistent with Reliability Standards applicable to the region described in **Exhibit A** and do not result in a lessening of reliability outside the region described in **Exhibit A**.
23. **Entire Agreement.** This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement.
24. **Execution of Counterparts.** This Agreement may be executed in counterparts and each shall have the same force and effect as the original.

NOW THEREFORE, the parties have caused this Agreement to be executed by its duly authorized representatives, effective as of the Effective Date.

NORTH AMERICAN
ELECTRIC RELIABILITY CORPORATION

NORTHEAST POWER
COORDINATING COUNCIL, INC.

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____



Northeast Power Coordinating Council, Inc. (NPCC) Exhibit A – Geographic Area

The geographic area covered by NPCC includes New York state, the six New England states, and Ontario, Quebec, and the Maritime Provinces in Canada. The total population served is approximately 56 million. The area covered is approximately 1 million square miles.

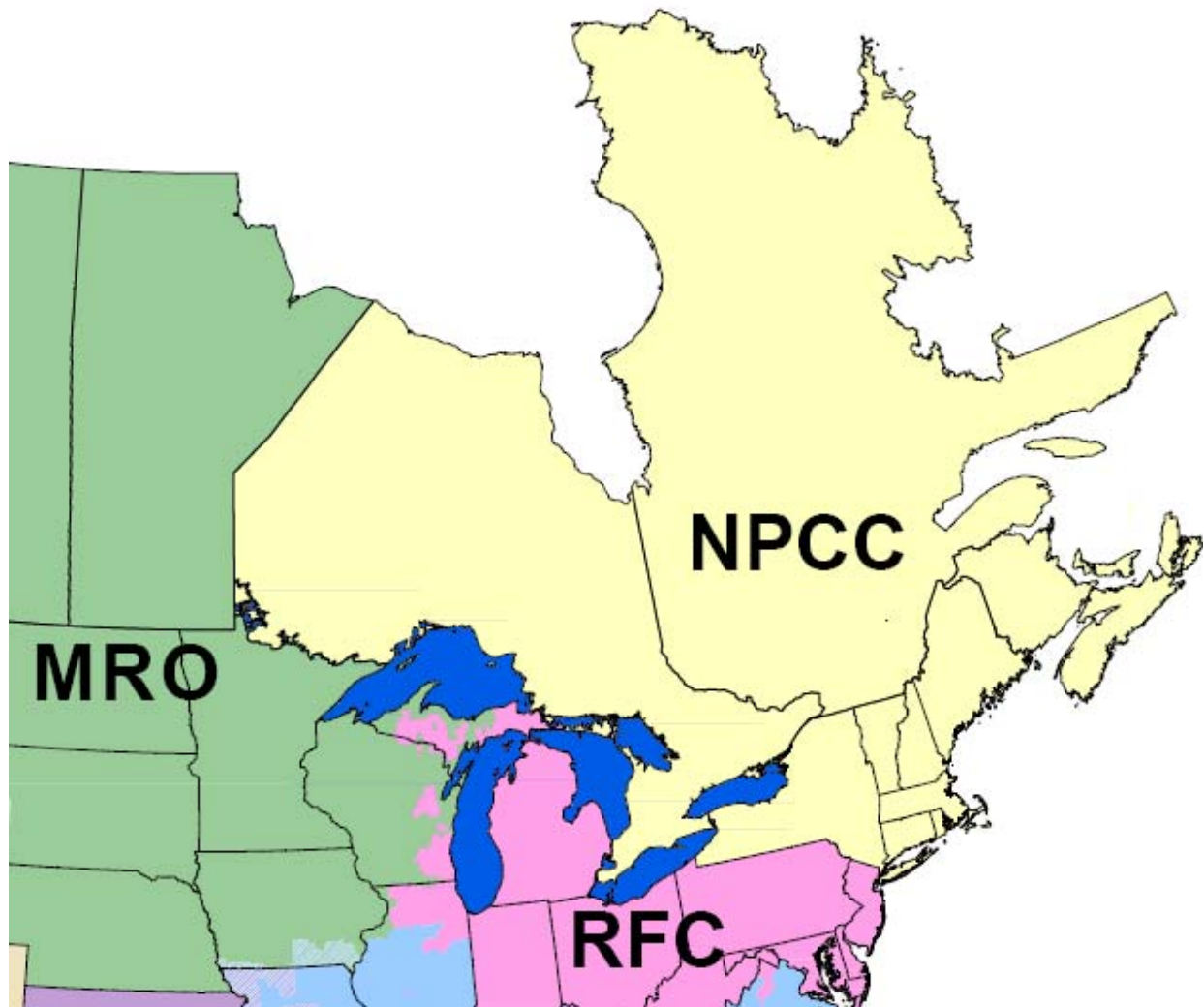


Exhibit B – Governance

Exhibit B shall set forth the Regional Entity’s bylaws, which NERC agrees demonstrate that the Regional Entity meets the following criteria:

CRITERION 1: The Regional Entity shall be governed by an independent board, a balanced stakeholder board, or a combination independent and balanced stakeholder board. (Federal Power Act § 215(e)(4)(A), 18 C.F.R. § 39.8(c)(1), Order No. 672 at ¶ 727.)

CRITERION 2: The Regional Entity has established rules that assure its independence of the users and owners and operators of the bulk power system, while assuring fair stakeholder representation in the selection of its directors. Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶¶ 699, 700.)

CRITERION 3: If the Regional Entity has members, the Regional Entity has established rules that assure that its membership is open, that it charges no more than a nominal membership fee and agrees to waive the fee for good cause shown, and that membership is not a condition for participating in the development of or voting on proposed Regional Reliability Standards. (Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶¶ 170-173.)

CRITERION 4: The Regional Entity has established rules that assure balance in its decision-making committees and subordinate organizational structures and assure no two industry sectors can control any action and no one industry sector can veto any action. (Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶ 728.)

CRITERION 5: The Regional Entity has established rules that provide reasonable notice and opportunity for public comment, due process, openness, and balance of interests in exercising its duties. (Federal Power Act § 215(c)(2)(D) and (e)(4), 18 C.F.R. § 39.8(c)(2).)



AMENDED AND RESTATED BYLAWS
OF
NORTHEAST POWER COORDINATING COUNCIL, INC.
(a New York not-for-profit corporation)

Adopted on May 18, 2006

Amended on July 24, 2007

and April 15, 2011

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AMENDED AND RESTATED BYLAWS

OF

NORTHEAST POWER COORDINATING COUNCIL, INC.
(a New York not-for-profit corporation)

I. Offices

ARTICLE I - DEFINITIONS

1.1 Definitions. As used herein, the following terms have the respective meanings set forth below:

“Affiliate” means, with respect to any entity, any other entity that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such entity, as determined in the sole discretion of the Board. For this purpose, “control” may be presumed by the direct or indirect ownership of ten percent (10%) or more of the outstanding voting capital stock or other equity interests having ordinary voting power. Notwithstanding the foregoing, “Affiliate” excludes any entity wholly-owned or controlled by a Canadian Provincial government.

“Board” means the Board of Directors of NPCC.

“Board Chair” means the independent non-executive chairman of the Board who is retained by NPCC pursuant to a separate Board-approved agreement.

“Bulk Power System” shall have the meaning in the United States set forth in Section 215 of the Federal Power Act, as amended (16 U.S.C. § 824 et seq.), and such meaning in Canada as is consistent with applicable Provincial regulatory and/or governmental authority determinations.

“Bylaws” means these Amended and Restated Bylaws of NPCC, as approved by the Members of NPCC on [], 2011 and effective as of [], 2011.

“Certificate of Incorporation” means the Certificate of Incorporation of NPCC filed with the Secretary of State of the State of New York, as may be amended from time to time.

“FERC” means the Federal Energy Regulatory Commission.

“Hearing Body” means a group comprising the Hearing Officer and two (2) Independent Directors (excluding the Board Chair) which has been authorized by NPCC to conduct and render decisions in a formal compliance hearing of any entity registered in the NERC compliance registry who is the subject of a notice of alleged violation, proposed penalty or sanction, contested mitigation plan or contested remedial action directive.

“Hearing Officer” means an individual employed or contracted by NPCC and designated by NPCC to preside over formal compliance hearings.

“Independent Director” means a director who satisfies the “independence” criteria in Section 6.7(b) and serves in Sector 8 (Independent Directors) of the Board.

“NERC” means the North American Electric Reliability Corporation, or any successor entity, which has been certified by FERC as the ERO pursuant to Section 215 of the Federal Power Act, as amended (16 U.S.C. § 824 et seq.).

“Northeastern North America” means the geographical area within the perimeter border enclosing the State of New York, the six New England States of the United States, and the Canadian Provinces of Ontario, Québec, New Brunswick and Nova Scotia, including any radial load or generation connecting to these systems.

“NPCC” means Northeast Power Coordinating Council, Inc., or any successor entity.

“Stakeholder Director” means a director who serves in one of the seven (7) stakeholder sectors of the Board described in Section 4.4.

1.2 Additional Defined Terms. Terms not defined in these Bylaws shall have the definitions set forth in the Federal Power Act, Part 39 of the regulations of the FERC, as further clarified in FERC’s April 19, 2007 Order 119 FERC ¶ 61,060, and if not defined in any of those sources, shall be defined in accordance with their commonly understood and used technical meanings in the electric power industry, including applicable codes and standards.

ARTICLE II - OFFICES

2.1 Principal Office. The principal office of Northeast Power Coordinating Council, Inc. (“NPCC”) NPCC shall be located in New York County, State of New York.

ARTICLE III - PURPOSE

3.1 Not-for-Profit Corporation. NPCC is operated as a New York not-for-profit corporation and is organized pursuant to the Not-for-Profit Corporation Law of the State of New York (“N-PCL”).

3.2 H. — Purpose of Northeast Power Coordinating Council, Inc. The purpose of NPCC is to promote and enhance the reliable and efficient operation of the international, interconnected bulk power system Bulk Power System in Northeastern North America through (i) the development of regional reliability standards Regional Reliability Standards and compliance assessment and enforcement of continent-wide and regional reliability standards Regional Reliability Standards, coordination of system planning, design and operations, and assessment of reliability, pursuant to an agreement with the Electric Reliability Organization (“ERO”) which designates NPCC as a regional entity Regional Entity and delegates authority from the U.S. Federal Energy Regulatory Commission (“FERC”) FERC, and

by Memoranda of Understanding with applicable Canadian Provincial regulatory and/or governmental authorities (collectively, “~~statutory~~Regional Entity activities”), and (ii) the establishment of regionally-specific reliability criteria, and the monitoring and enforcement of compliance with such criteria (collectively, “~~non-statutory criteria services~~Criteria Services activities”). In the development of regionally-specific reliability criteria, NPCC, to the extent possible, facilitates the attainment of fair, effective and efficient competitive electric markets.

III. Terms

~~Terms not defined in these Bylaws shall have the definitions set forth in the Federal Power Act, Part 39 of the regulations of the FERC, as further clarified in FERC’s April 19, 2007 Order 119 FERC 61,060, and if not defined in any of those sources, shall be defined in accordance with their commonly understood and used technical meanings in the electric power industry, including applicable codes and standards.~~

~~“Bulk Power System” shall be deemed to refer to the interconnected electrical systems within Northeastern North America comprising generation and transmission facilities on which faults or disturbances can have a significant adverse impact outside of the local area. In this context, local areas and the specific facilities that comprise the bulk power system are determined by the Members of NPCC, utilizing a reliability impact based methodology.~~

~~“Northeastern North America” shall be deemed to comprise the geographical area within the perimeter border enclosing the State of New York, the six New England States of the United States, and the Canadian Provinces of Ontario, Québec, New Brunswick and Nova Scotia, including any radial load or generation connecting to these systems.~~

IV. Membership

ARTICLE IV - MEMBERSHIP

4.1 A.—List of Members. The Members of NPCC are listed on Schedule A attached hereto.

4.2 B.—Eligibility. Upon suitable application describing the nature and activities of the applicant, additional entities shall be accepted by the Board of Directors of NPCC (the “~~Board~~”) as Members in the appropriate categories, defined as follows:

- (1) (1)—General Membership is voluntary and is open to any person or entity, including any entity participating in the Registered Ballot Body of the ERO that has an interest in the reliable operation of the Northeastern North American bulk power system Bulk Power System. General Members that are also registered entities within the NPCC Region are subject to compliance with reliability standards and, consistent with their registration, and are also entitled to receive additional services from the regional entity Regional Entity division of NPCC.

(2) ~~(2)~~—***Full Membership*** shall be available to entities which are General Members that also participate in electricity markets in the international, interconnected bulk power system in Northeastern North America. Independent system operators (“*ISOs*”), regional transmission organizations (“*RTOs*”), Transcos and other organizations or entities that perform the Balancing Authority function operating in Northeastern North America are expected to be Full Members of NPCC. The New York State Reliability Council and any other sub-regional reliability councils which may be formed are also expected to be Full Members. Full Members are subject to compliance with regionally-specific ~~criteria, in addition to~~ **more stringent reliability criteria for their generation and transmission facilities on which faults or disturbances can have a significant adverse impact outside of the local area and which are identified utilizing a reliability impact-based methodology. Full Members are also subject to compliance with** reliability standards, and **are entitled to** receive additional services from the ~~criteria services~~ **Criteria Services** division of NPCC.

4.3 Application as a Member.

(a) ~~C.~~—~~Application as a Member.~~ Any person or entity that is eligible to become a Member of NPCC in accordance with ~~Article IV.B.~~ **Section 4.2** may become either a General Member or a Full Member by completing and submitting to NPCC a membership application on a form prescribed by the Board. Any person or entity that applies to NPCC as a Member shall comply with the conditions and obligations of membership specified in these Bylaws. As an additional condition of membership in NPCC, each person or entity registering as a Member shall execute an agreement with NPCC, in a form to be specified by the Board, that such person or entity will hold **harmless** all Directors, officers, employees and agents of NPCC, as well as volunteers participating in good faith in the activities of NPCC, ~~harmless,~~ to the extent permitted by U.S. Federal or Canadian Provincial laws, rules and regulations, for any injury or damage caused by any act or omission of any Director, officer, employee, agent or volunteer in the course of performance of his or her duties on behalf of NPCC, other than for acts of gross negligence, intentional misconduct or a breach of confidentiality.

(b) If not a natural person, the Member shall designate a representative and an alternate representative with authority to receive notices, cast votes, execute waivers and consents, and enter into binding agreements on behalf of the Member. NPCC shall maintain a current roster of the Members of NPCC, including each Member’s designated representative and alternate representative. From time to time, the Board may establish a date by which Members shall submit their application renewals. All Members shall confirm their applications within thirty (30) calendar days of the date of receipt of request by NPCC, using an application renewal form prescribed by the Board. Any Member that has not submitted an application renewal within thirty (30) calendar days following the date established by the Board shall be removed from the NPCC roster. NPCC shall notify any Member that is removed from the roster of Members of such removal, by **written** notice sent to such former Member’s last known address on the records of NPCC.

4.4 Voting. ~~There shall be eight (8)~~**Members are eligible to vote in one of the seven (7) stakeholder** voting sectors (~~“Voting Sectors”~~), defined as follows~~described below~~:

~~**Sector (1).**~~ ~~**Sector (1).**~~ ~~Transmission Owners:~~ **voting sector** shall consist of any entity within Northeastern North America that owns at least 200 circuit miles of integrated transmission facilities, or has an Open Access Transmission Tariff or equivalent on file with the FERC or the appropriate regulatory or governmental authority. This sector includes transmission owners that have placed their transmission under the operational control of an ISO/RTO, independent transmission companies and merchant transmission owners/developers.

~~**Sector (2).**~~ ~~**Sector (2).**~~ ~~Reliability Coordinators:~~ **voting sector** shall consist of any entity within Northeastern North America certified as a Reliability Coordinator.

~~**Sector (3).**~~ ~~**Sector (3).**~~ ~~Transmission Dependent Utilities (“TDUs”); Distribution Companies and Load-Serving Entities (“LSEs”).~~ **voting sector** shall consist of entities within Northeastern North America that are:

- ~~(a)~~ **(a)** —Entities with a regulatory contract, or other legal obligation to serve wholesale aggregators or end-use customers, and that depend primarily on the transmission systems of third parties to provide this service;
- ~~(b)~~ **(b)** —Agents or associates that represent groups of TDUs;
- ~~(c)~~ **(c)** —Electric distribution companies;
- ~~(d)~~ **(d)** —Entities serving end-use customers under a regulated tariff, a contract governed by a regulatory tariff, or other legal obligation to serve; or
- ~~(e)~~ **(e)** —~~Each member~~**Members** of a generation and transmission (“G&T”) cooperative or a joint-action agency permitted to designate the G&T or joint action agency to represent ~~it~~**such entities** in this sector.

~~**Sector (4).**~~ ~~**Sector (4).**~~ ~~Generator Owners:~~ **voting sector** shall consist of entities within Northeastern North America that are affiliated and/or independent generators.

~~**Sector (5).**~~ ~~**Sector (5).**~~ ~~Marketers, Brokers and Aggregators:~~ **voting sector** shall consist of entities within Northeastern North America that are:

- (a) (a) — Entities providing energy to end-use customers under a power marketing agreement or other authorization not classified as a regulated tariff;
- (b) (b) — Entities that buy, sell, or broker energy and related services for resale in wholesale or retail markets, whether a non-jurisdictional entity operating within its charter or an entity licensed by a jurisdictional regulator; or
- (c) (c) — Generation and transmission cooperatives and joint-action agencies that perform an electricity broker, aggregator, or marketer function.

~~Sector (6). Customers:~~ This Voting Sector shall consist of entities within Northeastern North America that are:

- ~~(a) — Entities or customers that take delivery of energy that is not purchased for resale within Northeastern North America;~~
- ~~(b) — Agents or associations representing groups of large end users within Northeastern North America; or~~
- ~~(c) — Agents, state consumer advocates, or other advocate groups representing groups of small customers within Northeastern North America.~~

~~Sector (6). Sector (7).~~ State and Provincial Regulatory and/or Governmental Authorities. This Voting Sector voting sector shall consist of State and Provincial regulatory or governmental authorities within Northeastern North America.

~~Sector (7). Sector (8).~~ Sub-Regional Reliability Councils, ~~other Customers,~~ Other Regional Entities and Interested Entities: This Voting Sector voting sector shall consist of:

- (a) (a) — Any entity within Northeastern North America authorized by an appropriate regulatory and/or governmental authority to be a Sub-Regional Reliability Council;
- (b) Entities or customers that take delivery of energy that is not purchased for resale within Northeastern North America;
- (c) Agents or associations representing groups of large end users within Northeastern North America;
- (d) Agents, state consumer advocates, or other advocate groups representing groups of small customers within Northeastern North America;

- (e) Any other delegated Regional Entity; or
- (f) ~~(e)~~—Any person or entity, including any entity participating in the Registered Ballot Body of the ERO, that has an interest in the reliable operation of the bulk power system in Northeastern North America.

4.5 ~~E.~~—Assignment to Voting Sector. A new applicant for membership shall request to be assigned to a ~~Voting Sector~~ stakeholder voting sector, subject to Board approval. ~~A Member~~An applicant may request to be assigned to any ~~Voting Sector~~ stakeholder voting sector so long as membership in that ~~Voting Sector~~ stakeholder voting sector is consistent with the ~~Member~~applicant's business or other activities within the NPCC region. Multiple memberships of ~~the~~ separate business functions of an entity are permitted, with each ~~membership~~business function assigned to the appropriate separate sector and each membership designating a different. Each such business function may designate its own representative and alternate, however, no representative and alternate can represent more than one business function of an entity in a stakeholder voting sector. A consultant, attorney, agent, vendor, trade or industry association, state, provincial or local consumer advocate organization that provides services to or otherwise represents the interests of the Members of one or more ~~Voting Sectors~~ stakeholder voting sectors may elect to be assigned to one such ~~Voting Sector~~ stakeholder voting sector subject to Board approval. Entities may elect request to change their ~~Voting Sector~~ participation in connection with the stakeholder voting sector designation during an Annual Meeting of Members of NPCC, subject to Board approval.

4.6 ~~F.~~—Term of Membership. Membership in NPCC shall be retained so long as a Member meets ~~its~~ respective qualifications, obligations, and conditions of membership as set forth in this Article IV.

ARTICLE V - V. — Organization of ORGANIZATION OF NPCC

5.1 ~~A.~~ Member Representatives. Each Member shall designate ~~an~~ a senior executive level representative and an alternate representative with full authority to act on its behalf in carrying out the work of NPCC.

~~B.~~—NPCC shall have a Board of Directors and shall retain a Chairman, who shall serve as Chair of the Board. The Board shall also consist of two Co-Vice Chairs, the President and the Secretary, all *ex officio*; and additional Directors to be selected by the eight Voting Sectors of Members as specified below. The Directors shall designate two Co-Vice Chairs. The Co-Vice Chair designees shall be from different Voting Sectors and shall be elected by a vote of the entire Membership. In the temporary absence of the Chair, a Vice Chair designated by two-thirds vote of the Directors shall perform the duties of the Chair. NPCC's Chairman, President and officers, when serving *ex officio*, shall not have any vote on Board matters, except that the Co-Vice Chairs shall retain the voting rights that they otherwise held by virtue of serving as a Director.

5.2 Board of Directors. The business and affairs of NPCC shall be managed under the direction of the Board.

5.3 C-Officers. The officers of NPCC shall consist of a President **and Chief Executive Officer (CEO)**, a Secretary and a Treasurer, with assistants as appropriate, and such additional officers as may be approved by the Members. Officers, except for the President **and CEO**, shall hold office for one **(1)** year or until the next Annual Meeting of Members of NPCC and until their successors are duly elected and qualified.

5.4 D-President and CEO. NPCC shall employ a President and **CEO and** staff, as required, to carry out NPCC's mission and to perform the functions of NPCC. The President **and CEO** shall be appointed by the Board and shall serve at the Board's discretion. In the event of a vacancy in the presidency, the Board shall appoint an interim President **and CEO** who shall serve until such time as the Board appoints a new President- **and CEO. The authority and responsibilities of the President and CEO shall be defined by the Board.**

5.5 Vacancies.

(a) E.—In the event a vacancy occurs in the Board of Directors, or in the office of Co-Vice Chair, Secretary, or Treasurer in the interim between Annual Meetings of Members of NPCC, the **Board** Chair may designate **(i)** a person from the same ~~Voting Sector~~ **stakeholder voting sector** to fill such vacancy with the approval of a majority vote of Members from the applicable Sector **the Directors, or (ii) in the case of a vacancy in the office of the Secretary or Treasurer, from outside of NPCC to fill such vacancy with the approval of a majority vote of the Directors.**

(b) F.— In the event a vacancy occurs in the ~~Office~~ **office** of **Board** Chair in the ~~interim~~ **period** between Annual Meetings of Members of NPCC, the Board may fill such vacancy by a two-thirds **(2/3)** affirmative majority of the weighted sector votes, with each Director casting one **(1)** vote within the applicable sector, at a meeting of the Board at which a quorum is present. The term of office of the persons designated to fill any such vacancy shall expire on the date of the next subsequent Annual Meeting of Members of NPCC. The authority and responsibilities of the **Board** Chair ~~and the President~~ shall be defined by the Board- **and set forth in a separate agreement approved by the Board.**

G.— ~~Statutory activities will be conducted by the regional entity division of NPCC. Non-statutory criteria services will be provided by the criteria services division of NPCC.~~

VI. Board of Directors

A. ~~Hybrid Board.~~ NPCC shall have a Board of Directors consisting of stakeholders balanced by sector and an independent Chairman, two Co-Vice Chairs, the President, and the Secretary.

5.6 NPCC Activities. NPCC engages in (i) Regional Entity activities which are conducted by its Regional Entity division, and (ii) Criteria Services activities which are conducted by its Criteria Services division.

ARTICLE VI - BOARD OF DIRECTORS

6.1 Hybrid Board.

(a) The Board shall consist of fourteen (14) Stakeholder Directors, two (2) Independent Directors, an independent Board Chair and the President and CEO.

(b) While serving on the Board, the President and CEO shall not be entitled to vote on any Board matters.

(c) Two (2) Co-Vice Chairs from different voting sectors on the Board shall be selected by the Directors and approved by a vote of the entire membership. In the temporary absence of the Board Chair, a Vice Chair designated by a two-thirds (2/3) vote of the Directors shall perform the duties of the Board Chair. The Co-Vice Chairs shall retain the voting rights that they otherwise held by virtue of serving as a Director.

6.2 Term and Compensation.

(a) B. ~~Term and Compensation.~~ The term of office of the Directors each Stakeholder Director shall be ~~three~~two (2) years. Initial terms of Stakeholder Directors shall be staggered by the Board so that these Board members serve initial terms of one, two, (1) or ~~three~~two (2) years. There shall be no limit on the number of terms which may be served by any individual. Stakeholder Director. Stakeholder Directors shall serve without compensation, including when performing duties of a Co-Vice Chair.

(b) The term of office of each Independent Director shall be two (2) years. Independent Directors may serve up to three (3) terms for a maximum of six (6) years. Each Independent Director shall be entitled to receive compensation as the Board may from time to time determine in its sole discretion.

(c) The term of office of the Board Chair shall be two (2) years, with no limitations on the number of terms that may be served. Compensation arrangements of the Board Chair shall be contained in a separate written agreement approved by the Board.

6.3 Powers and Duties.

(a) C. ~~Powers and Duties.~~ The Board shall develop NPCC policies, direct the activities of NPCC, accept additional entities as Members, review and approve or

modify Member ~~Voting Sector~~voting sector assignment, and make assignments to the committees of NPCC. The Board shall (i) approve a Regional Delegation Agreement, **and any amendments thereto,** with the ERO ~~which~~that delegates authority from FERC ~~in the United States and~~ **any** additional agreements with appropriate Canadian Provincial regulatory and/or governmental authorities, (ii) approve and oversee NPCC's Regional Reliability Standards Development Process and submit ~~such~~ Regional Standards to the ERO for adoption by FERC and appropriate Canadian Provincial regulatory and/or governmental authorities, (iii) approve the NPCC Compliance **Monitoring and** Enforcement Program and **oversee** the assessment and enforcement of mandatory compliance with Reliability Standards consistent with the Regional Delegation Agreement and agreements with Canadian Provincial regulatory and/or governmental authorities, and (iv) oversee NPCC's assessment and enforcement of mandatory compliance with regionally-specific **more stringent** reliability criteria through administration of the NPCC Reliability Compliance and Enforcement Program. The duties of the Board shall also include consideration and resolution of budgetary matters, including the levying of any special assessments; and **the** determination of any annual membership fee for Full Members. ~~However~~**Notwithstanding the foregoing,** the Board may not amend these Bylaws or establish, modify or eliminate any of NPCC's Regional Reliability Standards, **or** regionally-specific **more stringent** reliability criteria, ~~guides, programs or procedures;~~ nor may the Board add, modify, or eliminate ~~Voting Sectors~~voting sectors established pursuant to these Bylaws.

(b) To carry out the purposes of NPCC, the Board, acting through the President and **CEO and** NPCC staff, shall enlist such personnel from Members as may be necessary; and, within the limits of the annual budget, may employ such personnel, incur such administrative expenses, and retain such independent professional consulting services for NPCC and the committees of NPCC as it may deem desirable.

6.4 ~~D.~~ **D.**—**Board Composition.** NPCC shall have a ~~The~~ Board of Directors that shall consist of up to **shall consist of an independent Board Chair, the President and CEO, such officers as shall from time to time be determined by the Board, and Directors in** eight (8) voting sectors. ~~The voting sectors shall include the following~~ **comprising seven (7) stakeholder sectors and one (1) independent sector, as described below:**

Sector (1). ~~Sector (1).~~—**Transmission Owners** (Maximum of ~~3,~~2, with no more than 1 per Balancing Authority Area)

Sector (2). ~~Sector (2).~~—**Reliability Coordinators** (Maximum of ~~3~~2)

Sector (3). ~~Sector (3).~~—**Transmission Dependent Utilities (“TDUs”); Distribution Companies and Load-Serving Entities (“LSEs”)** (Maximum of ~~3~~2)

Sector (4). ~~Sector (4).~~—**Generator Owners** (Maximum of ~~3~~2)

Sector (5). ~~Sector (5).~~—**Marketers, Brokers and Aggregators** (Maximum of ~~3~~2)

Sector (6).—**Customers** (Maximum of 3)

Sector (6). ~~Sector (7).~~—**Regulators** (Maximum of ~~3~~2)

~~Sector (7). Sector (8).~~—Sub-Regional Reliability Councils, ~~other Customers, Other~~ Regional Entities and Interested Entities (Maximum of 3, with a representative of the New York State Reliability Council, LLC included)2)

Sector (8). Independent Directors (Maximum of 2)

6.5 Quorum and Voting Requirements for the Board.

(a) ~~E. Quorum and Voting Requirements for the Board.~~ At any meeting of the Board, attendance in person or by proxy by at least one-half **(1/2)** of the **Stakeholder** Directors in each of at least sixty percent (60%) of the **stakeholders** sectors **and at least one (1) Independent Director** shall constitute a quorum. Except as otherwise expressly provided in NPCC’s Certificate of Incorporation, these Bylaws or applicable law, actions by the Board shall be approved upon receipt of a two-thirds **(2/3)** affirmative majority of the weighted sector votes, with each Director casting one **(1)** vote within the applicable sector, at a meeting of the Board at which a quorum is present. **The Board Chair shall also be entitled to cast one (1) vote during any meeting of the Board at which a quorum is present to prevent any deadlock.** The following process shall be used to determine if there are sufficient affirmative votes:

- The number of votes cast is the sum of affirmative and negative votes, excluding abstentions.
- The number of affirmative votes cast in each ~~Voting Sector~~**voting sector** will be divided by the sum of affirmative and negative votes cast in that ~~Voting Sector~~**voting sector** to determine the fractional affirmative vote for each ~~Voting Sector~~**voting sector**. Abstentions will not be counted for the purposes of determining the fractional affirmative vote for a ~~Voting Sector~~**voting sector**.
- The sum of the fractional affirmative votes from all sectors divided by the number of sectors voting will be used to determine if a two-thirds **(2/3)** affirmative majority has been achieved. A sector will be considered as “voting” if any ~~Member~~**Director** of the sector casts either an affirmative or a negative vote.

(b) An action **of the Board** will be approved if the sum of fractional affirmative votes from all sectors divided by the number of voting sectors is at least two-thirds **(2/3)**.

6.6 ~~F. Board Action Without Meeting.~~ Any action required, or permitted to be taken at a meeting of the Board of Directors, may be taken without a meeting if the action is taken by all members of the Board. The action must be evidenced by one or more written consents (which may be in electronic form) describing the action taken, signed by each Director, and included in the minute book of NPCC. Any action taken under this Section ~~VI.F. is~~**6.6 shall be deemed** effective when the last Director signs the consent, unless the consent specifies a different effective date.

6.7 Election and Removal of Directors.

(a) G. — Election and Removal of Directors. The Initial Board shall be the persons named in the Certificate of Incorporation and shall serve until the first Annual Meeting of the Members. The Initial Board shall nominate a list of **Stakeholder** Directors consistent with the Board composition requirements set forth in ~~Section VI.D~~ **Bylaws at such time**. At the first meeting of the Members, the Members from each sector shall vote to elect **the Stakeholder** Directors in their respective sector. ~~A Director~~ **Stakeholder Directors** shall be elected by a vote of the majority of the Members in the respective **stakeholder** sector. No **stakeholder** sector shall elect more **than two Stakeholder** Directors ~~than the number of Members in such sector.~~ **No Member or any Affiliate of a Member may designate more than one (1) Stakeholder Director to represent such Member or Affiliate. Stakeholder Director candidates will be selected in accordance with the Rules of Procedure set forth in Schedule B.**

(b) Individual Members may nominate an Independent Director candidate by petition. Each petition shall present only one Independent Director candidate who has met requirements in the Rules of Procedure set forth in Schedule B. Petitions shall be received by the Corporate Governance and Nominating Committee on a date set by the committee. The names on the petition shall reflect at least ten percent (10%) of the Members of NPCC as of January 1 of the year in which the election is to be held. Upon receipt of a valid petition, the Corporate Governance and Nominating Committee shall add the petitioned candidate's name to the slate of director nominees to be presented to the Members for approval at the Annual Meeting of Members.

(c) Independent Directors shall be nominated in accordance with the Rules of Procedure set forth in Schedule B and recommended by the Board to the Members for consideration and approval. In order to contribute to the effective functioning of the Board and NPCC, Independent Directors will be drawn from diverse backgrounds and will possess a broad range of industry expertise, perspectives, experiences, skill sets and knowledge. An individual is eligible to serve as an Independent Director if such individual (i) is not an officer or employee of NPCC, (ii) is not an officer, director or employee of a Member, (iii) is not an officer, director or employee of any entity that would reasonably be perceived as having a direct financial interest in the outcome of Board decisions, and (iv) does not have a relationship that would interfere with the exercise of independent judgment in performing the responsibilities of a director. Independent Directors shall be elected by an affirmative vote of the majority of the Members present at a meeting where a quorum exists.

(d) A Stakeholder Director may be removed for cause by at least two-thirds (2/3) of the Members in their respective sector at a regular meeting of the Members or at a special meeting called for that purpose; *provided* that there is a quorum of that sector's Members present at that meeting, ~~or by at least a majority of the Directors present at a meeting called for that purpose;~~ and *provided, further*, that there is a quorum of not less than a majority present at the meeting of Directors at which such action is ~~taken~~ **recommended.**

(e) An Independent Director may be removed for cause by the affirmative vote of at least two-thirds (2/3) of the Directors present at a meeting called for

that purpose; provided that there is a quorum of not less than ten (10) Directors present at the meeting of Directors at which such action is taken.

(f) For purposes of Section 6.7(d) and (e), grounds for removal “for cause” include, but are not limited to, failure to adequately perform Board duties and committee responsibilities, a felony conviction, misappropriation of funds, mental incapacity, and misconduct. In accordance with the N-PCL, an action to procure a judgment removing any Director for cause may also be brought by the Attorney-General of the State of New York.

6.8 Indemnification. Subject to the limitation set forth in Section ~~VI.H.6.9~~ below, NPCC shall indemnify its Directors, ~~Officers~~**officers**, employees and other corporate agents, including volunteers participating in good faith in the activities of NPCC and persons serving on duly constituted committees of NPCC (collectively, “NPCC Indemnitees”), in each case, to the full extent from time to time permitted by New York Not for Profit Corporation Law (“~~the~~ N-PCL”) and other applicable law. Such right of indemnification shall inure to the benefit of the legal representative of any NPCC Indemnitee. The foregoing right of indemnification shall be in addition to, and not in restriction or limitation of, any right such NPCC Indemnitee may have under applicable law (including the N-PCL).

6.9 Limitation on Indemnification. The maximum amount of losses (*i.e.*, damages, judgments, fines, penalties, liability, costs and expenses, including reasonable attorneys’ fees and expenses) for which NPCC will be obligated to indemnify the NPCC Indemnitees under Section ~~VI.H.6.8~~ will be the policy limit of directors and officers’ (“D&O”) liability insurance set forth in the D&O insurance policy maintained by NPCC.

ARTICLE VII - COMMITTEES AND HEARING BODY

7.1 ~~VII. Number of Committees.~~ NPCC shall have such committees, subcommittees, task forces and other groups as the Board may deem appropriate, including a Regional Standards Committee (RSC), a Compliance Committee (CC), a Reliability Coordinating Committee (**RCC**), NPCC’s principal technical committee), a Public Information Committee (**PIC**) and an ~~Audit and~~ Finance **and Audit** Committee: (**FAC**).

7.2 ~~The~~**Finance and Audit and**Committee. ~~The~~ **Finance and Audit** Committee shall be comprised of at least three (**3**) members of the Board and **shall** include one (**1**) Director which shall be designated ~~and~~ **finance and** audit committee financial expert by the Board. A chairperson of the ~~Audit and~~ Finance **and Audit** Committee shall be designated by the Board from among the members of the committee.

7.3 Committee Structure. Committee members shall be nominated and approved by the Board in accordance with guidelines established by the Board. Quorum and voting rules applicable to the Board shall also apply to voting on any such NPCC decision making committees, unless otherwise determined by the Board. Each committee shall establish a charter or scope of work, which shall be presented to the Board for approval.

VIII. Members’ Voting Rights

7.4 Hearing Body. The Hearing Body shall conduct all compliance proceedings in accordance with the hearing procedures set forth in the NERC Hearing Procedure.

ARTICLE VIII - MEMBERS' VOTING RIGHTS

8.1 Quorum and Voting Requirements for Meetings of Members.

(a) A. ~~Quorum and Voting Requirements for Meetings of Members.~~ At any meeting of the Members of NPCC, attendance in person or by proxy by one-half **(1/2)** of the Members in each of at least sixty percent (60%) of the ~~Voting Sectors~~ **stakeholder voting sectors** on the roster of Members maintained by NPCC shall constitute a quorum. Except as otherwise expressly provided in NPCC's Certificate of Incorporation, these Bylaws or applicable law, actions by the Members of NPCC shall be approved upon receipt of a two-thirds **(2/3)** affirmative majority vote of the sectors at a meeting of the Members of NPCC at which a quorum is present, where (i) each Member shall have one **(1)** vote within a sector, except that if less than one-half **(1/2)** of the Members in a sector are present, in person or by proxy, at the meeting, the vote of that sector shall be weighted by a percentage equal to the number of Members of the sector present in person or by proxy at the meeting divided by one-half **(1/2)** of the Members in the sector; (ii) the vote of each sector of NPCC shall be allocated for and against the proposed action based on the respective percentages of votes cast for and against the proposed action by the Members in that sector voting in person or by proxy; and (iii) the proportions of the votes of each sector allocated for and against the proposed action shall be summed to determine the total number of votes for and against the proposed action.

(b) The following process ~~is~~ **shall be** used to determine if there are sufficient affirmative votes:

- The number of votes cast ~~is~~ **will be** the sum of affirmative and negative votes, excluding abstentions.
- The number of affirmative votes cast in each sector will be divided by the sum of affirmative and negative votes cast to determine the fractional affirmative vote for each sector. Abstentions will not be counted for the purposes of determining the fractional affirmative vote for a sector.
- The sum of the fractional affirmative votes from all sectors divided by the number of sectors voting will be used to determine if a two-thirds **(2/3)** affirmative majority has been achieved. (A sector will be considered as "voting" if any Member of the sector casts either an affirmative or a negative vote.)

8.2 B. ~~Waivers of Notice of Meetings of Members; Member Meeting Adjournments.~~ Notice of a Meeting of Members need not be given to any Member who signs a waiver of notice, in person or by proxy, whether before or after the meeting. The attendance of any Member at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice of the meeting by

such Member. When any Meeting of Members is adjourned to another time or place, it shall not be necessary to give notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken, and if at the adjourned meeting only such business is transacted as might have been transacted at the original meeting.

8.3 C.—Actions Without a Meeting of Members. Any action, required or permitted to be taken at a Meeting of Members, may be taken without a meeting if the action is consented to in writing by the minimum number of Members that would be required to approve the action at a Meeting of Members at which all Members were present. The call for action without a Meeting of Members may be initiated by the ~~Chairman of the Board~~ **Chair** or by a number of Members constituting at least ten percent (10%) of the Members on the roster of Members maintained by NPCC, which number shall include Members in at least four (4) of the ~~Voting Sectors~~ **voting sectors**. Notice of the proposal for action without a meeting shall be provided to all Members on the roster of Members maintained by NPCC at least seven (7) days prior to the date established for the tabulation of consents. The Members shall receive written notice of the results within fourteen (14) days of the action vote, and all written responses of the Members shall be filed with the minutes of proceedings of Members.

8.4 D.—Meeting of Members to be Open. Notice to the public of the dates, places, and times of Meetings of Members, and all non-confidential material provided to the Members, shall be posted on NPCC's web site at approximately the same time that notice is given to the Members. Meetings of Members shall be open to the public, subject to reasonable limitations due to the availability and size of meeting facilities; *provided* that the meeting may be held in or adjourn to closed session to discuss matters of a confidential nature, including, but not limited to, personnel matters, compliance and enforcement matters, litigation, or commercially sensitive or critical energy infrastructure information of any entity.

8.5 E.—Electronic Voting. Upon completion of applicable processes that permit parties to comment on the subject issue(s), electronic voting on matters before the ~~membership~~ **Members**, Board or any committee is permitted. A quorum will be determined to exist for purposes of conducting an electronic vote when NPCC receives completed ballots from two-thirds (**2/3**) of the total number of outstanding ballots. In the event that a quorum exists for purposes of an electronic vote but the matter has not been resolved, NPCC may continue to solicit additional responses in order to resolve the matter by electronic voting. **In the event that quorum has not been achieved for purposes of an electronic vote, NPCC may continue to solicit electronic ballots, including abstentions, to obtain quorum and resolve the matter.**

ARTICLE IX - MEMBERS' RIGHTS AND OBLIGATIONS, AND ORGANIZATIONAL PROCESS

9.1 **IX.**—**MembershipMembers' Rights and Obligations, and Organizational**
ProcessA. All General and Full Members shall have the following rights and obligations:

(1) (1)—Rights:

- (a) (a) — Attendance at all meetings of the general membership of NPCC; and, subject to procedures established by the committees and to the terms of applicable confidentiality agreements, attendance at meetings of NPCC’s committees, task forces and any other such NPCC groups.
- (b) (b) — Access to minutes of each committee, subcommittee, task force or any other NPCC group, subject to procedures established by the committees and to the terms of applicable confidentiality agreements.
- (c) (c) — Vote to amend these Bylaws: **in accordance with Section 19.1.**
- (d) (d) — Vote to establish, modify or eliminate NPCC Regional Reliability Standards and programs.
- (e) (e) — For Full Members only: Vote to establish, modify or eliminate NPCC’s regionally-specific **more stringent** reliability criteria.

(2) (2) — Obligations:

- (a) (a) — Each Member shall agree, in writing, to accept the responsibility to promote, support, and comply with the purposes and policies of NPCC as set forth in its Certificate of Incorporation and Bylaws as from time to time adopted, approved or amended.
- (b) (b) — Each Member acknowledges that it has the responsibility to plan and design its bulk power system and conduct its operations, **consistent with its registration,** in compliance with ERO Reliability Standards, Regional Reliability Standards and Regional Variances consistent with applicable laws, regulations, permits and licenses.
- (c) (c) — Each Member agrees to submit such data and reports as required by NPCC in order to perform compliance enforcement obligations delegated to it by the ERO, subject to established procedures and to the terms of applicable confidentiality agreements.
- (d) (d) — In addition, each Full Member shall:
 - (i) plan and design its ~~bulk power system in compliance with Criteria, Guides, and Procedures~~ **generation and transmission facilities on which faults or disturbances can have a significant adverse impact outside of the local area, as identified utilizing a reliability impact-**

based methodology, in compliance with criteria, guides and procedures established by NPCC and applicable ERO Standards;

- (ii)** ~~(ii)~~—conduct its operations in compliance with ~~Criteria, Guides, and Procedures~~**criteria, guides and procedures** established by NPCC and applicable ERO Standards, **and** consistent with applicable laws, regulations, permits and licenses;
- (iii)** ~~(iii)~~—assure that, whenever it enters into arrangements with non-members which could have an impact on the reliability of the international, interconnected ~~bulk power systems~~**Bulk Power System** in Northeastern North America, the arrangements will not adversely impact the ability of the Full Members to comply with regionally-specific **more stringent reliability** criteria established by NPCC, ERO Standards, or the criteria of regional reliability organizations established in areas in which the facilities used for such arrangements are located;
- (iv)** ~~(iv)~~—notify NPCC of its existing facilities and operating procedures and of its plans for major additions or modifications affecting the operation of the interconnected systems; and shall report to NPCC any decision as to significant alterations or changes proposed for their respective electric systems, whether in generation, transmission, inter-system communication or control and protective equipment, or in operating procedures; such report to be submitted promptly and, except in cases of emergency, before final commitments are undertaken or changes in operating procedures become effective;
- (v)** ~~(v)~~—promptly notify NPCC and all other Members in writing or electronically if its ~~bulk power system~~**is generation and transmission facilities on which faults or disturbances can have a significant adverse impact outside of the local area, as identified utilizing a reliability impact-based methodology, are** not being designed or operated, or its operations are not being conducted, ~~in compliance with Criteria, Guides, and Procedures~~ established by NPCC, stating its reasons, and providing its plan and schedule to achieve compliance;
- (vi)** ~~(vi)~~—submit such data and reports as required by the Reliability Compliance and Enforcement Program and to abide by the compliance assessments and sanctions

prescribed by NPCC's enforcement procedures, subject to Alternative Dispute Resolution; and

- (vii) (vii)—undertake and perform the administrative and financial obligations described in Article XIII of these Bylaws.

9.2 B.—Standards Development Procedure. NPCC shall develop a Regional Reliability Standards Development Procedure that provides the design-basis approach to a consensus building process by which NPCC may develop Regional Reliability Standards and Regional Variances to be proposed to the ERO for adoption, under delegated authority by the FERC and the Canadian Provincial regulatory and/or governmental authorities.

9.3 C.—Procedures for Enforcing Compliance with Reliability Standards. Where regulatory approval has been obtained or governmental authority has been provided, upon the determination of the NPCC Board **NPCC compliance staff and verification by the President and CEO** that a user, owner or operator of the ~~bulk power system~~ **Bulk Power System** has violated a reliability standard, NPCC shall enforce compliance for such ~~violations~~ **violation**, pursuant to procedures and processes that shall be specified in the NPCC **NERC Compliance Monitoring and Enforcement Program**. Such procedures and processes shall provide for reasonable notice and opportunity for hearing. Any sanction imposed for a violation of a Reliability Standard shall bear a reasonable relation to the seriousness of the violation and shall take into consideration circumstances surrounding the violation and efforts of the owner, operator, or user of the ~~bulk power system~~ **Bulk Power System** to remedy the violation in a timely manner. Subject to any necessary action by any applicable governmental authorities, no sanction imposed for a violation of a reliability standard shall take effect **(i)** until the thirty-first (31st) day after the NPCC Board, where authorized by law or agreement, files with the FERC or other applicable Canadian **Provincial** regulatory and/or governmental ~~authority's~~ **authorities** notice of the sanction and the record of the proceedings in which the violation and sanction were determined, or **(ii)** such other date as ordered by the FERC or other applicable Canadian **Provincial** regulatory and/or governmental authorities or as prescribed by applicable law.

ARTICLE X - FULL MEMBERS: ENFORCEMENT OF MANDATORY COMPLIANCE WITH REGIONALLY-SPECIFIC CRITERIA

10.1 X.—**Full Members: Compliance Enforcement of Mandatory Compliance With Regionally-specific Criteria.** Subject to approval of the Full Members, NPCC shall establish an NPCC Reliability Criteria Compliance and Enforcement Program, including matrices for measuring compliance, levying non-monetary sanctions, and **developing** procedures for Alternative Dispute Resolution. Such program shall be administered by the NPCC Board. The Reliability Coordinating Committee, with the full cooperation of each ~~member~~ **Member**, shall expeditiously evaluate, as appropriate, alterations or measures designed to correct any assessed non-compliance and shall report such studies to the NPCC Board.

ARTICLE XI - MEETINGS

11.1 XI.—Meetings. Meetings of NPCC may be held on such dates as the Board may from time to time determine and shall be held in such places as the Board may from time to time designate. Special meetings may be called from time to time by the Board Chair, the Board, or by a number of Members constituting at least ten percent (10%) of the Members on the roster of Members maintained by NPCC, which number shall include Members in at least four (4) of the ~~Voting Sectors.~~ voting sectors. **Except as provided in Section 19.1, notice** of all meetings, stating the time and place, shall be given by NPCC in writing to each Member by issuing the notice at least one **(1)** week prior to the date of the meeting. The Secretary, Assistant Secretary, or, in their absence, a secretary *pro tempore* designated by the Board Chair or the President and CEO, shall keep the records of NPCC meetings.

11.2 Proxies. When appropriate, ~~the membership, the Board and the committees may use proxies or teleconference facilities~~ Members, Directors and committee members may appoint a proxy, consistent with NPCC proxy procedures, to vote or otherwise act for such Member, Director or committee member at any meeting. Such participation by proxy shall constitute attendance for purposes of quorum requirements.

11.3 Action by Remote Communication. A meeting among the Members or the Board by means of a communication through which the participants may simultaneously hear each other during the conference shall constitute a meeting of the Members or the Board, as the case may be, if the same notice is given of the conference as would be required for a meeting and if the number of persons participating in such conference constitute a quorum. Participation in any meeting by this means shall constitute personal presence at such meeting.

ARTICLE XII - BUDGET

12.1 XII. Annual Budget. The Board shall prepare or cause to be prepared an annual budget for the administrative and other expenses of NPCC, including the expenditures for the fiscal year for any material special projects undertaken by NPCC and reasonable and proper reserves and provisions for contingencies, an accompanying business plan for NPCC, and a funding mechanism including any supplemental funding mechanism, for each fiscal year. The annual budget, business plan, and funding mechanism of NPCC shall be developed in the form and format and on the schedule stipulated by the ERO for a fiscal year commencing on January 1 and ending on December 31. Each annual budget, business plan, and funding mechanism shall be approved by the Board at a regular meeting or a special meeting of the Board duly called for that purpose. The Board shall approve each annual budget, business plan, and funding mechanism on or before the date stipulated by the ERO during the year prior to the start of the fiscal year in order to allow for timely submittal of the approved annual budget, business plan, and funding mechanism to the FERC and the applicable Canadian Provincial regulatory and/or governmental authorities.

12.2 Budget Remands. If the ERO or a regulatory and/or governmental authority by order remands an annual budget, business plan, or annual, modified, or supplemental funding

mechanism, the Board shall promptly address such ~~other~~order through appropriate follow-up measures with the Members and regulatory and/or governmental authorities.

12.3 Criteria Services Budget. Each Full Member shall be notified of the annual administrative expense budget for the ~~criteria services~~Criteria Services division, on or before about December 1st of the preceding year.

ARTICLE XIII - FUNDING

13.1 XIII.—Funding Sources. NPCC’s annual administrative expenses, including any special assessments approved by the Board, shall be apportioned and funded as follows:

- A.** ~~A.~~—Funding of NPCC General Member ~~regional entity~~Regional Entity division activities shall be through mechanisms established by the ERO, FERC and applicable Canadian Provincial regulatory and/or governmental authorities.
- B.** General Members shall not be assessed an annual membership fee.
- C.** Full Members, other than Full Members that perform the Balancing Authority function, shall not be assessed an annual membership fee.
- D.** Full Members that perform the Balancing Authority function shall be assessed and pay a proportional share of the expenses for ~~non-statutory~~ criteria services in proportion to the ratio of the second previous year’s Net Energy for Load within the Balancing Authority Area to the aggregate Net Energy for Load within all Balancing Authority Areas in Northeastern North America. NPCC will directly assign ~~non-statutory criteria services~~Criteria Services division costs to a Balancing Authority Area or entity where significant costs are incurred by NPCC for such Balance Authority Area or entity.
- E.** No Full Member shall, without its consent, be responsible for expenses of NPCC in any one calendar year in excess of its assessed portion of the amount budgeted for ~~non-statutory criteria services~~the Criteria Services division for that year; *provided, however,* that special assessments may be separately budgeted and their cost allocated by the Board to the Full Members that perform the Balancing Authority function.

XIV.—Termination of Membership and Cessation of Non-Statutory Criteria Services

ARTICLE XIV - TERMINATION OF MEMBERSHIP AND CESSATION OF CRITERIA SERVICES DIVISION RELIABILITY ACTIVITIES

14.1 A.—Termination. All General Members and Full Members, other than Full Members that perform the Balancing Authority function, may terminate their membership in NPCC at any time upon fifteen (15) days’ written or electronic notice without liability to NPCC.

A Full Member that performs the Balancing Authority function may terminate its rights and obligations under these Bylaws (other than its obligation to pay its proportionate share of the ~~non-statutory~~Criteria Services division expenses of NPCC, including special assessments, if applicable, for the full calendar year within which such termination is effective) at any time upon one (1) year's written notice to the President and CEO; whereupon, it shall cease to be a Full Member of NPCC as of the date such termination is effective. The President and CEO shall promptly inform all Members of receipt of any such notices.

14.2 B.—~~Cessation of Non-Statutory-Criteria Services~~ Division Reliability Activities. The Full Members of NPCC may elect by a majority vote to cease ~~non-statutory criteria services~~Criteria Services division reliability activities.

ARTICLE XV - CONFLICTS OF INTEREST

15.1 XV.—Conflicts of Interest Policy. NPCC has developed a Code of Conduct that sets forth NPCC policies with respect to, among other things, conflicts of interest. On an annual basis, Directors shall evidence their compliance with NPCC conflict of interest principles by either: (i) signing an Individual Participant Implementation Agreement and thereby agreeing to comply with NPCC's Code of Conduct to the best of his/her ability; or (ii) agreeing that the execution of a Member Entity Implementation Agreement by the employer of such ~~Board member~~Director evidences the ~~Board member~~Director's agreement to be bound by its employer's Code of Conduct when performing NPCC activities. The Board shall establish similar Code of Conduct compliance requirements for NPCC staff and membership personnel participating on committees, task forces, and working groups as appropriate.

~~XVI. General~~

ARTICLE XVI - GENERAL

16.1 A.—Member Liability. No Member shall be liable for the failure of any other Member to perform its obligations hereunder.

16.2 B.—No Personal Liability. No NPCC officer, member of the Board or member of any other NPCC committee or group, or employee of NPCC shall be personally liable to NPCC or any member thereof, for damages for breach of any duty owed to NPCC or any member thereof, except for liabilities arising from breach of any duty based upon an act or omission (i) in breach of the duty of loyalty owed to NPCC or any individual member, (ii) not in good faith or involving a knowing violation of law, or (iii) resulting in receipt of an improper personal benefit by such NPCC officer, member of the Board or member of any other NPCC committee or group, or employee of NPCC. Neither the amendment nor repeal of this paragraph, nor the adoption of any provision of these Bylaws inconsistent with this paragraph, shall eliminate or reduce the protection offered by this paragraph to an NPCC officer, member of the Board or member of any other such NPCC committee or group, or employee of NPCC in respect of any matter which occurred, or any cause of action, suit or claim which, but for this paragraph, would have accrued or arisen, prior to such amendment, repeal, or adoption.

16.3 Binding Nature. Those entities listed as Members on Schedule A and subsequent applicants granted membership in NPCC shall be deemed to have accepted and to be

bound by all the terms and conditions of these Bylaws, as adopted on July 24, 2007. [_____],
2011.

ARTICLE XVII - CONTRACTS, CHECKS, DEPOSITS

17.1 Contracts. The Board may authorize, by resolution, any officer or officers, agent or agents of NPCC, in addition to the officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of NPCC, and such authority may be general or confined to specific instances.

17.2 Checks, Drafts or Orders. All checks, drafts or orders for the payment of money, notes or other evidences of indebtedness issued in the name of NPCC shall be signed by such officer or officers, or agent or agents of NPCC and in such manner as shall from time to time be determined by resolution of the Board. In the absence of such determination by the Board, such instruments shall be signed by the President and CEO.

17.3 Deposits. All funds of NPCC shall be deposited from time to time to the credit of NPCC in such banks, trust companies or other depositories as the Board may select.

ARTICLE XVIII - DISSOLUTION

18.1 Distribution of Assets. Upon dissolution of NPCC, in accordance with paragraph EIGHTH of the Certificate of Incorporation, the remaining assets of NPCC after payment of debts shall be distributed in the manner determined by the Board, provided that (i) no part of the assets shall be distributed to any Director, and (ii) the distribution of assets shall be consistent with the requirements of Section 501(c)(6) of the United States Internal Revenue Code of 1986, as amended.

ARTICLE XIX - AMENDMENT OF BYLAWS

19.1 Amendment of Bylaws. These Bylaws may be modified, amended or repealed by an affirmative vote of two-thirds (2/3) of the Members entitled to vote at a meeting at which quorum is present, or by electronic voting in accordance with Section 8.5. Written notice of the subject matter of the proposed changes to the Bylaws shall be provided, as appropriate, to the Members no less than fourteen (14) nor more than sixty (60) days prior to the date of the meeting of the Members at which the vote is to be taken. Any modification, amendment or repeal of these Bylaws shall be subject to any applicable requirements for filing with or approval by NERC and FERC and other applicable governmental authority.

ARTICLE XX - EFFECTIVE DATE

20.1 Effective Date. These Bylaws shall take effect on [_____], 2011.

SCHEDULE A – MEMBERS OF NPCC

[to be attached]

SCHEDULE B – RULES OF PROCEDURE (SELECTION OF NPCC DIRECTORS)

1. Selection of Director Candidates

In selecting candidates to serve as Stakeholder Directors and Independent Directors on the NPCC Board of Directors ("Board"), NPCC's Corporate Governance and Nominating Committee ("CGNC") will endeavor to find individuals of high integrity who have a solid record of accomplishment in their chosen fields and who display the independence of mind and strength of character to effectively represent the best interests of NPCC. Candidates will be selected for their ability to exercise good judgment, and to provide practical insights and diverse perspectives. Consistent with its charter, the CGNC is responsible for screening director candidates, establishing criteria for nominees, and recommending a slate of nominees to the Board for consideration. The slate of director nominees will be presented to the Members for approval at the Annual Meeting of Members.

2. Criteria for Board Service

The CGNC will consider and recruit candidates for director nominees based upon recommendations from Members, current directors, NPCC management, outside consultants or search firms engaged for the purpose, and any other source recommended by the Board. All candidates recommended will be evaluated for nomination based on the criteria set forth below:

- (a) Stakeholder Directors must reflect the geographic diversity of the NPCC Region, which comprises the State of New York, the six New England States of the United States, and the Canadian Provinces of Ontario, Québec, New Brunswick and Nova Scotia.
- (b) Directors must possess corporate and business experience at the senior-executive level, or the equivalent thereof.
- (c) Each Stakeholder Director must be an officer or senior executive-level employee of a Member of NPCC.
- (d) Each Independent Director must be an individual who:
 - (i) is not an officer or employee of NPCC;
 - (ii) is not an officer, director or employee of a Member;
 - (iii) is not an officer, director or employee of any entity that would reasonably be perceived as having a direct financial interest in the outcome of Board decisions; and
 - (iv) does not have a relationship that would interfere with the exercise of independent judgment in performing the responsibilities of a director of NPCC.
- (e) Directors must have no actual or potential conflicts of interests that would or could interfere with the diligent performance of the responsibilities of a Board member in the best interests of NPCC.

Exhibit C – Regional Standard Development Procedure

Exhibit C shall set forth the Regional Entity’s standards development procedure, which NERC agrees meets the following common attributes:

COMMON ATTRIBUTE 1

Proposed regional reliability standards shall be subject to approval by NERC, as the electric reliability organization, and by FERC before becoming mandatory and enforceable under Section 215 of the FPA and any applicable authorities in Canada. No regional reliability standard shall be effective within the NPCC area unless filed by NERC with FERC and applicable authorities in Canada and approved by FERC and applicable authorities in Canada.

COMMON ATTRIBUTE 2

NPCC regional reliability standards shall provide for as much uniformity as possible with reliability standards across the interconnected bulk power system of the North American continent. A NPCC reliability standard shall be more stringent than a continent-wide reliability standard, including a regional difference that addresses matters that the continent-wide reliability standard does not, or shall be a regional difference necessitated by a physical difference in the bulk power system. A regional reliability standard that satisfies the statutory and regulatory criteria for approval of proposed North American reliability standards, and that is more stringent than a continent-wide reliability standard, would generally be acceptable.

COMMON ATTRIBUTE 3

NPCC regional reliability standards, when approved by FERC and applicable authorities in Canada, shall be made part of the body of NERC reliability standards and shall be enforced upon all applicable bulk power system owners, operators, and users within the NPCC area, regardless of membership in the region.

COMMON ATTRIBUTE 4

Requester — The requester is the sponsor of the regional reliability standard request and may assist in the development of the standard. Any member of NPCC or group within NPCC shall be allowed to request that a regional reliability standard be developed, modified, or withdrawn. Additionally, any entity (person, organization, company, government agency, individual, etc.) that is directly and materially affected by the reliability of the bulk power system in the NPCC area shall be allowed to request a regional reliability standard be developed, modified, or withdrawn.

COMMON ATTRIBUTE 5

Regional Standards Committee — The NPCC Regional Standards Committee manages the standards development process. The NPCC Regional Standards Committee will consider which requests for new or revised standards shall be assigned for development (or existing standards considered for deletion). The NPCC Regional Standards Committee will advise the NPCC board on standards presented for adoption.

COMMON ATTRIBUTE 6

Registered ballot body — The registered ballot body comprises all entities or individuals that qualify for one of the stakeholder segments; are registered with NPCC as potential ballot participants in the voting on standards; and are current with any designated fees. Each member of the registered ballot body is eligible to vote on standards. [Each standard action has its own ballot pool formed of interested members of the registered ballot body. Each ballot pool comprises those members of the registered ballot body that respond to a pre-ballot survey for that particular standard action indicating their desire to participate in such a ballot pool.] The representation model of the registered ballot body is provided in Appendix A.]

COMMON ATTRIBUTE 7

NPCC will coordinate with NERC such that the acknowledgement of receipt of a standard request identified in step 1, notice of comment posting period identified in step 4, and notice for vote identified in step 5 below are concurrently posted on both the NPCC and NERC websites.

COMMON ATTRIBUTE 8

An acceptable standard request shall contain a description of the proposed regional reliability standard subject matter containing sufficiently descriptive detail to clearly define the purpose, scope, impacted parties, and other relevant information of the proposed standard.

COMMON ATTRIBUTE 9

Within [no greater than 60] days of receipt of a completed standard request, the NPCC Regional Standards Committee shall determine the disposition of the standard request.

COMMON ATTRIBUTE 10

The NPCC Regional Standards Committee may take one of the following actions:

- Accept the standard request as a candidate for development of a new standard, revision of an existing standard, or deletion of an existing standard. The NPCC Regional Standards Committee may, at its discretion, expand or narrow the scope of the standard request under consideration. The NPCC Regional Standards Committee shall prioritize the development of standard in relation to other proposed standards, as may be required based on the volume of requests and resources.
- Reject the standard request. If the NPCC Regional Standards Committee rejects a standard request, a written explanation for rejection will be delivered to the requester within [no greater than 30] days of the decision.
- Remand the standard request back to the requester for additional work. The standards process manager will make reasonable efforts to assist the requester in addressing the deficiencies identified by the NPCC Regional Standards Committee. The requester may then resubmit the modified standard request using the process above. The requester may choose to withdraw the standard request from further consideration prior to acceptance by the NPCC Regional Standards Committee.

COMMON ATTRIBUTE 11

Any standard request that is accepted by the NPCC Regional Standards Committee for development of a standard (or modification or deletion of an existing standard) shall be posted for public viewing on the NPCC website within [no greater than 30] days of acceptance by the committee.

COMMON ATTRIBUTE 12

The standards process manager shall submit the proposed members of the drafting team to the NPCC Regional Standards Committee. The NPCC Regional Standards Committee shall approve the drafting team membership within 60 days of accepting a standard request for development, modifying the recommendations of the standards process manager as the committee deems appropriate, and assign development of the proposed standard to the drafting team.

COMMON ATTRIBUTE 13

At the direction from the NPCC Regional Standards Committee, the standards process manager shall facilitate the posting of the draft standard on the NPCC website, along with a draft implementation plan and supporting documents, for a no less than a [30]-day comment period. The standards process manager shall provide notice to NPCC stakeholders and other potentially interested entities, both within and outside of the NPCC area, of the posting using communication procedures then currently in effect or by other means as deemed appropriate.

COMMON ATTRIBUTE 14

The drafting team shall prepare a summary of the comments received and the changes made to the proposed standard as a result of these comments. The drafting team shall summarize comments that were rejected by the drafting team and the reason(s) that these comments were rejected, in part or whole. The summary, along with a response to each comment received will be posted on the NPCC website no later than the next posting of the proposed standard.

COMMON ATTRIBUTE 15

Upon recommendation of the drafting team, and if the NPCC Regional Standards Committee concurs that all of the requirements for development of the standard have been met, the standards process manager shall post the proposed standard and implementation plan for ballot and shall announce the vote to approve the standard, including when the vote will be conducted and the method for voting. Once the notice for a vote has been issued, no substantive modifications may be made to the proposed standard unless the revisions are posted and a new notice of the vote is issued.

COMMON ATTRIBUTE 16

The standards process manager shall schedule a vote by the NPCC registered ballot body. The vote shall commence no sooner than [15] days and no later than [30] days following the issuance of the notice for the vote.

COMMON ATTRIBUTE 17

The NPCC registered ballot body shall be able to vote on the proposed standard during period of not less than 10 days.

COMMON ATTRIBUTE 18

All members of NPCC are eligible to participate in voting on proposed new standards, standard revisions or standard deletions. [Alternatively: Each standard action requires formation of a ballot pool of interested members of the registered ballot body.]

COMMON ATTRIBUTE 19

Approval of the proposed regional reliability standard shall require a [two thirds] majority in the affirmative (affirmative votes divided by the sum of affirmative and negative votes). Abstentions and non-responses shall not count toward the results, except that abstentions may be used in the determination of a quorum. A quorum shall mean [XX%] of the members of the [registered ballot body/ballot pool] submitted a ballot.

COMMON ATTRIBUTE 20

Under no circumstances may the board substantively modify the proposed regional reliability standard.

COMMON ATTRIBUTE 21

Once a regional reliability standard is approved by the NPCC board, the standard will be submitted to NERC for approval and filing with FERC and applicable authorities in Canada.

COMMON ATTRIBUTE 22

- **Open** - Participation in the development of a regional reliability standard shall be open to all organizations that are directly and materially affected by the NPCC bulk power system reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in NPCC, and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements. Meetings of drafting teams shall be open to the NPCC members and others.

COMMON ATTRIBUTE 23

- **Balanced** - The NPCC standards development process strives to have an appropriate balance of interests and shall not be dominated by any two interest categories and no single interest category shall be able to defeat a matter.

COMMON ATTRIBUTE 24

- **Inclusive** — Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the bulk power system in the NPCC area shall have a right to participate by: a) expressing a position and its basis, b) having that position considered, and c) having the right to appeal.

COMMON ATTRIBUTE 25

- **Fair due process** — The regional reliability standards development procedure shall provide for reasonable notice and opportunity for public comment. At a minimum, the procedure shall include public notice of the intent to develop a standard, a public comment period on the proposed standard, due consideration of those public comments, and a ballot of interested stakeholders.

COMMON ATTRIBUTE 26

- **Transparent** — All actions material to the development of regional reliability standards shall be transparent. All standards development meetings shall be open and publicly noticed on the NPCC Web site.

COMMON ATTRIBUTE 27

- Does not unnecessarily delay development of the proposed reliability standard.

COMMON ATTRIBUTE 28

Each standard shall enable or support one or more of the reliability principles, thereby ensuring that each standard serves a purpose in support of the reliability of the regional bulk power system. Each standard shall also be consistent with all of the reliability principles, thereby ensuring that no standard undermines reliability through an unintended consequence.

COMMON ATTRIBUTE 29

While reliability standards are intended to promote reliability, they must at the same time accommodate competitive electricity markets. Reliability is a necessity for electricity markets, and robust electricity markets can support reliability. Recognizing that bulk power system reliability and electricity markets are inseparable and mutually interdependent, all regional reliability standards shall be consistent with NERC’s market interface principles. Consideration of the market interface principles is intended to ensure that standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.

COMMON ATTRIBUTE 30

To ensure uniformity of regional reliability standards, a regional reliability standard shall consist of the elements identified in this section of the procedure. These elements are intended to apply a systematic discipline in the development and revision of standards. This discipline is necessary to achieving standards that are measurable, enforceable, and consistent.

COMMON ATTRIBUTE 31

All mandatory requirements of a regional reliability standard shall be within the standard. Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself.

COMMON ATTRIBUTE 32

Applicability	Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions. If not applicable to the entire NPCC area, then a clear identification of the portion of the bulk power system to which the standard applies. Any limitation on the applicability of the standard based on electric facility requirements should be described.
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COMMON ATTRIBUTE 33

Measure(s)	Each requirement shall be addressed by one or more measures. Measures are used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measure will identify to whom the measure applies and the expected level of performance or outcomes required demonstrating compliance. Each measure shall be tangible, practical, and as objective as is practical. It is important to realize that measures are proxies to assess required performance or outcomes. Achieving the measure should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.
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COMMON ATTRIBUTE 34

Compliance Monitoring Process	Defines for each measure: <ul style="list-style-type: none">• The specific data or information that is required to measure performance or outcomes.• The entity that is responsible for providing the data or information for measuring performance or outcomes.• The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes.• The entity that is responsible for evaluating data or information to assess performance or outcomes.• The time period in which performance or outcomes is measured, evaluated, and then reset.• Measurement data retention requirements and assignment of responsibility for data archiving.
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NORTHEAST POWER COORDINATING COUNCIL, INC.
1040 AVE OF THE AMERICAS, NEW YORK, NY 10018 TELEPHONE (212) 840-1070 FAX (212) 302-2782

Exhibit C

Northeast Power Coordinating Council, Inc.

Regional Reliability Standards Development Procedure



Approved by NPCC Board of Directors

~~September 19, 2007~~ May 3, 2011

Effective January 1, 2012

NPCC

REGIONAL RELIABILITY STANDARDS DEVELOPMENT PROCEDURE

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I. EXECUTIVE SUMMARY

The purpose of the Northeast Power Coordinating Council, Inc. ("NPCC"), is to enhance the reliability of the international, interconnected bulk power system in Northeastern North America through the development of more stringent and specific regional reliability standards and compliance assessment and enforcement of continent-wide and regional reliability standards pursuant to the execution and implementation of a Regional Delegation Agreement with the Electric Reliability Organization ("ERO") and applicable Canadian Memoranda of Understanding that are backstopped by the Federal Energy Regulatory Commission ("FERC") and Canadian Provincial authorities. In the development and enforcement of Regional Reliability Standards, NPCC, to the extent possible, facilitates attainment of fair, effective, efficient, and competitive electric markets.

General Membership in NPCC is voluntary and is open to any person or entity, including any entity participating in the Registered Ballot Body of the ERO that has an interest in the reliable operation of the Northeastern North American bulk power system.

The NPCC Regional Reliability Standards Development Procedure describes the procedures, policies and practices implemented to ensure an "open, fair, and inclusive" process for the transparent initiation, development, implementation and revision of NPCC Regional Reliability Standards necessary for the reliable operation of the international and interconnected bulk power system in Northeast North America. These Standards will, in all cases, not be inconsistent with or less stringent than any requirements of the North American Electric Reliability Council/Electric Reliability Organization (NERC/ERO) Reliability Standards. The procedure will not unnecessarily delay the development of the proposed reliability standards. Each regional reliability standard shall enable or support one or more of the reliability principles, thereby ensuring that each standard serves a purpose in support of the reliability of the regional bulk power system. Each standard shall also be consistent with all of pertinent reliability principles and criteria, thereby ensuring that no standard undermines reliability through an unintended consequence.

II. REGIONAL RELIABILITY STANDARD DEVELOPMENT PROCEDURE

1. CHARACTERISTIC ATTRIBUTES

The NPCC Regional Reliability Standards Development Procedure is:

- **Open** — The NPCC Regional Reliability Standards Development Procedure provides any person the ability to participate in the development of a standard. Any entity that is directly and materially affected by the reliability of the NPCC's bulk power system has the ability to participate in the development and approval of reliability standards. There are no undue financial barriers to participation. Participation in the open comment process is not conditional upon membership in the ERO, NPCC or any organization, and participation is not unreasonably restricted on the basis of technical qualifications or other such requirements. NPCC utilizes a website to accomplish this. Online posting and review of standards and the real time sharing of comments uploaded to the website allow complete transparency.

- **Inclusive** — The NPCC Regional Reliability Standards Development Procedure provides any person with a direct and material interest the right to participate by expressing an opinion and its basis, have that position considered, and appealed through an established appeals process if adversely affected.
- **Balanced** — The NPCC Regional Reliability Standards Development Procedure has a balance of interests and all those entities that are directly and materially affected by the reliability of the NPCC’s bulk power system are welcome to participate and shall not be dominated by any two interest categories and no single interest category shall be able to defeat a matter. This will be accomplished through the NPCC Bylaws defining [eightseven](#) sectors (categories) for voting.
- **Fair Due Process** — The NPCC Regional Reliability Standards Development Procedure provides for reasonable notice and opportunity for public comment. The procedure includes public notice of the intent to develop a standard, a 45 calendar day public comment period on the proposed standard request, or standard with due consideration of those public comments, and responses to those comments will be posted on the NPCC website. A final draft will be posted for a 30 calendar day pre-balloting period, and then a ballot of NPCC Members will be conducted. Upon approval by the NPCC Members, the NPCC Board then votes to approve submittal of the Regional Standard to NERC.
- **Transparent** — All actions material to the development of Regional Reliability Standards are transparent and information regarding the progress is posted on the NPCC website as well as through extensive email lists.

In as much as NPCC is one of several regional entities within the Eastern Interconnection of North America, there will be **no presumption of validity** by the ERO for any NPCC Regional Reliability Standard. In order to receive the approval of the ERO, the NPCC Reliability Standards Development Process must also achieve the following objectives:

- **No Adverse Impact on Reliability of the Interconnection** — An NPCC Regional Reliability Standard provides a level of bulk power system reliability that is necessary and adequate to protect public health, safety, welfare, and North American security and will not have an adverse impact on the reliability of the Interconnection or other Regions within the Interconnection.
- **Justifiable Difference** — An NPCC Regional Reliability Standard is based on justifiable differences between Regions, such as different electrical systems or facilities, sensitivity of load to disruptions, sensitivity of generation to disruptions, frequency and voltage sensitivity, system operating limit development and facilities ratings process, electrical system interactions, etc.
- **Uniformity**- NPCC Regional Reliability Standards shall provide for as much uniformity as possible with reliability standards across the interconnected bulk power system of the North American continent. A NPCC Reliability Standard shall be more stringent than a continent-wide reliability standard, may include a regional variation that addresses matters that the continent-wide reliability standard does not, or shall be a regional difference necessitated by a physical difference in the northeast’s bulk power system, where the interpretation of the phrase “physical difference” will be consistent with FERC’s Order, issued September 22, 2004, Granting Request For Clarification

regarding Docket No. PL04-5-000, Policy Statement on Matters Related to Bulk Power System Reliability.

- **No Undue Adverse Impact on Commerce** — An NPCC Regional Reliability Standard will not cause any undue adverse impact on business activities that are not necessary for reliability of the Region and its interconnected Regions. All regional reliability standards shall be consistent with NERC's market principles.

Other Attributes of the NPCC Regional Reliability Standards Development Procedure include;

- **Maintenance of Regional Reliability Standards**-NPCC Regional Standards will be reviewed for possible revision at least every three years and follow the same process as a new standard. The old standard will remain in place until such time as the revised version has passed through the entire process, at which point the old standard will be retired in accordance with any applicable new implementation plan associated with the approved revised standard. The review process shall be conducted by soliciting comments from the stakeholders and through open posting on the NPCC website. If no changes are warranted, Regional Standards Committee (RSC) shall recommend to the NPCC Board that the standard be reaffirmed. If the review indicates a need to revise or withdraw a standard, a regional standard authorization request shall be prepared by the RSC and submitted in accordance with the standards development process contained in this procedure.
- **Maintenance of Regional Reliability Standards Development Procedure**-This NPCC Regional Reliability Standards Development Procedure will be reviewed for possible revision at least once every five years or more frequently if needed and subject to the same procedure as that of the development of a standard. All such revisions shall be subject to approval by the NPCC Board, NERC, FERC, and could be subject to approval, if required, by applicable authorities in Canada. The NPCC RSC has the authority to make non-substantive changes to this procedure and subsequently notify the NPCC Board for their concurrence at their next scheduled meeting.
- **Interpretation of Standards**- All persons who are directly and materially affected by the NPCC's bulk power system reliability shall be permitted to request an interpretation of a standard. The person requesting an interpretation will send an email request to the Regional Standards Process Manager (RSPM), as noted on the NPCC website, explaining the specific circumstances surrounding the request and what clarifications are required as applied to those circumstances. The request should indicate the material impact to the requesting party or others caused by the lack of clarity or a possibly incorrect interpretation of the standard. The RSPM along with guidance from the RSC will forward the request to the originating Task Force which acted as the drafting team for that regional reliability standard. The Task Force will address, through a written response, the request for clarification as soon as practical, but not more than 45 business days from its receipt by the Task Force. This written interpretation will be posted along with the final approved and adopted standard and will stand until such time as the standard is revised through the normal RSAR process, at which time the standard will be modified to incorporate the clarifications provided by the interpretation.

2. ELEMENTS OF A RELIABILITY STANDARD

- **Elements of a Regional Reliability Standard**
To ensure uniformity of regional reliability standards, a regional reliability standard shall consist of the elements identified in this section of the procedure. These elements are intended to apply a systematic discipline in the development and revision of standards. This discipline is necessary to achieving standards that are measurable, enforceable, and consistent.

All mandatory requirements of a regional reliability standard shall be within the standard document. Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself.

The most current version of the approved NERC Reliability Standard template and its associated elements as or if applicable, will be used at the time of the development of the NPCC Regional Reliability Standard to ensure all essential elements are contained therein to achieve consistency and uniformity and meet all statutory requirements. A sample of the elements contained in the standard appears in Table 1 below, however the latest ERO Board approved Standard template, that may be found on the NERC website, will supersede the list below at the time the regional standard is developed.

Table 1- Elements of a Regional Reliability Standard

Identification Number	A unique identification number assigned in accordance with an administrative classification system to facilitate tracking and reference. (i.e. “NPCC- BAL-002-0-Date” which refers to NPCC Regional Standard, referencing NERC BAL-002 Version 0, with NPCC Effective Date-final adoption by all Regional Authorities)
Title	A brief, descriptive phrase identifying the topic of the standard.
Applicability	Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions. The standard will be applicable to the Bulk Power System unless otherwise noted.
Effective Date and Status	The effective date of the standard or, prior to approval of the standard, the proposed effective date.
Purpose	The purpose of the standard. The purpose shall explicitly state what outcome will be achieved or is expected by this standard.
Requirement(s)	Explicitly stated technical, performance, and preparedness requirements. Each requirement identifies what entity is responsible and what action is to be performed or what outcome is to be achieved. Each statement in the requirements section shall be a statement for which compliance is mandatory.
Risk Factor(s)	The potential reliability significance of each requirement, designated as a High, Medium, or Lower Risk Factor in accordance with the criteria listed below: A High Risk Factor requirement (a) is one that, if violated, could directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures; or (b) is a requirement in a planning timeframe that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to a normal condition. A Medium Risk Factor requirement (a) is a requirement that, if violated, could directly affect the electrical state or the capability of the bulk power system, or the ability to effectively monitor and control the bulk power system, but is unlikely to lead to bulk power system instability, separation, or cascading failures; or (b) is a requirement in a planning timeframe that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system, but is unlikely, under emergency, abnormal, or restoration conditions anticipated by the preparations, to lead to bulk power system instability, separation, or cascading failures, nor to hinder restoration to a normal

	<p>condition.</p> <p>A Lower Risk Factor requirement is administrative in nature and (a) is a requirement that, if violated, would not be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor and control the bulk power system; or (b) is a requirement in a planning time frame that, if violated, would not, under the emergency, abnormal, or restorative conditions anticipated by the preparations, be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system.</p>
Measure(s)	<p>Each requirement shall be addressed by one or more measures. Measures are used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measure will identify to whom the measure applies and the expected level of performance or outcomes required demonstrating compliance. Each measure shall be tangible, practical, and as objective as is practical. It is important to realize that measures are proxies to assess required performance or outcomes. Achieving the measure should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.</p>

Table 2 — Compliance Elements of a Regional Reliability Standard

Compliance Monitoring Process	<p>Defines for each measure:</p> <ul style="list-style-type: none"> • The specific data or information that is required to measure performance or outcomes. • The entity that is responsible for providing the data or information for measuring performance or outcomes. • The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes. • The entity that is responsible for evaluating data or information to assess performance or outcomes. • The time period in which performance or outcomes is measured, evaluated, and then reset. • Measurement data retention requirements and assignment of responsibility for data archiving. • Violation severity levels.
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Supporting Information Elements

Interpretation	<p>Any interpretation of regional reliability standard that is developed and approved in accordance with the “Interpretation of Standards” section of Appendix A of this procedure, to expound on the application of the standard for unusual or unique situations or to provide clarifications.</p>
Implementation Plan	<p>Each regional reliability standard shall have an associated implementation plan describing the effective date of the standard or effective dates if there is a phased implementation. The implementation plan may also describe the implementation of the standard in the compliance program and other considerations in the initial use of the standard, such as necessary tools, training, etc. The implementation plan must be posted for at least one public</p>

	comment period and is approved as part of the ballot of the standard.
Supporting References	<p>This section references related documents that support reasons for, or otherwise provide additional information related to the regional reliability standard. Examples include, but are not limited to:</p> <ul style="list-style-type: none"> • Glossary of terms • Developmental history of the standard and prior versions • Notes pertaining to implementation or compliance • Standard references • Standard supplements • Procedures • Practices • Training references • Technical references • White papers • Internet links to related information

3. TERMS AND FUNCTIONS

- **Regional Standards Committee (RSC)**—An NPCC committee charged with management of the NPCC Standards Procedure under a sector based voting structure as described in the NPCC Bylaws. The NPCC RSC will consider requests for new or revised standards and be available for advisement to the NPCC Board on the standards.

The RSC may not itself modify the standard without issuing a new notice to stakeholders regarding a vote of the modified standard. Any RSC action will only be activated in the event of a minor correction of a standard such as errata.

The RSC is an open and balanced stakeholder committee inclusive of all stakeholder interests that provide for or are materially impacted by the reliability of the bulk power system.

The RSC disposition regarding the regional standard authorization request, which will in all cases be within 60 calendar days of receipt of a completed standard request, shall include:

- Accept the standard request as a candidate for development of a new standard, revision of an existing standard, or deletion of an existing standard. The RSC may, at its discretion, expand or narrow the scope of the standard request under consideration. The RSC shall prioritize the development of standards in relation to other proposed standards, as may be required based on the volume of requests and resources.
- Reject the standard request. If the RSC rejects a standard request, a written explanation for rejection will be delivered to the requester within 30 calendar days of the decision.
- Remand the standard request back to the requester for additional work. The standards process manager will make reasonable efforts to assist the requester in addressing the deficiencies identified by the RSC. The requester may then resubmit the modified standard request using the process above. The requester may choose to withdraw the standard request from further consideration prior to acceptance by the RSC.

The NPCC Standard Process responsibilities of the RSC will include:

- Review of NPCC Draft Standards for such factors as completeness, sufficient detail, rational result, and compatibility with existing standards; clarifying standard development issues not specified in this procedure. Under no circumstance will the RSC change the substance of a draft standard.
 - Due consideration to the work of the drafting team as well as the comments of stakeholders and minority objections, in approving a proposed regional reliability standard to go to ballot.
 - Approve standards for pre-ballot posting under a sector based voting structure as described later in the NPCC ~~the~~ Bylaws or
 - Remand the standard back to the Task Force acting as the drafting team for further work or recommend a change in those participating in the drafting team (i.e. a new drafting team).
- **Regional Standards Process Manager (RSPM)** - The Regional Reliability Standards Procedure shall be administered by a NPCC staff Regional Standards Process Manager. The RSPM is responsible for ensuring that the development and revision of standards is in accordance with this manual. The RSPM works to ensure the integrity of the process, format, consistency of quality, and completeness of the reliability standards. The RSPM facilitates all steps in the process.
 - **Reliability Coordinating Committee (RCC)** —The RCC, will support the standards development process through the assignment of NPCC Task Forces. They will also provide a technical advisory role in the Regional Reliability Standards development procedure through recommendations.
 - **Requester**— A Requester is any individual or an entity (organization, company, government authority, etc.) that submits a complete request for development, revision, or withdrawal of a standard. Any person or an entity that is directly and materially affected by an existing standard or the need for a new standard may submit a request for a new standard or revision to a standard. The Requester is assisted by the RSAR drafting team (if one is appointed by the RSC) to respond to comments and to decide if and when the RSAR is forwarded to the RSC with a request to draft a standard. The Requester is responsible for the RSAR, assisted by the RSAR drafting team and Regional Standards Process Manager, until such time the RSC authorizes development of the standard. The Requester has the option at any time to allow the RSAR drafting team to assume full responsibility for the RSAR. The Requester may chose to participate in subsequent standard drafting efforts related to the RSAR.
 - **Task Forces and Working Groups**,—The committees, task forces and working groups within NPCC , serve an active role in the standards process:
 - Identify the need for new or modified regional standards.
 - Initiate NPCC Standards actions by developing Regional Standard Authorization Requests (RSARs).
 - Develop comments (views and objections) to standards actions.
 - Participate in NPCC Standard drafting.
 - Provide technical oversight in response to changing industry conditions and ERO Requirements.
 - Conduct Field Tests as required

4. PROCEDURE DESCRIPTION

STEPS 1 AND 2: REQUEST TO DEVELOP A NEW REGIONAL STANDARD

Requests to develop a new Regional Reliability Standard shall be submitted to the RSPM by completing a **Regional Standard Authorization Request (RSAR)** (*see Appendix A*). The RSAR is a description of the new or revised standard in sufficient detail to clearly define the

scope, purpose, and importance of the Regional Standard, impacted parties or other relevant information. A “needs” statement will provide the justification for the development of the standard, including an assessment of the reliability and market interface impacts of implementing or not implementing the standard. The RSPM shall maintain the RSAR form and make it available electronically on the NPCC website.

Any person or entity (“Requester”) directly or materially affected by an existing standard or the need for a new or revised standard may initiate a RSAR.

The Requester will submit the RSAR to the RSPM electronically and the RSPM will acknowledge receipt of the RSAR immediately, through electronic receipt. The RSAR, as a minimum, needs to contain the following information in order to be qualified for consideration. The NPCC RSPM will assist the Requester to ensure all the following information is submitted (on the RSAR) in a form appearing in Appendix A:

1. Proposed Title and Date of New RSAR
2. Requester’s Name and Contact Information
3. Purpose of the Regional Standard
4. Description of Industry Need
5. Provide a Brief Description of the Standard
6. Identification of the Entities in the Functional Model as being responsible to adhere to the standard.
7. Necessary information to assist the drafting the team, to the extent feasible, to allow them to draft the standard.
8. A cross references to existing NPCC or NERC documents

The RSPM shall forward all properly completed RSARs to the RSC. The RSC shall meet at established intervals to review all pending RSARs. The frequency of this review process will depend on workload, but in no case shall a properly completed RSAR wait for RSC action more than 60 calendar days from the date of receipt. The RSC may take one of the following actions:

- Remand the RSAR back to the RSPM for additional work. In this case, the RSPM may request additional information or clarification for the RSAR from the Requester.
- Accept the RSAR as a candidate for a new or revised standard. In this case, the RSC will forward the RSAR to the RCC to assign a NPCC Task Force to provide technical support and analysis of comments for that RSAR, and assist the Requester and the RSPM in the remaining steps of the process. The RSPM shall post notification of intent to develop a standard on both NPCC and ERO websites within 30 calendar days of acceptance.
- Reject the RSAR. In this case, the RSC will provide a written explanation for rejection to the Requester within 30 calendar days of the rejection decision.

STEPS 3, 4, AND 5: RSC ACCEPTS RSAR AND RCC ASSIGNS TF TO DRAFT NEW OR REVISED STANDARD

A RSAR that is accepted by the RSC will be submitted to the RCC. Within 60 calendar days the RCC shall assign the development of the standard to a Task Force Drafting Team. The RSPM shall solicit and recommend a list of additional candidates for appointment to the team and shall submit the list to the RSC. This list shall include the Requester. The RSC may select other individuals to serve, with the Task Force to draft the Standard. This team shall consist of a small group of people who collectively have the necessary technical expertise and work process skills.

The RSPM shall assign NPCC staff personnel to assist in the drafting of the standard including compliance measure, process and elements. The drafting of measures and compliance administration aspects of the standard will be coordinated with the Compliance Program.

STEP 6: SOLICIT PUBLIC COMMENTS ON DRAFT STANDARD

Once a draft standard has been verified by the RSC to be within the scope and purpose of the RSAR, the RSPM will post the draft standard for the purpose of soliciting public comments. The posting of the draft standard will be linked to the RSAR for reference. In addition to the standard, an implementation plan shall be posted to provide additional details to the public and aid in their commenting and decision process. Comments on the draft standard will be accepted for a 45 calendar day period from the public notice of posting. Comments will be accepted on-line using the NPCC Open Process web-based application.

Final draft standards will be concurrently posted on the ERO website for comments.

STEPS 7, 8, AND 9: OPEN PROCESS POSTING AND ANALYSIS OF THE COMMENTS

The RSPM will assemble the comments on the new draft standard and distribute those comments to the Task Force acting as the standard drafting team. The Task Force shall give prompt consideration to the written views and comments of all participants. An effort to address all expressed comments shall be made, and each commenter shall be advised of the disposition of the comment and the reasons therefore, in addition to public posting of the responses.

The Task Force acting as the Standard Drafting Team shall take one of the following actions:

- Submit the draft standard for RCC endorsement as it stands, along with the comments received and responses to the comments. Based on the comments received, the Task Force acting as the standard drafting team may include revisions that are not substantive. A substantive change is one that directly and materially affects the application of the standard, including, for example: changing “shall” to “should,” changing “should” to “shall”; adding, deleting, or revising requirements; or adding, deleting, or revising measures for which compliance is mandatory.
- Make substantive revisions to the draft standard and reposts it for further open review and comment.
- Task Force recommends Field Test if necessary to RSC.

Requester also may withdraw the request for a standard.

RCC submits proposed RRS to the RSC along with its recommendation based on comments, Task Force statements and any field test results.

STEPS 10 AND 11: RSC APPROVES OF THE NEW OR REVISED STANDARD FOR POSTING

If the RSC, acting with consideration of any recommendations by the RCC and utilizing the composite sector voting structure, as outlined in the NPCC, votes to post the draft standard for approval, the draft standard, all comments received, and the responses to those comments shall be posted electronically for the NPCC Members, by the RSPM and made public through the NPCC Website (www.npcc.org) for a 30 calendar day “pre-ballot review” and request for balloting. If the RSC decides more work is needed, the draft standard will be remanded back to

the drafting Task Force. All actions of the RCC, Task Forces acting as drafting teams and the Regional Standards Committee will be recorded in regular minutes of the group(s) and posted on the NPCC website. Once the notice for a ballot has been issued, no substantive modifications may be made to the proposed standard unless the revisions are posted and a new notice of the vote is issued

STEPS 12, 13 AND 14: BALLOT OF STANDARD

Upon notification of a ballot, the Members of NPCC's registered ballot body will cast their vote consistent with the NPCC Bylaws. This ballot shall commence no sooner than 15 calendar days and no later than 30 calendar days following the notification of ballot. All members of the NPCC are eligible to participate in the voting on proposed, standard revisions or deletions of regional standards. The ballot period will typically begin immediately following the 30 calendar day pre-ballot posting and will last at least 10 business days.

The NPCC registered ballot body comprises all entities or individuals that qualify for one of the ~~eight~~^{seven} NPCC stakeholder sectors and are registered with NPCC as potential ballot participants in the voting on standards. Each member of the NPCC registered ballot body is eligible to vote on standards.

In order for a NPCC Regional Standard to be approved;

- A quorum must be established by at least 50% of the NPCC Members of at least 60% of the Voting Sectors on the roster of Members maintained by NPCC.
- A two-thirds majority of the total weighted sector votes cast must be affirmative. The number of votes cast is the sum of affirmative and negative votes, excluding abstentions, and non-responses. Weighted sector vote will be calculated as follows;
 - Affirmative votes cast in each sector will be divided by the sum of affirmative and negative votes cast, in that same sector, to determine the fractional affirmative vote for each sector. Abstentions and non-responses will not be counted for the purposes of determining the fractional affirmative vote for a sector.
 - The sum of the fractional affirmative votes from all sectors divided by the number of sectors voting will be used to determine if a two-thirds majority has been achieved. (A sector will be considered as "voting" if any member of the sector in the ballot pool casts either an affirmative or a negative vote.)
 - A standard will be approved if the sum of fractional affirmative votes from all sectors divided by the number of voting sectors is at least 2/3.

Ballots will be cast electronically and alternatives are as follows;

- Affirmative
- Affirmative with Comments
- Negative
- Negative with Comments
- Abstain

The RSPM shall post the final outcome of the ballot process. If the standard is rejected, it may be withdrawn by either the RCC or the original Requester, or the standard may be remanded by the RSC back to the Task Force acting as the drafting team to address the issues. All comments submitted during the process will be posted and archived for consideration when redrafting the standard upon review.

The standard, once approved by ballot, and a recommendation will be forwarded to the NPCC Board for final Regional approval. The Board may not make substantive modifications to the standard. If the Board does not approve the standard for transmittal to NERC it will be remanded back to the RSC.

If the standard is approved, the standard will be submitted to the NERC/ERO Board of Trustees for approval.

STEPS 15, 16 AND 17: IMPLEMENTATION OF THE NPCC REGIONAL STANDARD

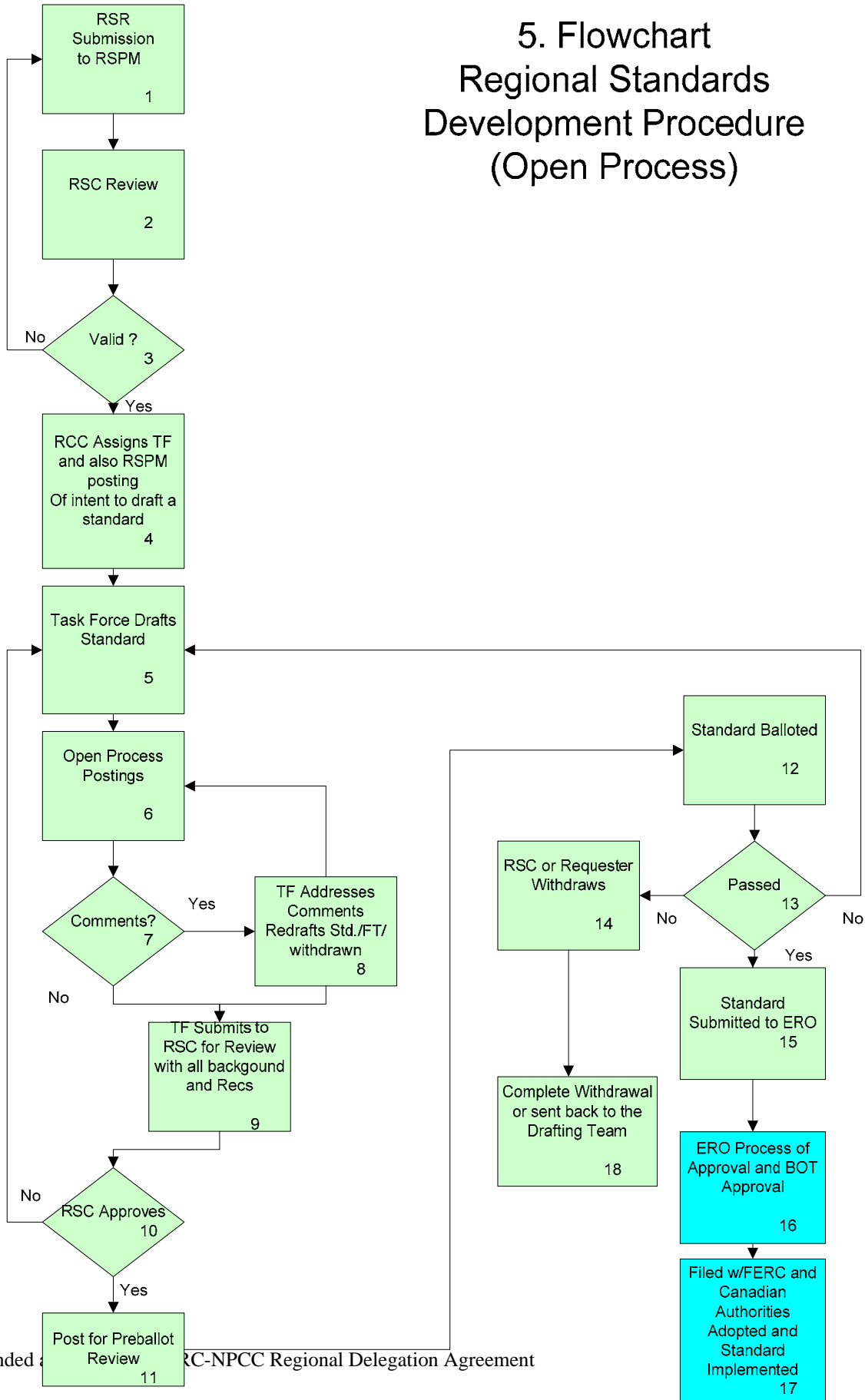
Upon approval within the NPCC , the standard will be submitted to the NERC/ERO for approval(s) and filing with FERC and applicable Canadian Governmental and/or Regulatory Authorities for adoption.

Once a reliability standard is adopted and made effective, all users, owners, planners, and operators of the Bulk Power System in the NPCC geographic area of the Northeast are required to comply with the standard. The NERC/ERO Board of Trustees has established a separate compliance program, also administered in the Northeast by NPCC , to measure compliance with the standards and administer sanctions as appropriate. After adoption of a NPCC Regional Standard, the standard will be forwarded to the compliance program for compliance monitoring and enforcement.

STEP 18: WITHDRAWAL OF STANDARD

Upon rejection of a proposed standard, the RCC or the requester may withdraw the standard completely or remand it back to the Task Force acting as the standard drafting team for further work.

5. Flowchart Regional Standards Development Procedure (Open Process)



6. ERO and Regulatory Process and Approvals

- **NERC/ERO Comment Period** —NERC/ERO shall publicly notice and request comment on the NPCC Regional Reliability Standard, allowing a minimum of 45 calendar days for comment on NERC’s website and actively notify all adjoining Regions. Concurrent with this regional posting, final drafts will be forwarded to NERC for posting on the NERC website to ensure full industry awareness of the standard and expedite and coordinate all commenting. All comments will be responded to electronically through a posted response on the NPCC website or a link on the NERC website. NPCC shall have an opportunity to resolve any objections identified in the comments and may choose to withdraw the request, revise the NPCC Regional Reliability Standard and request another posting for comment, or submit the NPCC Regional Reliability Standard along with a response to any objections received, for approval by NERC.
- **NERC/ERO Approval of NPCC Regional Reliability Standards** —Proposed regional reliability standards shall be subject to approval by the NERC/ERO who shall have a process to evaluate and recommend whether a proposed non-Interconnection-wide NPCC Regional Reliability Standard has been developed in accordance with all applicable procedural requirements and whether NPCC has considered and addressed stakeholder objections. NPCC Board, having been notified of the results of the regional ballot concerning a NPCC Regional Reliability Standard, shall vote to submit the Standard to the NERC/ERO Board for approval as a NERC Reliability Standard. The NERC/ERO Board shall consider NPCC’s request, the scope and implications of the Standard, the recommendation for action on the Standard, any unresolved stakeholder comments, and NPCC’s consideration of comments and unresolved issues if any, in determining whether to approve the NPCC Regional Reliability Standard as a NERC Reliability Standard.
- **Regulatory Authority Approval** — An NPCC Regional Reliability Standard that has been approved by the NERC/ERO board shall be filed with FERC and applicable Canadian Governmental and/or Regulatory Authorities for approval and shall become effective and enforceable within the U.S., per Section 215 of the Federal Power Act, only when adopted by FERC, and within Canada, only when adopted by applicable Canadian Governmental and/or Regulatory Authorities. The regional reliability standard, once adopted will be made part of the body of NERC reliability standards and shall be mandatory and enforceable on all applicable bulk power system owners, operators, and users within the NPCC Region, regardless of membership status.

7. Appeals

- Persons who have directly and materially affected interests and who have been or will be adversely affected by any substantive or procedural action or inaction related to the development, approval, revision, reaffirmation, or withdrawal of a regional reliability standard shall have the right to appeal. This appeals process applies only to the standards process as defined in this procedure.

The burden of proof to show adverse effect shall be on the appellant. Appeals shall be made within 30 calendar days of the date of the action purported to cause the adverse effect, except appeals for inaction, which may be made at any time. In all cases, the request for appeal must be made prior to the next step in the process.

The final decisions of any appeal shall be documented in writing and made public.

The appeals process provides two levels, with the goal of expeditiously resolving the issue to the satisfaction of the participants:

- Level 1 Appeal

Level 1 is the required first step in the appeals process. The appellant submits a complaint in writing to the RSPM that describes the substantive or procedural action or inaction associated with a reliability standard or the standards process. The appellant describes in the complaint the actual or potential adverse impact to the appellant. Assisted by any necessary staff and committee resources, the RSPM shall prepare a written response addressed to the appellant as soon as practical, but not more than 45 calendar days after receipt of the complaint. If the appellant accepts the response as a satisfactory resolution of the issue, both the complaint and response will be made a part of the public record associated with the standard and posted with the standard.

- Level 2 Appeal

If after the Level 1 Appeal the appellant remains unsatisfied with the resolution, as indicated by the appellant in writing to the regional standards process manager, the RSPM shall convene a Level 2 Appeals Panel. This panel shall consist of five members total appointed by the NPCC's board.

In all cases, Level 2 Appeals Panel members shall have no direct affiliation with the participants in the appeal.

The RSPM shall post the complaint and other relevant materials and provide at least 30 calendar days notice of the meeting of the Level 2 Appeals Panel. In addition to the appellant, any person that is directly and materially affected by the substantive or procedural action or inaction referenced in the complaint shall be heard by the panel. The panel shall not consider any expansion of the scope of the appeal that was not presented in the Level 1 Appeal. The panel may in its decision find for the appellant and remand the issue to the RSC with a statement of the issues and facts in regard to which fair and equitable action was not taken. The panel may find against the appellant with a specific statement of the facts that demonstrate fair and equitable treatment of the appellant and the appellant's objections. The panel may not, however, revise, approve, disapprove, or adopt a reliability standard. The actions of the Level 2 Appeals Panel shall be publicly posted.

In addition to the foregoing, a procedural objection that has not been resolved may be submitted to the NPCC Board for consideration at the time the board decides whether to adopt a particular reliability standard. The objection must be in writing, signed by an officer of the objecting entity, and contain a concise statement of the relief requested and a clear demonstration of the facts that justify that relief. The objection must be filed no later than 30 calendar days after the announcement of the vote on the standard in question.

APPENDIX A

Information in a Regional Standard Authorization Request (RSAR)

The tables below identify information to be submitted in a Regional Standard Authorization Request to the NPCC Regional Standards Process Manager, NPCCstandard@npcc.org. The NPCC Regional Standards Process Manager shall be responsible for implementing and maintaining this form as needed to support the information requirements of the standards process.

Regional Standard Authorization Request Form

Title of Proposed Standard:
Request Date:

RSAR Requester Information

<i>Name:</i>	RSAR Type (Check box for one of these selections.)
Company:	<input type="checkbox"/> New Standard
Telephone:	<input type="checkbox"/> Revision to Existing Standard
Fax:	<input type="checkbox"/> Withdrawal of Existing Standard
Email:	<input type="checkbox"/> Urgent Action

Purpose (Describe the purpose of the proposed standard – what the standard will achieve in support of reliability.)
Industry Need (Provide a detailed statement justifying the need for the proposed standard, along with any supporting documentation.)
Brief Description (Describe the proposed standard in sufficient detail to clearly define the scope in a manner that can be easily understood by others.)

Reliability Functions

The Standard will Apply to the Following Functions (Check all applicable boxes.)		
<input type="checkbox"/>	Reliability Coordinator	The entity that is the highest level of authority who is responsible for the reliable operation of the Bulk Electric System, has the Wide Area view of the Bulk Electric System, and has the operating tools, processes and procedures, including the authority to prevent or mitigate emergency operating situations in both next-day analysis and real-time operations. The Reliability Coordinator has the purview that is broad enough to enable the calculation of Interconnection Reliability Operating Limits, which may be based on the operating parameters of transmission systems beyond any Transmission Operator’s vision.
<input type="checkbox"/>	Balancing Authority	The responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports Interconnection frequency in real time.
<input type="checkbox"/>	Interchange Authority	Authorizes valid and balanced Interchange Schedules.
<input type="checkbox"/>	Planning Authority	The responsible entity that coordinates and integrates transmission facility and service plans, resource plans, and protection systems.
<input type="checkbox"/>	Transmission Service Provider	The entity that administers the transmission tariff and provides Transmission Service to Transmission Customers under applicable transmission service agreements.
<input type="checkbox"/>	Transmission Owner	The entity that owns and maintains transmission facilities.
<input type="checkbox"/>	Transmission Operator	The entity responsible for the reliability of its “local” transmission system, and that operates or directs the operations of the transmission facilities.

<input type="checkbox"/>	Transmission Planner	The entity that develops a long-term (generally one year and beyond) plan for the reliability (adequacy) of the interconnected bulk electric transmission systems within its portion of the Planning Authority Area.
<input type="checkbox"/>	Resource Planner	The entity that develops a long-term (generally one year and beyond) plan for the resource adequacy of specific loads (customer demand and energy requirements) within a Planning Authority Area.
<input type="checkbox"/>	Generator Operator	The entity that operates generating unit(s) and performs the functions of supplying energy and Interconnected Operations Services.
<input type="checkbox"/>	Generator Owner	Entity that owns and maintains generating units.
<input type="checkbox"/>	Purchasing-Selling Entity	The entity that purchases or sells, and takes title to, energy, capacity, and Interconnected Operations Services. Purchasing-Selling Entities may be affiliated or unaffiliated merchants and may or may not own generating facilities.
<input type="checkbox"/>	Distribution Provider	Provides and operates the “wires” between the transmission system and the customer.
<input type="checkbox"/>	Load-Serving Entity	Secures energy and transmission service (and related Interconnected Operations Services) to serve the electrical demand and energy requirements of its end-use customers.

Reliability and Market Interface Principles

Applicable Reliability Principles <i>(Check all boxes that apply.)</i>	
<input type="checkbox"/>	1. Interconnected bulk power systems shall be planned and operated in a coordinated manner to perform reliably under normal and abnormal conditions as defined in the NERC Standards.
<input type="checkbox"/>	2. The frequency and voltage of interconnected bulk power systems shall be controlled within defined limits through the balancing of real and reactive power supply and demand.
<input type="checkbox"/>	3. Information necessary for the planning and operation of interconnected bulk power systems shall be made available to those entities responsible for planning and operating the systems reliably.
<input type="checkbox"/>	4. Plans for emergency operation and system restoration of interconnected bulk power systems shall be developed, coordinated, maintained, and implemented.
<input type="checkbox"/>	5. Facilities for communication, monitoring, and control shall be provided, used, and maintained for the reliability of interconnected bulk power systems.
<input type="checkbox"/>	6. Personnel responsible for planning and operating interconnected bulk power systems shall be trained, qualified, and have the responsibility and authority to implement actions.
<input type="checkbox"/>	7. The security of the interconnected bulk power systems shall be assessed, monitored, and maintained on a wide-area basis.

<p>Does the proposed Standard comply with all of the following Market Interface Principles? <i>(Select 'yes' or 'no' from the drop-down box.)</i></p>
<p>Recognizing that reliability is an Common Attribute of a robust North American economy:</p>
<p>1. A reliability standard shall not give any market participant an unfair competitive advantage. Yes</p>
<p>2. A reliability standard shall neither mandate nor prohibit any specific market structure. Yes</p>
<p>3. A reliability standard shall not preclude market solutions to achieving compliance with that standard. Yes</p>
<p>4. A reliability standard shall not require the public disclosure of commercially sensitive information. All market participants shall have equal opportunity to access commercially non-sensitive information that is required for compliance with reliability standards. Yes</p>

<p>Detailed Description (Provide enough detail so that an independent entity familiar with the industry could draft a standard based on this description.)</p>

Related Standards

Standard No.	Explanation

-t

Related SARs or RSARs

SAR ID	Explanation



Northeast Power Coordinating Council, Inc.

Exhibit D – Compliance Monitoring and Enforcement Program

1.0 Regional Compliance Monitoring and Enforcement Program

1.1 Obligations of NPCC

NPCC will implement the NERC Compliance Monitoring and Enforcement Program, Appendix 4C to the NERC Rules of Procedure (which for purposes of this section 1.0 shall not include Attachment 2, Hearing Procedures), to monitor and enforce compliance with Reliability Standards by the owners, operators, and users within the U.S. portion of NPCC’s geographic or electrical boundaries, and such other scope, set forth on **Exhibit A** of this Agreement, subject to any deviations from the NERC Compliance Monitoring and Enforcement Program described in Section 1.2 below (the “Compliance Program”).

1.2 Deviations from the NERC Compliance Monitoring and Enforcement Program

Compliance monitoring and enforcement programs will be implemented within the Canadian portion of NPCC’s geographic area, consistent with individual Canadian Provincial Memoranda of Understanding (MOU) or Agreements and Canadian laws. All executed MOU’s and Agreements will be provided to NERC as allowable under Canadian law.

2.0 REGIONAL HEARING OF COMPLIANCE MATTERS

NPCC shall establish and maintain a hearing body with authority to render decisions in compliance hearings in which a Registered Entity may contest a finding of alleged violation, proposed penalty or sanction, or a proposed mitigation plan. The NPCC Compliance Committee, reporting to the NPCC Board, will be responsible for impaneling a Hearing Body, when required. The Hearing Body will consist of ~~five voting members of the NPCC Compliance Committee plus two alternates and business will always be conducted by five voting members as described in the NPCC Hearing Procedure (each member of the Hearing Body will be from a different voting sector)~~ an independent Hearing Officer and two (2) Independent Directors. ~~An independent~~ The Hearing Officer, who is not a member of the Compliance Committee, the NPCC Board, or NPCC Staff, will conduct the hearing. ~~Committee members who represent the Registered Entity involved in the Hearing cannot participate on the Hearing Body.~~ The Hearing Body will utilize a simple majority vote to resolve issues. This voting rule, along with the structure of the Hearing Body, fully supports the requirement that no two stakeholder sectors may control, and no single stakeholder sector may veto, a matter before the Hearing Body.

NPCC shall conduct all compliance hearings in which a Registered Entity may contest a finding of alleged violation, proposed penalty or sanction, proposed Mitigation Plan, or a proposed Remedial Action Directive, in accordance with Attachment 2, Hearing Procedures, to the NERC Compliance Monitoring and Enforcement Program, subject to the following deviations, if any:
None

3.0 OTHER DECISION-MAKING BODIES

NPCC Compliance Staff will be the sole decision making body to review and make final determinations on compliance submittals from Registered Entities related to Self-Certification; Self-Reporting; Exception Reporting; and Periodic Data Submittals. NPCC Compliance Staff will initially review all submittals received to assure that the information forwarded is accurate and complete. This process will be conducted by the staff members and may require contact via e-mail or phone to confirm information. If after, initially receiving a compliance submittal, the Compliance Staff identifies an instance of non-compliance, a Notice of Possible Violation (NOPV), without penalty, is issued to the registered entity and NERC while the Compliance Staff continues its more detailed and comprehensive review of the submittal. It is during this review that the Compliance Staff confirms the violation, calculates an appropriate penalty or sanction and issues a Notice of Confirmed Violation (NOCV).

Exhibit E — Funding

1. Scope of activities funded through the ERO funding mechanism

NPCC shall include in its annual budget submission to NERC amounts for costs it will incur in performing its delegated functions and related activities as described in Sections 5, 6 and 7 of the Agreement. These activities shall include:

- Reliability Standard Development
- Compliance Monitoring and Enforcement
- Organization Registration and Certification
- Reliability Assessment and Performance Analysis (including necessary data gathering activities)
- Event Analysis and Reliability Improvement
- Training and Education
- Situation Awareness
- Infrastructure Security

2. Preparation of Annual Business Plan and Budget

(a) NERC and NPCC in conjunction with the other Regional Entities shall collaboratively develop an annual schedule for the development, submission, review and approval of NPCC's business plan and budget. The annual schedule for the preparation of business plans and budgets shall require NPCC (i) to submit to NERC draft(s) of NPCC's proposed business plan and budget and other preliminary documents and information, and (ii) to submit a final proposed business plan and budget that has been approved by NPCC Board of Directors to NERC by July 1 or such other agreed date as provides sufficient time for NERC's review, approval and submission of NPCC's business plan and budget to the Commission 130 days in advance of the beginning of each fiscal year. The NPCC business plan and budget submission shall include supporting materials, including NPCC's complete business plan and organization chart, explaining the proposed collection of all assessments, dues, fees and charges, and the proposed expenditure of the funds to be collected in sufficient detail to justify the requested budgeted expenditures and assessments. NPCC's business plan and budget and proposed assessments shall provide for reasonable reserve mechanisms for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted accounting principles.

(b) NERC shall review and approve NPCC's proposed business plan and budget and proposed assessments for performing the delegated functions and related activities described in Sections 5, 6 and 7 of this Agreement and listed above in Section 1 of this **Exhibit E**, or shall direct NPCC to make such revisions as NERC deems appropriate prior to approval. NERC shall submit NPCC's approved business plan and budget and proposed assessments to the Commission for approval as part of NERC's overall business plan and budget submission, in accordance with the ERO Regulations.

3. Allocation of Costs

Assessments to fund the costs of NPCC delegated functions and related activities pursuant to the Agreement shall be allocated among all load-serving entities on the basis of Net Energy for Load, unless a different method(s) of allocating and calculating such assessments has been submitted to and approved by NERC and the Commission in accordance with Section 9(b) of the Agreement. NPCC shall submit to NERC annually at the same time it submits its budget request a list of the load-serving entities or designees within its geographic boundaries that shall be responsible for paying NPCC's assessment and the load-serving entities' proportionate Net Energy for Load, and such other data and information as is necessary to allocate and calculate the allocation of NPCC's assessment to the load-serving entities or designees under the method(s) of allocation and calculation that will be used.

4. Collection of Funding

(a) NERC shall submit invoices to the load-serving entities or designees identified by NPCC covering the NERC and NPCC assessments approved for collection.

(b) NERC shall pursue any non-payments of assessment amounts and shall request assistance from ERO Governmental Authorities as necessary to secure collection. To the extent reasonably practicable, NPCC shall assist NERC in pursuing and collecting any non-payments. Notwithstanding the foregoing, NPCC is not responsible and does not assume any liability for recovering non-payments or underpayments of assessment amounts. NERC shall retain sole responsibility for recovering non-payments or underpayments of assessment amounts. NERC shall add the amount of any non-payments by end-users or designees within NPCC region, that are reasonably determined to be uncollectible, to NERC's assessments for a subsequent year with the amount of such non-payments to be allocated to end-users within NPCC region.

(c) Upon approval by ERO Governmental Authorities of NPCC annual assessment to fund the costs of its delegated functions and related activities, NERC shall pay NPCC's annual assessment to NPCC in four equal quarterly payments on January 15, April 15, July 15 and October 15 of the budget year.

5. Application of Penalties

Except as otherwise approved by the Commission, all penalty monies received by NPCC other than penalty monies received from an operational function or division or affiliated entity of NPCC shall be applied as a general offset to NPCC budget requirements for U.S.-related activities under this Agreement for the subsequent fiscal year. Funds from financial penalties shall not be directly applied to any program maintained by the investigating entity. Except as otherwise approved by the Commission, any penalty monies received from an operational function or division or affiliated entity of NPCC shall be transmitted to or retained by NERC and shall be used by NERC as a general offset to NERC's budget for its activities as the ERO under the Act for the following year.

6. Budget and Funding for NPCC's Non-Statutory Activities

In addition to its delegated functions and related activities, as specified in Sections 5, 6 and 7 of the Agreement and in Section 1 of this **Exhibit E** (such delegated functions and activities referred to in this Section 6 as "statutory activities"), NPCC's Criteria Services division performs the following other functions and activities (such other functions and activities being referred to in this Section 5 as "non-statutory activities"):

NPCC List of Criteria Services Division Functions (Non-Statutory Activities)

1. Regionally-specific Criteria
 - NPCC develops and maintains regionally-specific more stringent criteria
 - NPCC develops and maintains criteria establishing resource adequacy requirements within the Region
2. Criteria Compliance Program
 - NPCC monitors and assesses compliance with its more stringent regional criteria
 - NPCC conducts a Reliability Compliance and Enforcement Program (RCEP) utilizing non-monetary sanctions

NPCC shall employ the following methods and procedures to (i) keep its funding mechanisms for its regional entity division (statutory activities) separate from its funding mechanisms for its criteria services division (non-statutory activities), and (ii) record the costs it incurs in the performance of its non-statutory functions separately from the costs it incurs in the performance of its statutory functions:

1. Funding of NPCC Criteria Services Division (non-statutory activities).- A separate membership based funding mechanism is utilized for non-statutory activities.
2. NPCC procedures for separating funding and expenditures for regional entity division (statutory activities) and criteria services division (non-statutory activities)

NPCC utilizes the NERC System of Accounts (NSOA) to provide consistency for account codes, divisional separation codes and activity codes. In August of 2007, NPCC CBRE (which prior to the merger performed statutory activities) merged into and with Northeast Power Coordinating Council, Inc. (referred to as NPCC) (which prior to the merger performed non-statutory activities) with the merged corporation having divisional separation for Regional Entity and Criteria Services. As recommended by NERC, NPCC uses the not-for-profit MIP Fund Accounting program by Sage Software to accurately account for income, time and labor. Effective January 1, 2008, with corporate restructuring of NPCC completed in later 2007, 2008 actual program costs are being charged to appropriate program areas.

NPCC does not conduct resource or transmission planning, is not an Independent System Operator (ISO), nor does it perform the functions of a Reliability Coordinator (RC). As such, while at this time, there is a breakout for Criteria related activities, all functions performed by

NPCC are in the furtherance of NERC’s statutory mission and reliability of the international bulk power system in Northeastern North America.

Methodology

NPCC’s revenue and expenditure classification methodology identifies appropriate methods of accounting for income, time and costs to ensure that U.S. Federal/statutory and Canadian provincial and/or governmental authorities’ agreed upon revenue and expenses are accounted for separately from NPCC’s regionally-specific Criteria development and Criteria compliance (non-statutory) income, time and expense.

Division Codes

There are two division codes that are used by NPCC in accounting for revenues and expenses. The codes are as follows:

Division ID	Division Name
RE	Regional Entity – U.S. Statutory and Canadian Regulatory and/or Governmental Authority authorized
CSD	Criteria Services - Non-Statutory

The two division codes allow NPCC to separate Regional Entity statutory activity revenues and expenses from Criteria Services non-statutory activity revenues and expenses. These categories were developed to ensure that non-statutory related revenues and expenses are segregated and accounted for separately from statutory-related revenues and expenses.

Program Codes

As required by NERC, NPCC adopted a financial accounting system consistent with NERC’s functional categories. At NPCC, functional categories are referred to as Program Codes.

There are twelve program codes that are used by NPCC in accounting for expenses. The codes are as follows:

Program ID	Program Name
300	Reliability Standards
400	Compliance Enforcement and Organization Registration and Certification
800	Reliability Assessment and Performance Analysis
700	Reliability Readiness Evaluation and Improvement

	900	Training and Education
	1000	Situational Awareness and Infrastructure Security
	ADMIN	General Administration
	FINANCE	Accounting and Finance
	HR	Human Resources
	IT	Information Technology
	LEGAL	Legal and Regulatory
	MEMBERS	Members Forum

Program codes are used to further delineate expenses into functional groupings that are assigned to program heads. NPCC staff utilize their assigned program codes (the program where they reside for payroll purposes) when coding expenses, unless otherwise authorized by management.

When time is spent in support of both statutory activities and non-statutory activities (applicable to a limited number of employees in the Administrative Services functions of General Administration, Accounting and Finance, Human resources, Information Technology, Legal and Regulatory and Members Forms), staff members develop accurate timesheet allocations between division codes.

Divisional separation with regard to statutory activities (Regional Entity division) and non-statutory activities (Criteria Services division) is reflected in the NPCC balance sheet and general ledger through the MIP Fund Accounting software programs.

NPCC shall provide its budget for such non-statutory activities to NERC at the same time that NPCC submits its annual budget request to NERC pursuant to Section 1. NPCC's budget for non-statutory activities that is provided to NERC shall contain a detailed list of NPCC's non-statutory activities and a description of the funding sources for the non-statutory activities. NPCC agrees that no costs of non-statutory activities are to be included in the calculation of NPCC's charges for its activities pursuant to this Agreement.

7. Amended or Supplemental Business Plans and Budgets

During the course of the fiscal year, if NPCC determines it does not or will not have sufficient funds to carry out its delegated functions and related activities, NPCC shall submit to NERC one or more proposed amended or supplemental business plans and budgets and requests for approval of supplemental assessments, reflecting costs, cost increases or funding shortfalls not provided for in NPCC's approved business plan and budget for the fiscal year.

NERC shall review and approve the proposed amended or supplemental business plan and budget and proposed supplemental assessment, or shall direct NPCC to make such revisions as NERC deems appropriate prior to approval. NERC shall submit NPCC's approved amended or supplemental business plan and budget and proposed supplemental assessment to the Commission for approval.

8. NERC Review of NPCC Financial Records

Upon a request made to NPCC with reasonable notice, NERC shall have access to and may review all financial records of NPCC, including records used to prepare NPCC's financial statements. NERC shall conduct reviews of the quarterly and annual financial statements submitted by NPCC pursuant to Section 9(h) and (i) of the Agreement. NPCC shall provide supporting documentation for the quarterly and annual financial statements as reasonably requested by NERC.

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

**PETITION FOR APPROVAL OF
AMENDMENTS TO DELEGATION AGREEMENT WITH
NORTHEAST POWER COORDINATING COUNCIL, INC.**

ATTACHMENT 3

**RESOLUTION OF THE NERC BOARD OF TRUSTEES
APPROVING AMENDMENTS**

RESOLUTION

WHEREAS, on March 16, 2011, the Northeast Power Coordinating Council (“NPCC”) requested, subject to necessary approvals by the Members and Board of NPCC, that NERC approve certain amendments to its bylaws and related amendments to the NPCC regional standards development procedure and NPCC compliance monitoring and enforcement program, as set forth in Exhibit A to this resolution, which are Exhibits B, C, and D to the Amended and Restated Delegation Agreement Between NERC and NPCC, (collectively, the “Amendments”), and file them with the Federal Energy Regulatory Commission (“the Commission”) for approval; and

WHEREAS, on April 12, 2011 the Members of NPCC adopted the amendments to the NPCC bylaws and on May 3, 2011 the Board of NPCC approved the related amendments to the NPCC regional standards development procedure and compliance monitoring and enforcement program; and

WHEREAS, the NERC Board of Trustees finds that NPCC followed appropriate procedures in adopting the Amendments and that the Amendments are consistent with NPCC’s obligations and responsibilities under the delegation agreement between NERC and NPCC and otherwise meet the requirements set forth in 18 C.F.R. §39.10 of the Commission’s regulations;

RESOLVED, that the NERC Board of Trustees approves the Amendments and directs that they be filed with the Commission for approval.

Adopted by the NERC Board of Trustees
May 11, 2011