

Whitepaper - Implementation Plan of NERC Cost Effective Analysis Process, "CEAP"

Background

The Cost Effective Analysis Process ("CEAP") was developed in response to requests by NERC registered entities as well as regulators, to address compliance costs and the efficiency and reliability impact of the draft NERC Reliability Standards. The NERC Standards Process Input Group ("SPIG"), under the direction of the NERC Member Representatives Committee ("MRC"), identified cost effectiveness as part of a set of recommendations for improving the NERC standard development process. Upon approval of the SPIG recommendations by the NERC Board of Trustees ("BOT"), an assignment was made to the NERC Standards Committee ("SC") to address SPIG recommendations where appropriate. This *Whitepaper* describes the CEAP and includes a proposed Implementation Plan developed by an industry team working under the auspices of the NERC Standards Committee Process Subcommittee ("SCPS"). The CEAP estimates the implementation costs of a draft Reliability Standard and the effectiveness of the proposed standard if approved and implemented in support of the respective reliability objective.

Executive Summary

Cost considerations are inherent in the development of Reliability Standards. One of the objectives of the CEAP is to make such considerations transparent by ensuring where decisions are made regarding cost effectiveness, these decisions are made in an open manner and are part of the standard development record.

The CEAP affords stakeholders an opportunity to share projected cost information regarding implementation of draft standards and provides the opportunity to offer alternatives that would be equally, or more efficient at achieving the reliability objective of the draft standard while also taking into consideration implementation costs.

The CEAP currently proposes a two-phase process for identifying projected implementation costs. The first phase of the CEAP, identified as the Cost Impact Analysis ("CIA") is conducted during the Standard Authorization Request ("SAR") stage of the standard's development and would provide an opportunity to identify approximate implementation costs that may be associated with a proposed standard prior to its development. Information related to the proposed standard's mission and forecasted implementation costs would typically be collected from the industry during the initial SAR comment period. Information collected would be shared with the NERC Standards Committee ("SC"), Standard Drafting Teams ("SDT"), and will be posted on the NERC website.

The second phase of the CEAP, identified as the Cost Effective Analysis (“CEA”), is typically conducted later in the standards development process after the draft standard is developed by the SDT and is ready for the first combined formal comment period and ballot. In this phase, the industry would again be solicited to provide forecasted implementation costs of the proposed requirements and would be provided the opportunity to propose alternative methods to achieve the standard’s reliability objective more efficiently. Any alternative proposals provided by the industry during this phase should contain sufficient technical justification, and if possible, cost comparison data for consideration.

This information will be aggregated, shared with the SDT and made available in the form of a “CEAP Final Report” during successive or recirculation ballots for industry consideration. The CEAP Final Report will then be provided for informational purposes to the NERC Board of Trustees (“BOT”) with all other standard background information. Upon approval by the NERC BOT, the standard and the CEAP Final Report will be provided for informational purposes in the filings to applicable regulatory authorities.

The recommended implementation plan for CEAP ideally will include pilot projects for practical experience before a more expansive CEAP implementation. Ultimately, the success of the CEAP depends on the voluntary participation of industry stakeholders.

Recommended CEAP Implementation Plan

The following “Interim Step(s)” will be performed upon SC endorsement of this draft Implementation Plan:

Initial Pilot (Fall 2012/Winter 2013):

1. Immediately upon endorsement of the Implementation Plan, the CEAP Team will review all existing standard projects that are approaching a formal comment and initial ballot and will provide a list of candidates to the SC for potential piloting of the CEAP.
2. The CEAP Team with support from the SDT, when necessary, will develop a limited number of questions that will be added to the “Formal Comment” template for two standards selected for pilot by the SC. Typical questions will focus on:
 - i. Identification of forecasted implementation costs of the draft standard.
 - ii. More explicit solicitation from the industry to provide alternate ways to equally meet the reliability objective of the draft standard from a long-term implementation perspective, considering implementation costs.
3. Responses to CEAP survey questions will be collected by NERC Staff and will only be provided to the CEAP Team for evaluation and consolidation. Confidentiality and market sensitive information will be respected and maintained throughout the process.

4. Aggregated information on survey responses related to costs of implementation and alternate methods on addressing this standard (including those alternative costs forecasts) will be made available to the SC and SDTs.
5. The SC and SDT will consider the information collected and take appropriate action which could include revision of the standard or posting of the aggregated summary of information received, with the recirculation ballot. If the SDT decides to revise the standard, then the forecasted costs will be collected again upon successive ballot to create a final record of implementation costs to be posted in conjunction with the recirculation ballot. The question on whether alternative methods of achieving the reliability objective of the Standard will not be solicited at the time of recirculation ballot.

The CEAP Team will develop and propose to the SC a full field test of the CEAP based on the results of the initial pilot and in consideration of any future modifications of the CEAP and the prospective cost effective related responsibilities of the Reliability Issues Steering Committee (RISC). The RISC may assume the responsibilities associated with the CEAP, partially or in its entirety, to address the NERC BOT approved 'SPIG' recommendations regarding the cost of implementation of Reliability Standards.

Proposed Uses of the CEAP

- All new standards development projects - (CIA Phase 1 and CEA Phase 2)
- Revised standards projects
- Standards being revised to meet FERC Directives - Phase 2
- Rapid Revisions - Phase 2 (subject to SC determination)

CEAP will not be applied to the following:

- Errata Changes
- Interpretations and Compliance Application Notices ("CANs")