NERC
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

Recommendations to Improve the NERC Standards Development Process

Member Representatives Committee (MRC)
Standards Process Input Group (SPIG)

Draft — April 2012

RELIABILITY | ACCOUNTABILITY




3353 Peachtree Road NE
Suite 600, North Tower
Atlanta, GA 30326
404-446-2560 | www.nerc.com

Preface

Formation of the Standards Process Input Group

At its February 9, 2012 meeting, the NERC Board of Trustees (BOT) requested the assistance of the NERC Member Representatives Committee (MRC) to provide policy input, and a proposed framework, for specific improvements needed to the standards development process. The MRC Chair and Vice Chair invited several members of the MRC, two NERC Board of Trustees members, the NERC CEO, and the Standards Committee (SC) Chair to join with them as participants in the Standards Process Input Group (SPIG) in developing recommendations to improve the standards development process in the following areas:

- Clarity on the reliability objectives, technical parameters, scope, and the relative priority of the standards project.
- The drafting process (developing the specific technical content of the standard).
- Standards project management and workflow.
- Formal balloting and commenting.

To help ensure that the SPIG focused its efforts on the best areas for improvement, they began their process by gathering input from subject matter experts (SMEs), including the regions, MRC, Standard Drafting Team leaders, NERC staff, and other stakeholders by asking the following:

- What are the issues that are keeping the process from improving the reliability benefits of the standards?
- What are the impediments to improving the efficiency of completing a new standard or standard revision?
- Are stakeholder resources being used efficiently? If not, then why?

SPIG Timeline for Input

- Trades input was provided to NERC BOT in January 2012
- Outreach Survey comments received from 105 stakeholders in late February
- SPIG conference call with FERC staff and initial SPIG planning meeting conducted in early March
- SPIG provides preliminary report to MRC for input in early April
- Input from MRC received by April 13
- Additional SPIG planning meeting to consider MRC input conducted April 19-20
- Report revised, finalized, and posted with MRC agenda on April 25
- MRC discussion at MRC meeting on May 8
- Final report to NERC BOT in late May

Table of Contents

Executive Summary

The Standards Process Input Group (SPIG) organized by the NERC Member Representatives Committee (MRC) is proposing in this report a number of changes to the way NERC develops Reliability Standards and other solutions intended to improve the priority, product and process of standards development. Inherent in these proposed changes is an effort to better understand, articulate and incorporate, into the standards development process, the appropriate accountabilities for standards development.

For example, Section 215 of the Federal Power Act creates accountability for the Federal Energy Regulatory Commission (FERC), first to certify an Electric Reliability Organization (ERO) for the purpose of establishing and enforcing reliability standards for the bulk power system, and then to approve the standards developed by the ERO. As such, FERC is accountable to the U.S. Congress, which passed the law that created Section 215.

Section 215 also creates accountability for NERC by requiring that the ERO, certified by FERC, have a demonstrated ability to develop and enforce reliability standards that provide for an adequate level of reliability of the bulk power system. This accountability extends to the NERC management to see that high quality standards are developed in an efficient and effective way and to the NERC Board of Trustees (Board) that must approve those standards before they are filed with governmental regulatory authorities in the U.S. and Canada.

Finally, the stakeholders, whose technical expertise is essential to the development of the standards, have a shared accountability with NERC and with each other to see that the right standards are developed in a fair, open, balanced and inclusive way.

One of the principal recommendations of the SPIG, is the creation of a Reliability Issues Steering Committee (RISC) that is intended to address these issues of accountability by ensuring that NERC develops the right standards, in the right way, and in a timely and efficient manner. To accomplish this, the RISC will conduct front-end, high level review of nominated reliability issues and direct the initiation of standards projects or other solutions that will address the reliability issues.

In addition to recommending the creation of the RISC, the SPIG also recommends that Reliability Standards Audit Worksheets (RSAWs) be developed concurrent with their associated standards and posted along with those standards for comment. The purpose here is to make sure that the RSAWs are aligned with the intent and wording of the standards to reduce the need for Interpretations and Compliance Application Notices.

Lastly, the SPIG is recommending a redesign of the composition and process used by Standards Drafting Teams to make more efficient and effective use of the subject matter expertise resident in the industry, and to provide those experts with additional support resources in terms of project management and facilitation, legal expertise, and technical writing support.

The recommendations also aim to strengthen consensus building, first on the need for a standard and then on the requirements themselves.

Collectively, these recommendations suggest a major revision of how decisions to develop standards are determined in the first place and, once the decision is made that a new or revised standard is needed, to see that it is developed in the most efficient, effective, and timely way, taking into account throughout the process the costs, benefits and justification for all standards.

Introduction

Priority, product and process are the three main focus areas addressed by the recommendations of the SPIG regarding their review and analysis of the NERC standards development process.

The SPIG provides five recommendations designed for action and for discussion. The analysis of feedback received throughout this project indicates that more discussion should occur around the variety of the changes, improvements, and implementation being proposed in these recommendations, as listed below and described in more detail in this report.

Recommendation 1: American National Standards Institute — NERC should continue to meet the minimum requirements of the American National Standards Institute (ANSI) process to preserve ANSI accreditation.

Recommendation 2: Reliability Issues Steering Committee — The NERC Board is encouraged to form a Reliability Issues Steering Committee (RISC) to conduct front-end, high level review of nominated reliability issues and direct the initiation of standards projects or other solutions that will address the reliability issues.

Recommendation 3: Interface with Regulatory and Governmental Authorities — The NERC Board is encouraged to task NERC management, working with a broad array of ERO resources (e.g., MRC, technical committees, Regional Entities, trade associations, etc.) to develop a strategy for improving the communication and awareness of effective reliability risk controls which increases input and alignment with state, federal, and provincial authorities.

Recommendation 4: Standards Product Issues — The NERC board is encouraged to require that the standards development process address:

- The use of results–based standards (RBS);
- Cost effectiveness of standards and standards development;
- Alignment of standards requirements/measures with Reliability Standards Audit Worksheets (RSAWs); and
- The retirement of standards no longer needed to meet an adequate level of reliability.

Recommendation 5: Standards Development Process and Resource Issues — The NERC Board is encouraged to require the standards development process to be revised to improve timely, stakeholder consensus in support of new or revised reliability standards. The Board is also encouraged to require standard development resources to achieve and address:

- Formal and consistent project management; and
- Efficient formation and composition of Standard Drafting Teams (SDTs).

These recommendations were derived from a synthesis of stakeholder responses categorized into the following three concentrated areas:

I. ANSI: Accreditation

- Preserve ANSI accreditation in order to ensure openness, transparency, consensus building, balance of interests and due process
- Ensure checks and balances of the ANSI process
- Limit application of requirements that can hinder progress
- Limit negative ballots without comment
- Consider other options if ANSI prevents efficiency gains

II. PRODUCT: Quality of Standards

- Consider the cost effectiveness (limited value justification)
- Improve clarity in terms of the reliability objective and benefit
- Ensure auditability
- Improve supporting documentation or administrative records
- Improve registered entity and auditor understanding
- Involve industry, NERC and FERC in the quality review earlier in the standards development process
- Seek clarity and technical justification upfront
- Be sensitive not to gear towards compliance risk rather than reliability risk

III. PROCESS: Efficiency, Timeliness and Effectiveness

- Address the SDT composition (need expertise in legal, technical writing, compliance, etc.)
- Improve timeliness and effectiveness in terms of commenting/balloting (need to consider the manual effort and timing associated with posting, grouping and responding)
- Manage the number of standards coming through the process at the same time (to ensure the right number can be processed efficiently)
- Seek convergence on consensus (to avoid taking too long to achieve)
- Improve efficiencies (to avoid taking too long)
- Implement a project manager and facilitator (need within the SDT and the back office of NERC)
- Improve communications and coordination between industry, NERC and FERC staff; especially in terms of the compliance/enforcement process

Recommendations from the SPIG

Recommendation 1: American National Standards Institute

Issue

Should NERC continue using the American National Standards Institute (ANSI) process for developing standards?

Recommendation

NERC should continue to meet the minimum requirements of the ANSI process to preserve ANSI accreditation.

Background

The SPIG's initial survey of the industry asked "How important are ANSI accreditation and ANSI principles (openness, transparency, consensus-building, fair balance of interests, and due process) to the NERC standards development process?" The majority of responses agreed that NERC standards development process should continue to at least meet the minimum ANSI requirements (Figure 1).

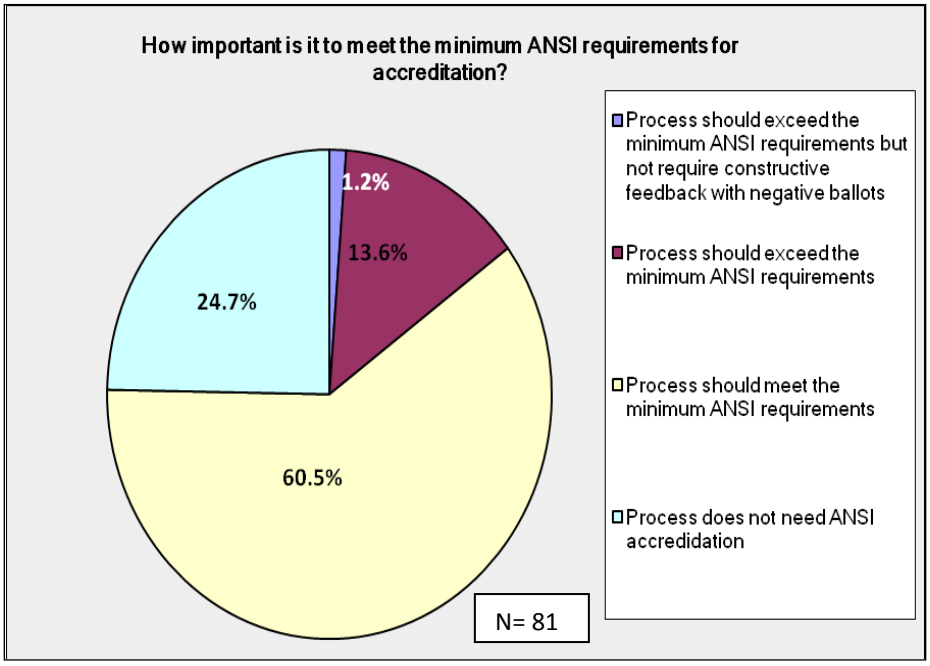


Figure 1: Results from SPIG survey of the Industry, April 2012

According to ANSI, accreditation signifies the standards developer is committed to an open, fair and time-tested consensus process that benefits stakeholders. Developers are accredited to the requirements contained in the *ANSI Essential Requirements: Due Process Requirements for American National Standards*. NERC staff confirms that the current standards process meets and in some cases exceeds the ANSI Essential Requirements.

Recommendation 2: Reliability Issues Steering Committee (RISC)

Issue

How should NERC determine:

- What actions are needed to address identified risks to reliability?
- Whether the development of a standard is necessary and its cost/benefit to reliability is justified?
- What should be the priority and timeline for standards development?

Recommendation

The Board is encouraged to form a Reliability Issues Steering Committee (RISC) to conduct front-end, high level review of nominated reliability issues and direct the initiation of standards projects or other solutions that will address the reliability issues.

Proposed Details

The RISC would:

- Be comprised of stakeholders including, but not limited to:
  - Chairs and vice chairs of the technical committees;
  - Select MRC members and other stakeholders;
  - Chair, approved by the Board; and
  - NERC Senior Staff member.
- Utilize a broad range of industry and other expertise.
- Analyze performance gaps, technical viability, reliability benefit, cost impact/ justification, clarity of standard's scope, etc.
- Advise the Board on key initiatives and priorities; recommends standards projects or alternatives (Figure 2).
- Report directly to Board (and not the MRC).
- Require Board review and approval of any significant new ERO initiatives or reordering of ERO strategic priorities.
- Not supersede the role of Standards Committee.
- Set milestones and timelines for standards projects.
- Conform to NERC Bylaws and Rules of Procedure.

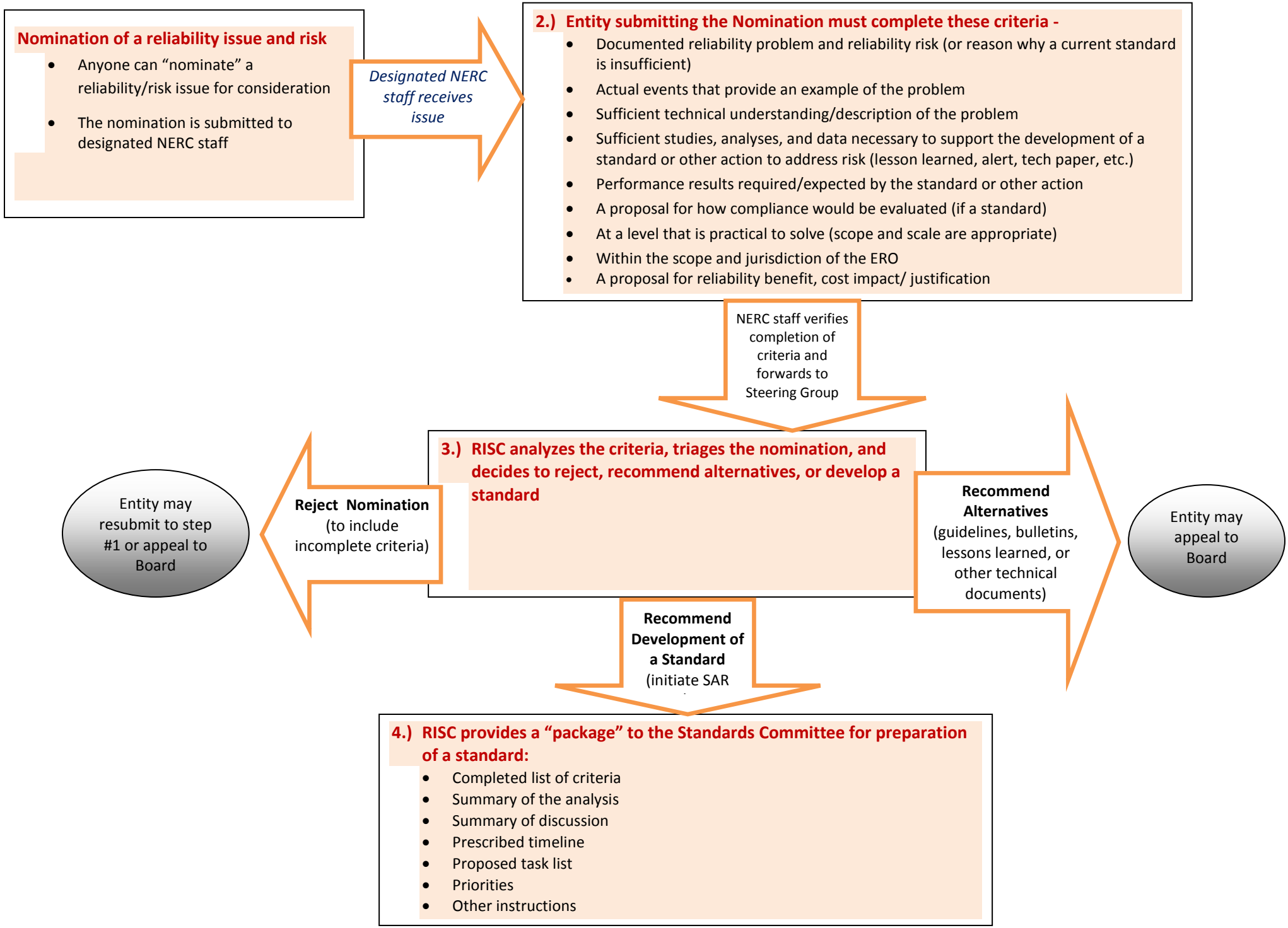
Additional Issues to be Addressed (per the Board's Discretion) During the Implementation Phase

- Role of the RISC in three-year reliability SDP.
- Modification to existing standards including elimination of duplicative or low value standards.
- Role of RISC with respect to FERC directives.
- Communication between the RISC, Standards Committee (SC), Standards Oversight and Technology Committee, MRC and Board and its technical committees.
- Relationship with governmental authorities.

Explanation of Figure 2: Proposed Front-End Process Flow Chart

- Anyone can "nominate" a reliability/risk issue, via designated NERC staff, for consideration by the RISC. Upon verification and satisfactory completion of the nomination criteria, the RISC may decide to:
  1. Reject the nomination;
  2. Recommend alternative action other than standards; or,
  3. Develop a standard.
- If the nomination is rejected by the RISC, an appeals process will be available.
- Recommended alternatives to standards may include the development of guidelines, bulletins, alerts, lessons learned, best practices, technical documents, etc. If a standard is recommended, a project management "package" will be prepared by the RISC for the SC, including (as appropriate):
  - The completed list of criteria
  - Analysis of performance gaps, technical viability, reliability benefit, cost impact/ justification, clarity of standard's scope, etc.
  - Discussion
  - Timeline
  - Task list
  - Priorities
  - Other instructions
- The RISC may refer a "package" to the SC with instructions to prepare a standard. The RISC should also inform the MRC and Board of its actions.

Figure 2: Proposed Front-End Process Flowchart (pathway for the Reliability Issues Steering Committee – RISC)



Recommendation 3: Interface with Regulatory and Governmental Authorities

Issue

How can NERC improve the communication and awareness of NERC's strategic initiatives on major risks to reliability to increase alignment of NERC with the concerns of state, federal, and provincial authorities?

Recommendation

The Board is encouraged to task NERC management, working with a broad array of ERO resources (e.g., MRC, technical committees, Regional Entities, trade associations, etc.) to develop a strategy for improving the communication and awareness of effective reliability risk controls which increases input and alignment with state, federal, and provincial authorities.

Proposed Details

- Interface with governmental authorities to align priorities and timing of reliability initiatives. Establish and align priorities early on during the nomination of the reliability issue.
- Develop methods to effectively communicate progress and manage expectations.
- Promote effective rules of engagement of state, federal, and provincial regulatory staff in accordance with jurisdictional requirements.
- Following successful ballot of standard and approval by the Board, pre-filing meetings will be held with FERC staff and individual Commissioners to help ensure FERC approval without conditions; and similar efforts will apply with governmental authorities in Canada.

Additional Issues to be Addressed (per the Board's Discretion) During the Implementation Phase

- Responsibility for managing the details above, concerning progress and expectations.
- Encourage regulatory authorities to permit staff to submit written comments to the drafting team during informal and formal comment periods.

Background

The SPIG provides as additional reference and guidance the *Roles and Responsibilities: Standards Drafting Team Activities*, approved by the SC in July 2011, includes the following policy guidance, approved by the NERC Board at its October 29, 2008 meeting, to guide standard drafting teams' responses to regulatory authority staff involvement in standard drafting activities:

a. The standard drafting team has sole responsibility for drafting and approving the language in the proposed standards that are presented to the SC for ballot.

b. NERC and the SC support the involvement of regulatory authority staff in all standards drafting team activities, where permitted by law.

c. NERC recognizes that regulatory authority staff does not speak for the regulatory authority itself and, as such, the input they provide is considered advice.

d. In the event regulatory authority staff does choose to participate in drafting team activities, they should be treated as any non-voting observer or participant.

e. Standard drafting team members should seek out the opinion of regulatory authority staff, consider the regulatory staff input on its technical merits, and respond to written comments offered during a public posting period as it would seek opinions from, consider the technical merits of, and respond to comments offered by other industry stakeholders.

f. To the extent that regulatory authority staff advice is offered to the drafting team (or members thereof) in a forum that is not public and open to all industry participants, the standard drafting team should consider the input as advice.

g. If the team chooses to act on regulatory authority staff advice offered in a non public forum, the standard drafting team chair should either:

   - Request the regulatory authority staff to provide the advice during an open meeting or conference call of the drafting team; or,
   - Document his/her understanding of the issues or advice presented, and include the information in an open industry comment period with the accompanying changes to the proposed standards.

Recommendation 4: Standards Product

Issue
How will standards be developed to effectively achieve reliability objectives through clear, high quality Results-Based Standards (RBS) requirements in a cost effective manner?

Recommendation:
The Board is encouraged to require that the standards development process address:

- ***The use of RBS;***
- ***Cost effectiveness of standards and standards development;***
- ***Alignment of standards requirements/measures with Reliability Standards Audit Worksheets (RSAWs); and***
- ***The retirement of standards that are no longer needed to meet an adequate level of reliability.***

Proposed Details

- Utilize RBS model as the basis for all standards.
  i. Evaluate all existing standards and revise to meet format of RBS.
  ii. Retire any existing standards that are not chosen to be modified into a RBS format per Board approval.
  iii. Develop all new standards in RBS format.
- Ensure cost effectiveness of standards through documentation of alternatives analysis.
- Include cost impact/reliability benefit analysis in the final standards package posted for ballot.
- Ensure clarity on reliability objectives and compliance obligations.
  i. SDT is responsible for the development of the standard including requirements and measures.
  ii. Compliance staff will develop RSAWs (that will be used in the auditing of compliance) in conjunction and coincident with the development of the standard.
  iii. Post entire package for stakeholder comment, including standards and RSAWs (RSAWs are not balloted).
  iv. Changes to RSAWS after the ballot body develops measure/standard require Board approval.
- Revise Essential Elements of the Standards Template to eliminate redundancies such as Violation Severity Levels (VSLs).
- Consider “applicability” provisions and criteria for those most impacted by implementing a standard.

Additional Issues to be Addressed (per the Board's Discretion) During the Implementation Phase

- Establish process to consider elimination of standards and standards requirements that have minimal value.
    i. The recent FERC Find, Fix, Track and Report (FFTR) Order encourages the reduction of unnecessary requirements and a structured process needs to be developed to achieve this.
    ii. Additional options may include a task to the RISC, Operating Committee, or Planning Committee, as determined by the Board.

Recommendation 5: Standards Development Process and Resources

Issue

How can the existing standards development process be improved upon and streamlined and how can resources be better utilized to ensure effective, efficient, and expeditious standards development?

Recommendation

The Board is encouraged to require the standards development process be revised to improve timely, stakeholder consensus in support of new or revised reliability standards. The Board is also encouraged to require standard development resources to achieve and address:

- ***Formal and consistent project management***
- ***Efficient formation and composition of SDTs***

Proposed Details

- The drafting team will post responses to each comment received during the *final,* formal comment period prior to the recirculation ballot. For other postings, there is no ANSI requirement to post responses to the comments.
- Modify the comment process to:
  i. Bundle responses to comments.
  ii. SDT will post draft standard for informal comment period of 30 days, but not be required to respond to comments.
  iii. Promote an automated system for managing comments.
  iv. Conduct industry webinars between successive ballots to enhance understanding of issues and facilitate consensus.
  v. Facilitate consensus by encouraging industry collaboration and submittal of coordinated comments through Regional Entities and trade groups.
- Ballot process shall:
  i. Use all votes cast by ballot pool member to establish quorum.
  ii. Provide options for voting “No” with guiding choices for the answer with a comment section on the ballot.
- Formalize the use of formal, rigorous project management (i.e., trained leaders, facilitators, scribes, etc.) within SDTs to ensure greater efficiency and effectiveness of the SDTs.
- Revise formation and composition of SDTs model.
  i. Incorporate the support of technical writers, legal, compliance and rigorous and highly trained facilitation support.

ii. Ensure adequate representation and competencies based on complexity of the issue.

- Promote efficiency and timeliness by setting milestones and progress reports.

Additional Issues to be Addressed (per the Board's Discretion) During the Implementation Phase

- Reinforce mechanisms to add during the commenting process.

i. Locked list of answer options (e.g., "risk to reliability," "cost concerns," etc.).

ii. "Other" option for the No vote list with a comment section that requires explanation that this approach will balance input to empower the SC to conduct a more thorough balloting process.

iii. Consider bolding of text instructions on all ballots that emphasize the importance of clarity.

iv. Consider the advantage/disadvantage to establishing voting record for each participant/entity.