

August 19, 2015

VIA OVERNIGHT MAIL

Sheri Young, Secretary of the Board
National Energy Board
517 – 10th Avenue SW
Calgary, Alberta
T2R 0A8

Re: Revisions to the Violation Risk Factors for Reliability Standards PRC-004-3, PRC-004-4, and PRC-004-5.

Dear Ms. Young:

In accordance with Section 320 of the North American Electric Reliability Corporation (“NERC”) Rules of Procedure,¹ NERC submits proposed revisions to the Violation Risk Factors (“VRF”) for Requirements R1 through R6 of Reliability Standards PRC-004-3, PRC-004-4, and PRC-004-5 (*Protection System Misoperation Identification and Correction*) (attached as Exhibit A). On June 22, 2015, the NERC Board of Trustees approved submission of the revised VRFs. These VRF revisions are consistent with the Federal Energy Regulatory Commission’s (“FERC”) directive in the May 13th Order.² The revised VRF designations are just, reasonable, not unduly discriminatory or preferential, in the public interest, and compliant with FERC’s directive.

I. Background

As initially proposed, Reliability Standards PRC-004-3, PRC-004-4, and PRC-004-5 reflected “medium” VRF designations for Requirements R1 through R6. Support for these VRF designations was included in Exhibit F of NERC’s Reliability Standard PRC-004-3 filing submitted on September 23, 2014. Reliability Standards PRC-004-4 and PRC-004-5 adopted the VRFs proposed for PRC-004-3 on the basis

¹ NERC *Rules of Procedure*, Section 320 (effective March 19, 2015), available at <http://www.nerc.com/AboutNERC/Pages/Rules-of-Procedure.aspx>.

² See *N. Am. Elec. Reliability Corp.*, 151 FERC ¶ 61,129, at PP 2 and 20 (2015) (stating, “For the reasons stated above, we direct NERC to submit a compliance filing within 60 days of issuance of this order that revises the proposed ‘medium’ VRF designations to ‘high.’”) (“May 13th Order”). See also, *N. Am. Elec. Reliability Corp.*, 151 FERC ¶ 61,186, at fn. 4 (“May 29th Order”) (citing the May 13th Order and stating, “In the immediate proceeding, we approve the requested modifications to both the currently effective standard, and the approved but not yet effective version of the standard, to ensure continuity in the application of the provisions pertaining to dispersed generation.”)

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that the revisions submitted in versions 4 and 5 of the standard did not give rise to modification of the VRFs.³

In the May 13th Order, FERC approved Reliability Standard PRC-004-3, two new defined terms for the NERC Glossary of Terms, the implementation plan for Reliability Standard PRC-004-3, and the Violation Severity Levels (“VSLs”) for the Reliability Standard.⁴ In addition, FERC directed NERC to submit a compliance filing, within 60 days of the issuance of the May 13th Order, to revise the VRF designations for Requirements R1 through R6 of Reliability Standard PRC-004-3 from “medium” to “high.”⁵ As the VRF designations for Reliability Standards PRC-004-4 and PRC-004-5 adopted the designations in Reliability Standard PRC-004-3, the May 13th Order’s directive also necessitated review of conforming revisions to the VRFs for versions 4 and 5 of the standard.

II. Proposed VRF Revisions

Upon issuance of the May 13th Order, NERC re-examined VRF designations for versions 3, 4, and 5 of PRC-004, pursuant to Section 320 of the NERC Rules of Procedure. The NERC director of standards recommended that the NERC Board of Trustees approve the FERC directed revisions to the VRFs for PRC-004. On June 22, 2015, the NERC Board of Trustees approved submission of the revised VRFs for Reliability Standards PRC-004-3, PRC-004-4, and PRC-004-5, reflected in Exhibit A. Therefore, consistent with FERC’s directive in the May 13th Order, NERC is proposing to modify the VRFs for Requirements R1 through R6 of Reliability Standards PRC-004-3, PRC-004-4, and PRC-004-5.

³ See, *Notice of Filing of the North American Electric Reliability Corporation of Proposed Reliability Standards PRC-004-2.1(i)a, PRC-004-4, PRC-005-2(i), PRC-005-3(i), and VAR-002-4*, at Section V (filed Feb. 25, 2015); and *Notice of Filing of the North American Electric Reliability Corporation Of Proposed Reliability Standards PRC-004-5 And PRC-010-02*, at Section IV.C. (filed June 17, 2015) (including NERC’s note that it was examining the VRF designations assigned, consistent with the May 13th Order).

⁴ See, May 13th Order, at P 2.

⁵ *Id.*, at P 20.

Respectfully submitted,

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Exhibit A

Available on the NERC Website at

http://www.nerc.com/FilingsOrders/ca/Canadian%20Filings%20and%20Orders%20DL/VRF%20Revisions%20for%20PRC-004%20Medium%20to%20High_exhibits.pdf