

November 4, 2013

**VIA OVERNIGHT MAIL**

Sheri Young, Secretary of the Board  
National Energy Board  
444 Seventh Avenue SW  
Calgary, Alberta  
T2P 0X8

Re: *North American Electric Reliability Corporation*

Dear Ms. Young:

The North American Electric Reliability Corporation (“NERC”) hereby submits the “Notice of Filing of the North American Electric Reliability Corporation of Further Amendments to the Amended and Restated Delegation Agreement with the Western Electricity Coordinating Council.” The principal purpose of these amendments is to revise various sections and exhibits in the Delegation Agreement to implement a decision by the Western Electricity Coordinating Council (“WECC”) to completely separate its compliance monitoring and enforcement function from the Reliability Coordinator and Interchange Authority functions for the Western Interconnection. That proposed separation was the subject of a declaratory order issued by the Federal Energy Regulatory Commission (“FERC”) on June 20, 2013.<sup>1</sup>

This filing consists of: (1) this transmittal letter, (2) the narrative text of the Notice which follows this transmittal letter, and (3) Attachments 1 and 2 to the Notice, which contain a clean

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<sup>1</sup> *Western Electricity Coordinating Council*, Order on Petition for Declaratory Order, 143 FERC ¶ 61,239 (2013), *reh’g pending* (the “WECC Declaratory Order”).

version and a redlined version of the proposed amendments to the Delegation Agreement, respectively.

This filing is related to NERC's filing of the 2014 business plans and budgets of NERC and the relevant Regional Entities. The 2014 Budget Filing removes the costs of WECC's Reliability Coordination ("RC") and Interchange Authority ("IA") functions from the WECC budget and includes a separate business plan and budget for the Reliability Coordination Company ("RCCo")<sup>2</sup> to perform those functions in the Western Interconnection, beginning January 1, 2014.<sup>3</sup> The 2014 Budget Filing also reflects the proposed termination of the Northeast Power Coordinating Council, Inc. ("NPCC") serving as the Compliance Enforcement Authority ("CEA") for WECC-registered functions, effective January 1, 2014.

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

Respectfully submitted,

/s/ Rebecca J. Michael  
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<sup>2</sup> NERC has been informed that the new name for the Reliability Coordination Company will be "Peak Reliability." NERC will use the name "Reliability Coordination Company" in this filing, because the underlying documents use that term.

<sup>3</sup> As further explained in the filing, the RCCo will not be performing the RC functions for the Province of Alberta, although the AESO will rely upon the RCCO for the IA function.

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**BEFORE THE  
NATIONAL ENERGY BOARD**

**NORTH AMERICAN ELECTRIC )  
RELIABILITY CORPORATION )**

**NOTICE OF FILING OF THE  
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION  
OF FURTHER AMENDMENTS TO THE AMENDED AND RESTATED DELEGATION  
AGREEMENT WITH THE WESTERN ELECTRICITY COORDINATING COUNCIL**

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November 4, 2013

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## ATTACHMENTS

**Attachment 1:** Amended And Restated Delegation Agreement Between North American Electric Reliability Corporation and Western Electricity Coordinating Council – Clean version

**Attachment 2:** Amended And Restated Delegation Agreement Between North American Electric Reliability Corporation and Western Electricity Coordinating Council – Redlined version

## **I. INTRODUCTION**

In an order this year, FERC conditionally granted a request by the WECC for a declaratory order regarding WECC's transferring its RC and IA registered functions to a newly-formed company, RCCo, which will be independent from WECC.<sup>4</sup> FERC also approved WECC's proposal to resume responsibility for CEA functions with respect to the WECC Region RC and IA functions when those functions are taken over by the RCCo.<sup>5</sup> In the *WECC Declaratory Order*, FERC approved WECC's proposal that the RC and IA registered functions, when assumed by the RCCo, would continue to be considered statutory functions under Section 215 of the Federal Power Act ("FPA") to be funded by statutory assessments to Load Serving Entities ("LSEs") in the WECC Region; and that the RCCo's annual business plans and budgets would be submitted to the applicable governmental authorities as part of the NERC and Regional Entity annual business plan and budget filing. These arrangements are scheduled to become effective January 1, 2014.<sup>6</sup>

The purpose of this filing is to provide notice of the changes in the Amended and Restated Delegation Agreement between NERC and WECC (the "Delegation Agreement") needed to implement WECC's proposal. As part of the transition, WECC amended its own Bylaws, set out in Exhibit B to the Delegation Agreement. As detailed in Part IV.C below, the amendments to WECC's Bylaws are intended to better enable WECC to perform as a Regional

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<sup>4</sup> *Western Electricity Coordinating Council*, Order on Petition for Declaratory Order, 143 FERC ¶ 61,239 (2013) ("*WECC Declaratory Order*"). NERC has learned that the new company will be named "Peak Reliability," however, NERC will refer to the new company as RCCo herein to maintain consistency with the name used in the *WECC Declaratory Order*.

<sup>5</sup> At present, NPCC performs the CEA responsibilities with respect to WECC's RC and IA registered functions, pursuant to an agreement between NPCC and WECC.

<sup>6</sup> FERC originally ruled that WECC's costs to perform the RC function in the WECC Regional Entity footprint could be funded through statutory assessments pursuant to FPA Section 215 in an Order on Rehearing issued April 19, 2007. *North American Electric Reliability Corp.*, Order on Reh'g, 119 FERC ¶ 61,059 (2007).

Entity and member organization, in providing: 1) impartial independent review and analysis of reliability issues impacting the Western Interconnection; 2) development of electric reliability standards incorporating Western Interconnection experience and knowledge; 3) consistent and fair monitoring and enforcement activities for compliance with Reliability Standards; 4) event analysis and lessons-learned from system events; and 5) value for its membership through cost effective and efficient services and practices through: a) being a centralized repository of reliable information relating to the planning and operation of the Bulk Power System (“BPS”) in the Western Interconnection, b) coordinating system planning and modeling, c) sharing of, and providing comment on adherence to, recognized industry best practices, d) facilitating resolution of market seams and coordination issues, e) secure sharing of critical reliability data, and f) providing a robust stakeholder forum.

The amendments to the WECC Bylaws included in Exhibit B to the Delegation Agreement make changes concerning WECC’s governance, including the composition of the WECC Board, director qualifications and director selection. Provisions regarding membership classes, the establishment and operation of a Member Advisory Committee (“MAC”), and clarification of member decision procedures are also being amended. There are additional amendments which add, delete or modify certain terms and make non-substantive changes.

Notice is provided in this filing of amendments to specific sections of the Delegation Agreement, as well as to three Exhibits to the Delegation Agreement. Amendments to the exhibits include: Exhibit A (Regional Boundaries of WECC), Exhibit B (the WECC Bylaws), and Exhibit E (Funding). No changes are proposed for Exhibits C and D to the Delegation Agreement; however, they are included in Attachments 1 and 2 to this filing for convenience.

**Attachment 1** to this filing is a clean version of the proposed amended Delegation Agreement and exhibits (including Exhibits C and D to the Delegation Agreement which reflect no changes). **Attachment 2** shows in redline form the proposed amendments to the Delegation Agreement and exhibits for which NERC seeks approval (also included are Exhibits C and D to the Delegation Agreement which reflect no changes).

Part III of this filing provides background and explanation for the changes being made to the Delegation Agreement.

Part IV describes the details of the changes being proposed in the Delegation Agreement, and Exhibits A (Regional Boundaries), B (Bylaws), and E (Funding) to the Delegation Agreement.

Part V describes the WECC and NERC approvals for the proposed amendments.

## **II. NOTICES AND COMMUNICATIONS**

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

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### **III. DISCUSSION OF WECC'S PROPOSED TRANSFER OF THE RELIABILITY COORDINATION FUNCTION**

#### **A. Background**

At the time FERC approved the first delegation agreement between NERC and WECC, FERC recognized that WECC was performing the RC function for the Western Interconnection and required that there be a strong separation of WECC's compliance and registered Reliability Coordination functions.<sup>7</sup> To implement that requirement, NERC and WECC subsequently negotiated and submitted, and FERC approved, an agreement between NERC and WECC pursuant to which NERC would serve as the CEA for the WECC-registered functions.<sup>8</sup> Effective January 1, 2012, NPCC assumed responsibility as the CEA for the WECC-registered functions pursuant to an agreement between NPCC and WECC, also approved by FERC.<sup>9</sup> The NPCC-WECC agreement remains in force today. Exhibit A to the current Delegation Agreement includes a reference to NPCC serving as the CEA for the WECC registered functions.

WECC currently receives funding for its RC activities as part of its overall statutory budget and assessments. The current WECC funding mechanism is described in Exhibit E to the Delegation Agreement.

#### **B. WECC Proposes to Separate its Reliability Coordination Functions (RC and IA) from its Compliance and Enforcement Activities**

WECC has now determined to achieve a complete separation of the RC and IA functions

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<sup>7</sup> *North American Electric Reliability Council*, 119 FERC ¶ 61,060 at P 453 (2007).

<sup>8</sup> Letter order in Docket Nos. RR06-1-018 and RR07-7-006, dated February 17, 2009.

<sup>9</sup> Letter order in Docket No. RR11-12-000, issued November 15, 2011.



in the WECC region from WECC's delegated compliance and enforcement functions.<sup>10</sup> WECC proposes to establish RCCo as a non-profit company governed by an independent Board of directors. WECC intends to transfer all RC and IA functions, including the WECC Interchange Tool, to RCCo effective January 1, 2014. RCCo would be included on the NERC Compliance Registry as an RC and IA in the Western Interconnection, and WECC would cease to be registered for those functions.

WECC asked FERC to confirm that, following the transfer, RCCo may continue to fund the RC and IA functions under FPA § 215. WECC also asked FERC to confirm that, after transferring its RC and IA functions to RCCo, WECC will not be precluded from undertaking compliance and enforcement actions with respect to RCCo.<sup>11</sup>

FERC gave conditional approval to WECC's request in the *WECC Declaratory Order*. Specifically, FERC found that "RC Company is eligible for continued FPA section 215 funding" and that following the transfer "WECC should be able to exercise compliance and enforcement authority over RC Company."<sup>12</sup> FERC conditioned that approval on WECC's representations in the petition and FERC's review and approval of finalized governance documents.

The present filing provides notice of changes to the Delegation Agreement that are associated with WECC's transfer of the RC and IA functions. The present filing also provides notice of amendments to the WECC Bylaws (Exhibit B to the Delegation Agreement) that WECC has adopted to reflect its movement to a fully independent Board and other governance changes.

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<sup>10</sup> *Western Electricity Coordinating Council*, Petition for Declaratory Order, Docket No. EL13-52-000 (Mar. 12, 2013) at 9 ("WECC Petition").

<sup>11</sup> WECC Petition at 2.

<sup>12</sup> *WECC Declaratory Order* at PP 40, 44.

**C. NERC Strongly Supports the Separation of the WECC Reliability Coordination Activities from the WECC Compliance and Enforcement Functions**

NERC strongly supports WECC's decision to transfer its registered RC and IA functions to a separate, independent entity. The transfer is part of a larger program to strengthen the RC function in the Western Interconnection, and the overall program should provide benefits in terms of increased reliability for the Western Interconnection BPS. The changes to the Delegation Agreement are a part of that overall program.

As NERC stated in its response to the WECC petition for a declaratory order, NERC is also willing to include the RCCo's business plan and budget in NERC's overall business plan and budget filing, but only if FERC approves the use of FPA Section 215 assessments to fund RCCo activities and further, neither NERC nor WECC have oversight or review authority over the budget, governance, or administration of the RCCo. Under NERC's Reliability Standards, the RCCo will be an entity with responsibility for reliable operation of the bulk power system, and it will be registered for the RC and IA functions on the NERC Compliance Registry. Once the transfer is complete, WECC will no longer be registered for those functions and intends to serve as the CEA for RCCo. If NERC (or WECC) were to have responsibility for the sufficiency, adequacy or oversight of the RCCo budget, it would present a conflict of interest for NERC or WECC acting as the CEA under FPA Section 215. That is the very conflict of interest that is sought to be remedied by the separation of the Reliability Coordinator functions from WECC's Regional Entity activities and responsibilities.

NERC understands that the RCCo funding will work in the following manner: RCCo will submit its annual business plan and budget to NERC on the same schedule that the Regional Entities submit their annual business plans and budgets, using the same general format. As stated in NERC's August 23, 2013 filing of its 2014 business plan and budget, NERC did not

participate in the development of the RCCo Business Plan and Budget, or substantively review and approve the RCCo Business Plan and Budget in the same manner that NERC does for Regional Entity Business Plans and Budgets. NERC management did, however, review the RCCo 2014 Business Plan and Budget for form and for consistency with the WECC 2014 Business Plan and Budget. NERC expects to follow that practice in the future.

After approval of the assessments to fund the 2014 business plans and budgets, WECC will send invoices to the appropriate LSEs and Balancing Authorities, including on a single invoice the assessments for NERC, WECC, the Western Interconnection Regional Advisory Body (“WIRAB”), and RCCo.<sup>13</sup> As required by Exhibit E to the Delegation Agreement, WECC will send to NERC the payments it receives for the NERC, WECC, and WIRAB assessments. WECC will disburse the payments it receives for the RCCo assessments directly to RCCo. NERC and WECC have agreed that WECC will be permitted to prorate any undercollection of an invoice among all assessments included on the invoice only if WECC does not know the reason for the underpayment and, after due inquiry to the entity making the underpayment and consultation with NERC, cannot determine the reason for the underpayment. That agreement is set out in a proposed amendment to paragraph 4 of Exhibit E to the Delegation Agreement.

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<sup>13</sup> On September 11, 2013, the AESO Board approved the AESO Management’s proposal to assume all responsibilities that relate to the functions of the RC, effective January 1, 2014. The AESO Management subsequently advised WECC and NERC of this approval. Accordingly, the AESO does not intend to obtain RC services for the Province of Alberta from the RCCo, although the AESO does intend to rely on the RCCo for the IA function. At this time, the RCCo has prepared its budget, and the RCCo assessments for 2014 have been calculated, under the assumption that the AESO will take RC services from the RCCo in 2014 and that the AESO will pay its full allocated share of the RC assessment. This matter is the subject of continuing discussions among the AESO, WECC and NERC. If it proves to be the case that revisions to the RCCo assessments are necessary, NERC will promptly determine the revised RCCo assessments and submit them in a supplemental filing.

NERC notes that the initial RCCo Bylaws approved by the WECC Board require the RCCo Board to develop an alternative funding mechanism to funding under FPA Section 215 for consideration by the RCCo members, “by the end of the second year after the RCCO begins operation.”<sup>14</sup> NERC encourages RCCo and its members to develop the alternative. In any event, NERC would expect to address this issue further when it next considers an extension of the Delegation Agreement, the term of which ends December 31, 2015.

#### **IV. SECTION-BY-SECTION DESCRIPTION OF PROPOSED AMENDMENTS TO THE DELEGATION AGREEMENT BETWEEN NERC AND WECC**

The proposed amendments to the Delegation Agreement in this filing will make the changes necessary and appropriate to implement WECC’s decision to completely separate its compliance monitoring and enforcement functions from the RC and IA functions for the Western Interconnection. The proposed changes to WECC’s Bylaws also include changes to a number of other provisions. The following paragraphs describe the proposed amendments to the WECC Delegation Agreement, Exhibit A, Exhibit B, and Exhibit E on a section-by-section basis.

##### **A. WECC Delegation Agreement**

###### **1. Section 2 Representations**

**(a)(i) Deleted language with strikethrough and added language with underline:** WECC is governed in accordance with its Bylaws by an ~~combination-independent and balanced-stakeholder~~ Board.

This change reflects amendments to WECC’s Bylaws that provide for an independent Board.

###### **2. Section 4 Delegation of Authority**

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<sup>14</sup> See RCCo Bylaws, Section XIII.C, available at: [http://www.wecc.biz/About/strategic/Documents/RCCO%20Bylaws\\_Final%20Passed%20by%20Board\\_June%2027\\_clean.pdf](http://www.wecc.biz/About/strategic/Documents/RCCO%20Bylaws_Final%20Passed%20by%20Board_June%2027_clean.pdf).

(a) **Amended in pertinent part as follows:** “NERC hereby delegates authority, pursuant to Section 215(e)(4) of the Act, to WECC 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 WECC shall not monitor and enforce compliance with Reliability Standards for WECC or an affiliated entity with respect to reliability functions for which WECC or an affiliate is a Registered Entity. For avoidance of doubt, the Reliability Coordination Company (or its successor) is not an affiliated entity of WECC for purposes of this Section 4(a).”

This language clarifies that RCCo will not be considered an affiliate of WECC, meaning that WECC will be able to monitor and enforce compliance by RCCo with Reliability Standards, once the separation is complete.

3. Section 19 Notice

Various elements of the notice provision have been updated to specify the current recipients of notice.

**B. Exhibit A - Regional Boundaries**

1. ~~**Deleted:** “Within the WECC region compliance monitoring and enforcement functions with respect to reliability functions for which WECC is a registered entity are performed by the Northeast Power Coordinating Council, Inc. (NPCC) pursuant to an agreement between NPCC and WECC dated (date).”~~

This change eliminates references to NPCC performing the compliance monitoring and enforcement functions for the WECC-registered reliability functions. Once the transfer of the RC and IA functions to RCCo is completed, NPCC will no longer perform that function in the Western Interconnection.

### **C. Exhibit B – WECC Bylaws**

1. Section 1 has been amended to restate WECC’s Vision and Mission provisions. As amended, these provisions are viewed as better expressing and describing WECC’s purpose and aspirations compared to the text of the prior Bylaws.
2. Section 2 has been amended to reflect defined terms and to conform the text to more accurately describe actual practices. Subsection 2.1 is amended to reflect that “Bulk Electric System” is a defined term. Additional amendments are made to recognize that WECC engages in both monitoring and enforcement activities and does not, itself, certify Grid Operating Entities.

Previous Subsection 2.2 has been deleted as WECC does not perform transmission access activities — a recognition that those activities are no longer within WECC’s purview, but rather they are now undertaken by FERC through its own open access policies.

Previous Subsection 2.3, now renumbered as Subsection 2.2, adds Subsection 2.2.6 to note WECC’s intent to make information more widely available while still maintaining appropriate safeguards for sensitive information.

3. Section 3 has been amended to incorporate defined terms found in the NERC Glossary of Defined Terms Used in Reliability Standards (the beginning sentence of Section 3), to delete defined terms that are not used in the Bylaws (3.9, 3.10, 3.14, 3.21, 3.28-3.32, and 3.37), to reflect the use of a defined term (3.15, and 3.30), and to make non-substantive changes to enhance clarity (renumbered 3.11, 3.19, 3.26, and 3.30).

4. Section 4 has been amended to reflect the change in WECC governance from a hybrid Board, composed of a combination of member-representative and non-affiliated directors, to a fully independent Board, composed of directors with no affiliations with any WECC member. Further changes modify WECC's member classes, class member participation, and member rights and obligations, to reflect a name change for a WECC committee.

Subsection 4.1 is amended to remove text referencing Reliability Management System ("RMS") Agreements and transmission access as no longer necessary. An amendment is also made to reflect that WECC will no longer have member-representative directors.

Subsection 4.2 has been amended to eliminate, as separate classes, Canadian members (formerly Class 6) and a class comprised of those members not falling within another class definition (formerly Class 7). Canadian members will now participate as members of one of the remaining defined member classes. Members who were previously in Class 7 may participate through membership in Class 3, as Subsection 4.2.3 has been amended to include in Class 3 those entities not eligible for membership in one of the other classes. Subsection 4.2.6 is added to facilitate representation of broad member interests on the MAC.

Subsection 4.3 is amended in recognition of the reorganization of WECC member classes. Further amendment is made to reflect the name change of the Governance and Nominating Committee to the Governance Committee.

Subsection 4.4 is amended to reflect the name change for the Governance Committee.

Subsection 4.5 is amended to clarify procedural steps related to affiliated member voting.

Subsection 4.6 is amended to eliminate provisions associated with transmission access activities no longer performed by WECC (Subsection 4.6.10). Text is added at new Subsection 4.6.12 to obligate members to support the surfacing of majority and minority opinions within the member classes.

Subsection 4.7 is amended to conform to new section numbering within the Bylaws and the elimination of provisions associated with transmission access.

Subsection 4.8 is amended to recognize that the term “Reliability Standards” is a defined term within the Bylaws. Amendments of this subsection also address the increasing administrative/clerical burden of trying to maintain membership information for members who no longer actively participate in WECC. Prolonged inactivity, as described in Subsection 5.9, can now result in termination of membership.

The heading for Subsection 4.9 is amended to conform to the language and intent of the subsection.

5. Section 5 is amended to clarify or update procedures for member decisions.

Subsection 5.1 is amended on quorum issues created by the use of alternative voting processes. Amendment was also made to eliminate text pertaining to member representative director election procedures, as WECC will no longer have such directors.

Subsection 5.2 is similarly amended to clarify the application of voting procedures to member meetings, including subclass meetings, and to clarify that the Board Chair must only preside over member meetings wherein the members are acting-as-a-whole.



Subsection 5.3 is amended to recognize the change to an independent Board and to provide that elections for vacant Board positions need not occur solely at the Annual Meeting.

Subsection 5.5 is amended to provide that subclass meetings may be convened and conducted the same as class meetings.

Subsection 5.6 is amended to remove the prohibition on providing notice of meetings solely by electronic mail.

Subsection 5.9 is amended in tandem with amendment to Subsection 4.8 to provide that inactivity for twenty-four consecutive months will result in membership termination. An entity terminated due to inactivity may reapply for membership at any subsequent time.

6. Numerous amendments have been made to Section 6 to effectuate the transition of WECC from a hybrid Board of member representative and non-affiliated directors to a Board of independent directors.

Subsection 6.1 now specifies that the Board will select its Chair and Vice-chair.

Subsection 6.2 has been amended to remove provisions related to member representative directors (formerly known as Member Class Directors) and replace them with provisions dealing with the composition of the independent Board and detailed qualifications that independent directors will need to satisfy. The Board is to be comprised of nine directors. Three directors are to have ten years of experience in the utility industry, preferably in the Western Interconnection; one director specifically having experience in transmission operations, another in transmission planning, and the third in generation operations. Provision is also made to include a director with

international experience should WECC's MAC include representatives of the Canadian and Mexican areas contained in the Western Interconnection. Remaining directors are to be selected, in an effort to ensure diversity of background and experience, from categories of experience including: regulatory or legal; accounting, finance or economics; environmental; end-user advocacy; information technology; compliance or standards; public sector; and international; as those categories are described in the various portions of Subsection 6.2. 2. The amendments retain the ability of the WECC Board to include WECC's Chief Executive Officer ("CEO") as a Board member, but provide that the CEO may not serve as Board Chair or Vice-chair.

Subsection 6.2 also contains restrictions on director affiliations, as described in Subsection 6.2.3. These restrictions preclude a director having employment with any registered entity or having affiliation with a WECC member or registered entity operating in the Western Interconnection. Details are provided as to contractual, financial or familial relationships that may or may not be treated as a disqualifying affiliation.

Subsection 6.3 clarifies that directors serve staggered terms of office with three terms ending each year.

Subsection 6.4 describes the processes through which directors will be nominated and selected, and their compensation determined. A seven member Nominating Committee, comprised of three directors and four MAC representatives, as described in 6.4.1, will nominate director candidates following the process described in 6.4.2.1 through 6.4.2.6. Members will elect directors for vacant director positions pursuant to 6.4.3. Provision is made in 6.4.4 to address situations where a director candidate does not receive the required vote of the Members or Member Classes such that no candidate is

elected. Subsection 6.4.5 details the process by which the Nominating Committee, informed by a compensation survey, will periodically recommend director compensation levels for approval by the MAC.

Former Subsection 6.7, now renumbered as 6.5, addresses removal of directors from office, either by the members (Subsection 6.5.1) or by other directors (Subsection 6.5.2). Amendments also reflect the elimination of Member Class Directors.

Subsection 6.6 is modified to reflect the elimination of Member Class Directors.

Subsection 6.7 addresses the procedures for filling vacant director positions through: allowing an incumbent director to hold over for a limited time and in specified circumstances (Subsection 6.7.2); using the Nominating Committee process (Subsection 6.7.1); leaving the position vacant if for less than one year (Subsection 6.7.1); or appointment of temporary directors until replacements are elected by members (Subsection 6.7.3).

Subsection 6.8 is amended to reflect the change to an independent Board and the changes to director qualifications.

Subsection 6.9, dealing with director powers, retains all prior provisions, but is amended to require the Board to give serious consideration to recommendations of the WIRAB and the WECC MAC. The Board is also required to respond to their recommendations.

Subsection 6.10 is amended to reflect the change in Board size and the number of director votes necessary to delegate Board authority. Amendments also conform to internal numbering changes within the Bylaws.

7. Section 7 addresses the procedures for Board decisions, but is amended to reflect the change in the number of directors.

Subsection 7.1 establishes the quorum requirement as the presence of five (5) directors, or six (6) if the CEO is counted to determine quorum.

Subsection 7.2 requires decisions of the Board to be made by no fewer than three (3) affirmative votes, or four (4) affirmative votes if the CEO is counted for determining quorum.

Subsection 7.6 continues to address Board meetings, but, through amendment to 7.6.1.3, now requires the Board Chair to provide, publicly, a general description of the business conducted in a closed meeting.

Subsection 7.7 is amended to reflect the name change for the Governance Committee and the separate designation of a Nominating Committee.

8. Section 8 has a number of amendments, mainly driven by the creation of the MAC. Subsection 8.2 is amended to recognize the MAC, its role, and MAC participation in Board meetings. Subsection 8.2.2, dealing with the WECC Standards Committee, is amended to move pre-existing text in the Bylaws into Section 8, in order to consolidate provisions identifying WECC committees into one section of the Bylaws.

Subsection 8.4 is added to direct an assessment of WECC committees' activities within eighteen months following regulatory approval of WECC's bifurcation and every five years thereafter.

Subsection 8.5 has numerous amendments reflecting the creation of the MAC and MAC activities. Subsection 8.5.1 identifies the member composition of the MAC. Subsections 8.5.2 -8.5.4 describe the qualifications of, process for electing, and

replacement of MAC members and MAC officers. Subsections 8.5.5 -8.5.13 address the responsibilities of MAC members and how the MAC is to conduct meetings, including voting procedures. Subsection 8.5.14 permits the MAC to form subcommittees and working groups. Subsection 8.5.15 addresses how MAC activities will be funded and supported.

The heading for Subsection 8.6 is revised to make clear that its provisions pertain to committees other than the MAC.

Subsection 8.9 contains stylistic amendments that are not intended to change WECC's practice that its meetings are open, except in those circumstances in which information discussed in the meeting should be protected from public disclosure.

9. Former Section 10, dealing with transmission service obligations, has been deleted in its entirety. Related provisions in WECC's Dispute Resolution Procedures, Appendix C to the WECC Bylaws, have also been deleted. The deletions recognize the development of open access policies and requirements that has occurred subsequent to the inclusion of Section 10 text in the WECC Bylaws. WECC's Bylaws no longer need to address open access, impose associated obligations on WECC members, nor attempt to resolve open access disputes. Such matters are presentable to and resolvable by FERC itself.
10. Renumbered Section 11 deals with WECC funding and the distribution of costs. Subsection 11.1.2 details the process by which international members provide funding to WECC. International member participation in WECC and such member's funding responsibilities will be subject to the membership agreement that such member and WECC may negotiate.

11. Renumbered Section 12 addresses the Bylaws amendment process and revises this process. Subsection 12.1 has been amended to clarify how amendments are made, when they become effective, and the process by which appeals of Bylaw amendments are taken and resolved—the Board may make amendments upon approval of two-thirds of the directors; and such amendments become effective sixty days following approval, unless regulatory approval is necessary or there is a member appeal. Appeals are resolved by majority vote of all members and majority of member classes. Subsection 12.1.1 requires the approval of two thirds of the members following Board approval in order to amend specified portions of the Bylaws.

Subsection 12.2 deals with amendments undertaken by members and has been amended to require approval from a majority of member classes, in addition to the previous requirement of support from a majority of members.

12. Section 16, concerning governing law, is amended to delete reference to venue for matters dealing with transmission service in recognition of the deletion of former Section 10 which had addressed transmission open access.

13. A new Section 17 has been added, to address activities and sequencing that are unique to the bifurcation and governance transition period.

Subsection 17.1 deals with WECC Board transition matters. Subsection 17.1.1 provides that WECC's current non-affiliated directors will, if they choose, continue to hold office as independent directors for the remainder of their current terms of office.

Subsection 17.2 describes the process to nominate and select any additional independent directors that may be needed to obtain the requisite nine-member Board

during the transition period. Subsection 17.2.4 describes how the terms of new directors will be determined.

Subsection 17.3 addresses the initial formation of the AC and the selection of member class representatives to serve on the initial MAC. Accommodation is made to recognize the reorganization of WECC member classes and the need to allocate the staggered terms for the initial members.

14. As noted previously, Appendix C – WECC Dispute Resolution Procedures, has been amended (Section C.2., at pages C-2 and C-3) to delete provisions that had addressed resolution of disputes related to transmission services and open access.

**D. Exhibit E – Funding**

1. Section 1 has been amended to eliminate RC-related activities previously included under the Situation Awareness activities heading. This change was made because effective January 1, 2014, WECC will no longer include RC-related activities in its Business Plan and Budget.
2. Section 4 has been amended to recognize that WECC may be collecting RCCo assessments in addition to the assessments for NERC, WECC and WIRAB. Section 4(a) has been amended to indicate that WECC may prorate a shortfall in payments from a particular entity among all assessments received from that entity only if WECC does not know the reason for the underpayment and, after due inquiry with the entity submitting the underpayment and consultation with NERC, WECC is unable to determine which item caused the shortfall. Additional amendments were made to conform to the joint collection of assessments. These amendments were made to recognize that WECC may be collecting all assessments on one invoice.

**V. WECC AND NERC APPROVALS FOR THE PROPOSED AMENDMENTS  
TO THE DELEGATION AGREEMENT**

On June 27, 2013, the WECC Board of directors approved the amendments to WECC's Bylaws. On August 13, 2013, the WECC Board approved the amendments to the WECC Delegation Agreement, including Exhibit A and Exhibit E. WECC submitted the amended Delegation Agreement to NERC with a request for approval on July 23, 2013.

The NERC Board of Trustees approved the amended Delegation Agreement, including Exhibit A, Exhibit B, and Exhibit E, on August 15, 2013. In making the determination to approve the proposed amendments to the Delegation Agreement, NERC determined that the amended Delegation Agreement continues to satisfy the five Governance criteria stated in Exhibit B.

Respectfully submitted,

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**November 4, 2013**



**ATTACHMENT 1 – 2**

(Available on the NERC Website

at <http://www.nerc.com/FilingsOrders/ca/Canadian%20Filings%20and%20Orders%20DL/Attachments>

[WECC\\_delegation\\_filing.pdf](#))