

**BEFORE THE
ONTARIO ENERGY BOARD
OF THE PROVINCE OF ONTARIO**

**NORTH AMERICAN ELECTRIC)
RELIABILITY CORPORATION)**

**NOTICE OF FILING OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
OF MODIFICATION TO STANDARD PROCESS MANUAL**

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EXHIBITS

Exhibit A — Proposed NERC Standard Processes Manual Revision 1

Exhibit B — Standard Processes Manual (Approved by FERC on September 3, 2010)

I. INTRODUCTION

The North American Electric Reliability Corporation (“NERC”) provides notice of a modification to NERC’s Standard Processes Manual made in compliance with the Federal Energy Regulatory Commission’s (“FERC”) September 3, 2010 Order approving NERC’s Standard Processes Manual filing (“September 3 Order”).¹ The Standard Processes Manual was approved by the NERC Board of Trustees on May 12, 2010. On June 21, 2010, NERC filed a Notice of Filing of the North American Electric Reliability Corporation of the Reliability Standard Processes Manual Incorporating Proposed Revisions to the Reliability Standards Development Process (“June 10 Filing”). In the September 3 Order, FERC directed a modification to the section of the manual that identifies the elements of a Reliability Standard that are designated as enforceable. This modification was approved by the NERC Board of Trustees on November 19, 2010.

Included in this filing is the new proposed Standard Processes Manual Revision 1, attached as **Exhibit A**, and a redlined document showing the modifications compared with the previously filed Standard Processes Manual filed on June 21, 2010 is set forth in **Exhibit B**.

NERC submitted this filing with FERC, and is also submitting this filing with the other applicable governmental authorities in Canada.

¹ *Order Approving Petition and Directing Compliance Filing*, 132 FERC ¶ 61,200 (September 3, 2010). Note that the current filing does not include changes to the NERC standards process directed by the Commission’s March 18, 2010 Order directing changes to NERC’s standards development procedure.

II. NOTICES AND COMMUNICATIONS

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

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III. STATEMENT OF BASIS AND PURPOSE OF THE DIRECTED MODIFICATION TO THE STANDARD PROCESSES MANUAL

A. Overview of Directed Modification to the Standards Development Process

In FERC’s September 3 Order, FERC noted concerns with the “Elements of a Reliability Standard” Section of the NERC Standard Processes Manual.² Specifically, the Commission expressed concern that designating additional elements beyond the Requirements as enforceable in the Standard Processes Manual could create confusion, uncertainty, and may go beyond FERC’s direction in Order No. 693.³ FERC noted that NERC may either revise the “Elements of a Reliability Standard” section or may remove the designation of particular elements of a Reliability Standard as enforceable if these designations were determined to be unnecessary. In the September 3 Order, FERC directed NERC to submit a compliance filing by December 1, 2010, to address FERC’s concern regarding the “Elements of a Reliability Standard.”

² See September 3 Order at P 10.

³ *Id.*

The filing includes a statement of the basis and purpose of the proposed rule changes and a description of the proceedings conducted by NERC to develop the proposed Rule or Amendment. Descriptions of the basis and purpose for the proposed changes are included in Sections IIIA and IIIB of this filing.

B. Discussion of Specific Revision to the Standards Development Process

NERC elected to revise the “Elements of a Reliability Standard” section of the Standard Processes Manual by replacing the heading, “Mandatory and Enforceable Sections of a Standard” with a new heading, “Requirements and Elements Necessary to Demonstrate Compliance and Monitor and Assess Compliance with Requirements.” This revision effectively removed the designation of particular elements of the standard as being enforceable, which was one of the alternatives suggested by FERC in the September 3 Order. In addition, the “Informational Sections of a Standard” were moved so that they appear after the “Requirements and Elements Necessary to Demonstrate Compliance and Monitor and Assess Compliance with Requirements.” The resultant changes are shown on pages 6-7 of the manual.⁴

⁴ In response to a question raised by FERC staff, NERC wishes to clarify the meaning of the word “necessary” as used in heading on page 6 of the revised *Standard Processes Manual*. As explained in this filing, in response to a FERC’s directive in the September 3 Order directing a modification to the section of the manual that identifies the elements of a Reliability Standard that are designated as enforceable, NERC revised the heading on page 6 of the revised manual to remove the words “Mandatory and Enforceable Sections of a Standard” and replace it with “Requirements and Elements Necessary to Demonstrate Compliance and Monitor and Assess Compliance with Requirements.” NERC clarifies that the use of the word “necessary” in the revised heading is intended to indicate that standards developed under the process described in the Standard Processes Manual must conform to a template that includes all of the elements identified under this heading. The use of the word “necessary” is not intended to have any connotation relative to enforcement.

IV. SUMMARY OF DEVELOPMENT–STANDARD PROCESSES MANUAL REVISION 1

The proposed *Standard Processes Manual Revision 1* was initially posted for an abbreviated 21-day industry review period that concluded on November 7, 2010. Stakeholders submitted 14 sets of comments, representing more than 40 people from 33 different organizations, and representing nine of the 10 Industry Segments in the Registered Ballot Body. This feedback did not result in any required modifications to the proposed changes that were posted in the *Standard Processes Manual Revision 1*.

The initial ballot was conducted during the last 10 days of the abbreviated comment period and concluded on November 7, 2010, achieving a 93.72 percent weighted segment approval with 81.61 percent of the ballot pool participating. Because at least one negative ballot included a comment, and because no modifications were made to the manual following the initial ballot, a recirculation ballot was conducted.

During the initial ballot, 10 individuals provided comments associated with both affirmative and negative ballots, representing seven of the 10 industry segments. Comments submitted with negative ballots all suggested that the manual should have clearly stated that requirements are the only enforceable elements of a standard. Comments submitted with affirmative ballots proposed rephrasing the language that was proposed for additional clarity.

An abbreviated recirculation ballot was conducted from November 9-13, 2010. During the recirculation ballot some balloters who failed to cast a vote during the initial ballot submitted a vote, resulting in an increase in the quorum from 81.61 percent to 87.00 percent. The additional votes changed the weighted segment vote from 93.72 percent affirmative to 92.88 percent affirmative. Two new comments were submitted during the recirculation ballot; both

suggested that the manual should have clearly stated that requirements are the only enforceable elements of a standard.

Respectfully submitted,

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EXHIBITS A – B

(Available on the NERC Website at
http://www.nerc.com/fileUploads/File/Filings/Attachments_StdProcessManual.pdf)