

January 31, 2012

**VIA ELECTRONIC FILING**

Ms. Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, D.C. 20426

**Re: NERC Analysis of NERC Standard Process Results Fourth Quarter 2011 in Docket Nos. RR06-1-000, RR09-7-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (“NERC”) submits its Analysis of NERC Standards Process Results for the Fourth Quarter 2011 (“Ballot Results Filing”). This filing is submitted in response to the Federal Energy Regulatory Commission’s (“FERC”) January 18, 2007 Order<sup>1</sup> requiring NERC to closely monitor and report to FERC the voting results for NERC Reliability Standards each quarter for three years. In a subsequent order issued on September 16, 2010, the Commission renewed and expanded on its directive for an additional three years.<sup>2</sup>

The Ballot Results Filing is included as **Attachment A** to this filing. The Ballot Results Filing addresses ballot results during the October 1, 2011 to December 31, 2011 time frame and includes NERC’s analysis of the voting results, including trends and patterns of stakeholder approval of NERC Reliability Standards. NERC requests that FERC accept this filing as compliant with the renewed directive in the September 16, 2010 Order to submit quarterly reports for an additional three years from the date of the order.

Respectfully submitted,

/s/ Willie L. Phillips

Willie L. Phillips

*Attorney for North American Electric  
Reliability Corporation*

cc: Official service list in Docket No. RR06-1-000

<sup>1</sup> *Order on Compliance Filing*, 118 FERC ¶ 61,030 at P 18 (2007).

<sup>2</sup> *Order on the Electric Reliability Organization’s Three-Year Performance Assessment*, 132 FERC ¶ 61,217 at P 85 (September 16, 2010).

## Attachment A

**NERC**

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# Analysis of NERC Standards Process Results

Fourth Quarter 2011

January 31, 2012

**RELIABILITY | ACCOUNTABILITY**



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## Introduction

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### Background: NERC’s Revised Processes for Developing Standards

NERC develops Reliability Standards in accordance with Section 300 of its Rules of Procedure and the NERC *Standard Processes Manual*, which is included as Appendix 3A to the NERC Rules of Procedure.<sup>1</sup> The current *Standard Processes Manual* was approved by FERC in September 2010<sup>2</sup> and amended August 2011<sup>3</sup> and incorporates a number of process revisions intended to maintain the openness and inclusiveness of the standards development process, while improving efficiency and the quality of standards and interpretations. A summary of these revisions is included for convenience as Appendix A to this report.

The fourth quarter 2011 marks the first quarter in which projects initiated under the revised processes completed balloting. Two projects balloted during the fourth quarter, Project 2010-07 Definition of Bulk Electric System and Project 2011-INT-01 Revisions to MOD-028 in Response to Florida Power & Light’s (“FPL”) Request for Interpretation, were initiated under the new processes. All other projects for which ballots were completed in the fourth quarter 2011 were initiated under earlier versions of NERC’s standard development processes, but will be completed under the new processes.

### This Report

There are two purposes for producing this report. First, this report and future versions will provide NERC, its Board of Trustees, committees, and industry stakeholders information to support future decisions concerning improvements to the standards development process. In addition, this report is responsive to directives from the Federal Energy Regulatory Commission (“FERC” or the “Commission”) directing NERC to monitor, analyze and report on the results of its standards development processes.<sup>4</sup>

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<sup>1</sup> NERC’s Rules of Procedure are available at: <http://www.nerc.com/page.php?cid=1|8|169>.

<sup>2</sup> *Order Approving Petition and Directing Compliance Filing*, 132 FERC ¶61,200 (September 3, 2010).

<sup>3</sup> *Letter Order Approving Standard Processes Compliance Filing* (August 25, 2011)

<sup>4</sup> See *Order on Compliance Filing*, 118 FERC ¶61,030 (January 18, 2007). See also, *Order on the Electric Reliability Organization’s Three-Year Performance Assessment*, 132 FERC ¶61,217 at P 85 (September 16, 2010) (“Three-Year Assessment Order”). Specifically, the Three-Year Assessment Order directed NERC to analyze:

- (i) the time required to complete projects (excluding urgent action projects);
- (ii) the time required to complete projects initiated in response to NERC’s urgent action progress (including whether or not a permanent fix was implemented within the sunset period); and

At the end of each calendar quarter, NERC will update this report by incorporating results from the most recent calendar quarter, to monitor and report progress on improvements to various aspects of the standards development process. The first section of this report provides an overview and analysis of ballots conducted during the fourth quarter of 2011. The second section compares timelines for the projects balloted in the fourth quarter 2011 against baselines provided in the report filed on January 31, 2011, on the time to complete each phase of standards development. The comparison to the historical baselines is responsive to the Commission's directive to analyze the time required to complete each phase of the standards development process. NERC staff and the Standards Committee will use this analysis to monitor successes and to identify opportunities for improvements.

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- (iii) the time required to complete projects in response to Commission directives. The analysis should include data on the time required for each stage of the process. For example, the analysis should document the time required to move a proposed Reliability Standard from a Standards Authorization Request to the NERC Board, and then to the Commission.
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## Analysis of Q4 2011 Standards Ballot Results

From October 1, 2011, through December 31, 2011, NERC conducted 21 ballots for eight separate standards projects. Table 1 summarizes these ballot events. A complete record for each project is available on NERC’s website on the Ballot Results webpage.<sup>5</sup>

**Table 1**

Project Type <sup>6</sup>	Project Number & Name	Q4 Ballot Events	Status
Revision	2007-07 – Transmission Vegetation Management	Recirculation ballot of one standard	Adopted by NERC BOT 11/2011; filed with FERC 12/2011
Revision	2007-12 Frequency Response	Initial ballot of one standard	Ongoing
Interpretation	2008-10 Interpretation of CIP-006-x	Initial and recirculation ballots of one interpretation	Pending NERC BOT action
Revision	2009-01 Disturbance and Sabotage Reporting	Initial ballot of one standard	Ongoing
Interpretation	2009-22 Interpretation of COM-002-2	Initial and recirculation ballots of one interpretation	Pending NERC BOT action
Revision	2010-07 Definition of Bulk Electric System	Initial and recirculation ballots of definition and application form to support exception process	Adopted by NERC BOT and filed with FERC 1/2012
Revision	2010-17 Generator Requirements at the	Initial and recirculation	Pending NERC BOT action

<sup>5</sup> The Ballot Results webpage is available at: <https://standards.nerc.net/Ballots.aspx>.

<sup>6</sup> Appendix A to this report provides a brief description of each type of standards project.

Project Type <sup>6</sup>	Project Number & Name	Q4 Ballot Events	Status
	Transmission Interface	ballots of four standards	
<b>Revision</b>	2011-INT-01 Revision of MOD-028 to Address FPL Request for Interpretation	Initial and recirculation ballots of one standard	Pending NERC BOT action

Of the eight projects balloted during the fourth quarter 2011, six projects were balloted that resulted in standards, interpretations, or definitions being approved by the ballot pool associated with the project. Initial ballots of two other projects were conducted, but stakeholder comments and ballot results indicated that further development is needed so work is ongoing. The eight projects are summarized above in Table 1 and additional details are provided below.

- Project 2007-07 Transmission Vegetation Management: A recirculation ballot was conducted for one standard. The recirculation ballot achieved a high quorum and weighted ballot pool approval of more than 86 percent. The standard was adopted by the NERC Board of Trustees in November 2011 and filed for regulatory approval on December 21, 2011.
- Project 2010-17 Definition of Bulk Electric System: Two initial ballots (one each for the definition and one for the application form to support processing of requests for exceptions) and two recirculation ballots were conducted. This project formed a large ballot pool of just under 500 individuals, and all of the ballots achieved high quorums of approximately 90 percent. Between the initial ballot and the recirculation ballot, the drafting team made only clarifying changes and, in response to the clarifications, weighted ballot pool approval for the definition rose ten percentage points, from approximately 71 percent to just over 81 percent. FERC Order Nos. 743 and 743-A required NERC to file a revised definition of Bulk Electric System and a process for determining exceptions, by January 25, 2012<sup>7</sup>. The definition and amendments to NERC’s Rules of Procedure to support processing of Bulk Electric System exception requests were adopted during a special meeting of the NERC Board of Trustees in January 18, 2012 and filed with FERC on January 25, 2012.

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<sup>7</sup> Revision to Electric Reliability Organization Definition of Bulk Electric System, Order No. 743, 133 FERC ¶ 61,150 (2010); order on reh’g, Order No. 743-A, 134 FERC ¶ 61,210 (2011).



- Two projects involved initial and recirculation ballots of interpretations: Project 2008-10 Interpretation of CIP-006-x; and Project 2009-22 Interpretation of COM-002-2. The initial ballots of both interpretations received a high weighted segment approval. Recirculation ballots were conducted to provide ballot pool members an opportunity to reconsider their ballots after reviewing the drafting team’s responses to stakeholder comments submitted during the parallel formal comment period and initial ballot. Each of the recirculation ballots of these interpretations achieved a high quorum and high weighted segment approval (96 and 95 percent, respectively). The two interpretations will be presented to the NERC Board of Trustees for action in February 2012.
- Project 2011-INT-01 Revision to MOD-028 to Address FPL Request for Interpretation: At its July 2011 meeting, the Standards Committee identified the option of addressing a request for interpretation through a “rapid revision” of a standard following the normal standard development process. This approach involves making narrowly tailored revisions to an approved standard to address only the requested clarification. As envisioned, this approach reduces the resources involved in processing an interpretation by making the clarification once, directly in the standard, rather than twice – once in an interpretation, and again later when the standard is eventually revised. A request for interpretation of MOD-028 was chosen as a pilot for this approach, and the initial results are promising. The revision of the standard was drafted and completed balloting in approximately four months. Stakeholders were asked to comment on whether they support the use of the “rapid revision” approach to address an interpretation, and the comments received were overwhelmingly supportive. Both ballots for the revised standard achieved high quorums and high weighted segment approval. Specifically, the recirculation ballot for both the quorum and approval were above 90 percent. The revised standard will be presented to the NERC Board of Trustees for action in February 2012.
- Project 2010-07 Generator Requirements at the Transmission Interface: This project involves revisions to several standards to clarify the performance required by Generator Owners and Generator Operators to support bulk power system reliability. Initial and recirculation ballots were conducted for four standards (including two versions of one standard, FAC-003, due to uncertainty of the timing of regulatory approval of revisions under Project 2007-07). Each of the standards was balloted separately in order to provide the best feedback to the drafting team about where additional work was needed to achieve consensus. All of the ballots achieved high quorums and high weighted segment approvals of between 85 and 90 percent, and in one case 96 percent approval. While three standards are completed, the drafting team is continuing to evaluate revisions to other standards.
- Project 2009-01 Disturbance and Sabotage Reporting: This project involves the consolidation of two standards into a single standard. An initial ballot of the standard achieved a low weighted segment approval of approximately 36 percent. Work to

revise the standard in response to stakeholder feedback provided during the formal comment period and initial ballot is ongoing.

- Project 2007-12 Frequency Response: An initial ballot of one standard achieved a low weighted segment approval rating of approximately 31 percent. Work to revise the standard in response to stakeholder feedback provided during the formal comment period and initial ballot is ongoing.

## Q4 2011 Ballots and Comparison to Baseline Data

In the version of this report filed on January 31, 2011, NERC provided baselines for each phase of development for standards projects. These baselines were established by grouping all NERC standards projects from 2006 through 2010 into four categories (new standards, revisions to existing standards, expedited projects, and interpretations) and then averaging the times for each phase of development within each group.

In this section of this and future reports, NERC will compare the projects balloted each quarter against these baselines. These comparisons may highlight anomalies initially, but over time the comparison will help to identify trends in the time required for various phases of standards development.

As noted above, during the fourth quarter of 2011, ballots were conducted for eight standards projects. Six of the standards projects balloted this quarter are categorized as “revisions to existing standards” for the purposes of comparing to baselines. Two projects are categorized as interpretations, although one of the “revision” projects was a revision of a standard to provide clarification of a requirement, as an alternative to developing an interpretation.

Chart 1 compares the development phases for each of the six revision projects in this quarter to the baseline.

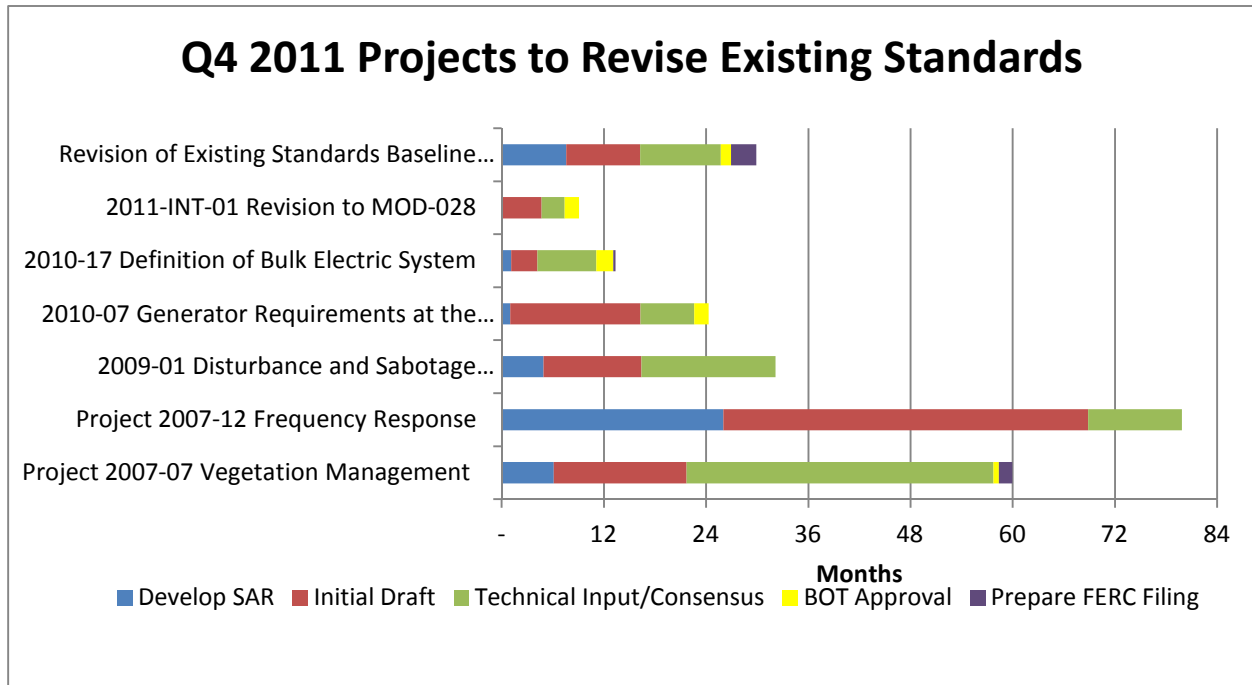


Chart 1

Chart 2 compares the development phases of the two interpretation projects to the baseline.

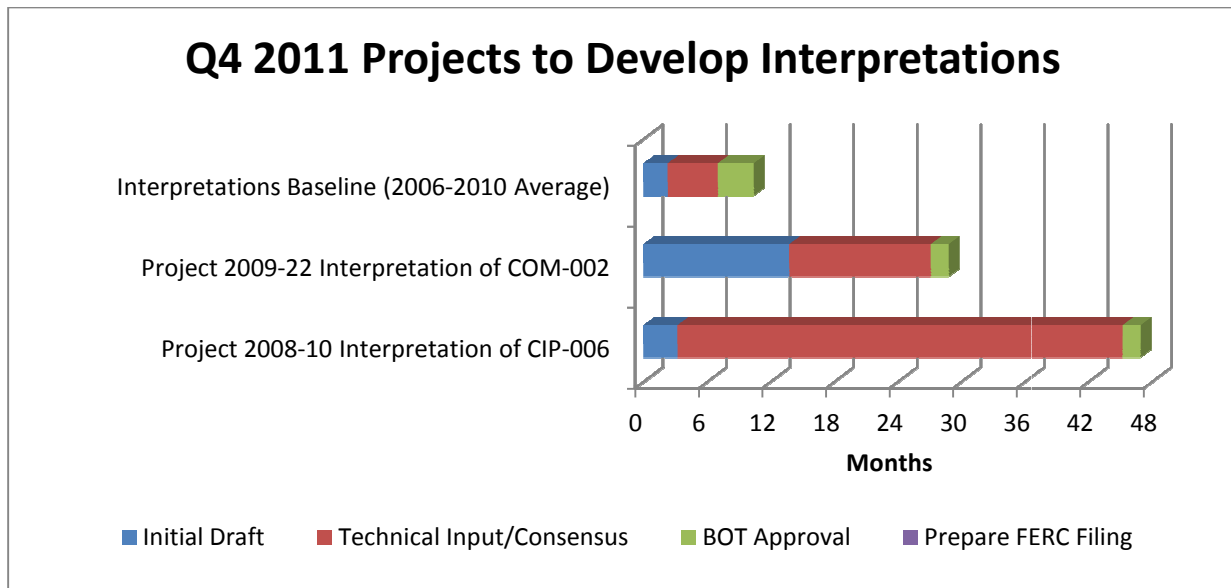


Chart 2

No ballots of projects to develop “new standards” or “expedited projects” were conducted during the fourth quarter 2011. A discussion of the development phases for the projects balloted during the fourth quarter 2011 is included below.

**SAR Development Phase.** For all standards projects balloted in the fourth quarter of 2011, with the exception of Project 2007-12 Frequency Response,<sup>8</sup> the Standard Authorization Request (SAR) was finalized quickly after being posted for industry review. From 2006 to 2010, SAR development times averaged eight months for a project to revise one or more existing standards. The SAR development period for five of the six projects balloted during the fourth quarter of 2011 was six months or less. As more projects are initiated using the revised processes in the *Standard Processes Manual*, this phase is expected to be shorter, since consensus on the scope of a project is expected to be reached prior to the initiation of work on the project in many cases.

**Initial Draft Phase.** All but two of the projects balloted in the fourth quarter 2011 required a longer period of time to develop an initial draft than the baseline for the comparable type of project. The duration for the initial draft phase for projects balloted in the fourth quarter 2011

<sup>8</sup> As discussed in the *Analysis of NERC Standard Process Results Second Quarter 2011*, filed July 29, 2011, the SAR development period for Project 2006-02 was more than 49 months, in part because SAR development for Project 2006-02 was placed on ‘hold’ for almost two years before the SAR was finalized while waiting for completion of Version 0 standards.

ranged from three months (for Project 2010-17 Definition of Bulk Electric System) to 42 months (for Project 2007-12 Frequency Response). For comparison, the 2006-2010 average duration of this phase of standard development was between eight and nine months for projects to revise standards, and almost 14 months for projects to develop new standards.

In some cases, the longer period to develop an initial draft encompasses work by the drafting team to develop the necessary technical basis for the standard or standards. For example, the Project 2007-12 Frequency Response project required almost 43 months to develop an initial draft. Project 2010-07 Generator Requirements at the Transmission Interface required 15.3 months to develop initial drafts of revisions to three standards; much of that time was devoted to analyzing various standards to determine which standards required revisions to support bulk power system reliability under the scope of the project. The team then developed a white paper to convey the results of this analysis to stakeholders, and posted the white paper for comment.

In other cases, the initial draft phase appears longer because of work that was initiated and then put on hold. For example, Project 2009-22, an interpretation of COM-002, was put on hold because the standard and issues related to the requested clarification were being addressed by other projects that were in progress at the time, and a decision was made, in consultation with the requester, to evaluate the progress being made in the related projects before devoting industry resources to process the interpretation.

Two factors should contribute to a reduction in the length of time required to develop an initial draft in the future. First, as more projects are initiated under the revised processes of the *Standard Processes Manual*, the technical justification or basis for the standard will have been developed prior to project initiation, which is likely to reduce delays caused by the development and analysis of a technical basis for requirements. Second, under the project prioritization initiative developed by the Standards Committee, projects are being prioritized to manage the number of standards and standards projects being worked in parallel. This management initiative is expected to produce efficiency gains as fewer projects are delayed because of throughput and capacity issues, both at NERC and within the industry.

**Technical Input Phase.** Technical input from the industry is received through the formal and informal posting periods. Between each posting, the drafting team reviews the feedback received from stakeholders and makes revisions to the standard or standards. For a formal posting, drafting teams are also required to respond to each stakeholder comment. Thus, the technical input phase includes periods of time when standards and associated documents are posted for industry review – typically either for 30 or 45 days – alternating with periods of time during which the drafting team is reviewing the input provided, revising the standards and associated documents, and preparing responses to the comments received. The technical input phase is essentially a highly-organized dialogue between the drafting team and other industry stakeholders.

For three of the six revision projects balloted during the fourth quarter of 2011, this phase was completed in seven months or less, which is shorter than the average 2006-2010 baseline of nine and a half months for such projects. One of the three projects, Project 2010-17 Definition of Bulk Electric System, had a regulatory deadline and although the drafting team received a substantial volume of technical input each time documents were posted for stakeholder comment, the project was carefully managed to meet the regulatory deadline. Technical input that was outside the immediate scope of the project was included in developing the scope for a second phase of the project.

A second, Project 2010-07 Generator Requirements at the Transmission Interface, included only narrow revisions to three standards to clarify the performance required of Generator Owners and Generator Operators, and completed the technical input phase for three standards in 6.3 months. The third, Project 2011-INT-01, was again a narrowly focused “rapid revision” of one standard to clarify the timing and frequency of Total Transfer Capability calculations needed for Available Transfer Capability calculations. The narrow focus allowed for the technical input and consensus phase, which under the most ideal of circumstances requires a minimum of two and a half months, to be completed in 2.67 months. All three of these projects will be presented to the NERC Board of Trustees in the first quarter 2012, although additional work is ongoing for Projects 2010-07 Generator Requirements at the Transmission Interface as well as for Project 2010-17 Definition of Bulk Electric System.

The three additional projects to revise existing standards each exceeded the baseline duration for the technical input phase, and for two of these projects, Project 2009-01 Disturbance and Sabotage Reporting and Project 2007-12 Frequency Response, work is ongoing. For Project 2007-07 Vegetation Management, the completion of the technical input phase was delayed twice. The first delay occurred while the drafting team was asked to revise its work to follow the results-based approach, and the second delay of approximately seven months occurred when the drafting team was asked by the Standards Committee leadership to explain the technical basis for its work. Including these delays, the technical input phase for this project required just over 36 months.

The technical input phase for both of the interpretations balloted in the fourth quarter 2011 was substantially longer than the 2006-2010 baseline of five months for interpretation projects. In both cases, the interpretation was initiated and then work was delayed for a period of time, contributing to the length of the technical input phase. For Project 2008-10 Interpretation of CIP-006-x, several factors contributed to the delay. First, the ongoing work on revisions to the CIP standards to respond to FERC Order No. 706 was given a higher priority and those revisions drew on the same technical experts required for drafting CIP interpretations. Second, following the November 2009 NERC Board of Trustees meeting, when the Board issued guidance on further processing of interpretations, there was a delay in processing all interpretations as the Standards Committee developed procedures to implement the Board guidance. In May of 2011, the Standards Committee appointed a standing CIP interpretation drafting team, separate from the drafting team that is assigned to revise the CIP standards, and there was a brief delay as the newly appointed drafting team reviewed the interpretation previously

drafted and the substantial record of FERC Orders on CIP standards since the original interpretation was drafted. These delays resulted in the technical input phase taking more than 41 months to complete, although active work was less than six of those months.

The second interpretation, Project 2009-22 Interpretation of COM-002, was also delayed as the Standards Committee developed procedures to implement the Board guidance and formalize and improve the transparency of interpretation drafting. The technical input phase for this interpretation was completed in slightly more than 13 months.

For all projects revising existing standards from 2006 to 2010, the average duration of the technical input phase was nine and a half months, and for interpretations, the average duration was almost five months.

**Board of Trustee Adoption.** The period of time between ballot pool approval of a standard and NERC Board of Trustees adoption of the standard varies depending on the number of other items that require action by the board. (The board has a fixed schedule of face-to-face meetings, and supplements its face-to-face meetings, as needed, to ensure prompt action when necessary to meet ERO obligations.) In the fourth quarter of 2011, one continent-wide standard, FAC-003-2 – Transmission Vegetation Management, was presented to the Board of Trustees for adoption. The Board adopted the standard within three weeks of ballot pool approval.

**Filing with Regulatory Authorities.** During the fourth quarter of 2011, NERC submitted two filings to FERC for Standards projects that required NERC Board of Trustees approval. Both of these filings were petitions for approval of standards, and the average time between action by the NERC Board of Trustees and filing with FERC was 62 days. Once the Board of Trustees approves a standards project, NERC staff routinely prepares a draft filing, which is then circulated internally for comment. If substantive edits are required in response to comments received, then additional drafts may be circulated. After a consensus is reached on the draft, NERC finalizes the filing and compiles supporting exhibits for submittal to FERC.<sup>9</sup>

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<sup>9</sup> NERC also files each new or revised standard with each applicable Canadian governmental authority.

## Conclusion

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Several promising developments in the NERC standards development processes began to bear fruit during the fourth quarter 2011, with multiple “firsts.” The first projects initiated under the revised processes of the *Standard Processes Manual* were completed this quarter. The first project using the “Rapid Revision” approach to address a request for standard clarification(s) was completed this quarter, with positive results – the process was very efficient, taking about the minimum amount of time a standard revision can take under the processes in the *Standard Processes Manual*.

Another Standards Committee initiative began to pay off in the fourth quarter as the first CIP interpretation completed by the standing CIP Interpretation Drafting Team was approved by its ballot pool. The efficiency of having a standing pool of subject matter experts to address interpretation requests in this important area will be most fully demonstrated in the future as new requests are received and processed by the team.

Along with these “firsts,” a number of initiatives implemented earlier in the year are ongoing. For example, stakeholders have requested that, for projects addressing multiple standards, the standards be balloted individually. This approach provides stakeholders an opportunity to provide drafting teams with better feedback about which standards have sufficient consensus and which need further development. NERC has also implemented several administrative changes to consolidate comment and ballot reports to make more efficient use of drafting teams’ time in reviewing comments submitted by stakeholders during parallel formal comment periods and ballots.

NERC and the Standards Committee are committed to continuing to explore opportunities for improving the efficiency and effectiveness of NERC’s standards development processes.



## Appendix A

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### Summary of Process Revisions in NERC Standard Processes Manual

NERC's *Standard Processes Manual* was developed to replace *Reliability Standards Development Procedure Version 7 (RSDP7)* as Appendix 3A of the NERC Rules of Procedure. The *Standard Processes Manual* was approved by FERC in September 2010. The order also directed certain modifications to clarify which sections of a standard are enforceable, and those modifications were approved by FERC in December 2010.<sup>10</sup>

One of the significant modifications in the new *Standard Processes Manual* is the method used to achieve consensus – through parallel comment and ballot periods, which are conducted early in the process and continue until consensus is achieved. This change appears to be increasing the quality and quantity of feedback that the standards drafting teams are receiving on proposed standards. Because drafting teams are encouraged to make significant changes to the standards between successive ballots without a pre-ballot review period, this modification gives drafting teams the flexibility to revise the standards to take account of the comments received and immediately re-ballot without the separate, successive formal comment and pre-ballot review periods that were required in the *RSDP7*.

This added efficiency means drafting teams begin ballot periods earlier in the development process. While initial ballot results may receive lower approval ratings in the initial stages, as approval increases, the successive ballot process provides a clear indication of the move toward industry consensus.

Just as in the *RSDP7*, an entity or individual that desires to vote on proposed reliability standards must be a member of the registered ballot body. The registered ballot body includes all entities or individuals that qualify for one of ten stakeholder segments and have registered with NERC as potential voting participants. Each member of the registered ballot body is eligible to participate in the voting process and ballot pool for each standard action. The ten stakeholder segments are:

- Transmission Owners
- Regional Transmission Organizations and Independent System Operators
- Load-Serving Entities
- Transmission Dependent Utilities
- Electric Generators

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<sup>10</sup> *Order Approving Petition and Directing Compliance Filing*, 132 FERC ¶ FERC 61,200 (September 3, 2010).

- Electricity Brokers, Aggregators, and Marketers
- Large Electricity End Users
- Small Electricity Users
- Federal, State, and Provincial Regulatory or other Government Entities
- Regional Reliability Organizations and Regional Entities

Each standard ballot action has its own ballot pool, populated by interested members of the registered ballot body, including those with specific technical expertise of the subject matter. The individuals that join a ballot pool respond to a pre-ballot e-mail announcement associated with each reliability standard ballot action. The ballot pool size varies, and is based on the standard and the topic. The ballot pool votes to approve or reject each standard action. Specifically, the ballot pool votes determine: (1) the need for and technical merits of a proposed standard action; and (2) that appropriate consideration was given to views and objections received during the development process.

The reliability standards development process may include three types of ballots: an initial ballot, a successive ballot, and a recirculation ballot. An initial ballot is conducted during the last 10 days of a 45-day comment period; successive ballots are conducted during the last 10 days of a 30-day comment period. Following an initial or successive ballot, the drafting team is obligated to respond to each stakeholder comment. The drafting team must consider the issues raised in stakeholder comments to determine whether revisions to the standard and its associated implementation plan should be made.

If the comments submitted during the initial comment period and ballot indicate a need for significant changes, then the drafting team will produce a new draft standard, even if the weighted segment approval is 66.66% or greater. When a drafting team makes significant revisions to the standard, the next ballot held is a successive ballot conducted during the last 10 days of a parallel 30-day comment period. Votes cast by the ballot pool in the initial ballot are not counted in a successive ballot. Each ballot pool member must cast a new vote.

If needed, the *Standard Processes Manual* allows for multiple, successive ballots to obtain the two-thirds majority on a proposed standard. Once the comments from a successive ballot are addressed by the drafting team without significant changes to the standard, the standard proceeds to a recirculation ballot.

A recirculation ballot does not have a comment period, and votes cast in the most recent successive ballot are carried forward. If a member of the ballot pool chooses to vote in the recirculation ballot, the vote cast by that member in the successive ballot is updated.

Approval of a standard action requires that both:

- A quorum is established. This requirement is met when at least 75% of the members of the ballot pool for the standard action submit a response with an affirmative vote, a negative vote, or an abstention; and

- A two-thirds majority of the weighted segment votes cast are affirmative. The number of votes cast is the sum of affirmative and negative votes, excluding abstentions and non-responses.

The following process is used to determine whether there are sufficient affirmative votes.

- The number of affirmative votes cast in each segment is divided by the sum of affirmative and negative votes cast to determine the fractional affirmative vote for each segment. Abstentions and non-responses are not counted for the purposes of determining the fractional affirmative vote for a segment.
- If there are less than ten entities that vote in a segment, the vote weight of that segment is proportionally reduced. Each voter within that segment voting affirmative or negative receives a weight of 10% of the segment vote. For segments with ten or more voters, the regular voting procedures are followed.
- The sum of the fractional affirmative votes from all segments divided by the number of segments voting is used to determine if a two-thirds majority affirmative vote has been achieved. (A segment is considered as “voting” if any member of the segment in the ballot pool casts either an affirmative or a negative vote.)<sup>11</sup>
- A standard is approved if the sum of fractional affirmative votes from all segments divided by the number of voting segments is equal to or greater than two thirds.

On March 17, 2011<sup>12</sup> the Commission approved a modification to NERC’s Rules of Procedure, Rule 321, that was developed to respond to FERC’s March 18, 2010 Order directing NERC to propose modifications to NERC’s Rules of Procedure was approved by the Commission.<sup>13</sup> Rule 321 lays out specific processes to be used if stakeholders are unable to achieve consensus through the processes in the *Standard Processes Manual* to present the NERC Board of Trustees with a standard that is responsive to a specific Commission directive.

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<sup>11</sup> When less than ten entities vote in a segment, the total weight for that segment is determined as one tenth per entity voting.

<sup>12</sup> See *Order Directing NERC to Propose Modification of Electric Reliability Organization Rules of Procedure*, 130 FERC ¶61,203 (March 18, 2010). See also, Compliance Filing of the North American Electric Reliability Corporation in Response to March 18, 2010 Commission Order Directing Revisions to Standards Development Procedure, filed in Docket No. RR08-6-000 (December 23, 2010).

<sup>13</sup> *Order on Compliance Filing*, 134 FERC ¶ FERC 61,216 (March 17, 2011).

## Appendix B

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### Types of Standards Projects

For the purpose of analyzing results of its standards processes, NERC has identified four broad categories of standards projects.

The first category of projects is **Revisions to Existing Standards**. Revisions to existing standards are a significant and an ongoing part of NERC's standards development work, as NERC and industry work to address regulatory directives from FERC, modify standards to address changing technologies and operating conditions, and review standards in compliance with the five-year interval required to maintain ANSI accreditation. Between 2006 and 2010, the average time to complete revisions to existing standards was 30 months.

The second category is **New Standards**. There have been, and will continue to be, occasions where an entirely new standard or group of standards may be needed to address bulk power system reliability. The data collected from 2006 through 2010 show that these projects take longer, on average, than projects to revise existing standards. Between 2006 and 2010, the average time to complete projects to draft new standards was 42 months.

The third category is **Urgent Action/Expedited Projects**.<sup>14</sup> Urgent Action or Expedited Projects are shortened by reducing the time for certain process steps, or by allowing steps that would normally proceed serially to be conducted in parallel. By definition, these projects are expected to have a shorter development time, on average, than most standards projects. On average, the development time for Urgent Action and Expedited Projects from 2006 through 2010 was a little more than 7 months.

The final category is **Interpretations**. Entities that must comply with a reliability standard have the right to request a formal interpretation of a requirement included in a standard. Interpretation projects generally are narrower in scope than other standards projects, but like standards, interpretations are drafted by a drafting team and posted for industry review and ballot. From 2006 to 2010, NERC received a number of requests for interpretation that were absorbed into other projects because drafting teams could not prepare the interpretations without expanding the requirements of the approved standard. For those interpretation requests that were processed, the average time to complete interpretations and file them with regulatory authorities was about 10 months.

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<sup>14</sup> Prior to September 2010, the NERC *Reliability Standards Development Procedure* incorporated a process used for developing a standard more quickly than the normal standard development process, which was referred to as the Urgent Action Process. FERC's approval of the *Standard Processes Manual* in September 2010 replaced the Urgent Action process with the Expedited Standards Development Process.

## Appendix C

### Phases in Standard Projects

NERC has identified five phases in the development of a Reliability Standard. Table 2 identifies those phases.

**Table 2**

<b>Phases in NERC Reliability Standards Development Projects</b>	
<b>Phase</b>	<b>Description</b>
1. SAR Development	from initial draft SAR to SC acceptance of a SAR for posting, including industry ballot of SAR if required
2. Initial Draft Development	from acceptance of SAR to posting of initial draft
3. Industry Technical Input/Consensus Building	from posting of initial draft(s) through ballot pool approval of a recirculation ballot
4. Board of Trustee (BOT) Approval	from ballot pool approval to BOT approval
5. Filing with Regulatory Authorities	from BOT approval to filing