UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

NORTH AMERICAN ELECTRIC	**)**	
RELIABILITY CORPORATION	**)**	**Docket No. RR10-__-000**

PETITION OF THE NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION FOR APPROVAL OF THE RELIABILITY STANDARD PROCESSES MANUAL INCORPORATING PROPOSED REVISIONS TO THE RELIABILITY STANDARDS DEVELOPMENT PROCESS

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I. INTRODUCTION

The North American Electric Reliability Corporation ("NERC"), in accordance with Section 215(f) of the Federal Power Act ("FPA") and 18 C.F.R. Section 39.10, respectfully requests the Federal Energy Regulatory Commission's ("FERC") approval to replace in its entirety Version 7 of the Reliability Standards Development Procedure ("RSDP"), currently included as Appendix 3A of the NERC Rules of Procedure ("ROP"), with the Standard Processes Manual proposed herein for approval. The Standard Processes Manual proposed for approval incorporates process amendments, edits, and a clarifying document name change to the NERC Reliability Standards Development Procedure – Version 7. The Standard Processes Manual was approved by the NERC Board of Trustees on May 12, 2010. Given the improvements that will result from the use of the Standard Processes Manual to the NERC Reliability Standard development procedure, NERC respectfully requests expedited approval of the Standard Processes Manual to be included as the amended Appendix 3A of the NERC Rules of Procedure (replacing the currently-approved RSDP), and requests that the manual be made effective immediately upon approval.

On March 18, 2010, FERC issued an Order directing NERC to propose modifications to its Rules of Procedure that pertain to the development of Reliability Standards ("March 18 Order").[1] The changes proposed in this filing are *not* being filed in response to that Order. NERC is currently working to implement changes directed in the March 18 Order, and will make a compliance filing explaining those changes within 90 days of the March 18 Order as directed

[1] *Order Directing NERC to Propose Modification to Electric Reliability Organization Rules of Procedure*, 130 FERC ¶61,203 (March 18, 2010).

therein. This filing is part of NERC's overall effort to improve the quality and pace of the standard setting process, including regulatory directives, while maintaining ANSI accreditation.

Exhibit A to this filing includes a "clean" version of the NERC Standard Processes Manual as it is proposed for approval. **Exhibit B** includes Version 7 of the currently-approved RSDP for comparative purposes. Due to the number of differences between Version 7 of the RSDP and the proposed Standard Processes Manual, development of a redline is impractical. Therefore, the changes reflected in the proposed manual are described in Section III of this filing. **Exhibit C** includes a table that maps the content of Version 7 of the RSDP to the proposed Standard Processes Manual.

II. NOTICES AND COMMUNICATIONS

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III. STATEMENT OF BASIS AND PURPOSE OF THE PROPOSED REVISIONS TO THE RELIABILITY STANDARDS DEVELOPMENT PROCESS

A. Overview of Proposed Revisions to the Standards Development Process

The purpose of this filing is to request FERC approval of the proposed Standard Processes Manual, included in **Exhibit A**, to be included in the NERC Rules of Procedure. Section 215(f) of the FPA and Section 39.10 of FERC's regulations, 18 C.F.R. Section 39.10, require NERC, as the Electric Reliability Organization ("ERO") in the United States, to file with FERC for its approval any proposed NERC Rule of Procedure change or modification. The filing must include a statement of the basis and purpose of the proposed rule or amendment 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 III A and III B. Section IV of this filing includes a discussion of the proceedings related to the development of the proposed Standard Processes Manual.

The proposed Standard Processes Manual is the product of three parallel efforts to improve NERC's standards development processes and the resulting Reliability Standards:

- The NERC Standards Committee identified several modifications to the standards process to improve the quality and pace of standards development while respecting NERC and American National Standards Institute ("ANSI")[2] standards development principles, but delayed acting on those modifications until after the modifications to the standards process directed by the NERC Board of Trustees were approved.[3]
- Industry stakeholders submitted numerous comments during the development of the Three-Year ERO Performance Assessment indicating the need for improvements to the standards processes that would improve standards quality, reduce standards development time, reduce resource burdens on the industry to review and comment on draft standards, and improve the overall quality of NERC Reliability Standards.

[2] For more information on ANSI and the ANSI process, *see* http://www.ansi.org/default.aspx.
[3] The modifications directed by the Board of Trustees were incorporated into the *Reliability Standards Development Procedure Version 7*.

- NERC's Ad Hoc Group for Results-Based Reliability Standards highlighted the need to provide guidance to standards drafting teams and better "quality" control over the development of reliability standards with a focus on clear reliability outcomes.

The Standard Processes Manual, (when compared to Version 7 of the RSDP) is intended to make more efficient use of limited industry resources, to improve the overall quality of standards, and to maintain ANSI accreditation of the standards process. The new manual also is intended to provide a high-level description of the various standard-related processes, providing greater clarity than is provided with the existing RSDP, but without specifying all the steps involved in administering each of these processes.

The new manual is organized with introductory information followed by separate sections for each of the processes associated with standards, including the following:

a) developing, modifying, or retiring a Reliability Standard;
b) developing a defined term;
c) conducting field tests and collecting and analyzing data;
d) developing an interpretation;
e) appealing an action or inaction;
f) developing a variance;
g) expediting the development of a Reliability Standard;
h) developing a Reliability Standard related to a confidential issue;
i) process for approving supporting documents;
j) correcting errata;
k) conducting a five-year review; and
l) updating the Standard Processes Manual.

NERC developed the proposed Standard Processes Manual to address requests to provide greater clarity to the various processes related to standards development. The following narrative discusses the modifications to the RSDP that are reflected in the proposed Standard Processes Manual. Improvements in the reliability standards development process that will result from the use of the processes described in the Standard Processes Manual include:

- Improved control on timing for initiation of new projects by giving the Standards Committee the authority to prioritize standards development activity so that some projects may be deferred to focus on higher priority projects, to require technical justification and documentation when a standard request is submitted, and to evaluate unplanned project proposals to assign an appropriate priority relative to planned project activities.
- More efficient processing of new project requests by allowing informal comment periods for project proposals where the need to modify or develop the identified standard(s) has already been established.
- More extensive use of "informal" stakeholder feedback by allowing drafting teams to use a variety of means to collect feedback in the early stages of standards development.
- Enhanced technical writing support during the drafting of standards to make better use of subject matter experts.
- Ensuring a standard meets specific "quality" attributes by adding a step to the process for a formal "quality review" before the final draft of a standard is posted for formal stakeholder review.
- Concurrent formal commenting and balloting to involve more participants in determining the final wording of a standard.
- New process to expedite development of a new or revised standard where specific time constraints are associated with its completion.
- Improved clarity in the description of the processes for developing definitions; conducting field tests and collecting and analyzing data; interpretations; appeals; variances; standards developed to address confidential issues; and process for approving supporting references.

B. Discussion of Specific Revisions to the Standards Development Process

FERC regulations at 18 C.F.R. Part 39.3(c) required NERC, as the ERO, to submit an assessment of its performance three years from the date of certification. The resulting "Three-Year Electric Reliability Organization Performance Assessment Report" ("Three-Year Assessment") was submitted to FERC on July 20, 2009. In response to various comments in the development of the Three-Year Assessment, NERC's standards development process was compared to ANSI's requirements for standards accreditation. As a result of this analysis, NERC determined that three of its current steps are essential to maintaining ANSI accreditation:

(1) the formation of the consensus body ("ballot pool"); (2) the use of the 45-day formal comment period and the response to each comment; and (3) the balloting process to demonstrate consensus.

Additionally, in response to a recommendation from the Three-Year Assessment, NERC's standards development process was compared to those of three other standards developers recently accredited by ANSI.[4] The areas of comparison included the formation of the consensus body; standards development oversight; identification and prioritization of new standards projects; appointment of standard drafting teams; developing a draft standard; balloting; and interpretations.

NERC staff applied the conclusions derived from those efforts to the development of the Standard Processes Manual proposed herein. The proposed manual is intended to improve the standards processes by making more efficient use of limited resources to improve the pace and quality of standards while maintaining ANSI accreditation of the standards process.

The changes reflected in the proposed Standard Processes Manual are detailed below.

Introduction

- A brief list of the "Essential Attributes of NERC's Standards Processes" was added to demonstrate that the NERC process meets ANSI's essential requirements for accredited standards developers.

Principles

- This section was eliminated as a separate section and the need to support reliability principles and market interface principles was added to the introductory information in the section titled, "Elements of a Reliability Standard."

[4] The three standards development processes reviewed were specifically recommended by ANSI staff and include those of the American Dental Association, the Association of Public-Safety Communications Officials International, and the American Institute of Steel Construction.

Reliability Standard Definition, Characteristics, and Elements

- The "definition" of a Reliability Standard was retained in the section titled, "Elements of a Reliability Standard."
- The reference to the "Types of Reliability Standards" was revised to "Types of Reliability Requirements" to match the descriptions provided in the Ad Hoc Results-based report in the section titled, "Elements of a Reliability Standard."[5]
- Additional changes were made to the descriptions of the elements of a standard to align with the Ad Hoc Results-based team's recommendations. The elements of a standard were subdivided into categories with the intent of clarifying which elements of a standard are mandatory and enforceable, which elements are informational and which elements are used for compliance.

Roles in the Reliability Standards Program Organization

The described roles have been revised as follows:

- The Board of Trustees' role description was expanded to reflect its role with respect to interpretations, definitions and variances. The Standards Committee recommended modifying the existing language to mandate that the board file all approved standards for regulatory approval, and this was adopted. The board is not, however, required to adopt/approve a standard and can decline to do so.
- Reference to the Members Representative Committee's role was removed — the Board of Trustees has indicated that obtaining input from interested parties during the development phase has more value than receiving it after the standard or related action has been developed.
- The Standards Committee's role has been modified to indicate that the Standards Committee reports to the Board of Trustees, to include a reference to the Standards Committee Charter, and to add clarity to the scope of responsibilities, including the responsibility for ensuring that standards meet NERC's benchmarks and FERC's criteria for approval.
- The Registered Ballot Body role description was modified to eliminate the reference to fees.
- Reference to the Standard Process Manager function was removed. The tasks assigned to the Standards Process Manager have been distributed to several different members of the standards staff rather than list each job title. Therefore, all references to the "Standards Process Manager" have been changed to "Standards Staff."
- The Standards Staff role was revised to absorb the former duties of the Standards Process Manager and to more accurately reflect the scope of duties in supporting drafting teams and in reporting results to the board.

[5] NERC's Ad Hoc Group for Results-based Reliability Standards submitted a preliminary report to the NERC Board of Trustees in November 2009 that highlighted the need to provide guidance to standards drafting teams and better "quality" control over the development of Reliability Standards.

- The specific role of Governmental Authorities in approving standards, definitions, variances, interpretations, Violation Risk Factors ("VRFs"), and Violation Severity Levels ("VSLs") following adoption or approval by the NERC Board of Trustees was added.
- The general description of roles of Committees, Subcommittees, Working Groups, and Task Forces was revised to clarify that, in addition to providing feedback on standards-related projects, these groups have a special role in developing the technical justification for standards and for overseeing field tests.
- Reference to the NERC and Regional Reliability Organization ("RRO") roles were removed because they were identical to the role of all stakeholders.
- The Requester role was removed. ANSI does not require that the "requester" have any authority over a proposal and granting the "requester" the final authority over the scope of a proposal may have the effect of prolonging a project without any attendant improvement in the project's contribution to reliability.
- The roles of the Compliance Operations and Compliance Enforcement Programs were revised to more accurately describe the actual coordination between the compliance staff and drafting teams during the development of standards.
- The description of the Compliance and Certification Committee's responsibilities was added to reflect the role of the committee in assessing compliance with the processes identified in the Standard Processes Manual and in helping determine whether a proposed standard is enforceable before the standard is posted for formal comment and ballot.
- The reference to the Standard Authorization Request ("SAR") Drafting Team role was removed. A separate drafting team to refine a SAR is not essential for ANSI certification of the process, and the time to establish separate teams has been identified as an action that may prolong the standards process without related improvement to reliability.
- The scope of the Drafting Teams role was revised to distinguish that the drafting team members are appointed to provide technical input to the development of the standard-related activity, with the assistance of a technical writer. Wording was added to clarify that all drafting teams are responsible for their projects through the stage when the standard or standard-related action is approved by governmental authorities, as well as to clarify that although NERC staff forms drafting teams for interpretations; the Standards Committee forms all other drafting teams, and that all drafting teams report to the Standards Committee.
- A description of the role of the North American Energy Standards Board[6] ("NAESB") was added to reinforce the need for effective coordination for standards that have elements impacting both reliability and business practices.

[6] The North American Energy Standards Board ("NAESB") serves as an industry forum for the development and promotion of standards intended to lead to "a seamless marketplace for wholesale and retail natural gas and electricity."

Reliability Standards Consensus Development Process

- This section was removed. The concepts/essential elements needed for ANSI accreditation were moved to the manual's Introduction — other steps were redundant with other sections of the manual.

Based on results from comparison of NERC's process to identify the presence of ANSI's essential requirements for standards developers, and the concern from stakeholders that the existing process takes too long, the steps in the process have been condensed. Therefore, the numbering of the steps and the "sequence considerations" are no longer needed and are not included in the proposed manual.

Steps 1 through 3

These sections were completely revised to remove SAR processing steps not essential to ANSI accreditation. The Standards Committee proposed major modifications to this section, and stakeholders also recommended modifying the SAR process. The following changes are responsive to those recommendations, and also include processes used by other ANSI-accredited standard developers, proposed for adoption in the NERC process:

- The revised process encourages the submission of proposals for projects during an "open solicitation period" each year. The revised process reinforces the use of the "Comments and Suggestions" form as a mechanism to highlight the need to modify a standard or, possibly, to develop a new standard as an alternative to submitting a SAR.
- The revised process positions the Standards Committee to take a more active role in establishing and adhering to the work plan with each project assigned a specific priority relative to other projects.
- The revised process reinforces submitting a SAR for a new standard with a technical justification and some evidence, such as a research paper, to provide the drafting team with guidance on developing the proposed requirements. Under the proposed process, there is no guarantee that the SAR will be immediately posted for review. If the SAR is not accompanied by a technical justification, a comment form will be posted to ask stakeholders to provide comments on whether a technical justification is needed, and if the response is yes, what the commenter believes should be included in that justification. The Standards Committee is expected to work with the technical committees (or other experts) to solicit assistance in developing any needed technical justification. SARs that have been "completed" would be included in the Reliability Standards Development

Plan,[7] but action to develop the associated standards may be deferred based on other priorities.

- SARs for development of new standards would be posted for comment with comments addressed by a drafting team. When a drafting team is formed, the team will address both the SAR and the associated standard.
- SARs aimed solely at addressing regulatory directives or modifications to standards where the SAR has had some formal documented stakeholder review, (such as through the public posting and comment period for the annual update of the Reliability Standards Development Plan or through review and approval by NERC's technical committees) will have an "informal" comment period with comments provided to the associated standard drafting team — with no obligation to respond to the comments.

Drafting Teams

- SAR requesters (now called "authors") will not have subsequent authority over a SAR. The SAR for a new standard will be shaped based on the technical expertise of its drafting team with feedback from stakeholders. (Most SARs will be developed by NERC staff and will reiterate the information already reviewed by stakeholders during the public posting and comment period from the last approved version of the Reliability Standards Development Plan.)
- A drafting team assigned to work on a SAR will also develop the associated standard.
- Drafting Teams will focus on identifying "what" must be included in the standard and will have the final determination of the technical content of the standard, but the formatting of the requirements and wording for clarity will be determined by technical writers assigned to work with the drafting team.

Collecting Informal Feedback on Preliminary Drafts

- Drafting teams will have greater latitude to collect feedback on preliminary drafts of their documents. The revised process allows the team to use a variety of methods such as conferences, webinars, or informal comment periods to collect this preliminary feedback. With "informal" comment periods the drafting team has no obligation to respond to every comment; however, the team is required to provide a summary to indicate how it used stakeholder comments. Informal comment periods were requested by stakeholders and drafting teams commenting during the performance assessment, and they have been authorized, on a very limited basis, by the Standards Committee. ANSI does not require that all comment periods be "formal" – only that the comment period on the final draft be "formal" and open to all – and that the drafting team be responsive to applicable comments submitted during this formal comment period.

[7] The Reliability Standard Development Plan is a three-year plan used by NERC to identify and prioritize the reliability standard development projects in the immediate three-year horizon.

Conducting a Formal Review of the Standard

- This step was added to the standard process to ensure that a quality review of the standard is conducted before the standard is posted for each formal comment period.

Concurrent Formal Comment Period and Balloting

This section was revised so that it is more closely aligned and consistent with the other ANSI-accredited standards development processes that were reviewed — all of which included the formal comment opportunity during the ballot period. The proposed process includes a 30-day formal comment period, after which the drafting team will respond to all comments and make revisions to the standard. Following this 30-day formal comment period, the standard will be posted for a 45-day formal comment period and, while the comment period is open, members of the Registered Ballot Body will be invited to join the ballot pool and then to participate in the ballot. Other process elements include

- Each standard must have at least one "formal" posting for stakeholder comment that is 45 days long. The standards staff will form a ballot pool during the first 30 days of this 45-day comment period. The initial ballot will take place during the last 10 days of this 45-day comment period.
- Each team will respond to all comments submitted, whether through a comment form or with a ballot.
- Each team will make a good faith effort to resolve each (applicable) negative comment so that the final version of the standard is clear and enforceable. Where a team has a difference of opinion with a stakeholder on a technical issue, the team will provide a summary of its evaluation and resolution previously reached, even if provided earlier during the development of the standard, so that balloters have all the information needed to make an informed decision about the proposed standard.
- Where a commenter provides a recommendation for an addition to the standard that goes beyond the scope of the work already undertaken, the suggestion will be considered the next time the standard is revised. The commenter will be so advised.
- All comments received and responses to those comments will be posted for review before proceeding with the next ballot.
- The proposed standard may be balloted as many times as necessary to reach consensus and to obtain a standard that is clear and enforceable. Under the conditions where a standard has received sufficient affirmative ballots to be approved, but there were one or more comments proposing a change that would improve the clarity of the standard, each ballot beyond the "initial" ballot may focus solely on the elements of the standard that

were modified after the initial ballot. (For example, if the drafting team makes a change to a single requirement in a standard, the team may specify that the next ballot is only focusing on the modified requirement.)

- If a quorum is not achieved with an initial ballot, the ballot window will be extended until a quorum is achieved. There will not be a "reballot" process.
- No change is proposed to the criteria for ballot approval.

Interpretations

The interpretation process was revised to include a quality review, followed by a formal 45-day comment period conducted at the same time as the ballot.

If an interpretation identifies the need to revise a standard for clarity, or if the drafting team discovers a reliability gap highlighted by the request for the interpretation, the drafting team will submit a SAR with the proposed standard revision to the standards staff. It will be acceptable for an interpretation team to report that it cannot develop an interpretation.

Errata

The errata process is new. If the Standards Committee agrees that the correction of an error in a standard does not change the scope or intent of the associated standard, and agrees that the correction has no material impact on the end users of the standard, then the correction will be submitted for information to the NERC Board of Trustees and filed for approval with applicable governmental authorities.

Expedited Process

On several occasions, it has been necessary for the Standards Committee to approve an expedited standards process to meet specific regulatory directives. The committee has been reluctant to use the "Urgent Action" process in the existing manual because it implies that the regular standards development process should be used except in cases where there is an urgent reliability-related need to shorten the development process, and fulfillment of regulatory directives was not categorized as an "urgent reliability-related need." To reflect the need to use

an expedited process to meet regulatory directives or for an urgent reliability-related need, the Urgent Action process has been replaced with a process called an "Expedited Standards Development Process." This process grants the Standards Committee the authority to approve deviations from the "normal" process either to meet a regulatory directive or to address an urgent reliability issue. While the criteria for accepting a request to expedite the development of a standard was changed, no changes were made to the follow-up steps necessary to move the expedited standard through the full standard development process in support of continued ANSI accreditation.

Special Procedures

The special procedures section of the manual that addresses developing requirements to address confidential issues associated with national security has been reformatted. In the former process manual, there were three scenarios: confidential and urgent; confidential and non-urgent; and urgent. This section now contains only the special processes associated with confidential issues. The urgent actions are contained within the "Expedited Process." The section clearly states that standards developed using special procedures that have an expedited development schedule or limited stakeholder review will not be submitted for consideration as ANSI standards. To preserve national security it may be necessary to limit distribution of proposed standards, and this distribution limitation violates ANSI's basic principles of having an "open" process.

Processes for Conducting Field Tests and Collecting and Analyzing Data

This section was more fully developed to describe the three different types of field tests and data collection and analysis: validation of concepts used to support development of a SAR; validation of proposed requirements; and validation of proposed compliance elements.

IV. SUMMARY OF DEVELOPMENT — STANDARD PROCESSES MANUAL

The proposed Standard Processes Manual was initially posted for a 45-day industry review period that concluded on March 12, 2010. Stakeholders submitted 37 sets of comments, representing more than 105 people from 75 different organizations, and representing nine of the ten Industry Segments in the Registered Ballot Body. This feedback resulted in modifications to the original proposal before the Standard Processes Manual proceeded to the balloting phase.

The initial ballot concluded on April 29, 2010 achieving an 80.48 percent weighted segment approval with 87.82 percent of the ballot pool participating. Because at least one negative ballot included a comment, a recirculation ballot was necessary.

During the initial ballot, 56 individuals provided comments associated with both affirmative and negative ballots, representing eight of the ten Industry Segments. Comments addressed three main topics: the need for at least one formal comment period; the need for more detailed processes; and identified typographical errors. Several balloters indicated that they disagreed with conducting a ballot without conducting a formal comment period before the ballot. While an earlier version of the manual had proposed elimination of all formal comment periods prior to the concurrent posting of the final draft for both comment and ballot, the manual was revised in response to stakeholder comments before being posted for pre-ballot review. The manual posted for pre-ballot review did include a proposed 30-day formal comment period before the initial ballot, and the drafting team is required to respond to all comments submitted during this 30-day comment period before the initiation of the 45-day comment period that occurs in parallel with the pre-ballot review and initial ballot. The proposed manual does, however, give the Standards Committee the authority to determine that a 30-day formal comment period is not needed. This addition to the manual was meant to ensure that, only for projects

where the modification to a standard is straightforward and noncontroversial, the Standards Committee has the authority to expedite the process to conserve industry resources.

Several balloters also suggested that more details were needed to support some of the processes in the proposed manual. In response, the Standard Processes Manual is intended to provide a high-level description of the various standard-related processes, but was not intended to detail all the steps that are involved in administering these processes. The Standards Committee has the authority to develop more detailed procedures to support the standards processes. Specific suggestions for more details provided by stakeholders in the balloting process have been relayed to the Standards Committee for consideration and appropriate action.

Several balloters identified typographical errors and errata, particularly in the description of the interpretation process, and these errors were corrected and highlighted for balloters before the recirculation ballot was conducted.

Between the initial ballot and the recirculation ballot the overall affirmative vote was improved as follows:

- fifteen balloters who failed to participate in the initial ballot cast an affirmative ballot
- eleven balloters who cast a negative ballot changed their vote to affirmative
- seven balloters who cast an abstention changed their vote to affirmative
- one balloter who failed to participate cast an abstention
- one balloter changed an affirmative ballot to an abstention
- one balloter changed an affirmative ballot to a negative ballot but did not provide a comment with the ballot.

The results of the recirculation ballot, conducted from April 30, 2010 through May 10, 2010, resulted in approval of the proposed manual, achieving 86.69 percent weighted segment approval with 93.73 percent of the ballot pool participating. The Standards Processes Manual was subsequently approved by the NERC Board of Trustees on May 12, 2010.

V. CONCLUSION

For the reasons stated in this filing, NERC respectfully requests expedited approval of the Standard Processes Manual to be included as the amended Appendix 3A to the NERC Rules of Procedure (replacing the currently-approved RSDP), and requests that the manual be made effective immediately upon approval.

Respectfully submitted,

/s/ Holly A. Hawkins

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CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing document upon all parties listed on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 10th day of June, 2010.

/s/ Holly A. Hawkins
Holly A. Hawkins

Attorney for North American Electric Reliability Corporation

EXHIBIT A

PROPOSED NERC
RELIABILITY STANDARD PROCESSES MANUAL

NERC

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

Standard Processes Manual

to ensure the reliability of the bulk power system

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Introduction

Authority

This manual is published by the authority of the NERC Board of Trustees. The Board of Trustees, as necessary to maintain NERC's certification as the electric reliability organization (ERO), may file the manual with applicable governmental authorities for approval as an ERO document. When approved, the manual is appended to and provides implementation detail in support of the ERO Rules of Procedure Section 300 — Reliability Standards Development.

Scope

The policies and procedures in this manual shall govern the activities of the North American Electric Reliability Corporation (NERC) related to the development, approval, revision, reaffirmation, and withdrawal of standards, interpretations, definitions, variances, violation risk factors, violation severity levels, and reference documents developed to support standards for the reliable planning and operation of the North American bulk power systems.

Background

NERC is a nonprofit corporation formed for the purpose of becoming the North American ERO. NERC works with all stakeholder segments of the electric industry, including electricity users, to develop standards for the reliability planning and reliable operation of the bulk power systems. In the United States, the Energy Policy Act of 2005 added Section 215 to the Federal Power Act for the purpose of establishing a framework to make standards mandatory for all bulk power system owners, operators, and users. Similar authorities are provided by applicable governmental authorities in Canada. NERC was certified as the ERO effective July 2006.

Essential Attributes of NERC's Standards Processes

NERC's standards development processes provide reasonable notice and opportunity for public comment, due process, openness, and balance of interests in developing a proposed Reliability Standard consistent with the attributes necessary for ANSI accreditation. The same attributes, as well as transparency, consensus-building, and timeliness, are also required under the ERO Rules of Procedure Section 304.

Open Participation

Participation in NERC's standards development balloting and approval processes shall be open to all entities materially affected by NERC's reliability standards. There shall be no financial barriers to participation in NERC's standards balloting and approval processes. Membership in the registered ballot body shall not be conditional upon membership in any organization, nor unreasonably restricted on the basis of technical qualifications or other such requirements.

Balance

NERC's standards development processes cannot be dominated by any two interest categories, individuals, or organizations and no single interest category, individual, or organization is able to defeat a matter.

NERC shall use a voting formula that allocates each industry segment an equal weight in determining the final outcome of any standard action. The standards development processes shall have a balance of interests. Participants from diverse interest categories shall be encouraged to join the Registered Ballot Body and participate in the balloting process, with a goal of achieving balance between the interest categories. The Registered Ballot Body serves as the consensus body voting to approve each new or proposed standard, definition, variance, and interpretation.

Coordination and harmonization with other American National Standards activities
NERC is committed to resolving any potential conflicts between its standards development efforts and existing American National Standards and candidate American National Standards.

Notification of standards development
NERC shall publicly distribute a notice to each member of the Registered Ballot Body, and to each stakeholder who indicates a desire to receive such notices, for each action to create, revise, reaffirm, or withdraw a standard, definition, or variance; and for each proposed interpretation. Notices shall be distributed electronically, with links to the relevant information, and notices shall be posted on NERC's standards web page. All notices shall identify a readily available source for further information.

Transparency
The process shall be transparent to the public.

Consideration of views and objections
Drafting teams shall give prompt consideration to the written views and objections of all participants, providing individualized written responses to those commenting during formal comment periods and those commenting as part of the balloting process. Drafting teams shall make an effort to resolve each objection that is related to the topic under review.

Consensus Building
The process shall build and document consensus for each standard, both with regard to the need and justification for the standard and the content of the standard.

Consensus vote
NERC shall use its voting process to determine if there is sufficient consensus to approve a proposed reliability standard, definition, variance, or interpretation. NERC shall form a ballot pool for each standard action from interested members of its registered ballot body. Approval of any standard action requires:

- A quorum, which is established by at least 75% of the members of the ballot pool submitting a response with an affirmative vote, a negative vote, or an abstention; and
- A two-thirds majority of the weighted segment votes cast shall be affirmative. The number of votes cast is the sum of affirmative and negative votes, excluding abstentions and non-responses.

Timeliness
Development of standards shall be timely and responsive to new and changing priorities for reliability of the bulk power system.

Elements of a Reliability Standard

Definition of a Reliability Standard

A reliability standard includes a set of requirements that define specific obligations of owners, operators, and users of the North American bulk power systems. The requirements shall be material to reliability and measurable. A reliability standard is defined as follows:

> "Reliability standard" means a requirement to provide for reliable operation of the bulk power system, including without limiting the foregoing, requirements for the operation of existing bulk power system facilities, including cyber security protection, and including the design of planned additions or modifications to such facilities to the extent necessary for reliable operation of the bulk power system; but shall not include any requirement to enlarge bulk power system facilities or to construct new transmission capacity or generation capacity[1].

Reliability Principles

NERC reliability standards are based on certain reliability principles that define the foundation of reliability for North American bulk power systems[2]. Each reliability standard shall enable or support one or more of the reliability principles, thereby ensuring that each standard serves a purpose in support of reliability of the North American bulk power systems. Each reliability standard shall also be consistent with all of the reliability principles, thereby ensuring that no standard undermines reliability through an unintended consequence.

Market Principles

Recognizing that bulk power system reliability and electricity markets are inseparable and mutually interdependent, all reliability standards shall be consistent with the market interface principles[3]. Consideration of the market interface principles is intended to ensure that reliability standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.

Types of Reliability Requirements

Generally, each requirement of a reliability standard shall identify, "What functional entity shall do what under what conditions to achieve what reliability objective." Although reliability standards all follow this format several types of requirements may exist, each with a different approach to measurement.

- **Performance-based requirements** define a specific reliability objective or outcome that has a direct, observable effect on the reliability of the bulk power system, i.e. an effect that can be measured using power system data or trends.
- **Risk-based requirements** define actions of entities that reduce a stated risk to the reliability of the bulk power system and can be measured by evaluating a particular product or outcome resulting from the required actions.

[1] § 39.1 Code of Federal Regulations.

[2] The intent of the set of NERC reliability standards is to deliver an Adequate Level of Reliability. The latest set of Reliability Principles and the latest set of characteristics associated with an Adequate Level of Reliability are posted on the Reliability Standards Resources Web Page.

[3] The latest set of Market Interface Principles is posted on the Reliability Standards Resources Web Page.

- **Capability-based requirements** define capabilities needed to perform reliability functions and can be measured by demonstrating that the capability exists as required.

The body of reliability requirements collectively provides a defense-in-depth strategy supporting reliability of the bulk power system.

Elements of a Reliability Standard

A reliability standard includes several components designed to work collectively to identify what entities must do to meet their reliability-related obligations as an owner, operator or user of the bulk power system. The components of a reliability standard include mandatory and enforceable sections and informational sections of the standard.

Mandatory and Enforceable Sections of a Standard:

Title: A brief, descriptive phrase identifying the topic of the standard.

Number: A unique identification number assigned in accordance with a published classification system to facilitate tracking and reference to the standards.

Purpose: The reliability outcome achieved through compliance with the requirements of the standard.

Effective Dates: Identification of when each requirement becomes effective in each jurisdiction.

Requirement: An explicit statement that identifies the functional entity responsible, the action or outcome that must be achieved, any conditions achieving the action or outcome, and the reliability-related benefit of the action or outcome. Each requirement shall be a statement for which compliance is mandatory.

Measure: Provides identification of the evidence or types of evidence needed to demonstrate compliance with the associated requirement. Each requirement shall have at least one measure. Each measure shall clearly refer to the requirement(s) to which it applies.

Evidence Retention: Identification, for each requirement in the standard, of the entity that is responsible for retaining evidence to demonstrate compliance, and the duration for retention of that evidence.

Variance: A requirement (to be applied in the place of the continent-wide requirement), and its associated measure and compliance information, that is applicable to a specific geographic area or to a specific set of functional entities.

Informational Sections of a Standard

Application Guidelines: Guidelines to support the implementation of the associated standard.

Procedures: Procedures to support implementation of the associated standard.

Time Horizon: The time period an entity has to mitigate an instance of violating the associated requirement.[4]

Compliance Enforcement Authority: The entity that is responsible for assessing performance or outcomes to determine if an entity is compliant with the associated standard.

[4] The latest set of approved Time Horizon classifications is posted on the Reliability Standards Resources Web Page.

Compliance Monitoring and Assessment Processes: Identification of the processes that will be used to evaluate data or information for the purpose of assessing performance or outcomes with the associated standard.

Additional Compliance Information: Any other information related to assessing compliance such as the criteria or periodicity for filing specific reports.

Compliance Elements Associated with a Standard

Violation Risk Factors and Violation Severity Levels: Violation risk factors (VRFs) and violation severity levels (VSLs) are used as factors when determining the size of a penalty or sanction associated with the violation of a requirement in an approved reliability standard[5]. Each requirement in each reliability standard has an associated VRF and a set of VSLs. VRFs and VSLs are developed by the drafting team, working with NERC staff, at the same time as the associated reliability standard, but are not part of the reliability standard. The Board of Trustees is responsible for approving VRFs and VSLs.

Violation Risk Factors

VRFs identify the potential reliability significance of noncompliance with each requirement. Each requirement is assigned a VRF in accordance with the latest approved set of VRF criteria[6].

Violation Severity Levels

VSLs define the degree to which compliance with a requirement was not achieved. Each requirement shall have at least one VSL. While it is preferable to have four VSLs for each requirement, some requirements do not have multiple "degrees" of noncompliant performance and may have only one, two, or three VSLs. Each requirement is assigned one or more VSLs in accordance with the latest approved set of VSL criteria[7].

[5] The *Sanction Guidelines of the North American Electric Reliability Corporation* identifies the factors used to determine a penalty or sanction for violation of reliability standard and is posted on the NERC Web Site.
[6] The latest set of approved VRF Criteria is posted on the Reliability Standards Resources Web Page.
[7] The latest set of approved VSL Criteria is posted on the Reliability Standards Resources Web Page.

Standards Program Organization

Board of Trustees
The NERC Board of Trustees shall consider for adoption reliability standards, definitions, variances and interpretations and associated implementation plans that have been processed according to the processes identified in this manual. In addition, the board shall consider for approval, VRFs and VSLs associated with each approved standard. Once the board adopts a reliability standard, definition, variance or interpretation, or once the board approves VRFs or VSLs, the board shall direct NERC staff to file the document(s) for approval with applicable governmental authorities.

Registered Ballot Body
The Registered Ballot Body comprises all entities or individuals that qualify for one of the stakeholder segments approved by the Board of Trustees[8], and are registered with NERC as potential ballot participants in the voting on standards. Each member of the Registered Ballot Body is eligible to join the ballot pool for each standard action.

Ballot Pool
Each standard action has its own ballot pool formed of interested members of the Registered Ballot Body. The ballot pool comprises those members of the Registered Ballot Body that respond to a pre-ballot request to participate in that particular standard action. The ballot pool votes on each standards action. The ballot pool remains in place until all balloting related to that standard action has been completed.

Standards Committee
The Standards Committee serves at the pleasure and direction of the NERC Board of Trustees, and the board approves the Standards Committee's Charter.[9] Standards Committee members are elected by their respective segment's stakeholders. The Standards Committee consists of two members of each of the stakeholder segments in the Registered Ballot Body[10]. A member of the standards staff shall serve as the nonvoting secretary to the Standards Committee.

The Standards Committee is responsible for managing the standards processes for development of standards, VRFs, VSLs, definitions, variances and interpretations in accordance with this manual. The responsibilities of the Standards Committee are defined in detail in the Standards Committee's Charter. The Standards Committee is responsible for ensuring that the standards, VRFs, VSLs, definitions, variances and interpretations developed by drafting teams are developed in accordance with the processes in this manual and meet NERC's benchmarks for reliability standards as well as criteria for governmental approval[11].

The Standards Committee has the right to remand work to a drafting team, to reject the work of a drafting team, or to accept the work of a drafting team. The Standards Committee may direct a drafting team to revise its work to follow the processes in this manual or to meet the criteria for NERC's benchmarks for

[8] The Industry Segment Qualifications are described in the Development of the Registered Ballot Body and Segment Qualification Guidelines document posted on the Reliability Standards Resources Web Page.

[9] The Standards Committee Charter is posted on the Reliability Standards Resources Web Page.

[10] In addition to balanced stakeholder segment representation, the Standards Committee shall also have representation that is balanced among countries based on net energy for load (NEL). As needed, the Board of Trustees may approve special procedures for the balancing of representation among countries represented within NERC.

[11] The Ten Benchmarks of an Excellent Reliability Standard and FERC's Criteria for Approving Reliability Standards are posted on the Reliability Standards Resources Web Page.

reliability standards, or to meet the criteria for governmental approval however the Standards Committee shall not direct a drafting team to change the technical content of a draft standard.
The Standards Committee shall meet at regularly scheduled intervals (either in person, or by other means). All Standards Committee meetings are open to all interested parties.

Standards Staff
The standards staff, led by the Director of Standards, is responsible for administering NERC's reliability standards processes in accordance with this manual. The standards staff provides support to the Standards Committee in managing the standards processes and in supporting the work of all drafting teams. The standards staff works to ensure the integrity of the standards processes and consistency of quality and completeness of the reliability standards. The standards staff facilitates all steps in the development of standards, definitions, variances, interpretations and associated implementation plans. The standards staff works with drafting teams in developing VRFs and VSLs for each standard.

The standards staff is responsible for presenting standards, definitions, variances, and interpretations to the NERC Board of Trustees for adoption. When presenting standards-related documents to the NERC Board of Trustees for adoption or approval, the standards staff shall report the results of the associated stakeholder ballot, including identification of unresolved stakeholder objections and an assessment of the document's practicality and enforceability.

Drafting Teams
The Standards Committee shall appoint industry experts to drafting teams to work with stakeholders in developing and refining Standard Authorization Requests (SARs), standards, VRFs, VSLs, definitions, and variances. The standards staff shall appoint drafting teams that develop interpretations.

Each drafting team consists of a group of technical experts that work cooperatively with the support of the standards staff[12]. The technical experts provide the subject matter expertise and guide the development of the technical aspects of the standard, assisted by technical writers. The technical experts maintain authority over the technical details of the standard. Each drafting team appointed to develop a standard is responsible for following the processes identified in this manual as well as procedures developed by the Standards Committee from the inception of the assigned project through the final acceptance of that project by applicable governmental authorities.

Collectively, each drafting team:

- Drafts proposed language for the reliability standards, definitions, variances, and/or interpretations and associated implementation plans.
- Solicits, considers, and responds to comments related to the specific standards development project.
- Participates in industry forums to help build consensus on the draft reliability standards, definitions, variances, and/or interpretations and associated implementation plans.
- Assists in developing the documentation used to obtain governmental approval of the reliability standards, definitions, variances, and/or interpretations and associated implementation plans.

All drafting teams report to the Standards Committee.

Governmental Authorities

[12] The detailed responsibilities of drafting teams are outlined in the Drafting Team Guidelines, which is posted on the Reliability Standards Resources Web Page.

The Federal Energy Regulatory Commission (FERC) in the United States of America, and where permissible by statute or regulation, the provincial government of each of the eight Canadian Provinces (Manitoba, Nova Scotia, Saskatchewan, Alberta, Ontario, British Columbia, New Brunswick and Quebec) and the Canadian National Energy Board have the authority to approve each new, revised or withdrawn reliability standard, definition, variance, interpretation, VRF, and VSL following adoption or approval by the NERC Board of Trustees.

Committees, Subcommittees, Working Groups, and Task Forces
NERC's technical committees, subcommittees, working groups, and task forces provide technical research and analysis used to justify the development of new standards and provide guidance, when requested by the Standards Committee, in overseeing field tests or collection and analysis of data. The technical committees, subcommittees, working groups, and task forces provide feedback to drafting teams during both informal and formal comment periods.

The technical committees, subcommittees, working groups, and task forces share their observations regarding the need for new or modified standards or requirements with the standards staff for use in identifying the need for new standards projects for the three-year *Reliability Standards Development Plan*.

Compliance and Certification Committee
The Compliance and Certification Committee is responsible for monitoring NERC's compliance with its reliability standards processes and procedures and for monitoring NERC's compliance with the Rules of Procedure regarding the development of new or revised standards, VRFs, VSLs, definitions, variances, and interpretations. The Compliance and Certification Committee assists in verifying that each proposed standard is enforceable as written before the standard is posted for formal stakeholder comment and balloting.

Compliance Enforcement Program
The NERC compliance enforcement program manages and enforces compliance with approved reliability standards. The compliance enforcement program shall provide feedback to drafting teams during the standards development process to ensure the compliance enforcement program can be practically implemented for the standards under development.

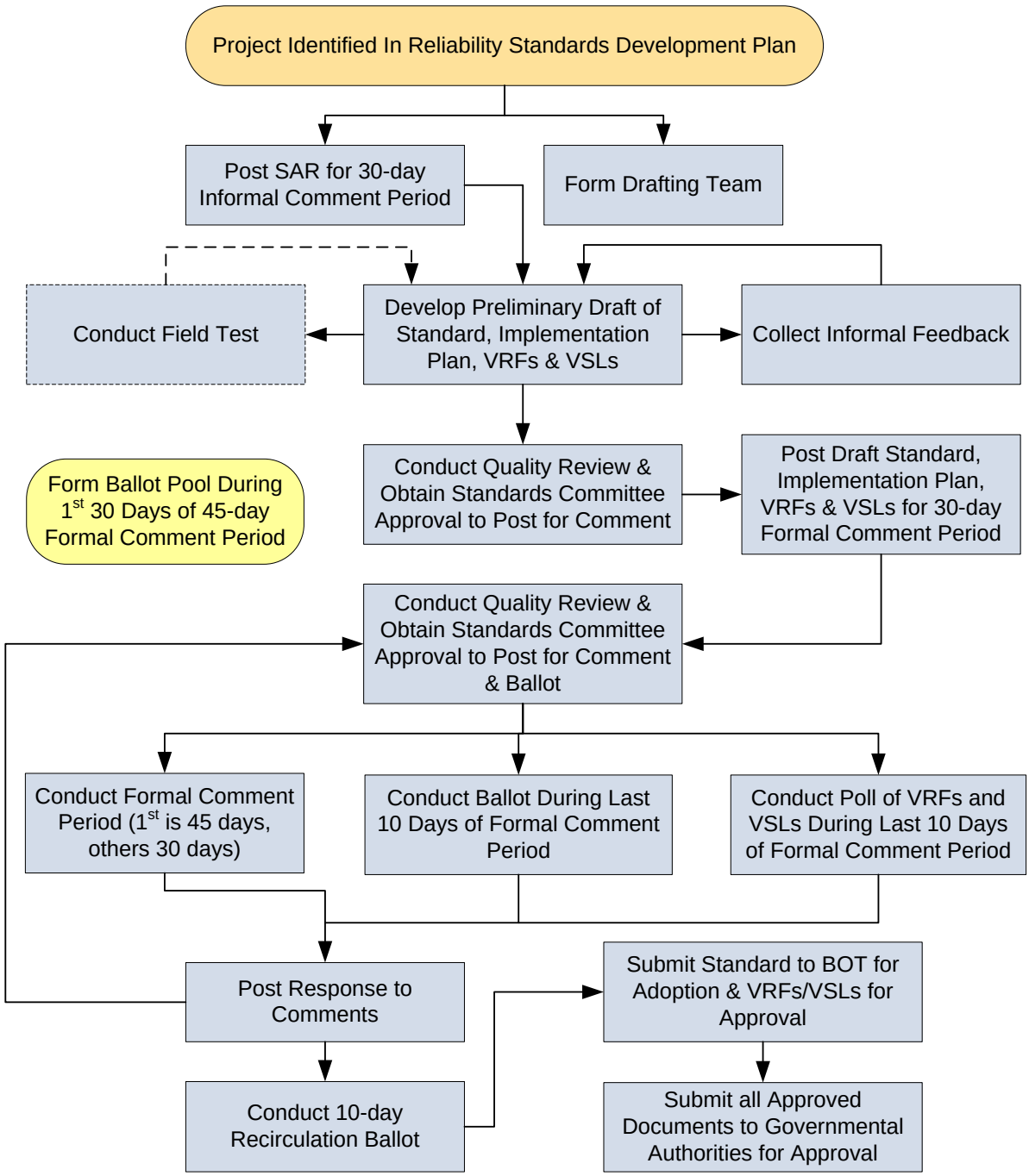
The compliance enforcement program may conduct field tests or data collection related to compliance elements of proposed standards and may provide assistance with field tests or data collection when requested. The compliance enforcement program shares its observations regarding the need for new or modified requirements with the standards staff for use in identifying the need for new standards projects.

North American Energy Standards Board (NAESB)
While NERC has responsibility for developing standards to support reliability, NAESB has responsibility for developing business practices and coordination between reliability and business practices is needed. The NERC and NAESB developed and approved a procedure[13] to guide the development of reliability standards and business practices where the reliability and business practice components are intricately entwined within a proposed standard.

[13] The NERC NAESB Template Procedure for Joint Standards Development and Coordination is posted on the Reliability Standards Resources Web Page.

Process for Developing, Modifying, or Retiring a Standard

There are several steps to the development, modification or withdrawal of a reliability standard[14]. A typical process for a project identified in the *Reliability Standards Development Plan* that involves a revision to an existing standard is shown below. Note that most projects do not include a field test.



[14] The process described is also applicable to projects used to propose a new or modified definition or variance or to propose retirement of a definition or variance.

Post and Collecting Information on SARs

Standard Authorization Request
A Standard Authorization Request (SAR) is the form used to document the scope and reliability benefit of a proposed project for one or more new or modified standards or the benefit of retiring one or more approved standards. Any entity or individual may propose the development of a new or modified standard, or may propose the retirement of a standard, by submitting a completed SAR[15] to the standards staff.

Most new standards projects will have been identified in the latest approved *Reliability Standards Development Plan*[16]. The initial SAR for these projects shall be drafted by NERC staff and submitted to the Standards Committee with a request to post the SAR for stakeholder review. The Standards Committee has the authority to approve the posting of all SARs for projects that propose developing a new or modified standard or propose retirement of an existing standard.

The standards staff sponsors an open solicitation period each year seeking ideas for new standards projects (using *Reliability Standards Suggestions and Comments forms*). The open solicitation period is held in conjunction with the annual revision to the *Reliability Standards Development Plan*. While the Standards Committee prefers that ideas for new projects be submitted during this annual solicitation period through submittal of a *Reliability Standards Suggestions and Comments Form*[17], a SAR proposing a specific project may be submitted to the standards staff at any time.

Each SAR that proposes a "new" standard, should be accompanied with a technical justification that includes, as a minimum, a discussion of the reliability-related impact of not developing the new standard, and a technical foundation document (e.g., research paper), when needed, to guide the development of the standard.

The standards staff shall review each SAR and work with the submitter to verify that all required information has been provided. All properly completed SARs shall be submitted to the Standards Committee for action at the next regularly scheduled Standards Committee meeting.

When presented with a SAR the Standards Committee shall determine if the SAR is sufficiently stated to guide standard development and whether the SAR is consistent with this manual. The Standards Committee shall take one of the following actions:

- Accept the SAR.
- Remand the SAR back to the standards staff for additional work.
- Reject the SAR. If the Standards Committee rejects a SAR, it shall provide a written explanation for rejection to the sponsor within ten days of the rejection decision.
- Delay action on the SAR pending development of a technical justification for the proposed project

If the Standards Committee remands, rejects, or delays action on a SAR, the sponsor may file an appeal following the appeals process provided in this manual.

If the Standards Committee is presented with a SAR that proposes developing a new standard but does

[15] The SAR form can be downloaded from the Reliability Standards Resources Web Page.
[16] The latest approved version of the *Reliability Standards Development Plan* is posted on the Reliability Standards Resources Web Page.
[17] The *Reliability Standards Suggestions and Comments Form* can be downloaded from the Reliability Standards Resources Web Page.

not have a technical justification upon which the standard can be developed, the committee shall direct the standards staff to post the SAR for a 30-day comment period solely to collect stakeholder feedback on the scope of technical foundation, if any, needed to support the proposed project. If a technical foundation is determined to be necessary, the Standards Committee shall solicit assistance from NERC's technical committees or other industry experts in providing that foundation before authorizing development of the associated standard.

If the Standards Committee accepts a SAR, the project shall be added to the list of approved projects. The Standards Committee shall assign a priority to the project, relative to all other projects under development, and those projects already identified in the *Reliability Standards Development Plan* that are already approved for development. The Standards Committee shall work with the standards staff to coordinate the posting of SARs for new projects, giving consideration to each project's priority.

SAR Posting

When the Standards Committee determines it is ready to initiate a new project the Standards Committee shall direct staff to post the project's SAR in accordance with the following:

- For SARs that are limited to addressing regulatory directives, or revisions to standards that have had some vetting in the industry, authorize posting the SAR for a 30-day informal comment period with no requirement to provide a formal response to the comments received.
- For SARs that address the development of new projects or standards, authorize posting the SAR for a 30-day formal comment period.

If a SAR for a new standard is posted for a formal comment period, the Standards Committee shall appoint a drafting team to work with the staff coordinator in giving prompt consideration to the written views and objections of all participants. The Standards Committee may use a public nomination process to populate the standard drafting team, or may use another method that results in a team that collectively has the necessary technical expertise and work process skills to meet the objectives of the project. In some situations, an ad hoc team may already be in place with the requisite expertise, competencies, and diversity of views that are necessary to refine the SAR and develop the standard and additional members may not be needed. The drafting team shall respond to all comments submitted during the public posting period. An effort to resolve all expressed objections shall be made and each objector shall be advised of the disposition of the objection and the reasons therefore. In addition, each objector shall be informed that an appeals procedure exists within the NERC standards process. If the drafting team concludes that there isn't sufficient stakeholder support to continue to refine the SAR, the team may recommend that the Standards Committee direct curtailment of work on the SAR.

While there is no established limit on the number of times a SAR may be posted for comment, the Standards Committee retains the right to reverse its prior decision and reject a SAR if it believes continued revisions are not productive. Once again, the Standards Committee shall notify the sponsor in writing of the rejection within ten days and the sponsor may initiate an appeal using the appeals procedure.

During the SAR comment process, the drafting team may become aware of potential regional variances related to the proposed standard. To the extent possible, any regional variances or exceptions should be made a part of the SAR so that, if the SAR is authorized, such variations shall be made a part of the draft new or revised standard.

If stakeholders indicate support for the project proposed with the SAR, the drafting team shall present its work to the Standards Committee with a request that the Standards Committee authorize development of the associated standard.

The Standards Committee, once again considering the public comments received and their resolution, may then take one of the following actions:

- Authorize drafting the proposed standard or revisions to a standard.
- Reject the SAR with a written explanation to the sponsor and post that explanation.

If the Standards Committee rejects a SAR, the sponsor may initiate an appeal.

Form Drafting Team

When the Standards Committee is ready to have a drafting team begin work on developing a new or revised standard, the Standards Committee shall appoint a drafting team, if one was not already appointed to develop the SAR. If the Standards Committee appointed a drafting team to refine the SAR, the same drafting team shall work to develop the associated standard.

If no drafting team is in place, then the Standards Committee may use a public nomination process to populate the standard drafting team, or may use another method that results in a team that collectively has the necessary technical expertise and work process skills to meet the objectives of the project. In some situations, an ad hoc team may already be in place with the requisite expertise, competencies, and diversity of views that are necessary to develop the standard and additional members may not be needed. The standards staff shall provide a member to support the team with technical writing expertise and shall provide administrative support to the team, guiding the team through the steps in completing its project. The individuals provided by the standards staff serve as advisors to the drafting team and do not have voting rights. In developing the standard, the drafting team members assigned by the Standards Committee shall have final authority over the technical details of the standard, while the technical writer shall provide assistance to the drafting team in assuring that the final draft of the standard meets the quality attributes identified in NERC's Benchmarks for Excellent Standards.

Once it is appointed by the Standards Committee, the standard drafting team is responsible for making recommendations to the Standards Committee regarding the remaining steps in the standards process. The Standards Committee may decide a project is so large that it should be subdivided and either assigned to more than one drafting team or assigned to a single drafting team with clear direction on completing the project in specified phases. . If a SAR is subdivided and assigned to more than one drafting team, each drafting team will have a clearly defined portion of the work such that there are no overlaps and no gaps in the work to be accomplished."

The Standards Committee may also supplement the membership of a standard drafting team at any time to ensure the necessary competencies and diversity of views are maintained throughout the standard development effort.

Develop Preliminary Draft of Standard, Implementation Plan, VRFs and VSLs

Project Schedule

When a drafting team begins its work, either in refining a SAR or in developing or revising a proposed standard, the drafting team shall develop a project schedule and report progress, to the Standards Committee, against that schedule as requested by the Standards Committee.

Draft Standard

The team shall develop a standard that is within the scope of the associated SAR that includes all required elements as described earlier in this manual with a goal of meeting the quality attributes identified in NERC's Benchmarks for Excellent Standards and criteria for governmental approval. The team shall

document its justification for the requirements in its proposed standard by explaining how each meets these criteria.

Implementation Plan
As a drafting team drafts its proposed revisions to a reliability standard, that team is also required to develop an implementation plan to identify any factors for consideration when approving the proposed effective date or dates for the associated standard or standards. As a minimum, the implementation plan shall include the following:

- The proposed effective date (the date entities shall be compliant) for the requirements.
- Identification of any new or modified definitions that are proposed for approval with the associated standard.
- Whether there are any prerequisite actions that need to be accomplished before entities are held responsible for compliance with one or more of the requirements.
- Whether approval of the proposed standard will necessitate any conforming changes to any already approved standards – and identification of those standards and requirements.
- The functional entities that will be required to comply with one or more requirements in the proposed standard.

A single implementation plan may be used for more than one standard. The implementation plan is posted with the associated standard or standards during the 45-day formal comment period and is balloted with the associated standard.

Violation Risk Factors and Violation Severity Levels
The drafting team shall work with NERC staff in developing a set of VRFs and VSLs that meet the latest criteria established by NERC and governmental authorities. The drafting team shall document its justification for selecting each VRF and for setting each set of proposed VSLs by explaining how its proposed VRFs and VSLs meet these criteria. NERC staff is responsible for ensuring that the VRFs and VSLs proposed for stakeholder review meet these criteria.

Before the drafting team has finalized its standard, implementation plan, VRFs and VSLs, the team should seek stakeholder feedback on its preliminary draft documents.

Solicit Informal Feedback[18]
Drafting teams may use a variety of methods to collect stakeholder feedback on preliminary drafts of its documents, including the use of informal comment periods, webinars, industry meetings, workshops, or other mechanisms. Informal comment periods, if used, shall have a minimum duration of 30 days. Information gathered from informal comment forms shall be publicly posted and, while drafting teams are not required to provide a written response to each individual comment received, drafting teams must post a summary response that identifies how it used comments submitted by stakeholders. The intent is to gather stakeholder feedback on a "working document" before the document reaches the point where it is considered the "final draft."

Conduct Quality Review
The standards staff shall coordinate a quality review[19] of the "final draft" of the standard, implementation plan, VRFs and VSLs to assess whether the documents are within the scope of the associated SAR,

[18] While this discussion focuses on collecting stakeholder feedback on proposed standards, implementation plans and VRFs and VSLs, the same process is used to collect stakeholder feedback on proposed new or modified definitions and variances.

whether the standard is clear and enforceable as written, and whether the standard meets the criteria specified in NERC's Benchmarks for Excellent Standards and criteria for governmental approval of standards, VRFs and VSLs. This review shall be completed within 30 days of receipt of the final version of the documents from the drafting team. The detailed results of this review shall be provided to the drafting team and the Standards Committee with a recommendation on whether the documents are ready for formal posting and balloting.

If the Standards Committee agrees that the proposed standard, implementation plan, VRFs or VSLs pass this review, the Standards Committee shall authorize posting the proposed standard, implementation plan, VRFs and VSLs for a formal comment period, ballot (for the standard and implementation plan), and non-binding poll (for VRFs and VSLs) as soon as the work flow will accommodate.

If the Standards Committee finds that any of the documents do not meet the specified criteria, the Standards Committee shall remand the documents to the drafting team for additional work.

If the standard is outside the scope of the associated SAR, the drafting team shall be directed to either revise the standard so that it is within the approved scope, or submit a request to expand the scope of the approved SAR. If the standard is not clear and enforceable as written, or if the standard or its VRFs or VSLs do not meet the specified criteria, the standard shall be returned to the drafting team with specific identification of any requirement that is deemed to be unclear or unenforceable as written.

Conduct Formal Comment Periods

Most proposed new or modified standards will require a minimum of two formal comment periods where the new or modified standard, its associated VRFs and VSLs, and implementation plan or the proposal to retire a standard and its associated VRFs, VSLs and implementation plan are posted. The Standards Committee has the authority to waive the initial 30-day formal comment period if the proposed revision to a standard is minor and not substantive.

The first formal comment period shall be at least 30-days long. If the drafting team makes substantive revisions to the standard following the initial formal comment period, then the standard shall undergo another quality review before it is posted for its second formal comment period. The second formal comment period shall have a 45-day duration and shall start after the drafting team has posted its consideration of stakeholder comments and any conforming changes to the associated standard.

Formation of the ballot pool and the initial ballot of the standard and the non-binding poll of the VRFs and VSLs take place during the second formal comment period. If additional formal comment periods are needed, they shall be at least 30-days in length and shall be conducted in parallel with successive ballots and if needed, successive non-binding polls of the VRFs and VSLs.

The intent of the formal comment periods is to solicit very specific feedback on the final draft of the standard, VRFs, VSLs, and implementation plan. If stakeholders disagree with some aspect of the proposed set of products, comments provided should suggest specific language that would make the product acceptable to the stakeholder.

The drafting team shall consider and respond to all comments submitted during the formal comment periods at the same time and in the same manner as specified for addressing comments submitted with ballots. NERC staff shall provide assistance in responding to comments on VRFs and VSLs.

[19] The quality review will involve a representative from the Compliance and Certification Committee as well as others; but will not involve individuals who participated in the development of the standard.

All comments received and all responses shall be publicly posted. Stakeholders who submit comments objecting to some aspect of the documents posted for comment shall determine if the response provided by the drafting team satisfies the objection. All objectors shall be informed of the appeals process contained within this manual.

Form Ballot Pool

The standards staff shall establish a ballot pool during the first 30 days of the 45-day formal comment period. The standards staff shall post the proposed standard, its implementation plan, VRFs, and VSLs and shall send a notice to every entity in the Registered Ballot Body to provide notice that there is a new or revised standard proposed for approval and to solicit participants for the associated ballot pool. All members of the Registered Ballot Body are eligible to join each ballot pool to vote on a new or revised reliability standard and its implementation plan. Members who join the ballot pool to vote on the new or revised standard and its implementation plan are automatically entered into the ballot pool to participate in the non-binding poll of the associated VRFs and VSLs.

Any member of the Registered Ballot Body may join or withdraw from the ballot pool until the ballot window opens. No Registered Ballot Body member may join or withdraw from the ballot pool once the first ballot starts through the point in time where balloting for that standard action has ended. The Director of Standards may authorize deviations from this rule for extraordinary circumstances such as the death, retirement, or disability of a ballot pool member that would prevent an entity that had a member in the ballot pool from eligibility to cast a vote during the ballot window. Any approved deviation shall be documented and noted to the Standards Committee.

Conduct Initial Ballot and Conduct Non-binding Poll

The standards staff shall announce the opening of the initial ballot window and the non-binding poll of VRFs and VSLs. The ballot window and non-binding poll window shall both take place during the last 10 days of the 45-day formal comment period. This allows all stakeholders the opportunity to comment on the final draft of each proposed standard, even those stakeholders who are not members of the ballot pool.

The ballot and non-binding poll shall be conducted electronically. The voting and polling windows shall each be a period of 10 calendar days but both shall be extended, if needed, until a quorum is achieved. During a ballot window, NERC shall not sponsor or facilitate public discussion of the standard action under ballot.

Consider and Respond to Stakeholder and Balloter Comments

The drafting team shall consider every stakeholder comment submitted either in response to a formal comment period or submitted with a ballot that includes a proposal for a specific modification to the standard or its implementation plan posted for comment and approval. The drafting team shall provide a response to each of these proposals indicating whether the drafting team adopted the recommendation, in accordance with the following:

If a Comment:	Then	And
Is unrelated to proposed standard action	Note that comment is unrelated	No further action needed
Proposes change that expands project scope	Note that comment is proposing an expansion	Add item to "issues database" for consideration during next update to the standard
Proposes a modification based on a technical issue not previously identified	Provide the drafting team's technical analysis of the proposal	If the team accepts the proposal, modify the standard
Proposed a modification based on a technical issue previously vetted	Provide a summary of the vetting and resolution previously reached	No further action needed
Proposes a modification to provide greater clarity	Provide the drafting team's view as to whether the proposed modification improves clarity	If the team accepts the proposal, modify the standard

If stakeholders submit comments that indicate a specific improvement to one or more of the VRFs or VSLs would improve consensus without violating the criteria for setting VRFs and VSLs, then the drafting team, working with NERC staff, shall consider and respond to each comment, and shall make conforming changes to reflect those comments. There is no requirement to conduct a new non-binding poll of the revised VRFs and VSLs if no changes were made to the associated standard, however if the requirements are modified and conforming changes are made to the associated VRFs and VSLs, another non-binding poll of the revised VRFs and VSLs shall be conducted.

All comments submitted and the responses to those comments shall be publicly posted.

Criteria for Ballot Pool Approval

Ballot pool approval of a reliability standard requires:

- A quorum, which is established by at least 75% of the members of the ballot pool submitting a response with an affirmative vote, a negative vote, or an abstention; and
- A two-thirds majority of the weighted segment votes cast shall be affirmative. The number of votes cast is the sum of affirmative and negative votes, excluding abstentions and non-responses.

The following process[20] is used to determine if there are sufficient affirmative votes.

- For each segment with ten or more voters, the following process shall be used: The number of affirmative votes cast shall be divided by the sum of affirmative and negative votes cast to determine the fractional affirmative vote for that segment. Abstentions and non-responses shall not be counted for the purposes of determining the fractional affirmative vote for a segment.

[20] Examples of Weighted Segment Voting Calculation are posted on the Reliability Standards Resources Web Page.

- For each segment with less than ten voters, the vote weight of that segment shall be proportionally reduced. Each voter within that segment voting affirmative or negative shall receive a weight of 10% of the segment vote.
- The sum of the fractional affirmative votes from all segments divided by the number of segments voting[21] shall be used to determine if a two-thirds majority has been achieved. (A segment shall be considered as "voting" if any member of the segment in the ballot pool casts either an affirmative or a negative vote.)
- A standard shall be approved if the sum of fractional affirmative votes from all segments divided by the number of voting segments is at least two thirds.

Each member of the ballot pool may vote one of the following positions:

- Affirmative
- Affirmative, with comment
- Negative without comment
- Negative with comments (if possible reasons should include specific wording or actions that would resolve the objection)
- Abstain

Each ballot pool member submitting a negative vote with comments shall determine if the response provided by the drafting team satisfies those stated concerns. Each such balloter shall be informed of the appeals process contained within this manual.

If a standard achieves a quorum and there are no negative votes with comments from the initial ballot, and the overall approval is at least two thirds (weighted by segment) then the results of the initial ballot shall stand as final and the draft reliability standard and associated implementation plan shall be deemed to be approved by its ballot pool.

Successive Ballots (Standard has Changed Substantively from Prior Ballot)
If a stakeholder or balloter proposes a significant revision to the standard during the formal comment period or concurrent initial ballot that will improve the quality, clarity, or enforceability of that standard then the drafting team shall make such revisions and post the revised standard for another public comment period and ballot. If the previous ballot achieved a quorum and sufficient affirmative ballots for approval, the comment period shall be 30 days and the new ballot may focus on the entire standard and its implementation plan or may focus only on the element(s) that were changed following the previous ballot.

The drafting team shall address comments submitted during successive ballot periods (comments submitted from stakeholders during the open formal comment period and comments submitted with negative ballots) in the same manner as for the initial ballot. Once the drafting team has a draft standard that has been through a "successive ballot" and the team believes that no additional significant modifications are needed, the standard shall be posted for a Recirculation Ballot.

Conduct Recirculation (Final) Ballot

(Standard has not Changed Substantively from Prior Ballot)
When the drafting team has reached a point where it has made a good faith effort at resolving applicable objections, the team shall conduct a recirculation ballot. In the recirculation ballot, members of the ballot pool shall again be presented the proposed standard (that has not been significantly changed from the

[21] When less than ten entities vote in a segment, the total weight for that segment shall be determined as one tenth per entity voting, up to ten.

previous ballot) along with the reasons for negative votes, the responses, and any resolution of the differences. An insignificant revision is a revision that does not change the scope, applicability, or intent of any requirement and includes but is not limited to things such as correcting the numbering of a requirement, correcting the spelling of a word, adding an obviously missing word, or rephrasing a requirement for improved clarity. Where there is a question as to whether a proposed modification is "substantive" the Standards Committee shall make the final determination. There is no formal comment period concurrent with the recirculation ballot and no obligation for the drafting team to respond to any comments submitted during the recirculation ballot.

All members of the ballot pool shall be permitted to reconsider and change their vote from the prior ballot. Members of the ballot pool who did not respond to the prior ballot shall be permitted to vote in the recirculation ballot. In the recirculation ballot, votes shall be counted by exception only — members on the recirculation ballot may indicate a revision to their original vote otherwise their vote shall remain the same as in their prior ballot.

Final Ballot Results

There are no limits to the number of "successive" public comment periods and ballots that can be conducted to result in a standard or interpretation that is clear and enforceable, and achieves a quorum and sufficient affirmative votes for approval. The Standards Committee has the authority to conclude this process or a particular standards action if it becomes obvious that the drafting team cannot develop a standard that is within the scope of the associated SAR, is sufficiently clear to be enforceable, and achieves the requisite weighted segment approval percentage.

The standards staff shall post the final outcome of the ballot process. If the standard is rejected, the process is ended and any further work on the items within the SAR's original scope shall require a new SAR. If the standard is approved, the consensus standard shall be posted and presented to the Board of Trustees for adoption by NERC.

Board of Trustee Adoption of Standards and Implementation Plans

A reliability standard and its implementation plan submitted for adoption by the Board of Trustees shall be provided to the NERC Board of Trustees at the same time it is posted for the ballot pool's pre-ballot review. If the standard and implementation plan are approved by their ballot pool, the Board of Trustees shall consider adoption of that reliability standard and its associated implementation plan. In making its decision, the board shall consider the results of the balloting and unresolved dissenting opinions. The board shall adopt or reject a standard and its implementation plan, but shall not modify a proposed reliability standard. If the board chooses not to adopt a standard, it shall provide its reasons for not doing so.

Board of Trustee Approval of Violation Risk Factors and Violation Severity Levels

The board shall consider approval of the VRFs and VSLs associated with a reliability standard. In making its determination, the board shall consider the following:

- The Standards Committee shall present the results of the non-binding poll conducted and a summary of industry comments received on the final posting of the proposed VRFs and VSLs.
- NERC staff shall present a set of recommended VRFs and VSLs that considers the views of the standard drafting team, stakeholder comments received on the draft VRFs and VSLs during the posting for comment process, the non-binding poll results, appropriate governmental agency rules and directives, and VRF and VSL assignments for other Reliability Standards to ensure consistency and relevance across the entire spectrum of Reliability Standards.

Governmental Approvals

If the board approves a reliability standard and its implementation plan and the associated VRFs and VSLs, the board shall direct NERC staff to file the standard, its implementation plan and its associated VRFs and VSLs, with applicable governmental authorities in the United States, Canada, and Mexico for approval.

Compliance

For a standard to be enforceable, it shall be approved by its ballot pool, adopted by the NERC Board of Trustees, and then approved by applicable governmental authorities. Once a reliability standard is approved or otherwise made mandatory by applicable governmental authorities in the United States, Canada, and Mexico, all persons and organizations subject to the reliability jurisdiction are required to comply with the standard in accordance with applicable statutes, regulations, and agreements.

Process for Developing a Defined Term

NERC maintains a glossary of approved terms, entitled the "*Glossary of Terms Used in Reliability Standards*.[22]" The glossary includes terms that have been through the formal approval process and are used in one or more NERC reliability standards. Definitions shall not contain statements of performance requirements. There are two sections to the glossary. The first section includes definitions for terms used in continent-wide standards, and the second section includes definitions for terms used in Regional Entity standards that have been adopted by the NERC Board of Trustees. The Glossary of Terms is intended to provide consistency throughout the Reliability Standards.

There are several methods that can be used to add, modify or retire a defined term used in a continent-wide standard.

- Anyone can use a Standard Authorization Request (SAR) to submit a request to add, modify, or retire a defined term.
- Anyone can submit a Standards Comments and Suggestions Form recommending the addition, modification, or retirement of a defined term. (The suggestion would be added to a project and incorporated into a SAR.)
- A drafting team may propose to add, modify, or retire a defined term in conjunction with the work it is already performing.

Proposals to Develop a New or Revised Definition
The following considerations should be made when considering proposals for new or revised definitions:

- Some NERC Regional Entities have defined terms that have been approved for use in Regional Reliability Standards, and where the drafting team agrees with a term already defined by a Region, the same definition should be adopted if needed to support a NERC standard.
- If a term is used in a reliability standard according to its common meaning (as found in a collegiate dictionary), the term shall not be proposed for addition to the NERC *Glossary of Terms Used in Reliability Standards*.
- If a term has already been defined, any proposal to modify or delete that term shall consider all uses of the definition in approved standards, with a goal of determining whether the proposed modification is acceptable, and whether the proposed modification would change the scope or intent of any approved standards.
- When practical, where The North American Energy Standards Board (NAESB) has a definition for a term, the drafting team shall use the same definition to support a NERC standard.

Any definition that is balloted separately from a proposed new or modified standard or from a proposal for retirement of a standard shall be accompanied by an implementation plan.

If a SAR is submitted to the standards staff with a proposal for a new or revised definition, the Standards Committee shall consider the urgency of developing the new or revised definition and may direct staff to post the SAR immediately, or may defer posting the SAR until a later time based on its priority relative to other projects already underway or already approved for future development. If the SAR identifies a term that is used in a standard already under revision by a drafting team, the Standards Committee may direct

[22] The latest approved version of the glossary is posted on the Standards Web Page.

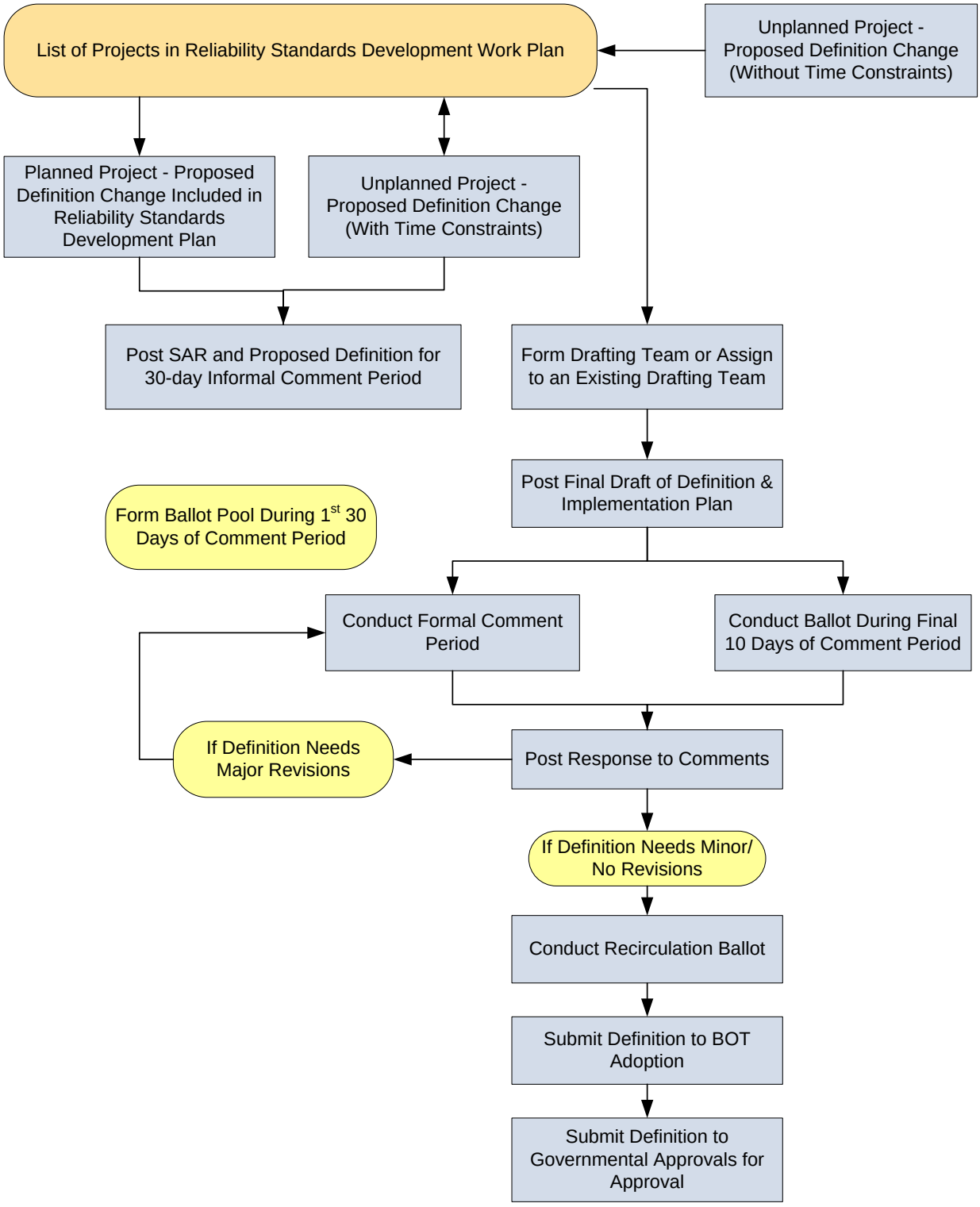
the drafting team to add the term to the scope of the existing project. Each time the Standards Committee accepts a SAR for a project that was not identified in the *Reliability Standards Development Plan* the project shall be added to the list of approved projects.

Stakeholder Comments and Approvals

Any proposal for a new or revised definition shall be processed in the same manner as a standard. The drafting team shall submit its work for a quality review and the Standards Committee and drafting team shall consider that review when determining whether the definition and its implementation plan are ready for formal comment and balloting. Once authorized by the Standards Committee, the proposed definition and its implementation plan shall be posted for at least one 45-day formal stakeholder comment period and shall be balloted in the same manner as a standard. If a new or revised definition is proposed by a drafting team, that definition may be balloted separately from the associated standard.

Each definition that is approved by its ballot pool shall be submitted to the NERC Board of Trustees for adoption and then filed with applicable governmental authorities for approval in the same manner as a standard.

Process for Developing a New or Revised Definition Initiated with a SAR



Processes for Conducting Field Tests and Collecting and Analyzing Data

While most drafting teams can develop their standards without the need to conduct any field tests and without the need to collect and analyze data, some standard development efforts may involve field tests analysis of data to validate concepts, requirements or compliance elements of standards.

There are three types of field tests – tests of concepts; tests of requirements; and tests of compliance elements.

Field Tests and Data Analysis for Validation of Concepts
Field tests or collection and analysis of data to validate concepts that support the development of requirements should be conducted before the SAR for a project is finalized. If an entity wants to test a technical concept in support of a proposal for a new or revised reliability standard, the entity should either work with one of NERC's technical committees in collecting and analyzing the data or in conducting the field test, or the entity should submit a SAR with a request to collect and analyze data or conduct a field test to validate the concept prior to developing a new or revised standard. The request to collect and analyze data or conduct a field test should include, at a minimum, either the data collection and analysis or field test plan, the implementation schedule, and an expectation for periodic updates of the analysis of the results. If the SAR sponsor has not collected and analyzed the data or conducted the field test, the Standards Committee may solicit support from NERC's technical committees or others in the industry. The results of the data collection and analysis or field test shall then be used to determine whether to add the SAR to the list of projects in the Reliability Standard Development Plan.

If a drafting team finds that it needs to collect and analyze data or conduct a field test of a concept that was not identified when the SAR was accepted, then the Standards Committee may direct the team to withdraw the SAR until the data has been collected and analyzed or until the field test has been conducted and the industry has had an opportunity to review the results for the impact on the scope of the proposed project.

Field Tests and Data Analysis for Validation of Requirements
If a drafting team wants to conduct a field test or collect and analyze data to validate its proposed requirements, measures, or compliance elements in a reliability standard, the team shall first obtain approval from the Standards Committee[23]. Drafting teams are not required to collect and analyze data or to conduct a field test to validate a standard.

The request should include at a minimum the data collection and analysis or field test plan, the implementation schedule, and an expectation for periodic updates of the results. When authorizing a drafting team to collect and analyze data or to conduct a field test of one or more requirements, the Standards Committee may request inputs on technical matters related from NERC's technical committees or industry experts, and may request the assistance of the compliance organization. All data collection and analysis and all field tests shall be concluded and the results incorporated into the standard requirements as necessary before proceeding to the formal comment period and subsequent balloting.

Field Tests and Data Analysis for Validation of Compliance Elements

[23] The Process for Approving Data Collection and Analysis and Field Tests Associated with a Reliability Standard is posted on the Reliability Standards Resources Web Page.

If the Compliance Monitoring and Enforcement Program identifies a need to collect and analyze data or conduct a field test of one or more of the compliance elements of a proposed standard, then the Compliance Monitoring and Enforcement Program shall request the Standards Committee's approval. The request should include at a minimum the data collection and analysis or field test plan, the implementation schedule, and an expectation for periodic updates of the results.

When authorizing a drafting team to collect and analyze data or to conduct a field test of one or more compliance elements of a standard, the Standards Committee shall request the assistance of the Compliance Monitoring and Enforcement Program in conducting the field test.

Communication and Coordination for All Types of Field Tests and Data Analyses
If the conduct of a field test (concepts, requirements or compliance elements) or data collection and analysis could render Registered Entities incapable of complying with the current requirements of an approved standard that is undergoing revision, the drafting team shall request a temporary waiver from compliance to those requirements for entities participating in the field test. Upon request, the Standards Committee shall seek approval for the waiver from the Compliance Monitoring and Enforcement Program prior to the approval of the field test or data collection and analysis.

Once a plan for a field test or a plan for data collection and analysis is approved, the standards staff shall, under the direction of the Standards Committee, coordinate the implementation of the field test or data collection and analysis and shall provide official notice to the participants in the field test or data collection of any applicable temporary waiver to compliance with specific noted requirements. The drafting team conducting the field test shall provide periodic updates on the progress of the field tests or data collection and analysis to the Standards Committee. The Standards Committee has the right to curtail a field test or data collection and analysis that is not implemented in accordance with the approved plan.
The field test plan or data collection and analysis plan, its approval, its participants, and all reports and results shall be publicly posted for stakeholder review on the Standards Web Page.

If a drafting team conducts or participates in a field test or in data collection and analysis (of concepts, requirements or compliance elements), it shall provide a final report that identifies the results and how those results will be used.

Process for Developing an Interpretation

A valid interpretation request is one that requests additional clarity about one or more requirements in approved NERC reliability standards, but does not request approval as to how to comply with one or more requirements. A valid interpretation response provides additional clarity about one or more requirements, but does not expand on any requirement and does not explain how to comply with any requirement. Any entity that is directly and materially affected by the reliability of the North American bulk power systems may request an interpretation of any requirement in any continent-wide standard that has been adopted by the NERC Board of Trustees.

The entity requesting the interpretation shall submit a *Request for Interpretation* form[24] to the standards staff explaining the clarification required, the specific circumstances surrounding the request, and the impact of not having the interpretation provided.

The standards staff shall form a ballot pool and assemble an interpretation drafting team with the relevant expertise to address the clarification. As soon as practical the team shall develop a "final draft" interpretation providing the requested clarity.

The standards staff shall coordinate a quality review[25] of the interpretation to assess whether the interpretation is clear and provides the requested clarity without expanding on any requirement. The detailed results of this review shall be provided to the drafting team and the Standards Committee with a recommendation on whether the documents are ready for formal posting and balloting and if the Standards Committee agrees that the proposed interpretation passes this review, the Standards Committee shall authorize posting the proposed interpretation.

The first formal comment period shall be 30-days long. If the drafting team makes substantive revisions to the interpretation following the initial formal comment period, then the interpretation shall undergo another quality review before it is posted for its second formal comment period. The second formal comment period shall have a 45-day duration and shall start after the drafting team has posted its consideration of stakeholder comments and any conforming changes to the associated standard.
Formation of a ballot pool shall take place during the first 30 days of the 45-day formal comment period, and the initial ballot of the interpretation shall take place during the last 10 days of that formal comment period. The interpretation drafting team shall consider and respond to all comments submitted during the formal comment period at the same time and in the same manner as specified for addressing comments submitted with ballots.

All comments received and all responses shall be publicly posted. Stakeholders who submit comments objecting to some aspect of the interpretation shall determine if the response provided by the drafting team satisfies the objection. All objectors shall be informed of the appeals process contained within this manual.

- If the ballot achieves a quorum and a 2/3 weighted segment approval, and there are no negative ballots with comments the ballot results are final.
- If stakeholder comments indicate the need for minor revisions, the interpretation drafting team shall make those revisions and post the interpretation for a 10-day recirculation ballot. (A minor revision is a revision that includes but is not limited to things such as correcting the spelling of a word, adding an obviously missing word, or rephrasing a sentence for improved

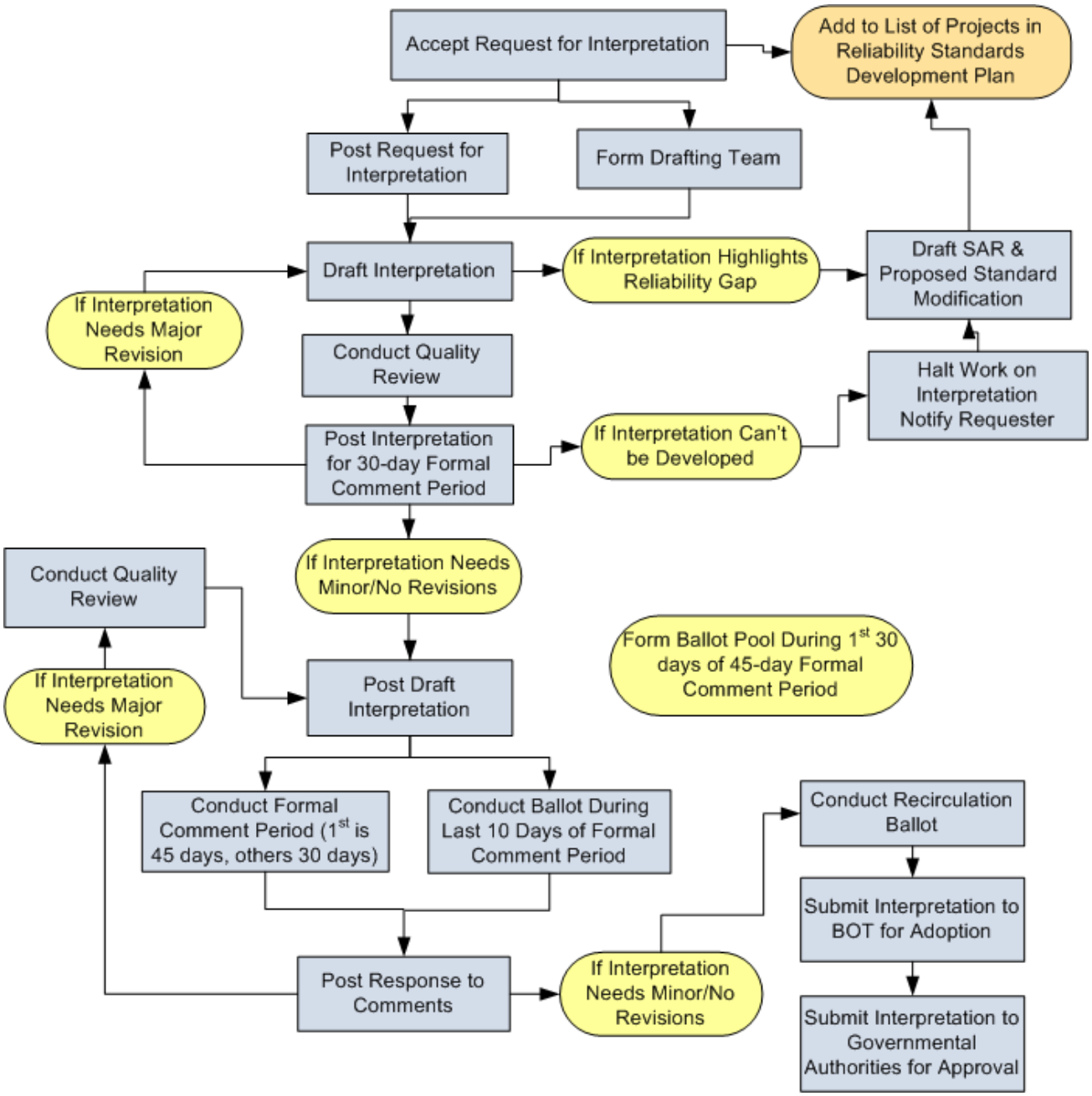
[24] The Request for Interpretation Form is posted on the NERC Standards Web Page.
[25] The quality review will involve a representative from the Compliance and Certification Committee as well as others; but will not involve individuals who participated in the development of the interpretation.

clarity without changing the scope of what was previously written.) If stakeholder comments indicate that there is not consensus for the interpretation or if stakeholders propose significant modifications that would improve the interpretation and the interpretation drafting team can revise the interpretation without violating the basic expectations outlined above, the interpretation drafting team shall post the comments received and a revised interpretation for a 30-day comment period and balloting during the last 10-days of that comment period. If the ballot achieves a quorum and a 2/3 weighted segment approval, and additional modifications to the interpretation are not necessary (based on a review of the comments submitted with the ballot) the interpretation shall proceed to a recirculation ballot.

- If stakeholder comments indicate that there is not consensus for the interpretation, and the interpretation drafting team cannot revise the interpretation without violating the basic expectations outlined above, the interpretation drafting team shall notify the Standards Committee of its conclusion and shall submit a SAR with the proposed modification to the standard. The entity that requested the interpretation shall be notified and the disposition of the interpretation shall be posted.
- If, during its deliberations, the interpretation drafting team identifies a reliability gap in the standard that is highlighted by the interpretation request, the interpretation drafting team shall notify the Standards Committee of its conclusion and shall submit a SAR with the proposed modification to the standard at the same time it provides its proposed interpretation, recommending use of the expedited standards development process as appropriate to address any significant reliability gap.

If approved by its ballot pool, the interpretation shall be appended to the standard and forwarded to the NERC Board of Trustees for adoption. If an interpretation drafting team proposes a modification to a standard as part of its work in developing an interpretation, the Board of Trustees shall be notified of this proposal at the time the interpretation is submitted for adoption. Following adoption by the Board of Trustees, NERC staff shall file the interpretation for approval by governmental authorities and the interpretation shall become effective when approved by those governmental authorities. The interpretation shall stand until such time as the interpretation can be incorporated into a future revision of the standard or the interpretation is retired due to a future modification of the applicable requirement.

Processing a Request for an Interpretation



Process for Appealing an Action or Inaction

Any entity that has directly and materially affected interests and that has been or will be adversely affected by any procedural action or inaction related to the development, approval, revision, reaffirmation, or withdrawal of a reliability standard, definition, variance, associated implementation plan, or interpretation shall have the right to appeal. This appeals process applies only to the NERC reliability standards processes as defined in this manual, not to the technical content of the standards action.

The burden of proof to show adverse effect shall be on the appellant. Appeals shall be made within 30 days of the date of the action purported to cause the adverse effect, except appeals for inaction, which may be made at any time.

The final decisions of any appeal shall be documented in writing and made public.

The appeals process provides two levels, with the goal of expeditiously resolving the issue to the satisfaction of the participants.

Level 1 Appeal
Level 1 is the required first step in the appeals process. The appellant shall submit (to the Director of Standards) a complaint in writing that describes the procedural action or inaction associated with the standards process. The appellant shall describe in the complaint the actual or potential adverse impact to the appellant. Assisted by staff and industry resources as needed, the Director of Standards shall prepare a written response addressed to the appellant as soon as practical but not more than 45 days after receipt of the complaint. If the appellant accepts the response as a satisfactory resolution of the issue, both the complaint and response shall be made a part of the public record associated with the standard.

Level 2 Appeal
If after the Level 1 Appeal the appellant remains unsatisfied with the resolution, as indicated by the appellant in writing to the Director of Standards, the Director of Standards shall convene a Level 2 Appeals Panel. This panel shall consist of five members appointed by the Board of Trustees. In all cases, Level 2 Appeals Panel members shall have no direct affiliation with the participants in the appeal.

The standards staff shall post the complaint and other relevant materials and provide at least 30 days notice of the meeting of the Level 2 Appeals Panel. In addition to the appellant, any entity that is directly and materially affected by the procedural action or inaction referenced in the complaint shall be heard by the panel. The panel shall not consider any expansion of the scope of the appeal that was not presented in the Level 1 Appeal. The panel may, in its decision, find for the appellant and remand the issue to the Standards Committee with a statement of the issues and facts in regard to which fair and equitable action was not taken. The panel may find against the appellant with a specific statement of the facts that demonstrate fair and equitable treatment of the appellant and the appellant's objections. The panel may not, however, revise, approve, disapprove, or adopt a reliability standard, definition, variance or interpretation or implementation plan as these responsibilities remain with the ballot pool and Board of Trustees respectively. The actions of the Level 2 Appeals Panel shall be publicly posted.

In addition to the foregoing, a procedural objection that has not been resolved may be submitted to the Board of Trustees for consideration at the time the board decides whether to adopt a particular reliability standard, definition, variance or interpretation. The objection shall be in writing, signed by an officer of the objecting entity, and contain a concise statement of the relief requested and a clear demonstration of

the facts that justify that relief. The objection shall be filed no later than 30 days after the announcement of the vote by the ballot pool on the reliability standard in question.

Process for Developing a Variance

A variance is an approved, alternative method of achieving the reliability intent of one or more requirements in a standard. No regional entity or bulk power system owner, operator, or user shall claim a variance from a NERC reliability standard without approval of such a variance through the relevant standard approval procedure for the variance. Each variance from a NERC reliability standard that is approved by NERC and applicable governmental authorities shall be made an enforceable part of the associated NERC reliability standard.

NERC's drafting teams shall aim to develop standards with requirements that apply on a continent-wide basis, minimizing the need for variances while still achieving the standard's reliability objectives. If one or more requirements cannot be met or complied with as written because of a physical difference in the bulk power system or because of an operational difference (such as a conflict with a Federally or Provincially approved tariff), but the requirement's reliability objective can be achieved in a different fashion, an entity or a group of entities may pursue a variance from one or more requirements in a continent-wide standard. It is the responsibility of the entity that needs a variance to identify that need and initiate the processing of that variance through the submittal of a SAR[26] that includes a clear definition of the basis for the variance.
There are two types of variances – those that apply on an interconnection-wide basis, and those that apply to one or more entities on less than an interconnection-wide basis.

Interconnection-wide Variances
Any variance from a NERC reliability standard requirement that is proposed to apply to responsible entities within a regional entity organized on an interconnection-wide basis shall be considered an Interconnection-wide Variance and shall be developed through that regional entity's NERC-approved regional reliability standards development procedure.

While an interconnection-wide variance may be developed through the associated Regional Entity standards development process, regional entities are encouraged to work collaboratively with existing continent-wide drafting team to reduce potential conflicts between the two efforts.

An Interconnection-wide Variance from a NERC reliability standard that is determined by NERC to be just, reasonable, and not unduly discriminatory or preferential, and in the public interest, and consistent with other applicable standards of governmental authorities shall be made part of the associated NERC reliability standard. NERC shall rebuttably presume that an Interconnection-wide Variance from a NERC reliability standard that is developed, in accordance with a standards development procedure approved by NERC, by a regional entity organized on an interconnection-wide basis, is just, reasonable, and not unduly discriminatory or preferential, and in the public interest.

Variances that Apply on Less than an Interconnection-wide Basis
Any variance from a NERC reliability standard requirement that is proposed to apply to one or more entities but less than an entire Interconnection (e.g., a variance that would apply to a regional transmission organization or particular market or to a subset of bulk power system owners, operators, or users), shall be considered a Variance. A Variance may be requested while a standard is under development or a Variance may be requested at any time after a standard is approved. Each request for a Variance shall be initiated through a SAR, and processed and approved in the same manner as a continent-wide standard, using the standards development process defined in this manual.

[26] A sample of a SAR that identifies the need for a Variance and a sample Variance are posted as resources on the Reliability Standards Resources Web Page.

Expedited Standards Development Process

NERC may need to develop a new or modified standard, VRFs, VSLs, definition, variance, or implementation plan[27] under specific time constraints (such as to meet a time constrained regulatory directive) or to meet an urgent reliability issue such that there isn't sufficient time to follow all the steps in the normal standards development process. Under those conditions, the Standards Committee shall have the authority to approve any of the following actions to expedite development:

- Shorten the 45-day formal comment period
- Shorten the 30-day period for forming the ballot pool
- Allow significant modifications following the initial ballot without the need for another formal comment period provided the modifications are highlighted before conducting any successive ballot
- Shorten any of the 10-day ballot windows

If a new or modified standard is developed, approved by its ballot pool, and subsequently adopted by the NERC Board of Trustees through this expedited process, one of the following three actions shall occur[28]:

- If the standard is to be made permanent without additional substantive changes, then a SAR and a proposed standard shall be submitted to the standards staff immediately after the ballot. The project shall be added to the list of approved projects and shall proceed through the regular standard development process, including balloting by stakeholders, without any intentional delay.
- If the standard is to be substantively revised or replaced by a new standard, then a project for the new or revised standard shall be added to the list of projects to be added to the Reliability Standard Development Plan. The project shall be initiated as soon as practical after the ballot and the project shall proceed through the regular standard development process, including balloting by stakeholders, as soon as practical but within two years of the date the standard was approved by stakeholders using the expedited process.
- The standard shall be withdrawn through a ballot of the stakeholders within two years of the date the standard was approved by stakeholders using the expedited process.

[27] For the remainder of the description of the expedited standards development process, where the word, "standard" is used, the same process can be applied to a definition, variance, or implementation plan.

[28] Abbreviating the final formal comment period or a ballot window violate ANSI's accreditation requirements. The three actions that may be taken to fully process the expedited standard are intended to demonstrate NERC's commitment to meet ANSI's accreditation requirements.

Processes for Developing a Standard Related to a Confidential Issue

While it is NERC's intent to use its ANSI-accredited standards development process for developing its reliability standards, NERC has an obligation as the ERO to ensure that there are reliability standards in place to preserve the reliability of the interconnected bulk power systems throughout North America. When faced with a national security emergency situation, NERC may use one of the following special processes to develop a standard that addresses an issue that is confidential. Standards developed using one of the following processes shall be called, "special standards" and shall not be filed with ANSI for approval as ANSI standards.

The NERC Board of Trustees may direct the development of a new or revised reliability standard to address a national security situation that involves confidential issues. These situations may involve imminent or long-term threats. In general, these board directives will be driven by information from the President of the United States of America or the Prime Minister of Canada or a national security agency or national intelligence agency of either or both governments indicating (to the ERO) that there is a national security threat to the reliability of the bulk power system[29].

There are two special processes for developing standards responsive to confidential issues – one process where the confidential issue is "imminent", and one process where the confidential issue is "not imminent."

Process for Developing Standards Responsive to Imminent, Confidential Issues
If the NERC Board of Trustees directs the immediate development of a new or revised reliability standard to address a confidential national security emergency situation, the standards staff shall develop a SAR, form a ballot pool (to vote on the standard and its implementation plan and to participate in the non-binding poll of VRFs and VSLs) and assemble a slate of pre-defined subject matter experts as a proposed drafting team for approval by the Standards Committee's Officers. All members of the Registered Ballot Body shall have the opportunity to join the ballot pool.

Drafting Team Selection
The standard drafting team selection process shall be limited to just those candidates who have already been identified as having the appropriate security clearance, the requisite technical expertise, and either have signed or are willing to sign a strict confidentiality agreement.

Standards Committee Authority
Depending upon the level of urgency, the Standards Committee's Officers may authorize reducing or eliminating the 35-day pre-ballot review period, and may reduce the duration of both the initial ballot and the recirculation ballots to as few as 5 days, and shall allow significant modifications between the initial ballot and the recirculation ballot.

Work of Drafting Team
The standard drafting team shall perform all its work under strict security and confidential rules. The standard drafting team shall develop the new or revised standard, its implementation plan, and working with NERC staff shall develop associated VRFs and VSLs.

[29] The NERC board may direct the immediate development and issuance of an Essential Action alert and then may also direct the immediate development of a new or revised reliability standard.

The standard drafting team shall review its work, to the extent practical, as it is being developed with officials from the appropriate governmental agencies in the U.S. and Canada, under strict security and confidentiality rules.

Formal Stakeholder Comment & Ballot Window
The draft standard, its implementation plan and VRFs and VSLs shall be distributed for a formal comment period, under strict confidentiality rules, only to those entities that are listed in the NERC compliance registry to perform one of the functions identified in the applicability section of the standard and have identified individuals from their organizations that have signed confidentiality agreements with NERC.[30] At the same time, the standard shall be distributed to the members of the ballot pool for review and ballot. The standards staff shall not post or provide the ballot pool with any confidential background information.

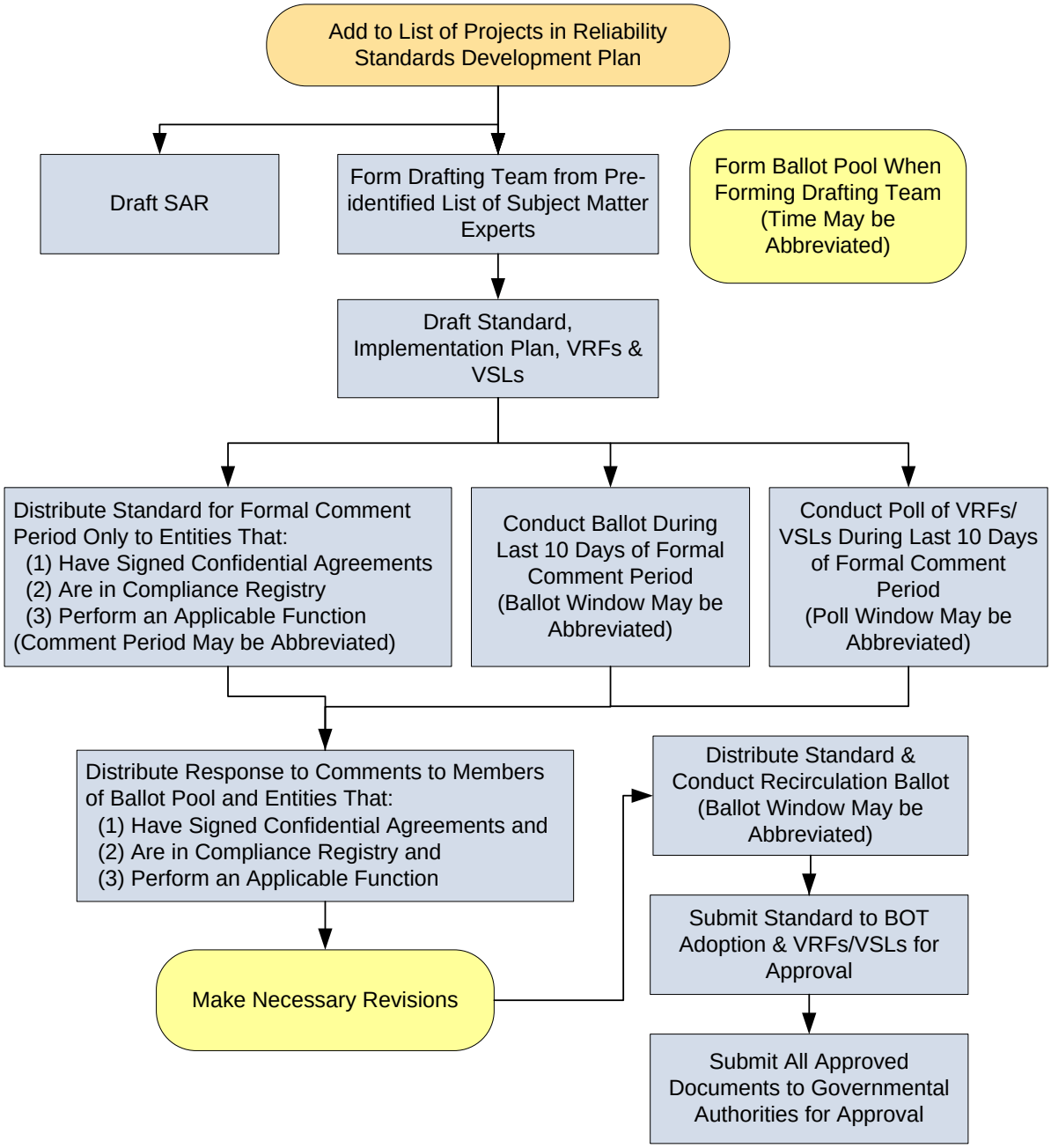
The drafting team, working with the standards staff, shall consider and respond to all comments, make any necessary conforming changes to the standard, its implementation plan, and its VRFs and VSLs and shall distribute the comments, responses and any revision to the same population as received the initial set of documents for formal comment and ballot.

Board of Trustee Actions
Each standard and implementation plan developed through this process shall be submitted to the NERC Board of Trustees for adoption and the associated VRFs and VSLs shall be filed with the Board of Trustees for approval.

Governmental Approvals
All approved documents shall be filed for approval with applicable governmental authorities.

[30] In this phase of the process, only the proposed standard shall be distributed to those entities expected to comply, not the rationale and justification for the standard. Only the special drafting team members, who have the appropriate security credentials, shall have access to this rationale and justification.

Developing a Standard Responsive to an Imminent, Confidential Issue



Process for Developing Standards Responsive to Non-imminent, Confidential Issues
If the NERC Board of Trustees directs the immediate development of a new or revised reliability standard to address a confidential national security emergency situation, the standards staff shall develop a SAR, form a ballot pool (to vote on the standard and its implementation plan and to participate in the non-binding poll of VRFs and VSLs) and assemble a slate of pre-defined subject matter experts as a proposed drafting team for approval by the Standards Committee's Officers. All members of the Registered Ballot Body shall have the opportunity to join the ballot pool.

Drafting Team Selection
The drafting team selection process shall be limited to just those candidates who have already been identified as having the appropriate security clearance, the requisite technical expertise, and either have signed or are willing to sign a strict confidentiality agreement.

Work of Drafting Team
The drafting team shall perform all its work under strict security and confidential rules. The standard drafting team shall develop the new or revised standard, its implementation plan, and working with NERC staff shall develop associated VRFs and VSLs.

The drafting team shall review its work, to the extent practical, as it is being developed with officials from the appropriate governmental agencies in the U.S. and Canada, under strict security and confidentiality rules.

Formal Stakeholder Comment & Ballot Window
The draft standard, its implementation plan and VRFs and VSLs shall be distributed for a formal comment period, under strict confidentiality rules, only to those entities that are listed in the NERC compliance registry to perform one of the functions identified in the applicability section of the standard and have identified individuals from their organizations that have signed confidentiality agreements with NERC.[31] At the same time, the standard shall be distributed to the members of the ballot pool for review and ballot. The standards staff shall not post or provide the ballot pool with any confidential background information.

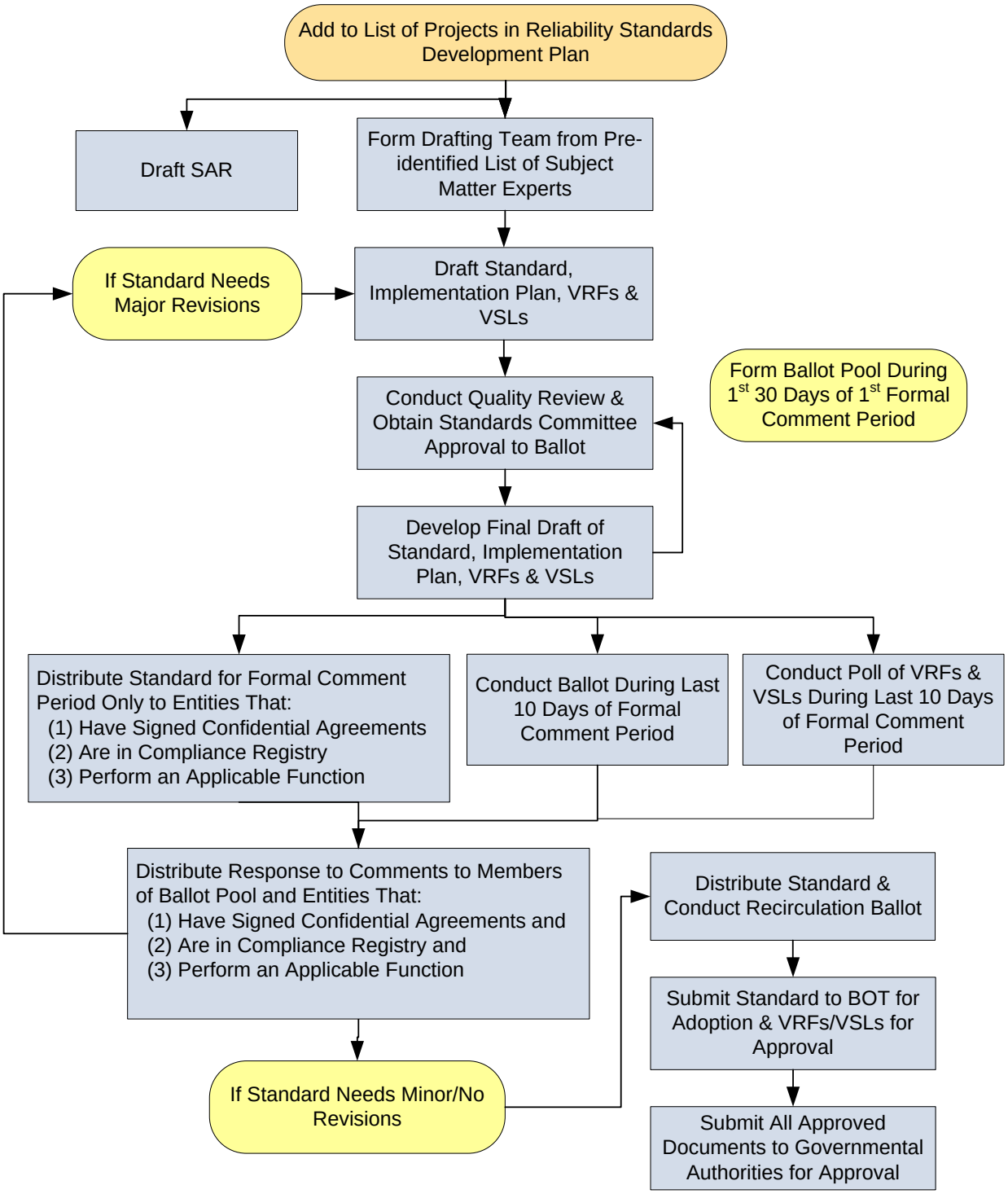
Revisions to Standard, Implementation Plan, VRFs and VSLs
The drafting team, working with the standards staff shall work to refine the standard, implementation plan, VRFs and VSLs in the same manner as for a new standard following the "normal" standards development process described earlier in this manual with the exception that distribution of the comments, responses, and new drafts shall be limited to those entities that are in the ballot pool and those entities that are listed in the NERC compliance registry to perform one of the functions identified in the applicability section of the standard and have identified individuals from their organizations that have signed confidentiality agreements with NERC

Board of Trustee Action
Each standard and implementation plan developed through this process shall be submitted to the NERC Board of Trustees for adoption and the associated VRFs and VSLs shall be filed with the Board of Trustees for approval.

Governmental Approvals
All approved documents shall be filed for approval with applicable governmental authorities.

[31] In this phase of the process, only the proposed standard shall be distributed to those entities expected to comply, not the rationale and justification for the standard. Only the special drafting team members, who have the appropriate security credentials, shall have access to this rationale and justification.

Developing a Standard Responsive to a Non-imminent, Confidential Issue



Process for Approving Supporting Documents

The following types of documents are samples of the types of supporting documents that may be developed to enhance stakeholder understanding and implementation of a reliability standard. These documents may explain or facilitate implementation of standards but do not themselves contain mandatory requirements subject to compliance review. Any requirements that are mandatory shall be incorporated into the standard in the standard development process.

While most supporting documents are developed by the drafting team working to develop the associated standard, any entity may develop a supporting document associated with a reliability standard.

The Standards Committee shall authorize the posting of all supporting references[32] that are linked to an approved standard. Prior to granting approval to post a supporting reference with a link to the associated standard, the Standards Committee shall verify that the document has had stakeholder review to verify the accuracy of the technical content. While the Standards Committee has the authority to approve the posting of each such reference, stakeholders, not the Standards Committee, verify the accuracy of the document's contents.

Type of Document	Description
Reference	Descriptive, technical information or analysis or explanatory information to support the understanding and interpretation of a reliability standard. A standard reference may support the implementation of a reliability standard or satisfy another purpose consistent with the reliability and market interface principles.
Guideline	Recommended process that identifies a method of meeting a requirement under specific conditions.
Supplement	Data forms, pro forma documents, and associated instructions that support the implementation of a reliability standard.
Training Material	Documents that support the implementation of a reliability standard.
Procedure	Step-wise instructions defining a particular process or operation. Procedures may support the implementation of a reliability standard or satisfy another purpose consistent with the reliability and market interface principles.
White Paper	An informal paper stating a position or concept. A white paper may be used to propose preliminary concepts for a standard or one of the documents above.

[32] The Standards Committee's Procedure for Approving the Posting of Reference Documents is posted on the Reliability Standards Resources Web Page.

Process for Correcting Errata

From time to time, an error may be discovered in an approved reliability standard. If the Standards Committee agrees that the correction of the error does not change the scope or intent of the associated standard, and agrees that the correction has no material impact on the end users of the standard, then the correction shall be submitted for information to the NERC Board of Trustees and filed for approval with applicable governmental authorities. The NERC Board of Trustees has resolved to concurrently approve any errata approved by the Standards Committee.

Process for Conducting Five-Year Review

Each reliability standard developed through NERC's ANSI-accredited standards development process shall be reviewed at least once every five years from the effective date of the standard or the date of the latest Board of Trustees adoption to a revision of the standard, whichever is later.

The *Reliability Standards Development Plan* shall include projects that address this five-year review of standards.

- If a standard is nearing its five-year review and has issues that need resolution, then the *Reliability Standards Development Plan* shall include a project for the complete review and review and associated revision of that standard that includes addressing all outstanding governmental directives, all approved interpretations, and all unresolved issues identified by stakeholders.
- If a standard is nearing its five-year review and there are no outstanding governmental directives interpretations, or unresolved stakeholder issues associated with that standard, then the Reliability *Standards Development Plan* shall include a project solely for the "five-year review" of that standard.

For a project that is focused solely on the five-year review, the Standards Committee shall appoint a review team of subject matter experts to review the standard and recommend whether the standard should be reaffirmed, revised, or withdrawn. Each review team shall post its recommendations for a 45-day formal stakeholder comment period and shall provide those stakeholder comments to the Standards Committee for consideration.

- If a review team recommends reaffirming a standard, the Standards Committee shall submit the reaffirmation to the Board of Trustees for adoption and then to governmental authorities for approval. Reaffirmation does not require approval by stakeholder ballot.
- If a review team recommends modifying or withdrawing a standard, the team shall develop a SAR with such a proposal and the SAR shall be submitted to the Standards Committee for prioritization as a new project. Each existing standard recommended for modification or withdrawal shall remain in effect in accordance with the associated implementation plan until the action to modify or withdraw the standard is approved by its ballot pool, adopted by the Board of Trustees, and approved by applicable governmental authorities.

In the case of reaffirmation of a standard, the standard shall remain in effect until the next five-year review or until the standard is otherwise modified or withdrawn by a separate action.

Public Access to Standards Information

Online Standards Information System
The standards staff shall maintain an electronic copy of information regarding currently proposed and currently in effect reliability standards. This information shall include current standards in effect, proposed revisions to standards, and proposed new standards. This information shall provide a record, for at a minimum the previous five years, of the review and approval process for each reliability standard, including public comments received during the development and approval process.

Archived Standards Information
The staff shall maintain a historical record of reliability standards information that is no longer maintained online. Archived information shall be retained indefinitely as practical, but in no case less than five years or one complete standard cycle from the date on which the standard was no longer in effect. Archived records of standards information shall be available electronically within 30 days following the receipt by the standards staff of a written request.

Process for Updating Standards Processes

Requests to Revise the Standard Processes Manual

Any person or entity may submit a request to modify one or more of the processes contained within this manual. The Standards Committee shall oversee the handling of each request. The Standards Committee shall prioritize all requests, merge related requests, and respond to each sponsor within 30 calendar days.

The Standards Committee shall post the proposed revisions for a 45-day formal comment period. Based on the degree of consensus for the revisions, the Standards Committee shall:

a. Submit the revised process or processes for ballot pool approval;
b. Repeat the posting for additional inputs after making changes based on comments received;
c. Remand the proposal to the sponsor for further work; or
d. Reject the proposal.

The Registered Ballot Body shall be represented by a ballot pool. The ballot procedure shall be the same as that defined for approval of a standard, including the use of a recirculation ballot if needed. If the proposed revision is approved by the ballot pool, the Standards Committee shall submit the revised procedure to the board for adoption. The Standards Committee shall submit to the board a description of the basis for the changes, a summary of the comments received, and any minority views expressed in the comment and ballot process. The proposed revisions shall not be effective until approved by the NERC Board of Trustees and applicable governmental authorities.

EXHIBIT B

NERC RELIABILITY STANDARDS DEVELOPMENT PROCESS, VERSION 7

NERC
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

Appendix 3A

Reliability Standards Development Procedure

Version 7 — Approved: NERC Board of Trustees November 5, 2009

Effective: February 5, 2010

116 -390 Village Boulevard, Princeton, New Jersey 08540-5721

Phone: 609.452.8030 · Fax: 609.452.9550 · www.nerc.com

NERC

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

Reliability Standards Development Procedure

Version 7

to ensure the reliability of the bulk power system

116-390 Village Blvd., Princeton, NJ 08540
609.452.8060 | 609.452.9550 fax
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Introduction

Purpose

This procedure defines the characteristics of a reliability standard of the North American Electric Reliability Corporation (NERC) and establishes the process for development of consensus for approval, revision, reaffirmation, and withdrawal of such standards. NERC reliability standards apply to the reliability planning and reliable operation of the bulk power systems of North America.

Authority

This procedure is published by the authority of the NERC Board of Trustees. The Board of Trustees, as necessary to maintain NERC's certification as the electric reliability organization (ERO), may file the procedure with applicable governmental authorities for approval as an ERO procedure. When approved, the procedure is appended to and provides implementation detail in support of the ERO Rules of Procedure Section 300 — Reliability Standards Development. A process for revising the procedure, including the role of stakeholders in modifying the procedure, is provided in the section titled Maintenance of Reliability Standards Development Procedure.

Background

NERC is a nonprofit corporation formed for the purpose of becoming the North American electric reliability organization. NERC's predecessor organization, the North American Electric Reliability Council, was formed in 1968 as a result of the Northeast blackout in 1965 to promote the reliability of the bulk power systems of North America.

NERC works with all stakeholder segments of the electric industry, including electricity users, to develop standards for the reliability planning and reliable operation of the bulk power systems. Historically, NERC standards were effectively applied on a voluntary basis. In the United States, the Energy Policy Act of 2005 added Section 215 to the Federal Power Act for the purpose of establishing a framework to make the standards mandatory for all bulk power system owners, operators, and users. Similar authorities are provided by applicable governmental authorities in Canada. NERC was certified as the electric reliability organization effective July 2006.

While NERC reliability standards are intended to promote reliability, they must at the same time accommodate competitive electricity markets. Reliability is a necessity for electricity markets, and robust electricity markets can support reliability.

Principles

Need for Guiding Principles

The NERC Board of Trustees has adopted reliability principles and market interface principles to define the purpose, scope, and nature of reliability standards. As these principles are fundamental to reliability and the market interface, these principles provide a constant beacon to guide the development of reliability standards. The Board of Trustees may modify these principles from time to time, as necessary, to adapt its vision for reliability standards.

Persons and committees that are responsible for the reliability standards process shall consider these principles in the execution of those duties. The reliability and market interface principles are listed in Appendix A in the Standard Authorization Request template.

Reliability Principles

NERC reliability standards are based on certain reliability principles that define the foundation of reliability for North American bulk power systems. Each reliability standard shall enable or support one or more of the reliability principles, thereby ensuring that each standard serves a purpose in support of reliability of the North American bulk power systems. Each reliability standard shall also be consistent with all of the reliability principles, thereby ensuring that no standard undermines reliability through an unintended consequence.

Market Interface Principles

Recognizing that bulk power system reliability and electricity markets are inseparable and mutually interdependent, all reliability standards shall be consistent with the market interface principles. Consideration of the market interface principles is intended to ensure that reliability standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.

Reliability Standard Definition, Characteristics, and Elements

Definition of a Reliability Standard

A reliability standard defines certain obligations or requirements of entities that operate, plan, and use the bulk power systems of North America. The obligations or requirements must be material to reliability and measurable. Each obligation and requirement shall support one or more of the stated reliability principles and shall be consistent with all of the stated reliability and market interface principles. A reliability standard is defined as follows:

> "Reliability standard" means a requirement to provide for reliable operation of the bulk power system, including without limiting the foregoing, requirements for the operation of existing bulk power system facilities, including cyber security protection, and including the design of planned additions or modifications to such facilities to the extent necessary for reliable operation of the bulk power system; but shall not include any requirement to enlarge bulk power system facilities or to construct new transmission capacity or generation capacity[1].

Characteristics of a Reliability Standard

Reliability standards include standards for the operation and planning of interconnected systems, consistent with the reliability and market interface principles. The format and process defined by this procedure applies to all reliability standards.

Although reliability standards have a common format and process, several types of reliability standards may exist, each with a different approach to measurement:

- **Technical standards** related to the provision, maintenance, operation, or state of bulk power systems will likely contain measures of physical parameters and will often be technical in nature.
- **Performance standards** related to the actions of entities providing for or impacting the reliability of bulk power systems will likely contain measures of the results of such actions, or the nature of the performance of such actions.
- **Preparedness standards** related to the actions of entities to be prepared for conditions that are unlikely to occur but are critical to reliability will likely contain measures of such preparations or the state of preparedness, but measurement of actual outcomes may occur infrequently or never.
- **Organization certification standards** define the essential capabilities to perform reliability functions. Such standards are used to credential organizations that have the requisite capabilities.

Elements of a Reliability Standard

A reliability standard shall consist of the elements shown in the reliability standard template. These elements are intended to apply a systematic discipline in the development and revision of reliability standards. This discipline is necessary to achieving standards that are measurable, enforceable, and

[1] § 39.1 Code of Federal Regulations.

consistent. The format allows a clear statement of the purpose, requirements, measures, and compliance elements associated with each standard.

All mandatory requirements of a reliability standard shall be within an element of the standard. Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself. Types of supporting documents are described in a later section of the procedure.

Performance Elements of a Reliability Standard

Identification Number	A unique identification number assigned in accordance with a published classification system to facilitate tracking and reference to the standards.
Title	A brief, descriptive phrase identifying the topic of the standard.
Applicability	Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions. If not applicable to the entire North American bulk power system, then a clear identification of the portion of the bulk power system to which the standard applies, such as a region or interconnection. Any limitation on the applicability of the standard based on electric facility requirements should be described.
Effective Date and Status	The effective date of the standard or, prior to approval of the standard by regulatory authorities, the proposed effective date. The status of the standard will be indicated as active or by reference to one of the numbered steps in the standards process.
Purpose	The purpose of the standard. The purpose shall explicitly state what outcome will be achieved by the adoption of the standard. The purpose is agreed to early in the process as a step toward obtaining approval to proceed with the development of the standard. The purpose should link the standard to the relevant principle(s).
Requirement(s)	Explicitly stated technical, performance, preparedness, or certification requirements. Each requirement identifies who is responsible and what action is to be performed or what outcome is to be achieved. Each statement in the requirements section shall be a statement for which compliance is mandatory. Any additional comments or statements for which compliance is not mandatory, such as background or explanatory information should be placed in a separate document and referenced. (See Supporting References.)
Measure(s)	Each requirement shall be addressed by one or more measures. Measures are used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measure will identify to whom the measure applies and the expected level of performance or outcomes required to demonstrate compliance. Each measure shall be tangible, practical, and as objective as is practical. It is important to realize that measures are proxies to assess required performance or outcomes. Achieving the measure should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.

Glossary of Terms Used in Standards

Definitions of Terms	All defined terms used in reliability standards shall be defined in the glossary. Definitions may be approved as part of a standard action or as a separate action. All definitions must be approved in accordance with the standards process.

Compliance Elements[2] of a Standard

The following compliance elements, are developed for each standard by the standard drafting team and are balloted with the standard:

Compliance Monitoring Process	**Compliance Enforcement Authority:** The entity that is responsible for evaluating data or information to assess performance or outcomes. **Compliance Monitoring and Enforcement Processes:** The processes that will be used to evaluate data or information for the purpose of assessing performance or outcomes. **Data Retention:** Measurement data retention requirements and assignment of responsibility for data archiving. **Additional Compliance Information:** Any other information related to assessing compliance such as the criteria or periodicity for filing specific reports.

The following compliance elements are developed by the standard drafting team, working with NERC staff, but are not considered to be part of the standard. These elements will be posted for stakeholder comment concurrent with the associated requirements as early in the standard development process as possible. The standard drafting team, working with NERC staff will respond to all comments received. The drafting team, working with NERC staff may make modifications to the VRFs and VSLs based on stakeholder comments.

A non-binding poll will be conducted to assess stakeholders' agreement with VRFs and VSLs. If stakeholder comments submitted with the non-binding poll indicate specific improvements that would improve consensus, then the SDT, working with NERC staff, will revise the VRFs and VSLs to reflect stakeholder comments.

The Standards Committee will report the results of the poll and a summary of industry comments received on the final posting of the proposed VRFs and VSLs to the Board of Trustees. NERC staff will develop for board approval recommended assignments of VRFs and VSLs associated with Reliability Standards being presented for adoption by the board. In developing the recommended VRF and VSL assignments, NERC staff will take into consideration the views of the standard drafting team, stakeholder comments received on the draft VRFs and VSLs during the posting for comment process, the non-binding poll

[2] While the compliance elements of a standard are developed for each NERC standard, the compliance elements will not be included in any standard submitted to ANSI for approval as an American National Standard.

results, regulatory directives, and VRF and VSL assignments for other Reliability Standards to ensure consistency and relevance across the entire spectrum of Reliability Standards.

The Board of Trustees has the authority to approve Violation Risk Factors and Violation Severity Levels.

Violation Risk Factors	The potential reliability significance of each requirement, designated as a High, Medium, or Lower Risk Factor in accordance with the criteria listed below: A High Risk Factor requirement (a) is one that, if violated, could directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures; or (b) is a requirement in a planning time frame that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to a normal condition. A Medium Risk Factor requirement (a) is a requirement that, if violated, could directly affect the electrical state or the capability of the bulk power system, or the ability to effectively monitor and control the bulk power system, but is unlikely to lead to bulk power system instability, separation, or cascading failures; or (b) is a requirement in a planning time frame that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system, but is unlikely, under emergency, abnormal, or restoration conditions anticipated by the preparations, to lead to bulk power system instability, separation, or cascading failures, nor to hinder restoration to a normal condition. A Lower Risk Factor requirement is administrative in nature and (a) is a requirement that, if violated, would not be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor and control the bulk power system; or (b) is a requirement in a planning time frame that, if violated, would not, under the emergency, abnormal, or restorative conditions anticipated by the preparations, be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system.
Violation Severity Levels (VSLs)	Defines the degree to which compliance with a requirement was not achieved. Each requirement must have at least one VSL. While it is preferable to have four VSLs for each requirement, some requirements do not have multiple "degrees" of noncompliant performance and may have only one, two, or three VSLs. **Lower Violation Severity Level:** • Missing a minor element (or a small percentage) of the required performance **Moderate Violation Severity Level:** • Missing at least one significant element (or a moderate percentage) of the

	required performance. **High Violation Severity Level:** • Missing more than one significant element (or is missing a high percentage) of the required performance or is missing a single vital component. **Severe Violation Severity Level:** • Missing most or all of the significant elements (or a significant percentage) of the required performance.

Supporting Information Elements

Interpretations	Formally approved interpretations of the reliability standard. Interpretations are temporary, as the standard should be revised to incorporate the interpretation. Interpretations are developed and approved through a process described in the section Interpretations of Standards.
Implementation Plan	Each standard shall have an associated implementation plan describing the effective date of the standard or effective dates if there is a phased implementation. The implementation plan may also describe the implementation of the standard in the compliance program and other considerations in the initial use of the standard, such as necessary tools, training, etc. The implementation plan must be posted for at least one public comment period and is approved as part of the ballot of the standard.
Supporting References	This section will reference related documents that support implementation of the reliability standard, but are not themselves mandatory. Examples include, but are not limited to: • Developmental history of the standard and prior versions. • Notes pertaining to implementation or compliance. • Standard references. • Standard supplements. • Procedures. • Practices. • Training references. • Technical references. • White papers. • Internet links to related information.

Roles in the Reliability Standards Development Process

Nomination, Revision, or Withdrawal of a Standard

Any member of NERC, including any member of a regional reliability organization, or group within NERC shall be allowed to request that a reliability standard be developed, modified, or withdrawn. Additionally, any person (organization, company, government agency, individual, etc.) who is directly and materially affected by the reliability of the North American bulk power systems shall be allowed to request a reliability standard be developed, modified, or withdrawn.

Process Roles

Board of Trustees — The NERC Board of Trustees shall consider for adoption as reliability standards the standards that have been approved by a ballot pool. Once the board adopts a reliability standard, the board may file the standard with regulatory authorities to make the standard mandatory.

Member Representatives Committee — The NERC Member Representatives Committee shall advise the Board of Trustees on reliability standards presented for adoption by the board.

Standards Committee — The Standards Committee shall consist of two members of each of the stakeholder segments in the Registered Ballot Body[3]. The Standards Committee shall meet at regularly scheduled intervals (either in person, or by other means) to consider which requests for new or revised standards should be assigned for development. The Standards Committee will manage the standards development process. The responsibilities of the Standards Committee will include: management of the standards work flow so as not to overwhelm available resources; review of standards authorization requests and draft standards for such factors as completeness, sufficient detail, rational result, and compatibility with existing standards; clarifying standard development issues not specified in this procedure; and advising the Board of Trustees on standard development matters. Under no circumstance will the Standards Committee change the substance of a draft standard. The standards process manager serves as secretary to the Standards Committee.

Registered Ballot Body — The Registered Ballot Body comprises all entities or individuals that:

1. Qualify for one of the stakeholder segments approved by the Board of Trustees[4], and
2. Are registered with NERC as potential ballot participants in the voting on standards, and
3. Are current with any designated fees.

Each member of the Registered Ballot Body is eligible to participate in the voting process (and ballot pool) for each standard action.

[3] In addition to balanced stakeholder segment representation, the Standards Committee shall also have representation that is balanced among countries based on net energy for load (NEL). As needed, the Board of Trustees may approve special procedures for the balancing of representation among countries represented within NERC.

[4] Appendix B contains a description of the latest version of the stakeholder segments approved by the Board of Trustees.

Ballot Pool — Each standard action has its own ballot pool formed of interested members of the Registered Ballot Body. The ballot pool comprises those members of the Registered Ballot Body that respond to a pre-ballot survey for that particular standard action.

The ballot pool will ensure, through its vote, the need for and technical merits of a proposed standard action and the appropriate consideration of views and objections received during the development process. The ballot pool votes to approve each standards action.

Standards Process Manager — The reliability standards process shall be administered by a standards process manager. The standards process manager is responsible for ensuring that the development and revision of standards is in accordance with this procedure. The standards process manager works to ensure the integrity of the process and consistency of quality and completeness of the reliability standards. The standards process manager facilitates all steps in the process.

Standards Process Staff — NERC staff will assist the SAR drafting teams and standard drafting teams.

Committees, Subcommittees, Working Groups, and Task Forces — The committees, subcommittees, working groups, and task forces within NERC serve an active role in the standards process:

- Initiate standards actions by developing SARs.
- Submit comments (views and objections) to standards actions.
- Participate on standard drafting teams.
- Provide guidance in the development and implementation of field tests.
- Assist in the implementation of approved standards.
- Serve as industry spokespersons by encouraging others within their NERC region and stakeholder segment to participate in the standards development process.
- Serve as industry monitors to assess the impact of a standard's implementation.
- Provide technical oversight in response to changing industry conditions.
- Identify the need for new standards.

NERC and Regional Reliability Organization Members — The members of NERC and the regional reliability organizations may initiate new or revised standards and may comment on proposed standards.

Requester — A requester is any person (organization, company, government agency, individual, etc.) that submits a complete request for development, revision, or withdrawal of a standard. Any person that is directly and materially affected by an existing standard or the need for a new standard may submit a request for a new standard or revision to a standard. The requester is assisted by the SAR drafting team (if one is appointed by the Standards Committee) to respond to comments and to decide if and when the SAR is forwarded to the Standards Committee with a request to draft a standard. The requester is responsible for the SAR, assisted by the SAR drafting team, until such time the Standards Committee authorizes development of the standard. The requester has the option at any time to allow the SAR drafting team to assume full responsibility for the SAR. The requester may chose to participate in subsequent standard drafting efforts related to the SAR.

Compliance Enforcement Program — The mission of the NERC compliance enforcement program is to manage and enforce compliance with NERC reliability standards. The development of a reliability standard, in particular the measures and compliance elements, shall have direct input from the compliance

enforcement program. Field testing will also be coordinated with the compliance program. The compliance program director and appropriate working groups shall provide inputs and comments during the standards development process to ensure the measures will be effective and other aspects of the compliance enforcement program can be practically implemented.

SAR Drafting Team — A team of technical experts assigned by the Standards Committee, that:

- Assists in refining the SAR,
- Considers and responds to comments, and
- Participates in industry forums to help build consensus on the SAR.

Standard Drafting Team — A team of technical experts, approved by the Standards Committee, that:

- Develops the details of the standard, and works with NERC staff in developing VRFs, and VSLs
- Considers and responds to comments, and
- Participates in industry forums to help build consensus on posted draft standards.

Reliability Standards Consensus Development Process

Overview

The process for developing and approving reliability standards is generally based on the procedures of the American National Standards Institute (ANSI) and other standards-setting organizations in the United States and Canada.

The NERC process is intended to develop consensus, on both the need for the standard, and the proposed standard itself. The process includes the following key elements:

- **Nomination of a proposed standard, revision to a standard, or withdrawal of a standard** using a Standard Authorization Request (SAR).
- **Public posting of the SAR** to allow all parties to review and provide comments on the need for the proposed standard and the expected outcomes and impacts from implementing the proposed standard. Notice of standards shall provide an opportunity for participation by all directly and materially affected persons.
- **Review of the public comments** in response to the SAR and prioritization of proposed standards, leading to the authorization to develop standards for which there is a consensus-based need.
- **Assignment of teams** to draft the new or revised standard.
- **Drafting of the standard**.
- **Public posting of the draft standard** to allow all parties to review and provide comments on the draft standard. Once the need for the standard has been established by a SAR, comments should focus on aspects of the draft standard itself.
- **Field testing of the draft standard** and measures. The Standards Committee shall determine the need and extent of field testing, considering the recommendations of the NERC compliance program director and the standard drafting team. Field testing may be industry-wide or may consist of one or more lesser-scale demonstrations. Field testing should be cost effective and practical, yet sufficient to ensure clarity of the standard and to validate the requirements, measures, measurement processes, and other elements of the standard necessary to implement the compliance program. For some standards and their associated measures, field testing may not be appropriate, such as those measures that consist of administrative reports.
- **Formal balloting of the standard** for approval by the ballot pool, using the NERC Weighted Segment Voting Model.
- **Re-ballot to consider specific comments** by those submitting comments with negative votes.
- **Adoption by the Board of Trustees**.
- **An appeals mechanism** as appropriate for the impartial handling of substantive and procedural complaints regarding action or inaction related to the standards process.

The first three steps in the process serve to establish consensus on the need for the standard.

Step 1 — Request a Standard or Revision to an Existing Standard

Objective: *A valid SAR that clearly justifies the purpose and describes the scope of the proposed standard action and conforms to the requirements of a SAR outlined in Appendix A.*

Sequence Considerations: *Submitting a valid SAR is the first step in proposing a standard action. A requester may prepare a draft of the proposed standard action (Step 5), which the Standards Committee may authorize for concurrent posting with the SAR. This could be useful for a standard action with a clearly defined and limited scope or one for which stakeholder consensus on the need and scope is likely. Complex standards where broad debate of issues is required should be presented in two stages: the SAR first to get agreement on the scope and purpose, and the standard later in Step 6.*

Requests to develop, revise, or withdraw[5] a reliability standard shall be submitted to the standards process manager by completing a SAR. The SAR is a description of the new or revised standard. The SAR provides sufficiently descriptive detail to clearly define the scope of the standard. The SAR also states the purpose of the standard. A needs statement will provide the detailed justification for the development or revision of the standard, including an assessment of the reliability and market interface impacts of implementing or not implementing the standard. Appendix A provides a sample of the information in a SAR. The standards process manager shall maintain this form and make it available electronically.

Any person or entity directly or materially affected by an existing standard or the need for a new or revised standard may initiate a SAR.

The requester will submit the SAR to the standards process manager electronically and the standards process manager will electronically acknowledge receipt of the SAR. The standards process manager will assist the submitting party in developing the SAR and verify that the SAR conforms to this procedure.

The standards process manager shall forward all properly completed SARs to the Standards Committee. The Standards Committee shall meet at established intervals to review all pending SARs. The frequency of this review process will depend on workload, but in no case shall a properly completed SAR wait for Standards Committee action more than 30 days from the date of receipt. This review will determine if the SAR is sufficiently stated to guide standard development and whether the SAR is consistent with requirements in the procedure. The Standards Committee, guided by the reliability and market interface principles, may take one of the following actions:

- Remand the SAR back to the standards process manager for additional work. In this case, the standards process manager may request additional information for the SAR from the requester and will advise the requester within ten days of the Standards Committee's action regarding the reasons for the remand of the SAR.
- Accept the SAR as a candidate for a new or revised standard, and authorize posting of the SAR for stakeholder comment.
- Reject the SAR. If the Standards Committee rejects a SAR, it will provide a written explanation for rejection to the requester within ten days of the rejection decision.

[5] Actions in the remaining steps of the standards process apply to proposed new standards, revisions to existing standards, or withdrawal of existing standards, unless explicitly stated otherwise.

If the Standards Committee accepts a SAR as a candidate for a new or revised standard, it may at its discretion appoint a SAR drafting team. The SAR drafting team would be tasked with assisting the requester in further developing the SAR and considering stakeholder comments on that SAR. The Standards Committee may also choose to allow the requester to perform these tasks.

If the Standards Committee remands or rejects a SAR, the requester may file an appeal following the appeals process provided in this procedure.

The status of SARs shall be tracked electronically. The SAR and its status shall be posted for public viewing including any actions or decisions.

Step 2 — Solicit Public Comments on the SAR

Objective: *Establish that there is stakeholder consensus on the need, scope, and applicability of the requester's proposed standard action.*

Sequence Considerations: *A SAR may be posted only after completion of Step 1. A SAR may, at the discretion of the Standards Committee, be posted for comment concurrently with a draft standard (Step*

Once a SAR has been accepted by the Standards Committee as a candidate for the development of a new or revised standard, the SAR will be posted for the purpose of soliciting public comments, as soon as practical as determined by the Standards Committee. SARs will be posted and publicly noticed at regularly scheduled intervals. Establishment of a regular time for posting of SARs will allow interested parties to know when to expect the next set of SARs.

Comments on the SARs will be accepted for at least a 30-day period from the notice of posting. Comments will be accepted online using an internet-based application. The standards process manager will provide a copy of the comments to the requester and the SAR drafting team, if one has been appointed. Based on the comments, the requester may decide to submit the SAR for authorization to develop the standard, to withdraw the SAR, or to revise and resubmit it to the standards process manager for another posting, as soon as practical as determined by the Standards Committee. If appointed, the SAR drafting team shall assist the requester in the reviewing comments, determining whether to continue or not, and making any necessary revisions for another posting.

The Standards Committee is responsible for the work flow of standards development. Based on the SAR priority, comments received, and an evaluation of available resources, the Standards Committee will determine the appropriate timing of postings after the initial SAR posting and comment period.

The requester, assisted by the SAR drafting team if one is appointed, shall give prompt consideration to the written views and objections of all participants. An effort to resolve all expressed objections shall be made and each objector shall be advised of the disposition of the objection and the reasons therefore. In addition, each objector shall be informed that an appeals procedure exists within the NERC standards process.

While there is no established limit on the number of times a SAR may be posted for comment, the Standards Committee retains the right to reverse its prior decision and reject a SAR if it believes continued revisions are not productive. Once again, the Standards Committee shall notify the requester in writing of the rejection within ten days and the requester may initiate an appeal using the appeals procedure.

During the SAR comment process, the requester or SAR drafting team may become aware of potential regional variances related to the proposed standard. To the extent possible, any regional variances or exceptions should be made a part of the SAR so that, if the SAR is authorized, such variations will be made a part of the draft new or revised standard.

The requester, up to this point in the development process, may elect to withdraw the request at any time. Once the Standards Committee authorizes development of a standard based on the SAR (Step 3), the requester may no longer withdraw the SAR, as development of the standard becomes the responsibility of the drafting team working on behalf of all stakeholders.

Step 3 — Authorization to Proceed With Drafting a New or Revised Standard

Objective: *Authorize development of a standard that is consistent with a SAR and for which there is stakeholder consensus on the need, scope, and applicability.*

Sequence Considerations: *The Standards Committee may formally authorize the development of a standard action only after due consideration of SAR comments to determine there is consensus on the need, scope, and applicability of the proposed standard. This does not preclude, however, the requester from previously preparing a draft standard for consideration and the Standards Committee from authorizing a concurrent posting of the draft standard for comment along with the SAR. If a draft standard is posted for comment concurrently with the SAR, it is with the understanding that further development of the draft standard is conditioned on achieving stakeholder consensus through comments on the associated SAR.*

After receiving public comments on the SAR, the requester may decide to submit the SAR to the Standards Committee for authorization to draft the standard. The Standards Committee reviews the comments received in response to the SAR and any revisions to the SAR.

The Standards Committee, once again considering the reliability and market interface principles and considering the public comments received and their resolution, may then take one of the following actions:

- Authorize drafting the proposed standard or revisions to a standard.
- Reject the SAR with a written explanation to the requester and post that explanation.

If the Standards Committee rejects a SAR, the requester may initiate an appeal.

Once the Standards Committee authorizes development of the standard, the Standards Committee shall assign responsibility for the development of the standard to one or more drafting teams as appropriate. At the time the standard is authorized for development, the requester no longer has responsibility for managing the standard request.

Step 4 — Appoint Standard Drafting Team

Objective: *Appoint a standard drafting team that has the expertise, competencies, and diversity of views that are necessary to develop the standard.*

Sequence Considerations: *The Standards Committee may appoint a standard drafting team concurrently with or after authorization of the development of a standard (Step 3).*

Once a SAR has been authorized for development of a standard by the Standards Committee, the Standards Committee shall determine the method for populating a standard drafting team. Typically, the Standards Committee would direct the conduct of a public nominations process to populate the standard drafting team. In some cases, the Standards Committee may appoint the members of the SAR drafting team or the requester to act as the standard drafting team. If this method of populating a drafting team is used, the Standards Committee shall still solicit additional members through a public solicitation of nominees and appoint additional members as needed.

The standards process manager shall post a request that interested parties complete a standard drafting team nomination form. Self-nominations shall be acceptable. Those individuals who are nominated shall be considered for appointment to the associated standard drafting team. The standards process manager shall recommend a list of candidates for appointment to the team and shall submit the list to the Standards Committee. The Standards Committee may accept the recommendations of the standards process manager or may select other individuals to serve on the standard drafting team. This team shall consist of a group of people who collectively have the necessary technical expertise and work process skills. The Standards Committee shall appoint the standard drafting team, including its officers. The standards process manager shall assign staff personnel as needed to assist in the drafting of the standard.

The Standards Committee may, in lieu of an open nomination, use the SAR drafting team (if one was appointed) or the requester as the standard drafting team. The Standards Committee should consider this option only if the necessary expertise, competencies, and diversity of views (to respond fairly to comments) is addressed. If the SAR drafting team or requester is not utilized as the standard drafting team, individuals associated with either may be nominated through the open process to join the standard drafting team.

Once it is appointed by the Standards Committee, the standard drafting team is responsible for making recommendations to the Standards Committee regarding the remaining steps in the standards process. The requester may continue to assist the drafting team and participate in the standards process.

The Standards Committee may decide that more than one drafting team is required for a standard action and divide the SAR into multiple efforts. The Standards Committee may also supplement the membership of a standard drafting team at any time to ensure the necessary competencies and diversity of views are maintained throughout the standard development effort.

Step 5 — Draft New or Revised Standard

Objective: *Develop a standard within the scope of the SAR.*

Sequence Considerations: *Generally development of the draft standard follows the authorization by the Standards Committee (Step 3) and appointment of a standard drafting team (Step 4). Steps 5 and 6 may be iterated as necessary to consider stakeholder comments and build consensus on the draft standard.*

The appointed standard drafting team will develop a draft of the standard. In addition to drafting the text of the standard, development may include research, analysis, information gathering, testing, and other activities. The drafting of Violation Risk Factors and Violation Severity Levels will be coordinated with NERC staff.

The drafting team may use a draft standard submitted by the requester as its initial draft, if one was submitted by the requester concurrently with the SAR.

Once the standard has been drafted, the standards process manager will review the standard for consistency of quality and completeness. The standards process manager will also ensure the draft standard is within the scope and purpose identified in the SAR. This review should occur within a 30-day period of the submittal of the draft standard. Once the standards process manager has completed this review, the new or revised standard will be submitted to the Standards Committee to request posting for public comment.

The Standards Committee should authorize posting of draft standards in a timely manner, but may consider priorities among various standards actions and the ability of stakeholders to review multiple actions at the same time. The Standards Committee will approve the posting and set the posting start and end dates.

If the standard drafting team determines that the scope of the SAR is inappropriate based on its own work and stakeholder comments, the team shall notify the Standards Committee. The drafting team may recommend the scope of the standard be reduced to allow the effort to continue forward, while still remaining within the scope of the SAR. Reducing the scope defined in the SAR is acceptable if the drafting team finds, for instance, that additional technical research is needed prior to developing a portion of the standard or issues need to be resolved before consensus can be achieved on a portion of the standard. In this case, the drafting team shall provide detailed justification of need for reducing the scope. The Standards Committee, based on the drafting team recommendation and a review of stakeholder comments, will determine if the change in scope is acceptable.

If the standard drafting team determines it is necessary to expand the scope of the standard or to modify the scope in a way that is no longer consistent with the scope defined in the SAR, then the drafting team may initiate or recommend another requester initiate a new SAR (Step 1) to develop the expanded or modified scope. At no time will a drafting team develop a standard that is not within the scope of the SAR that was authorized for development.

Step 6 — Solicit Public Comments on Draft Standard, VRFs, and VSLs

Objective: *Receive stakeholder inputs on the draft standard for the purpose of assessing consensus on the draft standard and compliance elements, and modifying the draft standard and compliance elements as needed to improve consensus.*

Sequence Considerations: *The posting of a draft standard will typically occur after the appointment of a standard drafting team and development of a draft by the team. Alternatively, a draft standard submitted by the requester may be posted for comment concurrently with the associated SAR, with the condition that the SAR and draft standard meet the requirements of this procedure and are consistent with each other. In all cases, public comments on the draft standard must be solicited prior to Standards Committee approving the standard going to ballot (Step 9).*

Once the Standards Committee approves the posting of a draft standard and sets the posting start and end dates, the standards process manager will post the draft standard in the next regular posting interval for the purpose of soliciting public comments. The posting of the draft standard will be linked to the SAR for reference. Comments on the draft standard will be accepted for at least one 45-day period from the notice of posting. Additional posting periods may be set by the Standards Committee and shall be at least 30 days. The posting of draft VRFs and VSLs for stakeholder comment can be deferred until a second or later posting of the draft standard as determined by the standard drafting team; however, it is recommended that the VRFs and VSLs be posted for comment with the entire draft Reliability Standard as early in the standard development process as possible. Comments will be accepted online using an internet-based application along with other electronic means as necessary.

Since the need for the standard was established by authorization of the SAR, comments at this stage should identify specific issues with the draft standard and compliance elements and propose alternative language. The comments may include recommendations to accept or reject the standard and reasons for that recommendation.

The drafting team shall develop an implementation plan for the standard to be posted with the standard for at least one stakeholder comment period. Once the implementation plan has been developed and posted for stakeholder comment, it shall remain part of the standard action for subsequent postings and shall be included on the ballot for the standard. The implementation plan shall describe when the standard will become effective. If the implementation is to be phased, the plan will describe which elements of the standard are to be applied to each class of responsible entities, and when. The plan will describe any deployment considerations unique to the standard, such as computer applications, measurement devices, databases, or training, as well as any other special steps necessary to prepare for and initially implement the standard.

Step 7 — Field Testing

Objective: *Determine what testing is required to validate the concepts, requirements, measures, and compliance elements of the standard and implement that testing.*

Sequence Considerations: *Testing may be completed during or after Steps 1 through 6. Testing and associated analysis of results (Step 8) must be completed prior to determining whether to submit the standard to ballot (Step 9).*

Taking into consideration stakeholder comments received through Step 6, the standard drafting team may recommend to the Standards Committee that a test of one or more aspects of a standard is needed. The NERC compliance program director will also evaluate whether field testing of the compliance elements of the proposed new or revised standard is needed and advise the Standards Committee. The Standards Committee will approve all field tests of proposed standards based on the recommendations of the standard drafting team and the compliance program director. If needed, the Standards Committee will also request inputs on technical matters from applicable committees or other experts, and as applicable, request the assistance of the compliance organization to conduct and evaluate the field test.

Once the field testing plan is approved, the standards process manager will, under the direction of the Standards Committee, oversee the field testing of the standard.

In some cases, measurement may be an administrative task and no field testing is required at all. In other cases, one or more limited-scale demonstrations may be sufficient. Comments may be solicited during the field test period.

Step 8 — Analysis of the Comments and Field Test Results

Objective: *Evaluate stakeholder comments and field test results to determine if there is consensus that the proposed standard should go to ballot or requires additional work.*

Sequence Considerations: *This step follows Steps 6 and 7 and must precede Step 9.*

The standards process manager will assemble the comments on the draft standard and distribute those comments to the standard drafting team and NERC staff. The standard drafting team, assisted by NERC staff, shall give prompt consideration to the written views and objections of all participants. An effort to

resolve all expressed objections shall be made, and each objector shall be advised of the disposition of the objection and the reasons therefore, in addition to public posting of the responses. In addition, each objector shall be informed that an appeals process exists within the NERC standards procedure.

Based on comments received, the standard drafting team may determine there is an opportunity to improve consensus for the standard. In this case, the standard drafting team may elect to return to Step 5 and revise the draft for another posting. Although there is no predetermined limit on the number of times a draft standard may be revised and posted, the standard drafting team should ensure the potential benefits of another posting outweigh the burden on the drafting team and stakeholders. Returning to Step 5 to continue working on the standard is the prerogative of the standard drafting team, subject to Standards Committee oversight. If the comments received indicate that the violation risk factors or violation severity levels should be changed to better conform to the criteria for establishing those elements, then the standards drafting team, working with NERC staff, may make revisions.

If the standard drafting team determines the draft standard is ready for ballot, the drafting team shall submit the draft standard to the Standards Committee with a request to proceed to balloting, along with the comments received, responses to the comments, and a summary of minority views. Based on the comments received and field testing, the standard drafting team may include revisions that are not substantive. Substantive changes to a draft standard shall not be permitted between the last posting for stakeholder comment and submittal for ballot. A substantive change is one that directly and materially affects the effect or use of the standard. Any non-substantive changes made prior to going to ballot shall be identified to stakeholders at the time of the ballot notice.

When the Standards Committee receives a draft standard that is recommended for ballot, the Standards Committee will review the standard and recommendations of the standards process manager to ensure that the proposed standard is consistent with the scope of the SAR; addresses all of the objectives and requirements cited in Steps 1 to 8, as applicable; has an implementation plan; and is compatible with other existing standards. If the proposed standard does not pass this review, the Standards Committee shall remand the proposed standard to the standard drafting team to address the deficiencies. If the proposed standard passes the review, the Standards Committee shall set the proposed standard for ballot as soon as the work flow will accommodate.

If the drafting team determines there is insufficient consensus to ballot the standard and that further work is unlikely to achieve consensus, the drafting team may recommend to the Standards Committee that the standard drafting be terminated and the SAR withdrawn. The Standards Committee will consider the recommendation of the drafting team and stakeholder comments and may terminate the standard drafting and accept the withdrawal of the SAR. If the Standards Committee believes the recommendation is unsubstantiated, the Standards Committee may direct other actions consistent with this procedure, such as requesting the drafting team to continue or appointing a new drafting team.

Step 9 — Ballot the New or Revised Standard

Objective: *Approve the proposed standard by vote of industry stakeholders.*

Sequence Considerations: *The Standards Committee shall determine that all requirements of Steps 1 through 8 have been satisfactorily met before authorizing an action to go to ballot.*

Ballot Pool

The standards process manager shall establish a ballot pool for a standard action at least 30 days prior to the start of a ballot. The standards process manager shall send a notice to every entity in the Registered

Ballot Body. The purpose of this notice is to establish a ballot pool to participate in the consensus development process and participate in the ballot for the proposed standards action as well as the poll for the violation risk factors and violation severity levels. The ballot pool may be established earlier in the standards development process to encourage active participation in the development process.

Any member of the Registered Ballot Body may join or drop out of a ballot pool until the ballot period begins (Step 9). No Registered Ballot Body member may join or leave the ballot pool once the first ballot starts, including between the first ballot and a recirculation ballot. The standards process manager shall coordinate changes to the membership of the ballot pool and publicly post the standard ballot pool for each standard action.

First Ballot

If a decision is made to submit the draft standard to a vote, the draft standard, all comments received, and the responses to those comments shall be posted electronically to the ballot pool and noticed at least 30 days prior to the start of the ballot. The proposed violation risk factors and violation severity levels will be posted at the same time.

Each member of the Registered Ballot Body will be allowed the opportunity to join a single ballot pool to participate in the determination of the approval of the standard and to provide input to the "non-binding poll" on the violation risk factors and violation severity levels associated with the standard.

The ballot will be conducted electronically. Each standard has its own ballot pool and all members of the ballot pool shall be eligible to vote on the associated standard and to provide input to the non-binding poll of the violation risk factors and violation severity levels. The time window for voting will be designated when the draft standard is posted to the ballot pool. In no case will the voting time window start sooner than 30 days from the notice of the posting to the ballot pool. Typically, the voting time window will be a period of ten days. This provides a minimum of 40 days from the initial notice until the end of the voting period.

Approval of a reliability standard or revision to a reliability standard requires both:

- A quorum, which is established by at least 75% of the members of the ballot pool submitting a response with an affirmative vote, a negative vote, or an abstention[6]; and
- A two-thirds majority of the weighted segment votes cast must be affirmative. The number of votes cast is the sum of affirmative and negative votes, excluding abstentions and non-responses.

The "poll" taken on the violation risk factors and violation severity levels is "non-binding." The results of this poll will be reported to the Board of Trustees and considered by NERC staff in forming its recommendations. The results of the poll are one element for the Board of Trustees to consider when making a determination of whether to approve the compliance elements of the standards. The results of the poll do not determine whether these compliance elements are "approved." In addition, if stakeholder comments submitted with the non-binding poll indicate specific improvements that would improve

[6] If a quorum of the ballot pool is not established, the standard will be balloted a second time, allowing a 15-business day period for the ballot. Should a quorum not be established with the second ballot, the standards process manager would re-survey the Registered Ballot Body to establish interest in participating in a ballot on the standard in accordance with the procedures for ballot pool formation. A re-ballot of the standard will take place with the revised standard ballot pool.

consensus, then the SDT, working with NERC staff, will revise the VRFs and VSLs to reflect stakeholder comments before the VRFs and VSLs are submitted to the Board of Trustees.

The following process is used to determine if there are sufficient affirmative votes. (See Appendix C, "Examples of Weighted Segment Voting Calculation."):

- The number of affirmative votes cast in each segment will be divided by the sum of affirmative and negative votes cast to determine the fractional affirmative vote for each segment. Abstentions and non-responses will not be 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 shall be proportionally reduced. Each voter within that segment voting affirmative or negative shall receive a weight of 10% of the segment vote. For segments with ten or more voters, the regular voting procedure would prevail.
- The sum of the fractional affirmative votes from all segments divided by the number of segments voting[7] will be used to determine if a two-thirds majority has been achieved. (A segment will be considered as "voting" if any member of the segment in the ballot pool casts either an affirmative or a negative vote.)
- A standard will be approved if the sum of fractional affirmative votes from all segments divided by the number of voting segments is greater than two thirds.

Each member of the ballot pool may vote on one of the following positions:

- Affirmative
- Affirmative, with comment
- Negative, with or without reasons (the reasons for a negative vote may be given and if possible should include specific wording or actions that would resolve the objection)
- Abstain

Members of the ballot pool should submit any comments on the proposed standard during the public comment period. If any comments are received during the ballot period, they shall be addressed in accordance with Step 8 and included with the recirculation ballot. The standards process manager shall facilitate the standard drafting team, assisted by the requester, in preparing a response to all votes submitted with reasons. The member submitting a vote with reasons will determine if the response provided satisfies those reasons. In addition, each objector shall be informed that an appeals process exists within the NERC standards process. A negative vote that does not contain a statement of reason does not require a response.

If there are no negative votes with reasons from the first ballot, then the results of the first ballot shall stand. If, however, one or more members submit negative votes with reasons, regardless whether those reasons are resolved or not, a second ballot shall be conducted.

[7] When less than ten entities vote in a segment, the total weight for that segment shall be determined as one tenth per entity voting, up to ten.

Second Ballot

In the second ballot (also called a "recirculation ballot"), members of the ballot pool shall again be presented the proposed standard (unchanged from the first ballot) along with the reasons for negative votes, the responses, and any resolution of the differences. All members of the ballot pool shall be permitted to reconsider and change their vote from the first ballot. Members of the ballot pool that did not respond to the first ballot shall be permitted to vote in the second ballot. In the second ballot, votes will be counted by exception only — members on the second ballot may indicate a revision to their original vote; otherwise their vote shall remain the same as in the first ballot. If a second ballot is conducted, the results of the second ballot shall determine the status of the standard, regardless of the outcome of the first ballot.

The voting time window for the second ballot is once again ten days. The 30-day posting is not required for the second ballot. Members of the ballot pool may submit comments in the second ballot but no response is required.

In the second ballot step, no revisions to the standard are permitted; as such revisions would not have been subject to public comment. However, if the Standards Committee determines that revisions proposed during the ballot process would likely provide an opportunity to achieve consensus on the standard, then such revisions may be made and the draft standard posted for public comment again beginning with Step 6 and continuing with subsequent steps.

The standards process manager shall post the final outcome of the ballot process. If the standard is rejected, the process is ended and any further work in this area would require a new SAR. If the standard is approved, the consensus standard will be posted and presented to the Board of Trustees for adoption by NERC.

Step 10 — Adoption of the Reliability Standard by the Board and Approval of Violation Risk Factors and Violation Severity Levels

Objective: *To have the Board of Trustees adopt the standard as a NERC standard, adopt the associated implementation plan, and approve the associated Violation Risk Factors and Violation Severity Levels.*

Sequence Considerations: *The 30-day notice prior to action by the Board of Trustees may begin concurrently with or any time after the start of the first ballot. The 30-day period shall not end any sooner than the end of the final ballot.*

A reliability standard submitted for adoption by the Board of Trustees must be publicly posted and noticed at least 30 days prior to action by the Board of Trustees. At a regular or special meeting, the Board of Trustees shall consider adoption of the proposed reliability standard. The board shall consider the results of the balloting and dissenting opinions. The board shall consider any advice offered by the NERC Member Representatives Committee. The board shall adopt or reject a standard, but may not modify a proposed reliability standard. If the board chooses not to adopt a standard, it shall provide its reasons for not doing so.

Separately, the board shall consider approval of the violation risk factors and violation severity levels associated with a reliability standard. In making its determination, the board shall consider the following:

- The Standards Committee shall present the results of the non-binding poll conducted and a summary of industry comments received on the final posting of the proposed VRFs and VSLs.

- NERC staff shall present a set of recommended VRFs and VSLs that considers the views of the standard drafting team, stakeholder comments received on the draft VRFs and VSLs during the posting for comment process, the non-binding poll results, appropriate governmental agency rules and directives, and VRF and VSL assignments for other Reliability Standards to ensure consistency and relevance across the entire spectrum of Reliability Standards.

Once the board has approved a reliability standard and the associated violation risk factors and violation severity levels, the board will direct NERC staff to file the standard and its associated compliance elements, with applicable governmental authorities in the United States, Canada, and Mexico for approval.

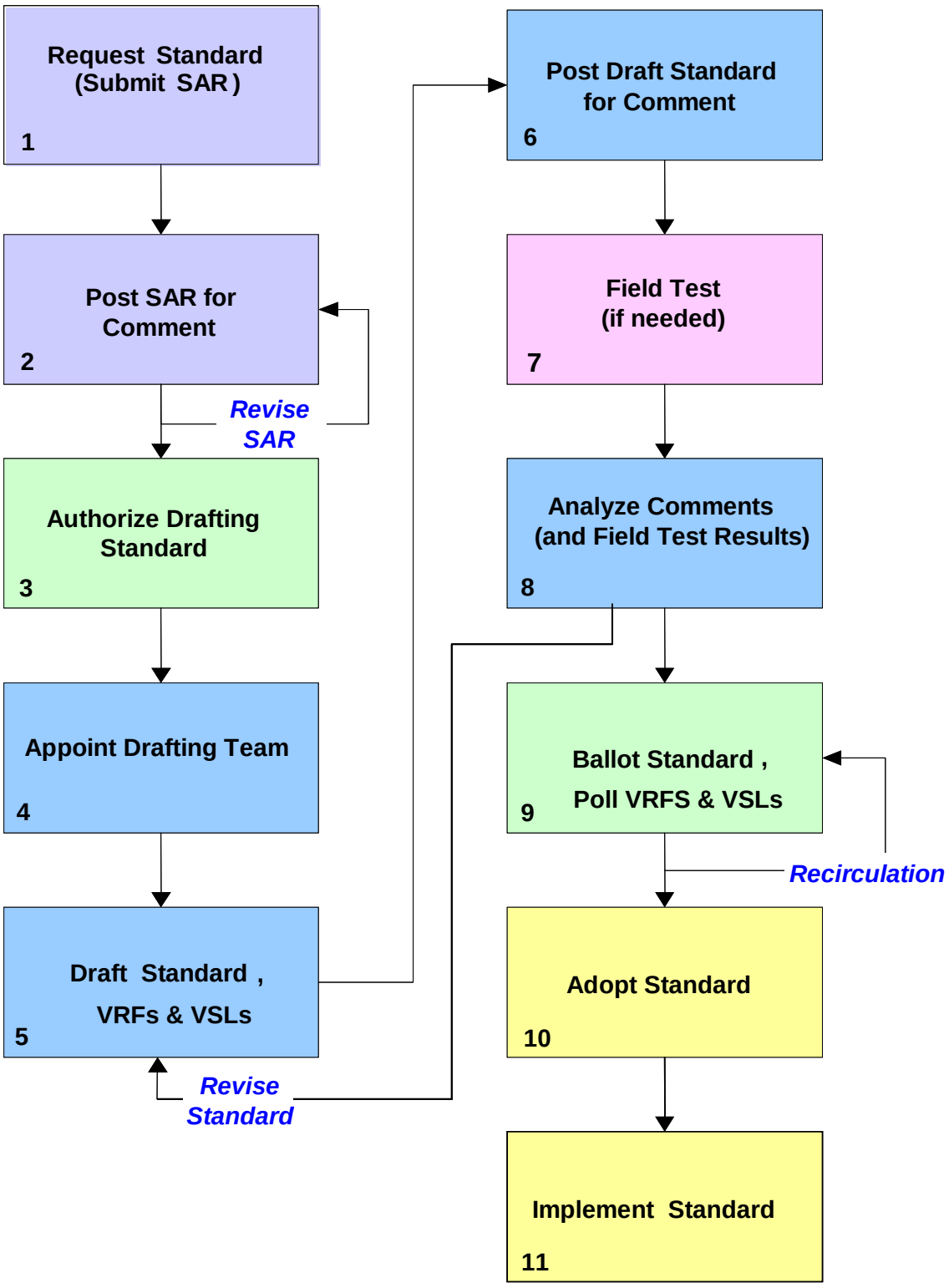
Step 11 — Implementation of Reliability Standard

Objective: *Industry stakeholders use the standard and the compliance program incorporates the standard into its compliance monitoring and enforcement.*

Sequence Considerations: *The effective date of a standard is defined in the standard implementation plan.*

Once a reliability standard is approved or otherwise made mandatory by applicable governmental authorities, all persons and organizations subject to the reliability jurisdiction are required to comply with the standard in accordance with applicable statutes, regulations, and agreements. After approval of a reliability standard by the applicable governmental authorities, the standard will be forwarded to the compliance program for compliance monitoring and enforcement.

Process Diagram



Special Procedures

Standards to Support Issues that are Confidential

If the board directs the development of a reliability standard in response to a national security emergency situation that is deemed confidential and it is determined that information can only be shared on a "need to know" basis, NERC will use the entire standards development procedure, but will limit industry participation and the amount of information released without degrading the integrity of the process.

If it needs to develop a reliability standard to address a confidential issue, NERC will follow its normal standards development process with the following exceptions:

- The standard drafting team will develop both a SAR and a standard
- The standard drafting team nomination process shall be limited to just those candidates who have already been identified as having the appropriate security clearance, the requisite technical expertise, and either have signed or are willing to sign a strict confidentiality agreement.
- The standard drafting team will perform all its work under strict security and confidentiality rules.
- The standard drafting team will review its work, to the extent practical, as it is being developed with officials from the appropriate governmental agencies in the U.S. and Canada, under strict security and confidentiality rules.
- The draft standard will be distributed for comment, under strict confidentiality rules, only to those entities that will be expected to comply and who have identified individuals from their organizations that have signed confidentiality agreements with NERC.[8]
- The standard drafting team shall not post or provide the ballot pool with any confidential background information.
- If a standard is approved by its ballot pool, the team will present the proposed standard to the NERC board for approval in a special closed session, either in person or by conference call. (The closed session will allow the team to present not only the standard, but also the confidential information supporting its need.)
- All remaining steps of the standards process will be followed.

Urgent Actions

Under certain conditions, the Standards Committee may designate a proposed standard or revision to a standard as requiring urgent action. Urgent action may be appropriate when a delay in implementing a proposed standard or revision can materially impact the reliability or security of the bulk power systems or be inconsistent with statutory or regulatory requirements for reliability standards, such as by causing adverse impacts on markets or undue discrimination. The Standards Committee must use its judgment

[8] In this phase of the process, only the proposed standard will be distributed to those entities expected to comply, not the rationale and justification for the standard. Only the special drafting team members, who have the appropriate security credentials, will have access to this rationale and justification.

carefully to ensure an urgent action is truly necessary and not simply an expedient way to change or implement a standard.

A requester prepares a SAR and a draft of the proposed standard and submits both to the standards process manager. The SAR must include a justification for urgent action. The standards process manager submits the request to the Standards Committee for its consideration. If the Standards Committee designates the requested standard or revision as an urgent action item, then the standards process manager shall immediately seek participants for a ballot pool (as described in Step 3 of the process) and shall post the pre-ballot draft. This posting requires a minimum 30-day posting period before the ballot and applies the same voting procedure as described in Step 9.

Emergency Actions

The board may direct the immediate development of a new or revised reliability standard to address a national security emergency situation. In general, these board directives will be driven by information from the President of the United States of America or the Prime Minister of Canada or a national security agency or national intelligence agency of either or both governments indicating (to the ERO) that there is an imminent national security threat to the reliability of the bulk power system[9].

Emergency Action Process for Standards Responsive to Imminent Non-confidential Issues

If the board directs the immediate development of a new or revised reliability standard to address a non-confidential national security emergency situation, NERC staff will assemble a slate of subject matter experts as a proposed drafting team for approval by the Standards Committee's Officers. The team, once appointed by the Standards Committee's Officers, will prepare a SAR and a draft of the proposed standard at the same time. All work of the drafting team is open to all interested parties and all documents will be publicly posted.

The standards process manager will form a ballot pool (as described in Step 9 of the process) and will post the proposed standard as soon as it is prepared.

Depending upon the level of urgency, the Standards Committee's Officers may authorize reducing or eliminating the 30-day pre-ballot posting, and may reduce the duration of both the initial ballot and the recirculation ballot to as few as 5 days.

Emergency Action Process for Standards Responsive to Imminent Issues that are Confidential

If the board directs the immediate development of a new or revised reliability standard to address a confidential national security emergency situation, NERC staff will assemble a slate of pre-defined subject matter experts as a proposed drafting team for approval by the Standards Committee's Officers.

- The standard drafting team selection process shall be limited to just those candidates who have already been identified as having the appropriate security clearance, the requisite technical expertise, and either have signed or are willing to sign a strict confidentiality agreement.

[9] The NERC board will direct the immediate development and issuance of an Essential Action alert and then may also direct the immediate development of a new or revised reliability standard.

- The standard drafting team will perform all its work under strict security and confidential rules.
- The standard drafting team will develop both a SAR and a standard
- The standard drafting team will review its work, to the extent practical, as it is being developed with officials from the appropriate governmental agencies in the U.S. and Canada, under strict security and confidentiality rules.
- The standard drafting team shall not post or provide the ballot pool with any confidential background information.
- The standards process manager will form a ballot pool (as described in Step 9 of the process) and will post the proposed standard as soon as it is prepared.
- Depending upon the level of urgency, the Standards Committee's Officers may authorize reducing or eliminating the 30-day pre-ballot posting, and may reduce the duration of both the initial ballot and the recirculation ballots to as few as 5 days.

If a standard is adopted through an urgent or emergency action, one of the following actions must occur:

- If the urgent or emergency action standard is to be made permanent without substantive changes, then the standard must proceed through the regular standards development process to be balloted by stakeholders within one year of the urgent or emergency action approval by stakeholders.
- If the urgent or emergency action standard is to be substantively revised or replaced by a new standard, then a request for the new or revised standard must be initiated as soon as practical after the urgent or emergency action ballot and the standard must proceed through the regular standards development process to be balloted by stakeholders as soon as practical within two years of the urgent or emergency action approval by stakeholders.
- The urgent or emergency action standard may be withdrawn through the regular process by a ballot of the stakeholders within two years.

Interpretations of Standards

All persons who are directly and materially affected by the reliability of the North American bulk power systems shall be permitted to request an interpretation of the standard. The person requesting an interpretation will send a request to the standards process manager explaining the specific circumstances surrounding the request and what clarifications are required as applied to those circumstances. The request should indicate the material impact to the requesting party or others caused by the lack of clarity or a possibly incorrect interpretation of the standard.

The standards process manager will assemble a team with the relevant expertise to address the clarification. The standards process manager shall also form a ballot pool.

As soon as practical (not more than 45 days), the team will draft a written interpretation to the standard addressing the issues raised. Balloting shall take place as described in Step 9 of this procedure. If approved, the interpretation is appended to the standard and shall be filed with the applicable regulatory authorities and becomes effective when approved by those regulatory authorities. The interpretation will stand until such time as the standard is revised through the normal process, at which time the standard will be modified to incorporate the clarifications provided by the interpretation.

Variances to NERC Reliability Standards

Regional reliability organizations, regional entities, regional transmission organizations, market operators and other bulk power system owners, operators, and users may have valid justification to request approval for a variance from a NERC reliability standard. For example, there may be a need for a variance based on a physical difference in the bulk power system.

All variances from NERC reliability standards that are approved by NERC shall be made part of NERC reliability standards. No variances shall be permitted without approval of NERC. No regional entity or bulk power system owner, operator, or user shall claim an exemption to a NERC reliability standard without approval of such a variance through the applicable procedure described below:

- **Entity Variance** — Any variance from a NERC reliability standard that is proposed to apply to one entity or a subset of entities within a limited portion of a regional entity, such as a variance that would apply to a regional transmission organization or particular market or to a subset of bulk power system owners, operators, or users, shall be approved through the regular standards development process defined in the NERC *Reliability Standards Development Procedure* and shall be made part of the applicable NERC reliability standard.

- **Regional Variance Less Than an Interconnection** — Any regional variance from a NERC reliability standard that is proposed to apply for a regional entity, but not for an interconnection, shall be approved through the NERC *Reliability Standards Development Procedure*, except that only members of the registered ballot body located in the affected interconnection shall be permitted to vote; and the variance shall be made part of the applicable NERC reliability standard.

- **Regional Variance on an Interconnection-wide Basis** — An interconnection-wide regional variance from a NERC reliability standard that is determined by NERC to be just, reasonable, and not unduly discriminatory or preferential, and in the public interest, and consistent with other applicable standards of governmental authorities shall be made part of the NERC reliability standard. NERC shall rebuttably presume that a regional variance from a NERC reliability standard that is developed, in accordance with a procedure approved by NERC, by a regional entity organized on an interconnection-wide basis, is just, reasonable, and not unduly discriminatory or preferential, and in the public interest.

Variances should be identified and considered when a SAR is posted for comment. Variances should also be considered in the drafting of a standard, with the intent to make any necessary variances a part of the initial development of a standard. The public posting allows for all impacted parties to identify the requirements of a NERC reliability standard that might require a variance.

Appeals

Persons who have directly and materially affected interests and who have been or will be adversely affected by any substantive or procedural action or inaction related to the development, approval, revision, reaffirmation, or withdrawal of a reliability standard shall have the right to appeal. This appeals process applies only to the NERC reliability standards process as defined in this procedure.

The burden of proof to show adverse effect shall be on the appellant. Appeals shall be made within 30 days of the date of the action purported to cause the adverse effect, except appeals for inaction, which

may be made at any time. In all cases, the request for appeal must be made prior to the next step in the process.

The final decisions of any appeal shall be documented in writing and made public.

The appeals process provides two levels, with the goal of expeditiously resolving the issue to the satisfaction of the participants:

Level 1 Appeal

Level 1 is the required first step in the appeals process. The appellant submits to the standards process manager a complaint in writing that describes the substantive or procedural action or inaction associated with a reliability standard or the standards process. The appellant describes in the complaint the actual or potential adverse impact to the appellant. Assisted by any necessary staff and committee resources, the standards process manager shall prepare a written response addressed to the appellant as soon as practical but not more than 45 days after receipt of the complaint. If the appellant accepts the response as a satisfactory resolution of the issue, both the complaint and response will be made a part of the public record associated with the standard.

Level 2 Appeal

If after the Level 1 Appeal the appellant remains unsatisfied with the resolution, as indicated by the appellant in writing to the standards process manager, the standards process manager shall convene a Level 2 Appeals Panel. This panel shall consist of five members total appointed by the Board of Trustees. In all cases, Level 2 Appeals Panel members shall have no direct affiliation with the participants in the appeal.

The standards process manager shall post the complaint and other relevant materials and provide at least 30 days notice of the meeting of the Level 2 Appeals Panel. In addition to the appellant, any person that is directly and materially affected by the substantive or procedural action or inaction referenced in the complaint shall be heard by the panel. The panel shall not consider any expansion of the scope of the appeal that was not presented in the Level 1 Appeal. The panel may in its decision find for the appellant and remand the issue to the Standards Committee with a statement of the issues and facts in regard to which fair and equitable action was not taken. The panel may find against the appellant with a specific statement of the facts that demonstrate fair and equitable treatment of the appellant and the appellant's objections. The panel may not, however, revise, approve, disapprove, or adopt a reliability standard, as these responsibilities remain with the standard's ballot pool and Board of Trustees respectively. The actions of the Level 2 Appeals Panel shall be publicly posted.

In addition to the foregoing, a procedural objection that has not been resolved may be submitted to the Board of Trustees for consideration at the time the board decides whether to adopt a particular reliability standard. The objection must be in writing, signed by an officer of the objecting entity, and contain a concise statement of the relief requested and a clear demonstration of the facts that justify that relief. The objection must be filed no later than 30 days after the announcement of the vote by the ballot pool on the reliability standard in question.

Maintenance of Reliability Standards and Process

Parliamentary Procedures

Except as required by this procedure or other NERC documents, all meetings conducted as part of the standards process shall be guided by the latest version of Robert's Rules of Order.

Process Revisions

Requests to Revise the Reliability Standards Development Procedure

Any person or entity, including the Standards Committee, may submit a written request to modify the Reliability Standards Development Procedure. The Standards Committee shall oversee the handling of the request. The Standards Committee shall prioritize all requests, merge related requests, and respond to each requester within 90 days. The Standards Committee shall classify each request into one of two types: 1) a procedural/administrative revision, or 2) a change affecting one or more "fundamental tenets" (described later).

Abbreviated Process for Procedural/Administrative Changes

The Standards Committee shall handle all procedural/administrative requests using an abbreviated process described here. The Standards Committee shall post all proposed procedural/administrative revisions to the Reliability Standards Development Procedure for a 30-day public comment period. The Standards Committee shall consider all comments received and modify the proposed revisions as needed. Based on the degree of consensus for the revisions, the Standards Committee may:

a. Submit the revised procedure directly to the board for adoption;

b. Submit the revised procedure for ballot pool approval prior to submitting it for board adoption (the regular voting process in the procedure, including a recirculation ballot if needed, would be used and the results of the ballot would be binding on the decision to move the revisions to the board or not);

c. Propose additional changes and repeat the posting for further comment;

d. Remand the proposal to the requester for further work; or

e. Reject the proposal.

f. The Standards Committee shall post any proposed revisions submitted for board adoption for a period of 30 days prior to board action. The Standards Committee shall submit to the board a description of the basis for the procedure changes, a summary of the comments received, and any minority views expressed in the comment process. The proposed procedure revisions will be effective upon board adoption, or another date designated by the board.

Fundamental Tenets

Certain provisions of the Reliability Standards Development Procedure are considered fundamental tenets and shall be handled using the full approval process described below. These fundamental tenets shall be modifiable only by approval of the Registered Ballot Body as indicated by vote of a ballot pool. These fundamental tenets include the following:

- Purpose (page 5)

- Authority (page 5)
- Definition of a Reliability Standard (page 7)
- Characteristics of a Reliability Standard (page 7)
- Elements of a Reliability Standard (page 7)
- Registered Ballot Body (page 12)
- Ballot Pool (page 13)
- Committees, Subcommittees, Working Groups, and Task Forces (page 13)
- Reliability Standards Consensus Development Process (page 15)
- Step 9 — Ballot the New or Revised Standard (pages 22-25)
- Step 10 — Adoption of the Reliability Standard by the Board (pages 25–26)
- Special Procedures (pages 28-30)
- Variances to NERC Reliability Standards (page 31)
- Criteria for regional variances (page 31)
- Appeals (pages 31–32)
- Process Revisions (pages 32–35)
- Registration Procedures (page 42)
- Segment Qualification Guidelines (pages 42–43)
- Segments (pages 43–44)

Process for Changing Fundamental Tenets

When proceeding with a proposed revision to the Reliability Standards Development Procedure affecting one or more fundamental tenets, the Standards Committee shall use a full approval process. The Standards Committee shall post the proposed revisions for a 45-day public comment period. Based on the degree of consensus for the revisions, the Standards Committee may:

a. Submit the revised procedure for ballot pool approval;

b. Repeat the posting for additional inputs after making changes based on comments received;

c. Remand the proposal to the requester for further work; or

d. Reject the proposal.

The Registered Ballot Body shall be represented by a ballot pool. The ballot procedure shall be the same as that defined for approval of a standard, including the use of a recirculation ballot if needed. If the proposed revision is approved by the ballot pool, the Standards Committee shall submit the revised procedure to the board for adoption. The Standards Committee shall post any proposed revisions submitted for board adoption for a period of 30 days prior to board action. The Standards Committee shall submit to the board a description of the basis for the procedure changes, a summary of the comments received, and any minority views expressed in the comment and ballot process. The proposed procedure revisions will be effective upon board adoption, or another date designated by the board.

The Board of Trustees endorsed the industry segments and weighted segment voting model described in Appendix B of the Reliability Standards Development Procedure and reserves the right to change the segments and the weighted segment voting model from time to time at its discretion. This does not preclude others from requesting a change to the segments or weighted segment voting model through the process described here.

Appeals

Persons who have directly or materially affected interests and who have been or will be adversely affected by any substantive or procedural action or inaction related to revision of the Reliability Standards Development Procedure shall have the right to appeal, using the process described under appeals.

Standards Process Accreditation

NERC shall seek continuing ANSI accreditation of the standards process defined by this procedure. The standards process manager shall be responsible for administering the accreditation application and maintenance process. NERC staff shall submit revisions to the Reliability Standards Development Procedure to ANSI as needed to maintain NERC's status as an ANSI-accredited standards developer.

Five-Year Review

Each reliability standard shall be reviewed at least once every five years from the effective date of the standard or the latest revision to the standard, whichever is later. The standard process manager shall recommend to the Standards Committee a schedule and plan for the five-year review of reliability standards.

The Standards Committee shall, using the drafting team procedures described previously, appoint one or more review teams of technical experts. As a result of this review, each review team shall recommend and provide justification to the Standards Committee that the reliability standard should be reaffirmed, revised, or withdrawn. The review team shall post its recommendations for public comment and provide the public comments to the Standards Committee for consideration.

The Standards Committee may, upon review of the documentation supporting the justification, accept a recommendation to reaffirm the standard. The reaffirmation shall be submitted to the Board of Trustees for approval. In the case of reaffirmation of a standard, the standard will remain in effect until the next five-year review or until the standard is otherwise modified or withdrawn by a separate action. Reaffirmation does not require approval by stakeholder ballot, although reaffirmation does not preclude any person or entity from requesting to modify or withdraw a standard at any time by submitting a SAR into the regular process.

If the review team recommends a standard should be modified or withdrawn, the team shall initiate a SAR with such a proposal and the SAR shall be acted upon in accordance with this standards development procedure. Each existing standard recommended for modification or withdrawal shall remain in effect until the action to modify or withdraw the standard is approved by a ballot of the stakeholders, the Board of Trustees, and any applicable governmental authorities.

Online Standards Information System

The standards process manager shall be responsible for maintaining an electronic database of information regarding currently proposed and currently in effect reliability standards. This information shall include current standards in effect, proposed revisions to standards, and proposed new standards. This

information shall provide a record, for at a minimum the previous five years, of the review and approval process for each reliability standard, including public comments received during the development and approval process. This information shall be available through public internet access.

Archived Standards Information

The standards process manager shall be responsible for maintaining a historical record of reliability standards information that is no longer maintained online. For example, standards that expired or were replaced may be removed from the online system. Also, SARs that are no longer being considered in the standards process may be placed in the archived records. Archived information shall be retained indefinitely as practical, but in no case less than five years or one complete standard cycle from the date on which the standard was no longer in effect. Archived records of standards information shall be available electronically within 30 days following the receipt by the standards process manager of a written request.

Numbering System

The standards process manager shall establish and maintain a system of identification numbers that allow reliability standards to be categorized and easily referenced.

Supporting Documents

The following documents may be developed to support a reliability standard. These documents may explain or facilitate implementation of standards but do not themselves contain mandatory requirements subject to compliance review. Any requirements that are mandatory shall be incorporated into the standard in the standard development process. For example, a procedure that must be followed as written must be incorporated into a reliability standard. If the procedure defines one way, but not necessarily the only way, to implement a standard it is more appropriately a reference.

The Standards Committee shall authorize the posting of all supporting references to be posted with or referenced from the standards. This does not imply the Standards Committee must approve each such reference or its contents. Such authorization may be granted at any time during the development or implementation of the standard.

Type of Document	Description
Implementation Plan	The implementation plan shall describe when the standard will become effective. If the implementation is to be phased, the plan will describe which elements of the standard are to be applied to each class of responsible entities, and when. The plan will describe any deployment considerations unique to the standard, such as computer applications, measurement devices, databases, or training, as well as any other special steps necessary to prepare for and initially implement the standard.
Reference	Descriptive, technical information or analysis or explanatory information to support the understanding and interpretation of a reliability standard. A standard reference may support the implementation of a reliability standard or satisfy another purpose consistent with the reliability and market interface principles.
Supplement	Data forms, pro forma documents, and associated instructions that support the implementation of a reliability standard.
Training Material	Training materials that may support the implementation of a reliability standard or satisfy another purpose consistent with the reliability and market interface principles.
Procedure	Step-wise instructions defining a particular process or operation. Procedures may support the implementation of a reliability standard or satisfy another purpose consistent with the reliability and market interface principles.
White Paper	An informal paper stating a position or concept. A white paper may be used to propose preliminary concepts for a standard or one of the documents above.

Appendix A — Information in a Standard Authorization Request

The table below provides a representative example[10] of information in a Standard Authorization Request. The standards process manager shall be responsible for implementing and maintaining a form similar to this template, as needed to support the information requirements of the standards process.

Standard Authorization Request Form

Title of Proposed Standard:
Request Date:

SAR Requester Information

Name:	***SAR Type (Check one box.)***	
Company:	☐	New Standard
Telephone:	☐	Revision to Existing Standard
Fax:	☐	Withdrawal of Existing Standard
E-mail:	☐	Urgent Action

Purpose *(Describe the purpose of the proposed standard – what the standard will achieve in support of reliability.)*

Industry Need *(Provide a detailed statement justifying the need for the proposed standard, along with any supporting documentation.**)***

[10] The latest version of this form can be downloaded from the NERC standards development Web page: http://www.nerc.com/~filez/sar.html

Brief Description *(Describe the proposed standard in sufficient detail to clearly define the scope in a manner that can be easily understood by others.)*

Reliability Functions

The Standard will Apply to the Following Functions (Check all applicable boxes.)		
☐	Reliability Coordinator	The entity that is the highest level of authority who is responsible for the reliable operation of the Bulk Electric System, has the Wide Area view of the Bulk Electric System, and has the operating tools, processes and procedures, including the authority to prevent or mitigate emergency operating situations in both next-day analysis and real-time operations. The Reliability Coordinator has the purview that is broad enough to enable the calculation of Interconnection Reliability Operating Limits, which may be based on the operating parameters of transmission systems beyond any Transmission Operator's vision.
☐	Balancing Authority	The responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports Interconnection frequency in real time.
☐	Interchange Authority	Authorizes valid and balanced Interchange Schedules.
☐	Planning Authority	The responsible entity that coordinates and integrates transmission facility and service plans, resource plans, and protection systems.
☐	Transmission Service Provider	The entity that administers the transmission tariff and provides Transmission Service to Transmission Customers under applicable transmission service agreements.
☐	Transmission Owner	The entity that owns and maintains transmission facilities.
☐	Transmission Operator	The entity responsible for the reliability of its "local" transmission system, and that operates or directs the operations of the transmission facilities.
☐	Transmission Planner	The entity that develops a long-term (generally one year and beyond) plan for the reliability (adequacy) of the interconnected bulk electric transmission systems within its portion of the Planning Authority Area.
☐	Resource Planner	The entity that develops a long-term (generally one year and beyond) plan for the resource adequacy of specific loads (customer demand and energy requirements) within a Planning Authority Area.
☐	Generator Operator	The entity that operates generating unit(s) and performs the functions of supplying energy and Interconnected Operations Services.
☐	Generator Owner	Entity that owns and maintains generating units.
☐	Purchasing-Selling Entity	The entity that purchases or sells, and takes title to, energy, capacity, and Interconnected Operations Services. Purchasing-Selling Entities may be affiliated or unaffiliated merchants and may or may not own generating facilities.

☐	Distribution Provider	Provides and operates the "wires" between the transmission system and the customer.
☐	Load-Serving Entity	Secures energy and transmission service (and related Interconnected Operations Services) to serve the electrical demand and energy requirements of its end-use customers.

Reliability and Market Interface Principles

Applicable Reliability Principles (Check all boxes that apply.)	
☐	1. Interconnected bulk power systems shall be planned and operated in a coordinated manner to perform reliably under normal and abnormal conditions as defined in the NERC Standards.
☐	2. The frequency and voltage of interconnected bulk power systems shall be controlled within defined limits through the balancing of real and reactive power supply and demand.
☐	3. Information necessary for the planning and operation of interconnected bulk power systems shall be made available to those entities responsible for planning and operating the systems reliably.
☐	4. Plans for emergency operation and system restoration of interconnected bulk power systems shall be developed, coordinated, maintained, and implemented.
☐	5. Facilities for communication, monitoring, and control shall be provided, used, and maintained for the reliability of interconnected bulk power systems.
☐	6. Personnel responsible for planning and operating interconnected bulk power systems shall be trained, qualified, and have the responsibility and authority to implement actions.
☐	7. The reliability of the interconnected bulk power systems shall be assessed, monitored, and maintained on a wide-area basis.
☐	8. Bulk power systems shall be protected from malicious physical or cyber attacks.
Does the proposed Standard comply with all of the following Market Interface Principles? *(Select 'yes' or 'no' from the drop-down box.)*	
Recognizing that reliability is an essential requirement of a robust North American economy:	
1. A reliability standard shall not give any market participant an unfair competitive advantage.Yes	
2. A reliability standard shall neither mandate nor prohibit any specific market structure. Yes	
3. A reliability standard shall not preclude market solutions to achieving compliance with that standard. Yes	
4. A reliability standard shall not require the public disclosure of commercially sensitive information. All market participants shall have equal opportunity to access commercially non-sensitive information that is required for compliance with reliability standards. Yes	

Detailed Description *(Provide enough detail so that an independent entity familiar with the industry could draft a standard based on this description.)*

Related Standards

Standard No.	***Explanation***

Related SARs

SAR ID	***Explanation***

Regional Variances

Region	***Explanation***
ERCOT	
FRCC	
MRO	
NPCC	
RFC	
SERC	
SPP	
WECC	

Appendix B — Development of the Registered Ballot Body[11]

Registration Procedures

The Registered Ballot Body comprises all organizations and entities that:

1. Qualify for one of the segments, and
2. Are registered with NERC as potential ballot participants in the voting on standards, and
3. Are current with any designated fees.

Each participant, when initially registering to join the Registered Ballot Body, and annually thereafter, will self-select to belong to one of the segments described above.

NERC general counsel will review all applications for joining the Registered Ballot Body, and make a determination of whether the self-selection satisfies at least one of the guidelines to belong to that segment. The entity will then be "credentialed" to participate as a voting member of that segment. The Standards Committee will decide disputes, with an appeal to the Board of Trustees.

All registrations will be done electronically.

Segment Qualification Guidelines

The segment qualification guidelines are inclusive; i.e., any entity with a legitimate interest in the reliability of the bulk power system that can meet any one of the guidelines for a segment is entitled to belong to and vote in that segment.

The general guidelines for all segments are:

- Corporations or organizations with integrated operations or with affiliates that qualify to belong to more than one segment (e.g., transmission owners and load serving entities) may belong to each of the segments in which they qualify, provided that each segment constitutes a separate membership and is represented by a different representative.
- At any given time, affiliated entities may collectively be registered only once within a segment.
- Any person or entity, such as a consultant or vendor, providing products or services related to bulk power system reliability within the previous 12 months to another entity eligible to join Segments 1 to 7 shall be qualified to join any one segment for which one of the entities receiving those products or services is qualified to join.
- Corporations, organizations, and entities may participate freely in all subgroups.

[11] The segment qualification guidelines were proposed in the final report of the NERC Standing Committees Representation Task Force on February 7, 2002. The Board of Trustees endorsed the industry segments and weighted segment voting model on February 20, 2002 and may change the model from time to time. The latest version (approved or endorsed by the NERC Board of Trustees) shall be used in the NERC Reliability Standards Development Procedure.

- After their initial selection, registered participants may apply to change segments annually, according to a defined schedule.
- The qualification guidelines and rules for joining segments will be reviewed periodically to ensure that the process continues to be fair, open, balanced, and inclusive. Public input will be solicited in the review of these guidelines.
- Since all balloting of standards will be done electronically, any registered participant may designate a proxy to vote on its behalf. There are no limits on how many proxies a person may hold. However, NERC must have in its possession, either in writing or by email, documentation that the voting right by proxy has been transferred.

Segments

Segment 1. Transmission Owners

a. Any entity that owns or controls at least 200 circuit miles of integrated transmission facilities, or has an Open Access Transmission Tariff or equivalent on file with a regulatory authority.

b. Transmission owners that have placed their transmission under the operational control of an RTO.

c. Independent transmission companies or organizations, merchant transmission developers, and transcos that are not RTOs.

d. Excludes RTOs and ISOs (that are eligible to join to Segment 2).

Segment 2. Regional Transmission Organizations (RTOs) and Independent System Operators (ISOs)

a. Any entity authorized by appropriate governmental authority to operate as an RTO or ISO.

Segment 3. Load-Serving Entities (LSEs)

a. Entities serving end-use customers under a regulated tariff, a contract governed by a regulatory tariff, or other legal obligation to serve.

b. A member of a generation and transmission (G&T) cooperative or a joint-action agency is permitted to designate the G&T or joint-action agency to represent it in this segment; such designation does not preclude the G&T or joint-action agency from participation and voting in another segment representing its direct interests.

Segment 4. Transmission Dependent Utilities (TDUs)

a. Entities with a regulatory, contractual, or other legal obligation to serve wholesale aggregators or customers or end-use customers and that depend primarily on the transmission systems of third parties to provide this service.

b. Agents or associations can represent groups of TDUs.

Segment 5. Electric Generators

a. Affiliated and independent generators.

b. A corporation that sets up separate corporate entities for each one or two generating plants in which it is involved may only have one vote in this segment regardless of how many single-plant or two-plant corporations the parent corporation has established or is involved in.

Segment 6. Electricity Brokers, Aggregators, and Marketers

a. Entities serving end-use customers under a power marketing agreement or other authorization not classified as a regulated tariff.

b. An entity that buys, sells, or brokers energy and related services for resale in wholesale or retail markets, whether a non-jurisdictional entity operating within its charter or an entity licensed by a jurisdictional regulator.

c. G&T cooperatives and joint-action agencies that perform an electricity broker, aggregator, or marketer function are permitted to belong to this segment.

Segment 7. Large Electricity End Users

a. At least one service delivery taken at 50 kV (radial supply or facilities dedicated to serve customers) that is not purchased for resale.

b. A single customer with an average aggregated service load (not purchased for resale) of at least 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility.

c. Agents or associations can represent groups of large end users.

Segment 8. Small Electricity Users

a. Service taken at below 50 kV.

b. A single customer with an average aggregated service load (not purchased for resale) of less than 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility.

c. Agents, state consumer advocates, or other advocate groups can represent groups of small customers.

d. Any entity or person currently employed by an entity that is eligible to join one or more of the other eight segments, shall not be qualified to join Segment 8.

Segment 9. Federal, State, and Provincial Regulatory or other Government Entities

a. Does not include federal power management agencies or the Tennessee Valley Authority.

b. May include public utility commissions.

Segment 10. Regional Reliability Organizations and Regional Entities

a. Any entity that is a regional reliability organization or regional entity, as defined in NERC's Bylaws. It is recognized that there may be instances in which an entity is both an RTO or ISO and a regional entity or regional reliability organization. In such a case, the two functions must be sufficiently independent to meet NERC's Rules of Procedure and applicable regulatory requirements, as evidenced by the approval of a regional entity delegation agreement. Without such an approval, the entity shall be limited to choosing to enter one segment or the other, but not both.

Appendix C — Examples of Weighted Segment Voting Calculation

(Assumptions on numbers of entities are purely hypothetical and used only for illustrative purposes.)

Ballot Body and Pools

Segment	*Registered Ballot Body*	*Ballot Pools*	
		Standard #1	*Standard #2*
1. Transmission Owners	300	250	100
2. RTOs and ISOs	10	10	8
3. LSEs	200	100	50
4. TDUs	100	75	50
5. Electric Generators	25	20	25
6. Brokers, Aggregators, and Marketers	10	10	10
7. Large End-Use Customers	5	1	4
8. Small End-Use Customers	25	10	5
9. Regulators or Other Government Entities	50	10	15
10. RROs and REs	10	10	8
Totals	**735**	**496**	**279**

Example 1

Segment	*Ballot Pool*	*Votes*				*Abstain*	*No Ballot*
		Affirmative		*Negative*			
		# Votes	Fraction	# Votes	Fraction	# Votes	
1	250	200	0.833	40	0.167	10	0
2	10	8	0.800	2	0.200	0	0
3	100	60	0.632	35	0.368	5	0
4	75	50	0.714	20	0.286	0	5
5	20	7	0.412	10	0.588	2	1
6	10	6	0.600	4	0.400	0	0
7	1	0		0		1	0
8	10	0		0		0	10
9	10	8	0.800	2	0.200	0	0
10	10	7	0.700	3	0.300	0	0
Totals	**496**	**346**	**5.491**	**116**	**2.509**	**18**	**16**

Weighted segment vote is greater than two thirds AND more than 75% of the Standard ballot pool returned a ballot. Standard is approved.

No "Affirmative" or "Negative" votes cast, so segments not counted in total weighting.

Ballots	**480**	**96.8%**				
Wtd Vote			**0.686**		**0.314**	

Percent ballots returned
= (480/496) x 100
= 96.8%

Weighted segment vote
= (Total Fraction) / (Segments Counted)
= 5.491 / 8

Example 2

Segment	*Ballot Pool*	*Votes*				*Abstain*	*No Ballot*
		Affirmative		*Negative*			
		# Votes	Fraction	# Votes	Fraction	# Votes	
1	100	25	1.000	0	0.000	0	75
2	8	6	.8*0.750	2	.8*0.250	0	0
3	50	30	0.600	20	0.400	0	0
4	50	25	0.833	5	0.167	0	20
5	25	18	0.783	5	0.217	2	
6	10	6	0.600	4	0.400	0	
7	4	4	.4*1.000	0	.4*0.000	0	
8	5	5	.5*1.000	0	.5*0.000	0	
9	15	7	.7*1.000	0	.7*0.000	5	
10	8	8	.8*1.000	0	.8*0.000	0	0
Total	**275**	**134**	**6.816**	**36**	**1.384**	**7**	**98**
Ballots	**177**	**64.36%**					
Wtd Vote			**0.831**		**0.169**		

Weighted segment vote is greater than two thirds BUT less than 75% of the standard ballot pool returned a ballot. Standard is NOT approved due to lack of a quorum.

Segments with less than 10 votes (affirmative or negative) are discounted such that each vote counts 0.1 of the segment weight.

6.816/8.2 = .802 or 82.2 % approval. Denominator is reduced because Segment 2 counts .8; 7 counts 0.4; Segment 8 counts 0.5; Segment 9 counts 0.7; and Segment 10 counts .8.

EXHIBIT C

MAPPING OF RELIABILITY STANDARD DEVELOPMENT PROCEDURE, VERSION 7 ELEMENTS TO STANDARD PROCESSES MANUAL

Mapping of Reliability Standard Development Procedure Version 7 to Standard Processes Manual	
Reliability Standard Development Procedure Version 7	**Standard Processes Manual**
Introduction (Page 4) • Purpose • Authority • Background	**Introduction (Pages 3-4)** • Scope (Page 3) • Authority (Page 3) • Background (Page 3) • Essential Attributes of NERC's Standards Processes (Page 3-4)
Principles (Page 5) • Need for Guiding Principles • Reliability Principles • Market Principles	**Elements of a Reliability Standard (Pages 5-7)** • Reliability Principles (page 5) • Market Principles (Page 5)
Reliability Standard Definition, Characteristics, and Elements (Pages 6-11) • Definition of a Reliability Standard • Characteristics of a Reliability Standard • Elements of a Reliability Standard	• Definition of a Reliability Standard (Page 5) • Types of Reliability Requirements (Page 5) • Mandatory and Enforceable Sections of a Standard (Pages 6-7) • Informational Sections of a Standard (Page 6-7) • Compliance Elements Associated with a Standard (Page 7)
Roles in the Reliability Standards Development Procedure (Pages 12-14) • Nomination, Revision, or Withdrawal of a Standard • Process Roles	**Standards Program Organization (Pages 8-10)** *(Process Roles)*

Mapping of Reliability Standard Development Procedure Version 7 to Standard Processes Manual	
Reliability Standard Development Procedure Version 7	**Standard Processes Manual**
Reliability Standards Consensus Development Process (Pages 15-27) • Overview • Step 1 – Request a Standard or Revision to an Existing Standard • Step 2 – Solicit Public Comments on the SAR • Step 3 – Authorization to Proceed with Drafting a New or Revised Standard • Step 4 – Appoint Standard Drafting Team • Step 5 – Draft New or Revised Standards • Step 6 – Solicit Public Comments on Draft Standard, VRFs, and VSLs • Step 7 – Field Testing • Step 8 – Analysis of the Comments and Field Test Results • Step 9 – Ballot the New or Revised Standard • Step 10 – Adoption of the Reliability Standard by the Board and Approval of VRFs and VSLs • Step 11 – Implementation • Process Diagram	**Process for Developing, Modifying, or Retiring a Standard (Pages 11-21)** • Process diagram (Page 11) • Process for Developing, Modifying, or Retiring a Standard (Pages 11-21) • Posting & Collecting Information on SARS (Pages 12-13) • Form Drafting Team (Page 14) • Develop Preliminary Draft of Standard, Implementation Plan, VRFs and VSLs (Pages 14-15) • Solicit Informal Feedback (Page 15) • Conduct Quality Review (Pages 15-16) • Conduct Formal Comment Periods (Pages 16-17) • Form Ballot Pool (Page 17) • Conduct Initial Ballot and Non-binding Poll (Page 17) • Consider and Respond to Stakeholder and Balloter Comments (Pages 17-19) • Conduct Recirculation (Final) Ballot (Pages 19-20) • Board of Trustee Adoption of Standards and Implementation Plans (Page 20) • Board of Trustee Approval of VRFs and VSLs (Page 20) • Governmental Approvals (Page 21) • Compliance (Page 21)
	Process for Developing a Defined Term (Pages 22-24)
	Processes for Conducting Field Tests and Collecting and Analyzing Data (Pages 25-26)
Special Procedures (Pages 28-32) • Urgent Actions • Interpretations of Standards • Variances to NERC Reliability Standards • Appeals	**Expedited Standards Development Process (Page 33)** **Process for Developing a Standard Related to a Confidential Issue (Pages 34-39)** **Process for Developing an Interpretation (Pages 27-29)** **Process for Developing a Variance (Page 32)**
	Processes for Developing a Standard Related to a Confidential Issue (Pages 34-38)
Maintenance of Reliability Standards and Process (Pages 33-36) Parliamentary Procedures • Process Revisions • Appeals • Standards Process Accreditation	**Process for Updating Standards Processes (Page 43)** **Process for Appealing an Action or Inaction (Pages 30-31)** **Process for Conducting Five-Year Review (Page 41)**

Mapping of Reliability Standard Development Procedure Version 7 to Standard Processes Manual	
Reliability Standard Development Procedure Version 7	**Standard Processes Manual**
• Five-year Review • Online Standards Information System • Archived Standards Information • Numbering System	**Public Access to Standards Information (Page 42)**
	Process for Correcting Errata (Page 40)
Supporting Documents (Page 37)	**Process for Approving Supporting Documents (Page 39)**
Appendix A – Information in a Standards Authorization Request (Pages 38-41)	Added reference and link to web page where posted
Appendix B – Development of the Registered Ballot Body (Pages 42-44)	Added reference and link to web page where posted
Appendix C – Examples of Weighted Segment Voting Calculation (Pages 45-47)	Added reference and link to web page where posted